

**Committee on Agriculture
Special Session**

**G-20 DRAFTING SUGGESTIONS
REVISED DRAFT MODALITIES ON AGRICULTURE TN/AG/W/4
DOMESTIC SUPPORT**

The following communication, dated 17 December 2007, is being circulated at the request of the G-20.

1. With a view to contributing to the development of a revised text of Draft Modalities, the G-20 is submitting the following drafting suggestions to the pillar of domestic support of document TN/AG/W/4.

2. In light of new commitments and disciplines resulting from negotiations among Members, the G-20 deems it necessary that the relationship between the modalities, the Agreement on Agriculture and the list of commitments be clarified. In so doing, the G-20 will only address drafting and legal issues arising from the text. These suggestions are not meant to introduce substantive changes to the Chair's text, nor to be construed as implying the Group's endorsement of every aspect of TN/AG/W/4. The positions of the G-20 remain unchanged.

3. Among the various issues arising from the new disciplines and commitments, the G-20 wishes to highlight the following examples:

- (a) Overall Level of Trade-Distorting Support (OTDS) - it is necessary to incorporate this new concept in Article 6 of the Agreement on Agriculture and also to indicate, where applicable, its base level that shall be bound in each Member's Schedule;
- (b) Blue Box cap and disciplines - it is necessary to incorporate these new concepts in Article 6.5 of the Agreement of Agriculture;
- (c) Product-specific caps - the new bindings in the AMS and in the Blue Box should be bound. Furthermore, such caps should be included in their respective articles of the Agreement on Agriculture. Additionally, product-specific caps should be made at the "individual product level", thus curtailing the possibility that Members resort to sectoral or to broad definitions of products like "cereals" or "oilseeds".

4. In view of the preceding comments, the G-20 believes that the new domestic support disciplines require that changes be made to Article 6 of the Agreement on Agriculture. It is to be stressed that such changes in the Agreement's text are independent from the levels of cuts to be agreed. The modalities have to provide for the changes to the Agreement with precise wording.

5. Another concern that has guided the G-20 was the need to ensure that modalities are comprehensive, thus, including all negotiating variables as well as their sources. For example, it is necessary that modalities indicate the total value of agricultural production for all Members making cuts in the OTDS, as defined in Secretariat document TN/AG/S/21 ("value of production of basic agricultural products").

6. Finally, the Group believes that there is a need to harmonize language with a view to preventing legal uncertainties. Therefore, for example, the G-20 proposes to use the verb "shall" instead of "will". In order to ensure consistency, it would also be necessary that throughout the text the same formulation of concepts be kept and it would be recommended to avoid innovations in technical terms in relation to those contained in the Agreement on Agriculture.

7. Ideally, the G-20 considers that an amended version of the Agreement on Agriculture should be made available to Members, so as to allow them to assess it from a legal point of view.

I. DOMESTIC SUPPORT

A. OVERALL REDUCTION OF TRADE-DISTORTING DOMESTIC SUPPORT: A TIERED FORMULA

1. Base level

1. The **base level of** Overall Trade-Distorting Domestic Support for Members with OTDS reduction commitments shall be the sum of

(i) the Final Bound Total Aggregate Measurement of Support (hereafter referred as AMS) bound in member's schedules at the end of the implementation period of the Uruguay Round or of the member's Protocol of accession as defined in Article 1(h) of the Agreement on Agriculture plus

(ii) 10 per cent of the average of the total value of production of basic agricultural products in the 1995-2000 base period (this being composed of 5 per cent of value of production for product-specific and non-product-specific *de minimis* support respectively) expressed in monetary terms); plus

(iii) the higher of existing average Blue Box payments applied as notified to the Committee on Agriculture, or 5 per cent of the average total value of agricultural production, expressed in monetary terms. In either case the base period shall be in the years 1995-2000.

The total value of agricultural production in the years 1995-2000 and in the case of developing countries a choice of this base period or 1995-2004 (hereafter referred to as VOP) of each member undertaking reductions in the Overall Trade Distorting Support, calculated as provided for in this paragraph, is reflected in Attachment I of these modalities.

For the developing members, the percentage in item (ii) shall be 20% (this being composed of 10 per cent of value of production for product-specific and non-product-specific *de minimis* support respectively) expressed in monetary terms.

