



Domestic Support Negotiations: State-of-Play

**WTO/ESCAP Regional Seminar on Agriculture
Negotiations for
Asia-Pacific Economies
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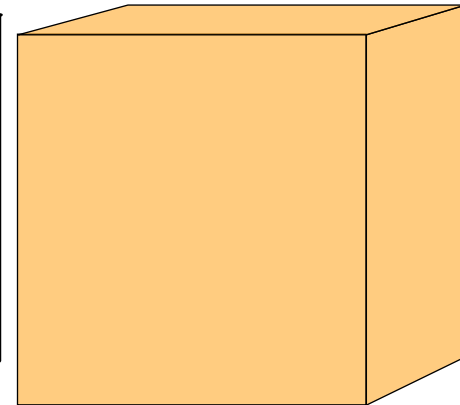
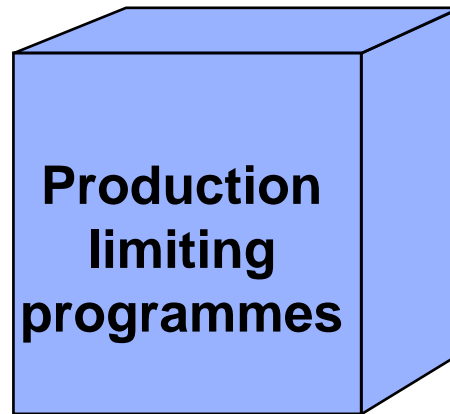
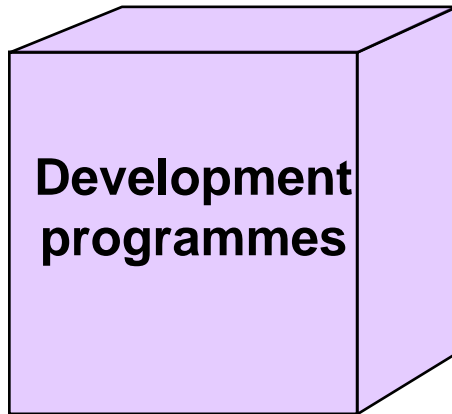
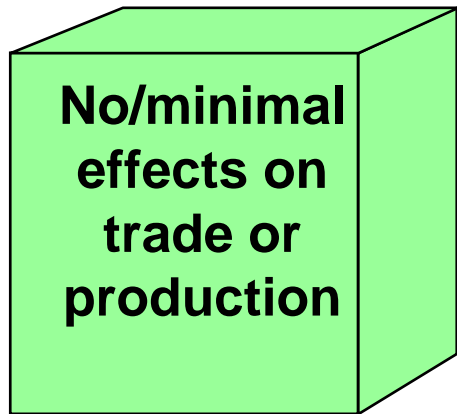


WTO OMC



Total domestic support

exempt from reduction



Green Box

Art. 6.2

Blue Box

**Amber
Box**



Green Box

General services (para. 2), including:

- research
- pest and disease control
- training
- extension/advisory services
- inspection
- marketing and promotion
- infrastructural services

Public stockholding for food security purposes (para. 3)

