CIHEAM Analytic note

N°6 – March 2006

The Mediterranean and the WTO

José-Maria Garcia Alvarez-Coque

Universidad Politecnica de Valencia (Espagne)

The Mediterranean and the WTO[1]

José-Maria Garcia Alvarez-Coque

Universidad Politecnica de Valencia (Spain)

1. The Agriculture Agreement and the Mediterranean countries

Most countries in the Mediterranean region have shared a strong interest in taking part in the multilateral trading system. This is expressed by (i) the number of Mediterranean Countries (MCs) that took part in the founding of the WTO in 1995 (the EU, Egypt, Israel, Morocco, Slovenia, Tunisia and Turkey); (ii) the list of MCs that joined the organisation after 1995 (Albania, Croatia and Jordan); and (iii) the MCs that are applying for WTO membership (Bosnia and Herzegovina, Lebanon, Serbia and Montenegro, Algeria, Libya and Syria).

The willingness to participate in the WTO reflects a common growth strategy based on an open economy. No government in the region is currently against taking part in the globalisation process. All MCs are taking steps to implement the WTO Agreements at various stages. This includes the WTO Agreement on Agriculture (AoA). Commitments to reduce export subsidies, domestic support and import duties on agricultural products have been seen as significant steps towards reforming agricultural trade. This goal is shared by most countries in the region.

MCs present clear common characteristics. Agricultural systems are heterogeneous in the region, but they share similar patterns of product specialisation where the preponderance of the so-called Mediterranean products (olive oil, wine, fruit and vegetables) is manifest. Farm structures usually have historical links, and structural adjustment remains an unsolved issue in many Mediterranean agricultural areas. Moreover, these countries share environmental problems, mainly related to the pressure on water and the relatively poor soil resource. Mediterranean populations also share common patterns regarding their diet, based on a traditionally healthy combination of food products. Finally, agricultural landscapes are directly linked to a cultural heritage, which is the outcome of many generations of farmers.

In spite of the long list of shared values, MCs have not followed a single approach with regard to integrating their agricultural and rural areas into the world trading system. Differences in domestic and trade policies have been the result of the considerable leeway permitted by the AoA for countries to design their own agricultural policies. This leeway has been interpreted differently by the MCs which are WTO members, and this has resulted in a variety of commitments adopted after the conclusion of the Uruguay Round (UR).

Box 1.1 presents a summary of the commitments undertaken by MCs after the signature of the AoA. Developed MCs (basically the EU and Israel) have chosen to keep their options to grant support to agriculture in the three main negotiating pillars – namely export subsidies, market access and domestic support. Slovenia and Cyprus are now EU member states.

Domestic support is an area where differences between developing and developed MCs are marked. In the current situation, developed MCs wish to keep the Blue Box (subsidies that require farmers to limit production, see Article 6.5 of the AoA), at least to a certain degree, because they see it as a tool for facilitating transition away from distorting subsidies and preventing high social costs in rural areas.

[1] This analytic paper is extracted from the CIHEAM annual report *Agri.Med 2006*

The rest of the Mediterranean countries which are WTO members have used less generous farm support options. Apart from the EU and Israel, the only country in the region authorised to grant export subsidies is Turkey, but this country has resorted to special safeguards and trade-distorting domestic support beyond the de minimis level (10% of the production value for developing countries). Tunisia and Morocco can use some trade-distorting domestic support and special safeguards but no export subsidies. Jordan is not invoking special safeguards or export subsidies and has only kept an option on trade-distorting domestic support. Egypt has no rights beyond the de minimis trade-distorting support.

Developing MCs enjoy Special and Differential Treatment (SDT) for a number of AoA provisions. As for domestic support, for example, SDT allows for some flexibility for developing countries to provide trade-distorting support to farmers such as the extension of the de minimis clause and the provisions of Article 6.2 of the AoA (they can grant investment and input subsidies that are generally available and are integral parts of development programmes, and they can provide domestic support to help farmers shift away from producing illicit crops). Developing MCs can also subsidise transport and marketing (Article 9.4 of the AoA).

Box 1.1 - Mediterranean countries: summary of commitments

WTO members: Albania (2000), EU, Croatia (2000), Egypt, Jordan (2000), Slovenia, Israel, Morocco, Tunisia, Turkey.
WTO observers: Bosnia and Herzegovina, Lebanon, Montenegro, Serbia, Algeria, Libya.