2. Tiered reduction formula

2. The base level of Overall Trade-Distorting Domestic Support shall be reduced in accordance with the following tiered formula:

(a) where the base level of Overall Trade-Distorting Domestic Support is greater than US\$60 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be [75][85] per cent;

(b) where the base level of Overall Trade-Distorting Domestic Support is greater than US\$10 billion and less than or equal to US\$60 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be [66][73] per cent;

(c) where the base level of Overall Trade-Distorting Domestic Support is less than or equal to US\$10 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be [50][60] per cent.

3. Developed country Members with high relative levels of OTDS in the second tier (at least 40 per cent of the **VoP**) shall undertake an additional effort. The additional reduction to be undertaken shall be equal to the one half of the difference in the reduction rate between the second tier and the top tier.

4. Small low-income recently acceded Members with economies in transition listed in Attachment II shall ~~will~~ not be required to undertake reductions in OTDS.

3. Implementation period and staging

5. As the first instalment of the overall reduction of the Overall Trade-Distorting Domestic Support, in the first year ~~and throughout~~ of the implementation period, the sum of all trade-distorting support shall not exceed 80 per cent of the base level of Overall Trade-Distorting Domestic Support. **As for the second and subsequent years of implementation, the remaining** reductions shall be implemented in equal **annual** steps to the end of the implementation period.

5 bis The level of Overall Trade-Distorting Domestic Support resulting from the cuts in paragraphs 2, 3 and 5 shall be bound in Part IV of member's schedule of commitments.

4. Special and differential treatment

6. Developing country Members with nil final bound Total AMS Commitments shall not be required to make commitments on reductions in Overall Trade-Distorting Domestic Support.

7. For developing country Members with Total AMS commitments, the applicable reduction for Overall Trade-Distorting Domestic Support shall be two thirds of the relevant rate specified in paragraph 2(c) above.

7bis. **Developing Members with Total AMS commitments that allocate almost all *de minimis* support for subsistence and resource-poor farmers** shall not be required to make commitments on reductions in Overall Trade-Distorting Domestic Support.

8. NFIDCs listed in document G/AG/5/Rev.8 shall be exempt from reduction commitments.

9. As the first instalment of the overall cut of the Overall Trade-Distorting Domestic Support, in the first year of ~~and throughout~~ the implementation period, the sum of all trade-distorting support shall not exceed 80 per cent of the base level of Overall Trade-Distorting Domestic Support. As for the second and subsequent years of implementation, the remaining **annual equal** reductions shall be implemented according to an implementation period that is longer than for developed country Members.

9bis The level of Overall Trade-Distorting Domestic Support resulting from the cuts in paragraph 7 and 9 shall be bound in Part IV of member's schedule of commitments.

5. Other

10. Commitments relating to reductions in Overall Trade-Distorting Domestic Support shall apply as a minimum overall commitment. If necessary, a Member shall be required to make additional commitments on reductions or limits in Final Bound Total AMS, *de minimis* and/or Blue Box in order to achieve the appropriate reduction in Overall Trade-Distorting Domestic Support. Accordingly, an introductory paragraph shall be added in Article 6 of the Agreement on Agriculture as follows:

“COMMITMENTS ON REDUCTIONS IN OVERALL TRADE-DISTORTING DOMESTIC SUPPORT SHALL APPLY AS A MINIMUM OVERALL COMMITMENT. MEMBERS WITH OVERALL TRADE-DISTORTING DOMESTIC SUPPORT REDUCTION COMMITMENTS SHALL ENSURE THAT THE SUM OF THE APPLIED MONETARY AMOUNTS IN THE CATEGORIES OF TRADE DISTORTING SUPPORT SHALL ALSO NOT EXCEED THE LEVEL OF THE OVERALL TRADE-DISTORTING DOMESTIC SUPPORT BOUND IN PART IV OF MEMBER'S SCHEDULE OF DOMESTIC SUPPORT”.