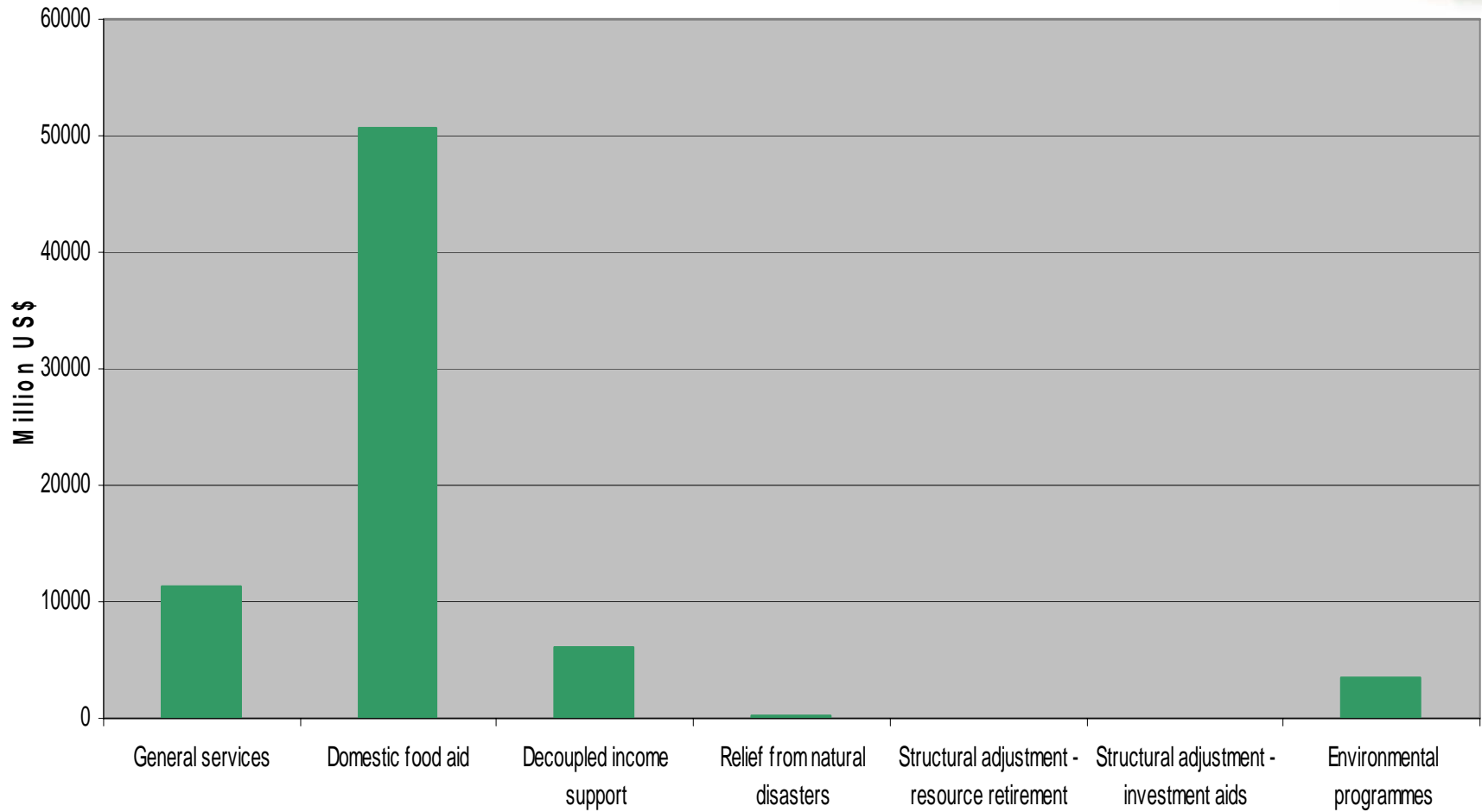
Domestic food aid (para. 4)

Direct payments (paras. 5-13), including:

- decoupled income support
- income insurance and income safety-net
- relief from natural disasters
- structural adjustment assistance
 - producer retirement
 - resource retirement
 - investment aids
- environmental programmes
- regional assistance programmes



Green Box - United States (2005)



Green Box



- measures can be used freely, as long as they meet Annex 2 criteria
- new programmes can be introduced and old ones can be modified
- continuous obligation to ensure that programmes are and remain Green



Blue Box

Direct payments under production-limiting programmes exempt from reduction if



- based on fixed area and yields; or
- made on $\leq 85\%$ of base level of production; or
- livestock payments are made on a fixed number of head

Examples:

EC –Per hectare compensatory payments for producers of maize, based on regional base areas

Japan – Rice farming income stabilisation programme

Norway – Structural income support to dairy farmers





Article 6.2

Development programmes exempt from reduction if:

Direct or indirect government assistance to encourage agricultural and rural development, integral part of development programme

- **investment subsidies** generally available to agriculture
- **input subsidies** generally available to low income or resource poor producers
- support to encourage **diversification from growing illicit narcotic crops**

Examples:

Bangladesh – 2% interest rebate for repayment of loan on schedule

Thailand – Farming input assistance programme

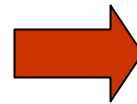
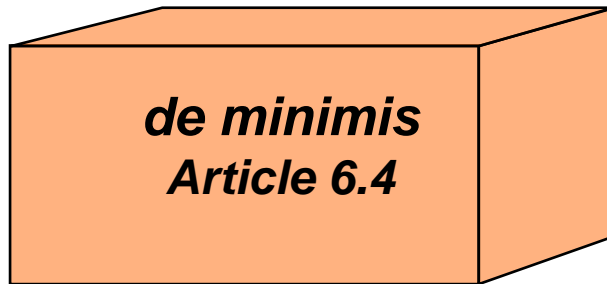
Brazil – Production credit; Investment credit; Debt rescheduling



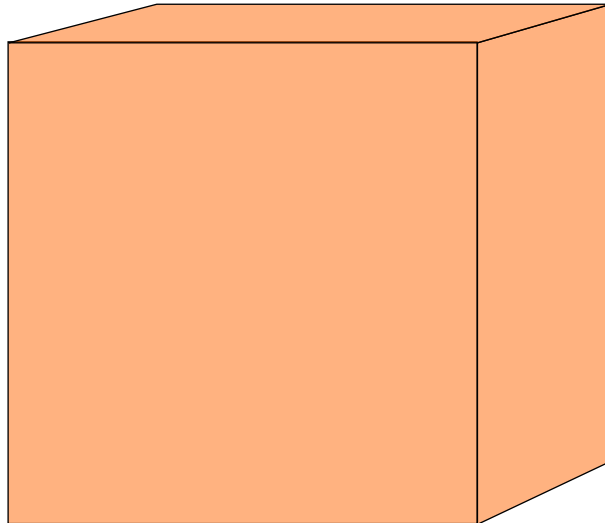


Amber Box

(<5% value of production)