Within the countries around the Mediterranean basin, the commitments undertaken in the Uruguay Round are summarised in the following paragraphs:

Export competition
Export subsidies: Mediterranean countries which can subsidise exports, but only for products on which they have commitments to reduce the subsidies. The number of products is shown in brackets: EU15 (20), Cyprus (9), Israel (6), Turkey (44).

Market access
Right to tariff quotas: 43 WTO members currently have a combined total of 1,425 tariff quotas in their commitments. The numbers in brackets show how many quotas each country has: Croatia (9), EU15 (87), Israel (12), Morocco (18), Slovenia (20), Tunisia (13).

Right to special safeguards: 39 WTO members have currently reserved the right to use a combined total of 6 156 special safeguards on agricultural products. The numbers in brackets show how many products are involved: EU (539), Israel (41), Morocco (374), Tunisia (32).

Domestic support
Amber Box: 34 WTO members have commitments to reduce their trade-distorting domestic supports in the Amber Box: Croatia, EU, Israel, Jordan, Morocco, Slovenia, Tunisia.

However, in practice, developing MCs have fewer possibilities of supporting their farming sectors than have developed countries. Having the option to keep the de minimis trade-distorting support, the SDT measures and the Green Box policies listed in Annex 2 to the AoA is not sufficiently encouraging when financial resources are scarce. The AgriMed reports in past years have stressed the complaints by some developing MCs that many of the currently permitted subsidies, affordable by richer countries, could cause trade distortion. Among the subsidies under discussion here are the direct payments to producers, including decoupled income support adopted in the implementation of the Agenda 2000's Mid-Term Review (MTR). This has been seen by developing MCs as a sign of the double standard in the interpretation of the world trading system by developed countries. According to this idea, the "playing field" resulting from the UR would be easier for EU farmers than for those living in the rest of the Mediterranean region.

A question which emerges from the accumulated experience of implementation of the UR Agreements is whether the current round of negotiations will replicate the unbalanced trading situation or will instead create some correcting measures. It is true that rural development appears to be a shared concern by developing and developed countries in the Mediterranean region. This would call for a certain degree of flexibility in order to take better account of non-trade concerns such as environmental protection. However, while the EU countries still have financial resources for funding agricultural and rural policies, despite the progressive cuts in the CAP budget, developing MCs lack budget and can only use border protection to support sensitive and special products. This is why the present debate is developing into a discussion of two major questions (a) the extent to which the current leeway granted by the AoA for domestic and trade policies might be revised; and (b) the extent to which the revised provisions should give differential and more favourable treatment to developing countries in the region.

2. Groups and positions

The current multilateral trade negotiations began under Article 20 of the (AoA). MCs which are WTO members took part in the negotiations aimed at achieving "substantial progressive reductions in support and protection resulting in fundamental reform". The Doha Declaration (November 2001) confirmed this goal pointing to efforts to "establish a fair and market-oriented trading system" inserted into a comprehensive Development Agenda. After the Cancún deadlock in September 2003 and until March 2004, negotiations were stalled. In July 2004, the situation moved on and a new deal was agreed in Geneva (the 'July Package'), which included an outline (or "Framework") to be used to complete the "modalities" on agriculture. It was agreed that the eventual modalities would finally address the three pillars of agricultural reform – domestic support, export competition and market access – in a balanced and equitable manner. While the July Package was useful in preventing the negotiations from sudden failure, many aspects remained to be agreed (see following sections).

The previous section showed that a variety of commitments were made by MCs after the conclusion of the UR. There are still divergences in the present round of WTO negotiations. In the next paragraphs, a review of the main stances defended by MCs is presented with a view to identifying differences and similarities. At the end of the day, the question is whether MCs could adopt a common approach to the last part of the Doha Round and integrate their agricultural sectors into the multilateral trading system.

The high transaction costs involved in such complex negotiations (the WTO has 148 members, and decisions are taken by consensus) have been reduced to some extent through the grouping of countries. In fact, although the multilateral trade negotiations are no longer a matter of a Quad (US, EU, Japan and Canada), the so-called "five interested parties" comprising the US, the EU, Brazil, India and Australia currently constitute the core negotiating group for the Doha Round. Brazil and India are at the high table as they are leaders of the developing world, and they are deeply involved in this negotiation process.