B. FINAL BOUND TOTAL AMS: A TIERED FORMULA

1. Tiered reduction formula

(a) Reductions in Final Bound Total AMS

11. The Final Bound Total AMS shall be reduced in accordance with the following tiered formula:

- (a) where the Final Bound Total AMS is greater than US\$40 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be [70] per cent;
- (b) where the Final Bound Total AMS is greater than US\$15 billion and less than or equal to US\$40 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be [60] per cent;
- (c) where the Final Bound Total AMS is less than or equal to US\$15 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be [45] per cent.

12. Developed country Members with high relative levels of Final Bound Total AMS (at least 40 per cent of the VoP) shall undertake an additional effort. Where the Member concerned is in the second tier, the additional reduction to be undertaken shall be equal to the difference in the reduction rate between the second tier and the top tier. Where the Member concerned is in the bottom tier, the additional reduction to be undertaken shall be one half of the difference in the reduction rate between the first tier and the second tier.

13. Small low-income, recently-acceded Members with economies in transition *listed in Attachment II shall* ~~will~~ not be required to undertake reductions in Final Bound Total AMS. In the case of such Members, investment subsidies and input subsidies generally available to agriculture, interest subsidies to reduce the costs of financing as well as grants to cover debt repayment may be excluded from the calculation of Current Total AMS.

(b) Implementation period and staging

14. The reductions in Final Bound Total AMS shall be implemented in equal annual instalments over the implementation period.

(c) Special and differential treatment

15. The reduction in Final Bound Total AMS applicable to developing country Members with Final Bound Total AMS commitments shall be two-thirds of the reduction *in paragraph 11 (c)* applicable for developed country Members. The reductions in Final Bound Total AMS shall be implemented in equal annual instalments with a longer implementation period than for developed country Members.

16. NFIDCs listed in document G/AG/5/Rev.8 shall be exempt from AMS reduction commitments.

17. Developing country Members shall have continued access to the provisions of Article 6.2 of the Agreement on Agriculture.

(d) Other

18. As provided for under Article 18.4 of the Agreement on Agriculture, cases of extraordinary situations shall be dealt with separately and on a pragmatic case-by-case basis **for the member and as provided for in Attachment IV.**

C. PRODUCT-SPECIFIC AMS CAPS

1. General

19. Product-specific AMS limits shall be set out in the Schedule of the Member concerned.

20. Without prejudice to the provisions of Article 26 below of this Draft Modalities, Article 6.3 of the Agreement on Agriculture shall be amended to reflect the modalities with respect to product-specific AMS caps **for an individual product** by the addition of the following:

Add to Article 6.3:

“A MEMBER SHALL NOT EXCEED THE PRODUCT-SPECIFIC AMS LIMITS **FOR AN INDIVIDUAL PRODUCT** SPECIFIED IN **PART IV** OF ITS SCHEDULE”.

21. The product-specific AMS limits **for an individual product** specified in each Member's Schedule shall be the average applied product-specific AMS during the Uruguay Round implementation period (1995-2000), **as notified by Members in supporting tables DS:4.**

Where notifications have been made at sectoral level (e.g. oilseeds or cereals), instead of at individual products (e.g. rapeseed or corn), the allocation to individual products shall be based on the proportion of their value in respect of the average VoP; or based on their proportion on the average area planted in that base period, as provided for in Attachment III.

22. For the United States, the product-specific AMS limits **for an individual product shall** ~~will~~ be the resultant of applying the average distribution of product-specific support in the 1995-2004- period **as contained in Attachment V,** to the average **level of** Current Total AMS for the Uruguay Round implementation period (1995-2000).

23. Where a Member has introduced product-specific AMS support above *de minimis* **for an individual product** after the base period, the base period for that product shall be the average **level** of the two most recent years for which notifications have been made.

24. In cases where **the average level of** a product-specific AMS **for an individual product** during the base period was below the *de minimis* level, the Current AMS for such products shall not exceed the ~~current~~ ~~new~~ *de minimis* level, **as provided for in paragraph 27 and 29.**

25. Product-specific AMS caps **for an individual product** shall be implemented in equal annual instalments in the implementation period. The starting point for implementation of product-specific AMS caps shall be **[the first year of the implementation period].**

2. Special and differential treatment

26. In the case of developing country Members, the Current AMS for individual products shall not exceed the respective levels established by one of the following methods:

- (a) the average applied levels during the base period 1995 to 2000 or 1995 to 2004, as may be selected by the Member concerned; or
- (b) two times the Member's product-specific *de minimis* level; or
- (c) 20 per cent of the Annual Bound Total AMS in any year.