**exempt from
reduction**



Current Total AMS



De minimis

ST/DS:5 - Market price support
ST/DS:6 - Non-exempt direct payments
(e.g. loan deficiency payments,
grants, compensatory payments)
ST/DS:7 - Other non-exempt measures
(e.g. input subsidies)
ST/DS:8 - All product-specific EMS



Product-specific support

But ... if within 5% of production value then zero



ST/DS:9
Water subsidies
Fertilizer subsidies
Crop insurance
Subsidized credits



Non-product-specific support

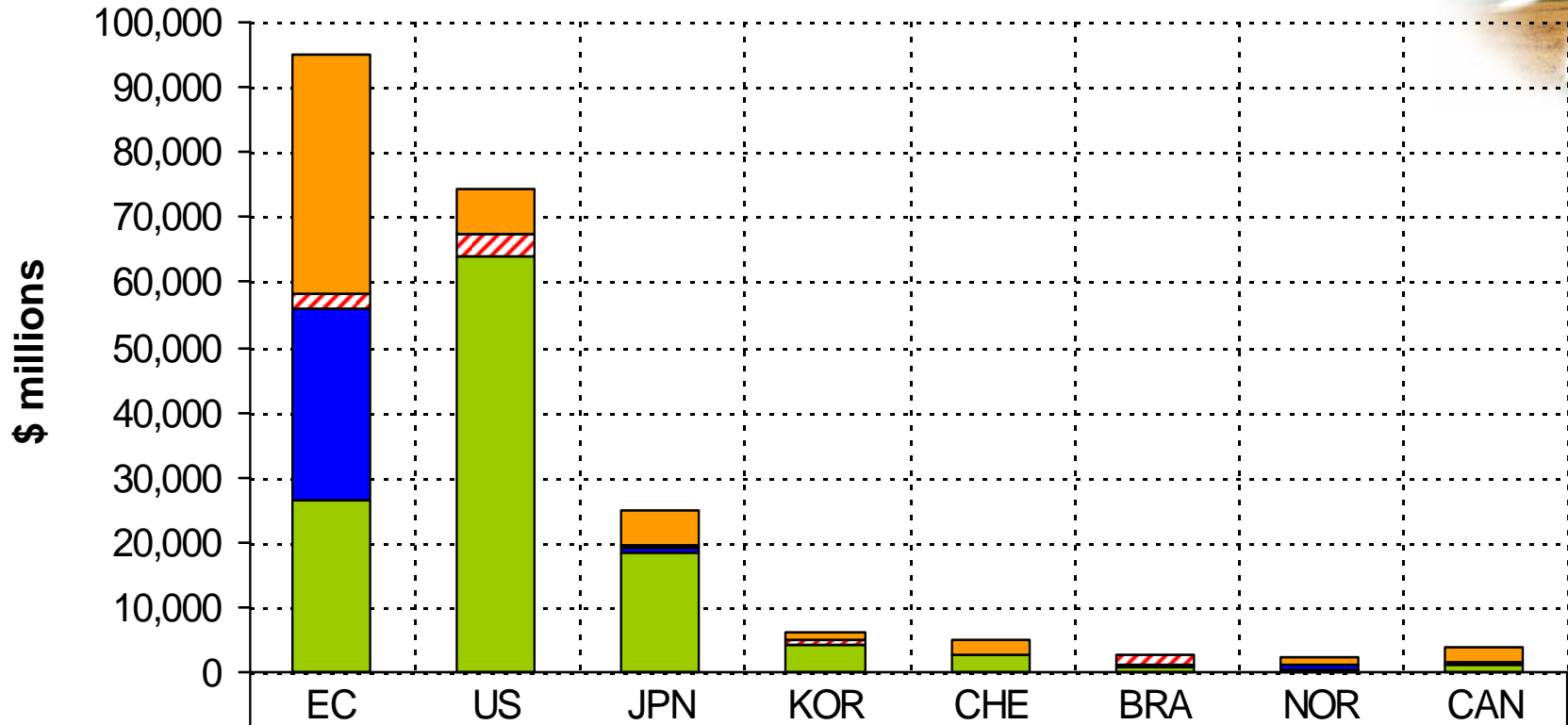
But ... if within 5% of total agricultural production value then zero