A number of exporting countries form the Cairns Group, which calls for comprehensive and substantial liberalisation of agricultural trade. However, the emergence of the G-20 (including major actors within the developing world), just before the Cancún Conference, has provided the negotiations with a more balanced picture. Other groupings with significant activity are the G-10 (the so-called 'friends of multifunctionality'), the G-90 (African Union countries plus Asian-Caribbean-Pacific group plus least-developed countries [LDCs]), the countries of the "Cotton Initiative" (Benin, Burkina Faso, Chad, Mali) and the G-33 (vulnerable economies with small farmers).

Table 1.1 - Country groups and participation of MCs in the WTO

Group	Main goal	Examples of members	Mediterranean membership
Cairns Group (exporters)	Market access and reduction of domestic support	Australia	No
G-10 (net importers)	Non-trade concerns	Norway, Japan	Israel
G-20 (developing countries)	Reduction of industrial countries' farm subsidies and domestic support; lower focus on market access	Brazil, India and China	Egypt
G-33 (developing countries)	Special products and Special safeguards to support small farmers	Indonesia	Turkey
G-90 (LDCs, African Union & ACP)	Preservation of preferential treatment	Botswana and Mauritius	Morocco, Tunisia and Egypt
European Communities	Preservation of the European Agricultural Model	EU Member States	Spain, Greece, France, Italy, Portugal, Slovenia, Malta, Cyprus
Five Interested Parties	Main parties involved in the WTO agricultural negotiations	EU, US, Brazil, India, and Australia	

Note: Annex I shows a list of groups and their members.

Where are the MCs inserted? Note that membership in a particular group does not prevent a country from taking part in other groups or from disseminating individual opinions. Moreover, some MCs have been joining the EU in the last few years, so their position is embedded in the EU and can now slightly influence that block. Other MCs are still excluded from the multilateral trade negotiations because of their status as non-WTO Members. Despite the existence of negotiating groups, the analysis of positions in the agricultural negotiations remains complex as shown in the following paragraphs.

- Most developed MCs (Cyprus, France, Greece, Italy, Malta, Portugal, Slovenia and Spain) are part of the European Union, and they have coordinated their position in the WTO with the rest of the EU member states (but do not necessarily share the same view as that of Northern European countries).
- Israel belongs to the G-10, a group of mostly developed countries which attach substantial importance to the role of the agricultural sector in meeting non-trade concerns.
- Egypt takes part in the G-20 group, which played a significant role in the Cancún Conference and devotes effort to the goal of pressing the EU and the US on agricultural liberalisation and the reduction of farm support, although some countries in the group believe that improvement in market access should be more cautious in the poorer countries.
- Turkey is a member of another group, the G-33, led by Indonesia, which focuses on proposals for special and differential treatment for developing countries and special products.
- As for Morocco and Tunisia, they share some of the objectives of the G-20 and the G-33. However, they have only participated in country groupings through the African Union (which also included Egypt) and through the G-90. This is an alliance including most members of the African Union, ACP and LDCs.

The G-90 shares with the G-20 and the G-33 the idea that agriculture plays a crucial role in economic development and poverty alleviation. Like the G-20, the G-90 opposed the attempts in Cancún by the US and the EU to include the so-called Singapore issues – investment, competition policy, transparency in government procurement and trade facilitation – in the Doha Agenda. The most vocal amongst them has been Kenya in the African Group, Uganda or Tanzania on behalf of LDCs and sometimes the Caribbean countries – Guyana or Jamaica. Politically however, many in this group are vulnerable to US and EU pressures since most have some kind of preferential trading arrangement with the US (e.g. the Africa Growth and Opportunity Act) or EU (e.g. Cotonou, Association Agreements) and are dependent on those powers for aid and loans.

In fact, there is currently no clear definition of who the G-90 are and even the EU Commission has not made it clear if the treatment to be granted to the "most vulnerable" economies should include countries such as Morocco, Egypt and Tunisia, which might be considered with less "moral authority" than the LDCs. Since African Mediterranean countries are more developed than LDCs and have signed or are negotiating bilateral agreements with the EU and the US, they don't have the same opportunities as LDCs to invoke free market access to developed countries' markets.

In summary, past experience of agricultural negotiations suggests a lack of consensus among MCs in their negotiating strategies with regard to the Doha Agenda. While developed MCs argue the need to ease farm reform through support measures, but of a less distorting nature, developing MCs seem to be resisting farm subsidies in OECD countries. However, Egypt seems to be pressing more on this aspect, while Turkey, Tunisia and Morocco are more cautious with respect to a multilateral opening of their domestic markets. And preference erosion is still a concern in African MCs.