D. *DE MINIMIS*

1. Reductions

27. The *de minimis* levels pursuant to Article 6.4(a) of the Agreement on Agriculture shall be reduced by at least [50] [60] per cent and by a greater amount if that would be required to adjust to the rate of cut of Overall Trade-Distorting Domestic Support.

28. Small low-income, recently-acceded Members with economies in transition shall ~~will~~ not be required to make cuts in *de minimis*.

29. The new *de minimis* levels shall

[be effective from the beginning of the implementation period]

[be phased in through equal annual instalments over the implementation period].

29bis. Accordingly, article 6:4 shall be replaced by the following text:

~~“A MEMBER SHALL NOT BE REQUIRED TO INCLUDE IN THE CALCULATION OF ITS CURRENT TOTAL AMS AND SHALL NOT BE REQUIRED TO REDUCE:~~

(I) PRODUCT-SPECIFIC DOMESTIC SUPPORT WHICH WOULD OTHERWISE BE REQUIRED TO BE INCLUDED IN A MEMBER'S CALCULATION OF ITS CURRENT AMS WHERE SUCH SUPPORT DOES NOT EXCEED 5 [X] PER CENT OF THAT MEMBER'S TOTAL VALUE OF PRODUCTION OF A BASIC AGRICULTURAL PRODUCT DURING THE RELEVANT YEAR; AND

(II) NON-PRODUCT-SPECIFIC DOMESTIC SUPPORT WHICH WOULD OTHERWISE BE REQUIRED TO BE INCLUDED IN A MEMBER'S CALCULATION OF ITS CURRENT AMS WHERE SUCH SUPPORT DOES NOT EXCEED 5 [X] PER CENT OF THE VALUE OF THAT MEMBER'S TOTAL AGRICULTURAL PRODUCTION.

(III) THE PHASE-IN OF THE LEVELS DEFINED ABOVE SHALL BE IMPLEMENTED IN ACCORDANCE WITH MEMBER'S SCHEDULES

(B) FOR DEVELOPING COUNTRY MEMBERS, THE *DE MINIMIS* PERCENTAGE UNDER THIS PARAGRAPH SHALL BE 10 [Y] PER CENT. DEVELOPING MEMBERS WHICH HAVE NIL TOTAL AMS COMMITTEMENTS OR DEVELOPING MEMBERS WITH AMS COMMITMENTS THAT ALLOCATE ALMOST ALL THAT SUPPORT FOR SUBSISTENCE AND RESOURCE-POOR FARMERS OR SMALL LOW-INCOME, RECENTLY-ACCEDED MEMBERS WITH ECONOMIES IN TRANSITION AND NFIDCS LISTED IN DOCUMENT G/AG/5/REV. 8 SHALL REMAIN AT 10 PERCENT UNLESS OTHERWISE PROVIDED.

2. Special and differential treatment

30. Developing country Members with:

- (a) Nil total AMS commitments; or
- (b) AMS commitments, but that allocate almost all that support for subsistence and resource-poor farmers; or
- (c) NFIDCs listed in document G/AG/5/Rev.8

shall be exempt from reductions in *de minimis*.

31. For other developing country Members with AMS commitments, the *de minimis* levels pursuant to Article 6.4(b) of the Agreement on Agriculture shall be two thirds of the reduction for developed country Members. In the case of developing country recently-acceded Members with AMS commitments, an allowance of a further five percentage points shall ~~will~~ be made. For all these Members, the new *de minimis* levels shall be phased in over a longer period than for developed country Members.

E. BLUE BOX

1. Basic criteria

32. Subject to the additional criteria set out below Article 6.5 shall be amended as follows:

Article 6.5

The value of the following direct payments shall be excluded from a Member's calculation of its Current Total AMS ***and shall not exceed the total monetary amount bound in Part IV. Members may have recourse to payments under one of the following sets of criteria.:***

- (a) Direct payments under production-limiting programmes if:
 - (i) such payments are based on fixed and unchanging areas and yields; or
 - (ii) such payments are made on 85 per cent or less of a fixed and unchanging base level of production; or
 - (iii) livestock payments are made on a fixed and unchanging number of head.