Current Total AMS

Developing country Members: de minimis percentage – 10%

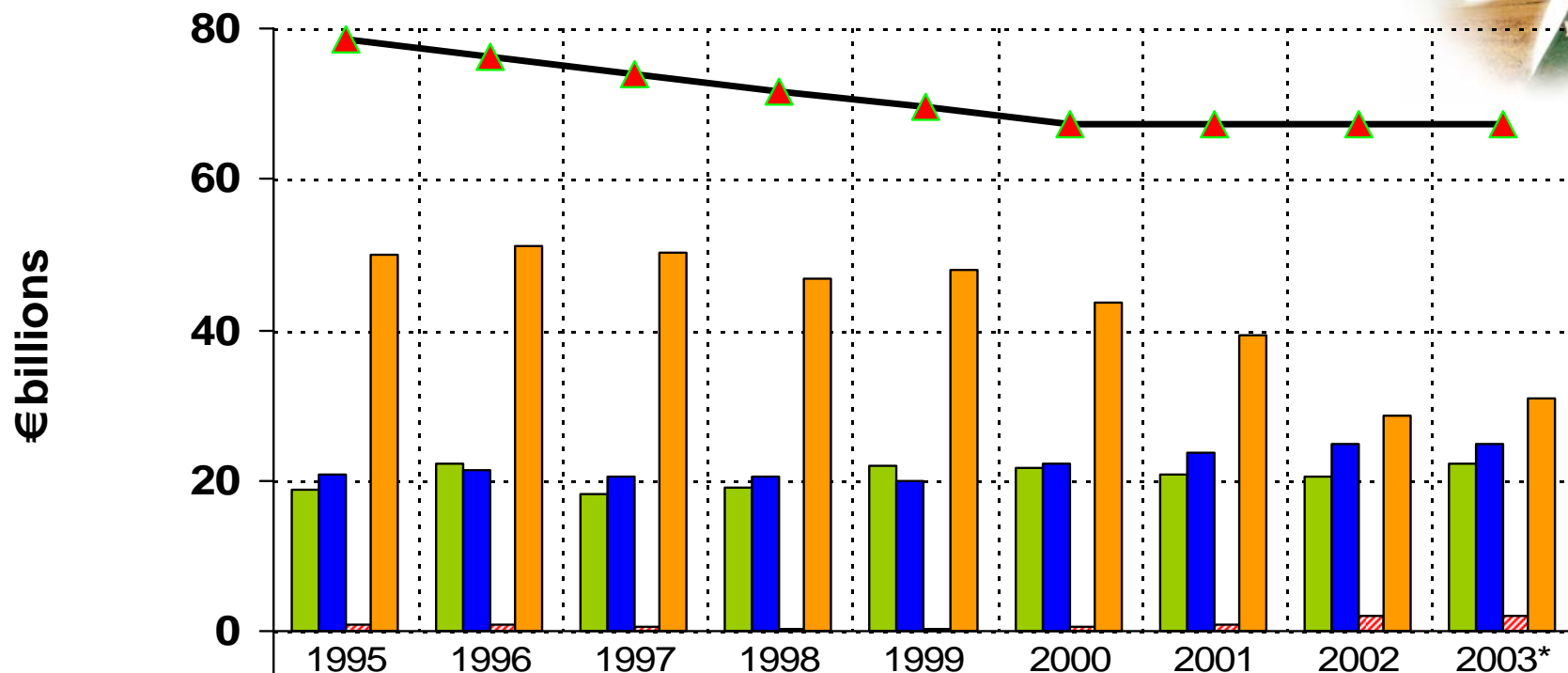
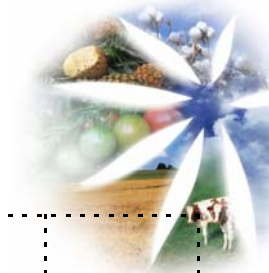
Categories of support - 2003



	EC	US	JPN	KOR	CHE	BRA	NOR	CAN
Current Total AMS	36,762	6,950	5,678	1,273	2,042	0	1,187	2,306
De minimis	2,326	3,226	310	512	-	1,319	-	254
Blue Box	29,502	-	603	-	-	-	813	-
Article 6.2	-	-	-	47	-	495	-	-
Green Box	26,279	64,062	18,457	4,249	2,764	820	479	1,141

Data for Norway are for 2001; data for Canada are for 2002.