A point in common in the Mediterranean basin is that no country in the region belongs to the Cairns Group and that MCs are far from pushing for a comprehensive liberalisation of agricultural markets. Instead, the issue of sensitive and special products is raised by many countries in the region. All MCs use border measures, to differing degrees, to protect their farming sectors. Most countries in the region have vulnerable agricultural regions. There is a development concern involved in developing MCs and it is related to the fact that a significant part of the labour force lives in rural areas, is often illiterate and cannot possibly be converted overnight to other activities. The highest priority for developing MCs in the agricultural negotiations is to avoid unduly accelerating the pace of the liberalisation of agricultural imports.

Most MCs are under pressure in this respect, but many developing MCs also want to export and therefore would like to see the EU market open up. Moreover, developing MCs are more 'offensive' towards the removal of trade-distorting support in OECD countries. As for the defensive interests, the EU focus is not only on controlling market liberalisation but also on softening the transition to less distorting subsidies, and on keeping the Amber or Blue Box domestic supports.

3. Issues and progress

The reference document for checking the progress of the negotiations is the July 2004 Framework (or, to be more precise, 'Annex A to the 'Doha Work Programme: Decision Adopted by the General Council on 1 August 2004'). That paper was endorsed by WTO members and, by summer 2005, was representing the 'acquis' of the agriculture negotiations. The July Framework established overall guidelines for modalities in each one of the three pillars; these guidelines will be specified during the last part of the round. However, a great deal of work had still to be done on the definition of "modalities" for the reform of the AoA to be agreed in the Hong Kong Ministerial Conference planned for December 2005. On many points, the Framework is too general, preventing the WTO members from reaching deadlock in the agricultural negotiations simply by leaving eventual agreement on specific sections for later2.

3.1 - Domestic support

The July Framework foresees:

- Substantial reductions in distorting supports. Those countries with higher levels are to make deeper cuts from "bound" rates.
- Amber Box ("final bound total AMS") supports will also be cut using a tiered formula, so that higher supports have steeper cuts.

[2] We discuss the proposals made by the US and the EU in October 2005 in the last section of the present chapter.

- The de minimis support will be reduced by an amount to be negotiated.
- Blue Box supports will be capped at 5% of the agricultural production value.
- Reductions in the overall level of trade-distorting support – Amber Box, de minimis and Blue Box combined – using a “tiered formula” to be designed so that higher levels of support will have steeper cuts. This joint category is called Overall Trade Distorting Support (OTDS).
- The new ceiling for the OTDS at the end of the implementation period will be the lower of the values of trade-distorting support resulting from (i) the overall cut and (ii) the sum of the reductions/caps of the three components.
- Product-specific AMS caps will be developed.
- The criteria for defining supports as Green Box will be reviewed and clarified to ensure that the supports really do not distort trade, or do so minimally. At the same time, the exercise will preserve the basic concepts, principles and effectiveness of the Green Box and will take account of non-trade concerns such as environmental protection and rural development.

The EU has the largest AMS amongst the WTO members, amounting to US$35.3 billion in 2002, yet this amount is significantly lower than the committed AMS (US$61 billion). The accession of Slovenia will not change the EU figures significantly. In 2001, Israel had an applied AMS of US$248.2 million and a committed AMS of US$586.0 million. Current and committed AMSs are substantially lower in Morocco, Jordan and Tunisia. The latter country reported a figure of zero for non-exempted trade-distorting domestic support in 2001. Tunisia, Morocco and Jordan have the right to Special and Differential Treatment exceptions and will probably keep them after an eventual agreement in the current round.

The proposed discipline regarding the OTDS in the current Round are very significant because they have the potential to exert greater pressure on the actual support provided by individual countries than did the Uruguay Round disciplines. The Uruguay Round only disciplined some of the individual components, and not the sum of those components. The question is whether to harmonise at the absolute or the relative levels of OTDS. Some small countries, such as Norway and Switzerland, have a high AMS in relation to the value of their domestic agricultural production. However, if measured in absolute terms, the pressure is on the EU, which will probably be situated in the upper tier of the overall trade-distorting domestic support. Japan and the United States would be in a second tier. Other developed countries could be in a third tier, with developing countries in a final tier, in line with the principle of SDT.