Or

- (b) Direct payments that do not require production if:
 - (i) such payments are based on fixed and unchanging bases and yields; or
 - (ii) livestock payments made on a fixed and unchanging number of head; and
 - (iii) such payments are made on 85 per cent or less of a fixed and unchanging base level of production.

2. Additional criteria

- (a) Blue Box cap

33. In addition to the criteria set out in the paragraph immediately above, a Member shall not provide support under Article 6.5 in excess of the amount as determined by either paragraph 34 or 35 below. This shall ~~will~~ be expressed consistently in the value-specific commitments in monetary terms set out in Part IV of that Member's Schedule. Accordingly, the chapeau of Article 6:5 shall be amended, including the change proposed in paragraph 33, as provided for in paragraph 29 bis.

34. The maximum ~~permitted~~ value of support under Article 6.5 shall ~~not exceed~~ **be expressed in monetary terms equal to** 2.5 per cent of the average total value of agricultural production **of basic agricultural products** during the base period **of the years 1995-2000 in Attachment I**. This limit ~~shall~~ **will** apply from the commencement of the implementation period.

35. In cases where a Member has placed in the Blue Box an exceptionally large percentage of its trade-distorting support – defined as 40 per cent– during the base period, the percentage reduction in that support under Article 6.5(a) ~~will~~ **shall** equal the percentage reduction that the Member concerned ~~will~~ **shall** make in the Final Bound Total AMS. **The resulting maximum value of support under Article 6.5 shall be expressed in monetary terms and bound in Part IV Member's Schedule as from the beginning of the implementation period.** A short implementation period may be considered for any such Member in the event that immediate implementation is unduly burdensome.

(b) Other criteria

36. The value of support provided to an individual product under Article 6.5(a) shall not exceed the average **monetary** value of support provided to it during the period 1995-2000 **as notified by Members in supporting tables DS:3 Where notifications have been made at sectoral level (e.g. oilseeds or cereals), instead of at individual products (e.g. rapeseed or corn), the allocation to individual products shall be based on the proportion of their value in respect of the average VoP; or based on their proportion to the average area planted in that base period, as provided to in Attachment III.**

37. The value of support **expressed in monetary terms** provided to an individual product under Article 6.5(b) shall be no more than ~~[105] [110] [+20]~~ percent of that product-specific distribution **as provided for in Attachment VI** ~~under legislated limits as applied to the overall Blue Box limit of payments under article 6:5~~ of 2.5% of the **total** value of **agricultural** production **in Attachment I**.

38. **The limit in Blue Box support for any individual product provided for in paragraphs 36 and 37 may be increased by an amount that** does not exceed a corresponding and irreversible one-for-one reduction in Current AMS support for the product(s) concerned (except for cotton, where that rate would be two-for-one) **and provided that the sum for all payments under Article 6.5 does not exceed the agreed bound levels.**

38bis. Where there was no Current AMS support in the base period for a particular product, **Blue Box support for an individual product shall not exceed 10 per cent of the overall Blue Box ceiling of the member's total bound level of payments under Article 6.5** and **the sum for all payments under this Article shall not exceed the agreed bound levels** ~~the overall Blue Box cap is still respected .~~

38ter Accordingly, the following paragraph shall be added at the end of art. 6:5, so that this addition shall be applicable to its paragraphs (a) and (b):

“SUPPORT UNDER ARTICLE 6:5 FOR ANY INDIVIDUAL PRODUCT SHALL NOT EXCEED THE MONETARY LEVEL ESTABLISHED IN PART IV OF MEMBER’S SCHEDULES OF COMMITMENTS IN DOMESTIC SUPPORT EXCEPT FOR:

(I) [TO BE DRAFTED IN ACCORDANCE WITH THE NEGOTIATIONS UNDER PARAGRAPH 37 ABOVE]

(II) THE LIMIT IN BLUE BOX SUPPORT FOR ANY INDIVIDUAL PRODUCT PROVIDED FOR IN PART IV OF MEMBER’S SCHEDULES MAY BE INCREASED BY AN AMOUNT THAT DOES NOT EXCEED A CORRESPONDING AND IRREVERSIBLE ONE-FOR-ONE REDUCTION IN CURRENT AMS SUPPORT FOR THE PRODUCTS CONCERNED (EXCEPT FOR COTTON, WHERE THAT RATE WOULD BE TWO-FOR-ONE) AND PROVIDED THAT THE SUM FOR ALL PAYMENTS UNDER ARTICLE 6.5 DOES NOT EXCEED THE AGREED BOUND LEVELS THEREIN.