European Communities

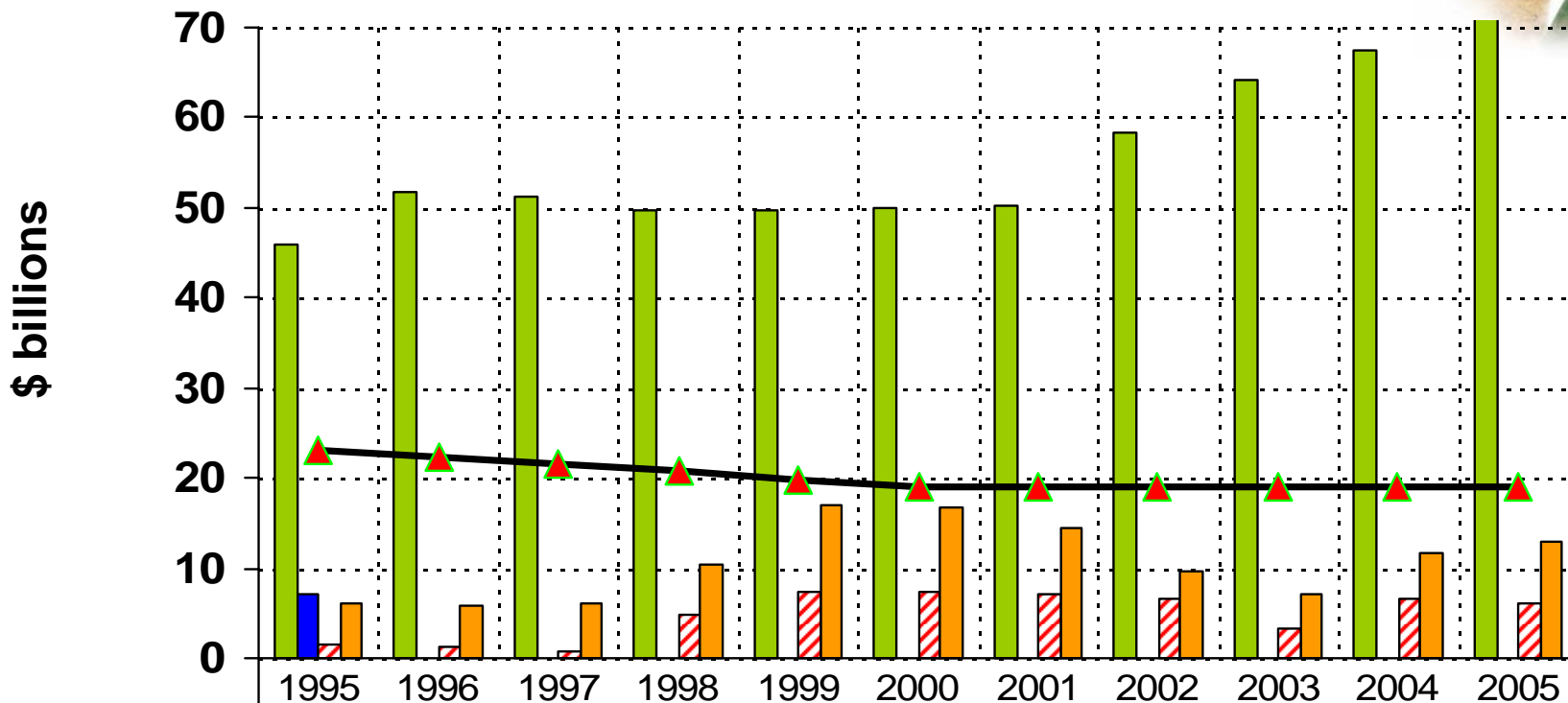


	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Green	18.8	22.1	18.2	19.2	21.9	21.8	20.7	20.4	22.1
Blue	20.8	21.5	20.4	20.5	19.8	22.2	23.7	24.7	24.8
De minimis	0.8	0.8	0.5	0.4	0.4	0.6	0.8	1.9	2.0
Current Total AMS	50.0	51.0	50.2	46.7	47.9	43.7	39.3	28.5	30.9
WTO limit	78.7	76.4	74.1	71.8	69.5	67.2	67.2	67.2	67.2

* This notification covers support to the European Union after enlargement on 1 May 2004. Price gap calculations are performed on EU25 production levels for a 12 month period and include direct payments to 25 member States. Total AMS commitment level for 2003 (€67,159 million) is without prejudice to the EC25 commitment to be presented in the new EC25 schedule after enlargement.



