

**Committee on Agriculture  
Special Session**

**G-20 COMMENTS ON THE CHAIR REFERENCE PAPER  
ON GREEN BOX**

The following communication, dated 15 May 2006, is being circulated at the request of the G-20.

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**I. OVERALL COMMENTS**

1. The G-20 welcomes the Chairman Reference Paper on the Green Box that provides a structure for the discussion. We also concur with his assessment of the situation that there is a basic disposition towards a discussion of proposals addressing the instructions from the July Framework and the Hong Kong Ministerial Declaration.

2. In order to carry out the mandate of "review and clarification of the Green Box with a view to ensuring that its measures have no, or at most minimal trade distorting effects or effects on production", we need to have an horizontal approach covering measures related to both developed and developing countries.

**II. BASIC G-20 APPROACH**

3. In its approach to the Green Box, the G-20 was guided by the objective of keeping measures notified under the Green Box as "green". The G-20 is of the view that the credibility of the Agreement on Agriculture rests on the assumption that measures exempt from reduction commitments will indeed have no, or at most minimal trade-distorting effects or effects on production. Therefore, a review is to be undertaken on those direct payments and decoupled support which require close scrutiny, for developed countries are likely to transfer substantial amounts of support to those types of programmes.

4. The G-20 was also informed by the notion that the Green Box should be more "development-friendly", thus allowing developing countries to make ample use of the Green Box without undermining its basic principle. In particular, the G-20 believes that developing countries should be encouraged to resort more frequently to the Green Box as preferred instrument for their agricultural policies. Therefore, a clarification of some of the provisions of Annex 2 of the Agreement on Agriculture, while respecting the fundamental principle of the Green Box, is required in order to adapt them to the circumstances and institutional development in developing countries.

5. Furthermore, the G-20 has championed the cause of monitoring and surveillance so as to allow for a better control of the amounts spent in the Green Box and its effects and to dispel the existing asymmetry of information. In particular, the G-20 has pointed out the insufficiencies surrounding the review of the notifications by the Committee on Agriculture, as well as the delays in notifications.

### **III. COMMENTS ON PARAGRAPHS OF ANNEX 2 OF THE AGREEMENT ON AGRICULTURE**

#### **III.1. DYNAMICS OF PRICE-CONTINGENT PROGRAMMES AND CONCENTRATION OF SUPPORT**

6. We welcome the fact that there is widespread recognition that the G-20 proposal to include item (g) related to agrarian, land and institutional reforms and related services, has been well received. We understand, nevertheless, that these reforms are typical of developing countries. Notwithstanding, this should not constitute an impediment for developed countries to carry out similar programmes provided that they follow the basic principle of the Green Box.

#### **III.2. PUBLIC STOCKHOLDING FOR FOOD SECURITY PURPOSES**

7. G-20 amendments to footnote 5 in order to exclude from the AMS the acquisition costs of foodstuffs stocks from low income resource-poor farmers have generated undue concern about the extent of such targeted and limited policies. The Chairman has rightly considered that these efforts to fighting hunger and poverty should not be hindered. It has never been the G-20 intention to introduce trade distorting measures in the Green Box. The G-20 is willing to continue to discuss the matter so as to find adequate language to deal with this situation.

#### **III.3. DOMESTIC FOOD AID**

8. As it occurred in relation to amendment to the provision related to public stockholding, the G-20 suggested changes to footnotes 5 and 6 were misconstrued as implying a fundamental departure from the Green Box. Indeed, it is worth noting that the objections of principle raised to the "small money" do not find parallel with the more lenient approach followed in relation to the "big money".

9. We welcome the Chairman's comments reflecting the legitimacy of the objectives sought – fighting hunger and rural poverty.

10. Secondly, the G-20 considers it worth pursuing the Chairman's remarks on the meaning of the expression "market price" when there is no market to speak of. Indeed, these policies are designed to address circumstances of market failures.

#### **III.4. DIRECT PAYMENTS**

11. We highlight the importance that minimally or non-trade distorting is confirmed by de-linking direct payments from production and production inputs, so that they are non or at most minimally trade distorting.

12. The key political issue behind the suggestion that base areas, yields and animal numbers be made "fixed and unchanging" has its origins in the fact that current language is perceived as pushing farmers to bet in favour of frequent update of the basis for the direct payments. In other words, there is an ever-present risk that, although intended to be decoupled, direct payments may indeed be "re-coupled" through updating of base areas and yields. This situation requires fixing and the notion of "fixed and unchanging" addresses this concern.

13. On the other hand, the G-20 has indicated that the existing language and the proposed changes do not make provisions for the cases of newcomers in this type of payments and also for trial and testing periods, in which members may feel unduly tied to parameters that may proven to be inadequate.

### III.5. DECOUPLED INCOME SUPPORT

14. The G-20 considers important that inputs and factors of production should not be required to be in agricultural use for farmers to receive income support. Indeed, the amendment is aimed at reinforcing the notion that income support is indeed decoupled from production.

15. Another point of contention has to do with the meaning of "agricultural use" which is meant to indicate active commercial production. This is not, therefore, to be construed, in any way, as impeding some minimal usage in order to avoid environmental degradation. We hope that with these clarifications a less emotional debate can ensue.

16. Without prejudice to the concern regarding the wealth-effect of decoupled income support, the G-20 could consider new approaches in this regard.

17. In relation to the issue of cumulation of green, blue and amber payments, the G-20 suggestion reflects the undeniable fact that, in the presence of distorting payments, "green" policies do not properly perform their function. On the contrary, their neutral nature is being abused and they merely follow the general orientation of the distorting policy. As a consequence, "green" money is merely added to "blue" and "amber" monies and becomes undifferentiated in relation to them. Nevertheless, we acknowledge the fact that should we deliver on the mandate of substantial reduction of trade-distorting domestic support, that with a combination of cuts, disciplines and monitoring, some of the G-20 preoccupations would be partially met.

### III.6. PARAGRAPHS 7 THROUGH 13

18. We will examine in further detail the suggestion that in the case of paragraphs 11 and 13 the nature of the programmes therein would not recommend a strict implementation of the suggestion of adding the notion of "fixed and unchanging". In particular, further clarification is expected from the users of the programme in order to better substantiate that claim.

19. Another aspect to be taken up is related to expand the concept of payments to farms due to sanitary and phytosanitary emergencies that can be assimilated to natural disasters. We stand ready to examine suggestions to that effect, provided that the affected production is destroyed.

20. We encourage that an expert discussion be carried out in relation to the G-20 amendments related to have a more development-friendly approach to the instructions related to income safety net and payments for relief from natural disasters. Current language requires a number of steps that can not be met by developing countries. The requirements in terms of income data and book-keeping on a landholding level that are simply unrealistic in most, if not all, developing countries. The G-20 has proposed language addressing this circumstance and is willing to engage on suggestions to improve it.

21. A note of caution should be added regarding some proposals which unnecessarily flexibilize the eligibility and the amounts for direct payments under paragraphs 7 and 8 of Annex II.

### IV. MONITORING AND SURVEILLANCE

22. It is our considered understanding that we had better develop monitoring and surveillance requirements in parallel with the new green box disciplines so as to allow for a simultaneous development of the disciplines. In particular, all key aspects related to direct payments and decoupled income support policies should be subject to notification.

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