(III) WHERE THERE WAS NO CURRENT AMS SUPPORT IN THE BASE PERIOD FOR A PARTICULAR PRODUCT, BLUE BOX SUPPORT FOR AN INDIVIDUAL PRODUCT SHALL NOT EXCEED 10 PER CENT OF THE OVERALL BLUE BOX CEILING OF THE MEMBER’S TOTAL BOUND LEVEL OF PAYMENTS UNDER ARTICLE 6.5 AND THE SUM FOR ALL PAYMENTS UNDER THIS ARTICLE SHALL NOT EXCEED THE AGREED BOUND LEVELS”.

3. Special and differential treatment

39. For developing country Members, the maximum level for the value of support under Article 6.5 shall not exceed 5 per cent of the average total value of agricultural production of basic agricultural products in the base period of years 1995-2000/04 unless otherwise provided in Attachment I.

40. Where a particular product ~~accounts~~ accounted both for more than 25 per cent of the total value of agricultural production and 80 per cent of total bound AMS support during the base period of the years 1995-2000/04, a developing country Member that chooses to switch its support from AMS to Blue for that product on a one-for-one and irreversible basis shall ~~will~~ be entitled to do so even if this would lead to exceeding the maximum ~~permitted~~ level provided for in the paragraph above.

F. GREEN BOX

41. Annex 2 of the Agreement on Agriculture shall be amended as set out in

G. COTTON: DOMESTIC SUPPORT

Reductions in Support for Cotton Production

42. AMS support for cotton shall be reduced according to the following formula:

$$R_c = R_g + \frac{(100 - R_g) * 100}{3 * R_g}$$

R_c = Specific reduction applicable to cotton as a percentage

R_g = General reduction in AMS as a percentage

43. This ~~shall~~ will be applied to the base value of support calculated as the arithmetic average of the amounts notified by Members for cotton in supporting tables DS:4 from 1995 to 2000. The Blue Box cap applicable to cotton shall amount to one third of the product-specific cap that would otherwise have been the resultant from the methodology generally applicable above.

1. Implementation

44. The reductions for trade-distorting domestic support on cotton shall be implemented over a period which is one third of the implementation period.

2. Special and Differential Treatment

45. Developing country Members with relevant AMS and Blue Box commitments for cotton otherwise applicable under the relevant provisions of this Agreement shall provide a rate of reduction for cotton that is two thirds of that which would be applicable under paragraph 42 above.

46. Developing country Members shall implement their reduction commitments for cotton over a longer time period than for developed country Members.

List of Attachments to this text:

<u>Attach- ment</u>	<u>Paragraphs</u>	<u>Description</u>
<u>I</u>	<u>1, 34, 37, 39</u>	<u>Total Annual Value of Agricultural Production year by year (use TN/AG/S/21 as a basis, ensuring that information on all members is there timely).</u>
<u>II</u>	<u>4, 13</u>	<u>Small low income RAMs with economies in transition.</u>
<u>III</u>	<u>21, 36</u>	<p><u>For amounts notified at a sectorial levels, allocation at product level for:</u></p> <ul style="list-style-type: none"> - <u>Amber box; and</u> - <u>Blue box</u> <p><u>This attachment must be subdivided in two different sections, one referring to P-21 and the other in P-36.</u></p>
<u>IV</u>	<u>18</u>	<u>Nature and identification of addresses of the Flexibility of paragraph 18</u>
<u>V</u>	<u>22</u>	<u>AMS product-specific caps: Base period for the USA.</u>
<u>VI</u>	<u>37</u>	<u>Blue box product-specific-caps: Levels for members using art. 6:5(b) of AoA.</u>