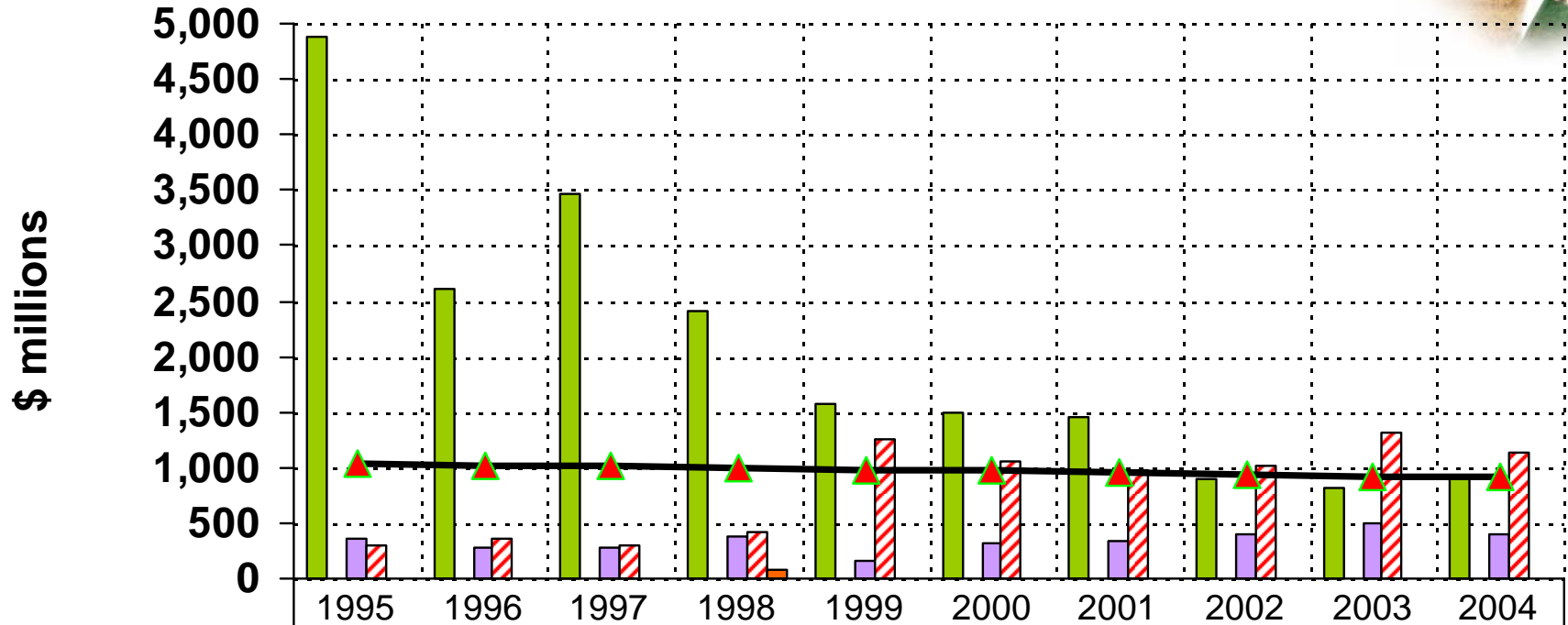
United States



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Green	46	51.8	51.3	49.8	49.7	50	50.1	58.3	64.1	67.4	71.8
Blue	7	0	0	0	0	0	0	0	0	0	0
De minimis	1.6	1.2	0.8	4.8	7.4	7.3	7	6.7	3.2	6.5	6
Current Total AMS	6.2	5.9	6.2	10.4	16.9	16.8	14.4	9.6	7	11.6	12.9
WTO limit	23.1	22.3	21.5	20.7	19.9	19.1	19.1	19.1	19.1	19.1	19.1



Brazil



Green	4,883	2,600	3,458	2,420	1,568	1,487	1,462	893	820	896
Blue	0	0	0	0	0	0	0	0	0	0
Article 6.2	359	269	281	373	156	310	332	393	495	394
De minimis	295	363	307	409	1,247	1,053	976	1,015	1,319	1,129
Current Total AMS	0	0	0	83	0	0	0	0	0	0
WTO limit	1,039	1,025	1,011	997	983	969	954	940	926	912

Domestic Support



- Not widely used by developing country Members – budget constraints
- Difficult to compete against large developed countries' treasuries
- Need to reduce developed countries' distorting practices:
 - Substantial reductions in trade-distorting domestic support (tiered formulae – overall level & Amber Box)
 - Product-specific AMS caps
 - Cap and new disciplines on Blue Box
 - Reductions in *de minimis*
 - Review and clarification of Green Box criteria
- Flexibilities for developing country Members:
 - Lower reductions and longer implementation periods
 - Continuation of Article 6.2 – Development Programmes
 - Specific exemptions from reductions

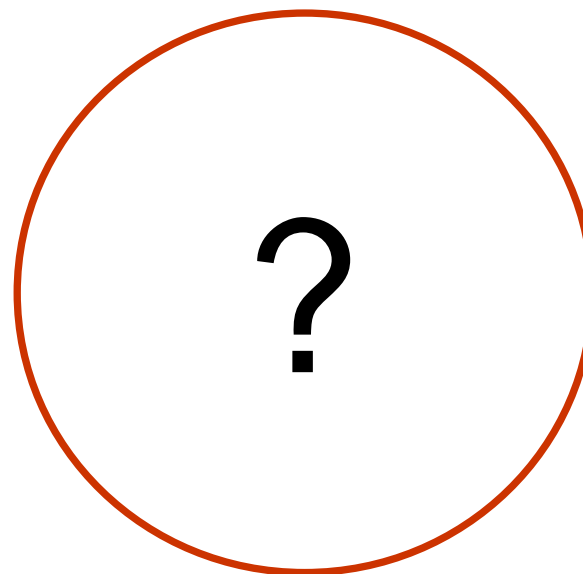
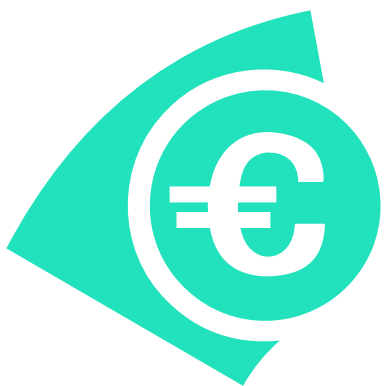


Negotiations

Objective

“... substantial reductions in trade-distorting domestic support ...”

How should we calculate reductions?





Trade-distorting domestic support

Final Bound Total AMS

+

10% of value of production
in the 1995-2000

+

The higher of
existing average Blue Box payments,
or 5% of the average total value production,
in 1995-2000 period

=

Base level

Trade-distorting domestic support



Tiered reduction formula

Band	Threshold (US\$ billion)	Cuts
1	60 + (EC)	75 - 85%
2	10-60 (US and Japan)	66 - 73%
3	0-10 and all DGCs	50 - 60%

- **Special cases**

- **Japan: cut of between 70.5% and 79%**
- **Small low-income RAMs with economies in transition: no reductions required**

- **Implementation period and staging**

- **First instalment of the reduction: < 80% of the base level**
- **The remainder: equal steps**

TDS: Special and differential treatment



Cuts

- DGCs with AMS commitments: 2/3 of the rate applied in Band 3
- DGCs with no AMS commitments: no required reductions
- Net food-importing DGCs: no required reductions

Implementation period and staging

- First instalment: < 80% of the base level
- Remainder reduced in equal steps over an implementation period that is longer than for DDCs



Overall commitments?

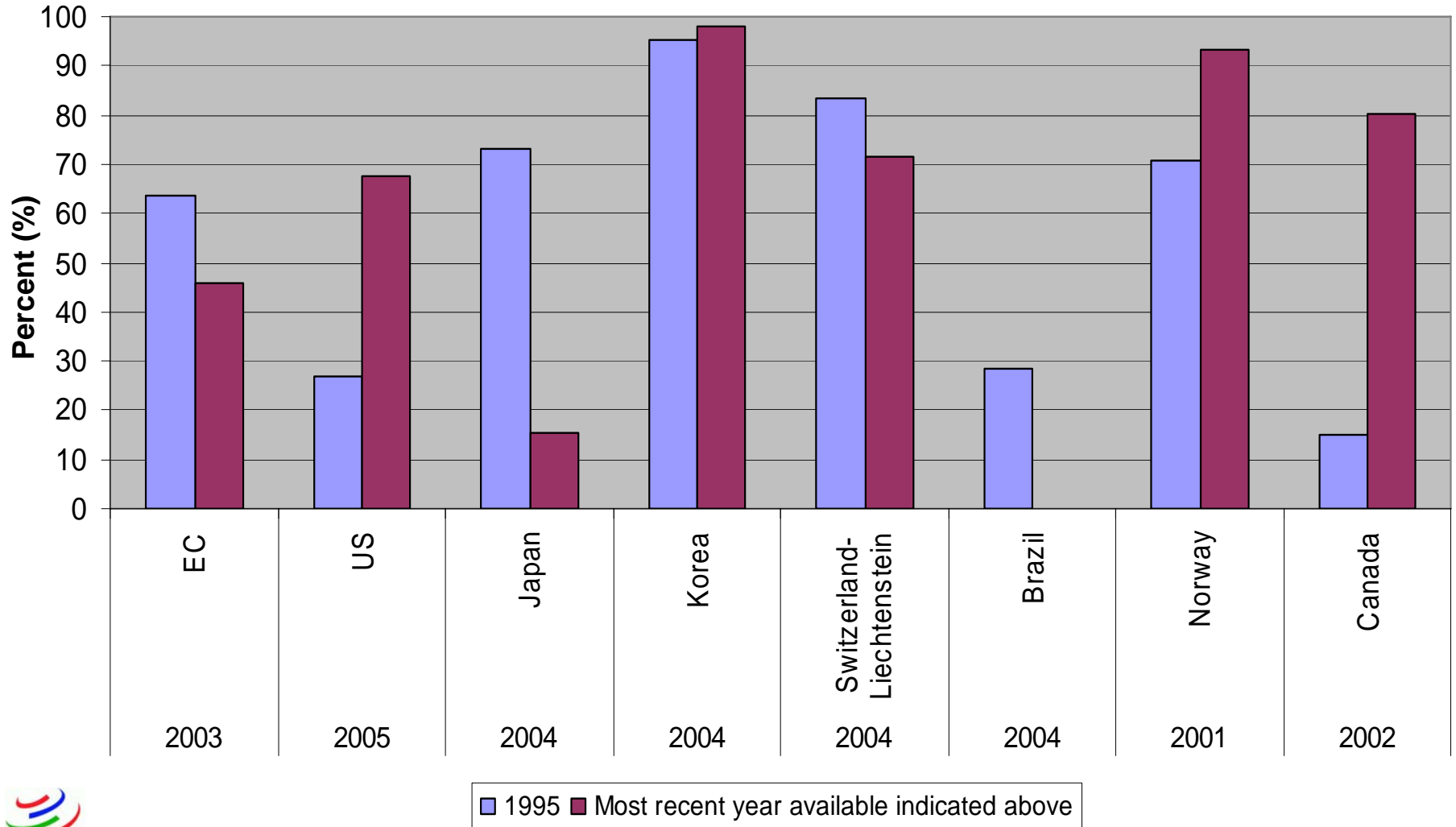
TDS commitments = minimum overall commitment

Additional commitments on reductions in AMS,
de minimis and/or Blue Box to achieve
the appropriate reduction in TDS





Use of Bound Total AMS commitments



Aggregate Measurement of Support



Tiered reduction formula

Band	Threshold (US\$ billion)	Cuts
1	40+ (EC)	70%
2	15-40 (US and Japan)	60%
3	< 15	45%

- **Special cases**

- Japan: further cut of 10%
- Iceland, Norway and Sweden: further cut of 7.5%
- Small low-income RAMs/economies in transition: no reduction commitments.

- **Implementation period and staging**

- Equal annual instalments



AMS: S&D

- Cuts
 - DGCs with AMS commitments: reductions of 2/3 of the rate applied in Band 3
 - Net food-importing DGCs: no reduction commitments
 - DGCs: continued access to Article 6.2 of the AoA
- Implementation period and staging
 - Equal instalments over an implementation period that is longer than for DDCs
- Other
 - Extraordinary situations handled on a case-by-case basis

Product-specific AMS caps



- Product-specific AMS limits: set out in schedules
- Caps: average applied during the UR implementation period (95-00)
 - US limits: avg. distribution of product-specific support in the [95-2004] period to the UR implementation period (95-00) AMS
- If product-specific AMS during the base period less than *de minimis* level

the current AMS for such products shall not exceed the [current] [new] *de minimis* level



Product-specific AMS caps

- Implementation: equal annual instalments over the implementation period
- S&D:
 - DGCs: product-specific AMS < levels established by one of the following methods:
 - The average applied levels during the base period (95-00 or 95-04), as may be selected by the Member concerned;
 - OR
 - Two times the Member's product-specific *de minimis* level;
 - OR
 - 20% of the annual bound total AMS in any year

De minimis reductions



- Reduction by at least [50] [60]% and by a greater amount if that would be required to adjust to the TDS
- Small low-income RAMs/economies in transition no required cuts
- New *de minimis* levels shall
 - [be effective from start of the implementation period]OR
 - [be phased in over the implementation period]

De minimis S&D



**DGCs no AMS
commitments**

**DGCs AMS commitments, but that
allocate almost all that support to
subsistence and resource-poor
farmers**

Net food-importing DGCs

exempt from reductions
de minimis



De minimis S&D

- Other DGCs with AMS commitments shall
 - reduce the *de minimis* levels by 2/3 of the reduction for DDCs
 - with the additional amount required to adjust to the rate of cut of TDS
 - DGC RAMs with AMS commitments
 - an allowance of a further 5% points
- AND
- longer implementation period than for DDCs

Blue Box Cap



Shall not exceed:

- ✓ 2.5% of the average total value of agricultural production
- ✓ during the base period
- ✓ from the start of the implementation period

Norway: % reduction equal to that which it will make in the AMS;

 Short implementation period may be considered



Blue box S&D

Cap for DGCs shall not exceed

- ✓ 5% of the average TVAP
- ✓ in the base period
- ✓ from the start of the implementation period



Flexibility:

- If a product accounts both for more than 25% of TVAP AND 80% of AMS,
- DGC may switch from AMS to Blue Box, even when by doing so it exceeds 5%

Green Box: Further clarity



- Government Service Programmes
- Public stockholding for food security purposes
- Decoupled income support
- Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters
- Structural adjustment assistance provided through investment aids

Domestic support - Cotton



➤ **Reductions in support**

- Formula for reductions in support for cotton production
- Base value of support = arithmetic average of the amounts notified by Members for cotton from 1995 to 2000
- Blue Box cap for cotton = $1/3$ of the product-specific cap
- Reductions for TDS shall be implemented over $1/3$ of the implementation period

➤ **S&D: DGCs with AMS and Blue Box commitments for cotton shall**

- make a reduction that is $2/3$ of the reduction for DDCs
- implement it over a longer time period