However, the Framework recognised the “role of the Blue Box in promoting agricultural reforms”, which can be considered a victory for the EU and a way of gaining time. It is true that, according to the Framework, Blue Box payments should not be larger than €12 billion (this is about 5% of the value of agricultural production for the EU in 2003). However, as discussed in the next section, the recent CAP reforms allow sufficient leeway for the EU to perform new reductions in the AMS, the Blue Box, the de minimis, and the OTDS. The key operation in the next seasons, after the Mid-Term Review, will be the conversion of trade-distorting payments into decoupled single payments, which the EU considers to be in the Green Box. From a US perspective there is a clear advantage in expanding the Blue Box definition to include its Counter-Cyclical Payments (these are made on “fixed and unchanging” areas or number of animals). Otherwise they would have to be accommodated within the total AMS ceiling. At 5% of the value of production, the separate Blue Box provision adds an additional $9.5 billion of support entitlement for the United States (IPC, 2005).

Table 1.2 - Notified domestic support: Amber Box, Blue Box and SDT (million US$)

	Year	AMS applied	AMS bound	Special Differential Treatment	Blue Box
EU	2001/2002	35 710.3	61 053.6		21 569.0
Slovenia	2003	11.7	56.2		39.5
Tunisia	2001	0.0	43.1	60.5	
Israel	2001	248.2	585.9		
Morocco	2002	24.7	64.1	129.9	
Jordan	2002	1.0	2.0	0.6	

Source: Submissions by WTO members and author’s presentation.

The rest of the MCs which have kept some AMS support have undertaken significant cuts on applied AMS (see Table 1). This means that further reductions on bound AMS will probably not involve constraints. All developing MCs will be affected by the de minimis or, given their absolute levels of Final Bound Total AMS, would seem to fall into any of the lowest tiers. Furthermore, the Framework establishes that developing countries will be allowed gentler cuts over longer periods and will continue to be allowed exemptions under Article 6.2 of the AoA. Moreover, the de minimis will be reduced by an amount to be negotiated, with special treatment for developing countries, which will be exempt if they “allocate almost all de minimis support to subsistence and resource-poor farmers”. According to the G-20 proposal, developing countries without AMS entitlements (such as Egypt) should not be obliged to make cuts.

Most developing MCs want current negotiations to involve stricter control of developed countries' subsidisation, which also affects the Green Box. However, once it has been shown that Green Box support is minimally distorting, there could be a consensus of interests among the countries of the Northern and Southern shores of the Mediterranean:

- Southern MCs would like to introduce provisions which take account of the types of programmes suited to the realities of their poor rural areas and which could stand the fundamental test of, at most, minimal trade-distorting support.
- Northern developed countries, basically the EU, have embarked on far-reaching reform of coupled support policies and are deeply concerned that any change in the existing language might have the perverse effect of undermining their reforms.

Whether the Green Box is an example of the EU’s “double standard” or an “appropriate avenue for policies, targeted at their social, political and other non-trade concerns” will continue to be a question for future discussion. It seems that constraints on the Amber Box, Blue Box and de minimis in developed economies will add arguments in favour of developing countries’ accepting the Green Box as a guideline for agricultural policies in the coming years. We elaborate on this issue at the end of this chapter.

3.2 - Export competition

As for export competition, the Framework includes an agreed target for this pillar: elimination of export subsidies by a ‘credible’ date. The Framework Agreement refers to “all forms of export subsidies” which means parallel elimination of the subsidy component of government-supported export credit (with the phasing-out of credits and insurance of over 180 days), food aid, and State-sanctioned exporting monopolies. The negotiations will also develop disciplines on all export measures whose effects are equivalent to subsidies. The final stage of the negotiations has to finalise the identification of policies with equivalent effect within the scope of export credits with repayment terms of 180 days or below, certain types of Food Aid, and certain practices of exporting State Trading Enterprises (STEs).

Within the WTO membership, the EU accounts for 92% of export subsidies in value, with an expenditure of $29.3 billion over the 1995–2000 period. However, in 2000-2001, the EU granted export subsidies by €2.6 billion, well below the value committed of €7.5 billion. The value ceilings for export subsidies have not involved constraints for the EU. By contrast, quantity bindings have involved more constraints for export flows for certain products (rice, poultry, eggs, pork, fruit and vegetables and dairy products).

On the offensive side, the EU focuses on other types of export subsidies. This will hardly affect most MCs, with the exception of Israel and Turkey, but export subsidy elimination can take longer for Turkey as a developing country. The remaining developing MCs will be entitled to subsidise transport and marketing (Article 9.4 of the AoA) “for a reasonable period, to be negotiated”, beyond the date for ending the main subsidies.

Another issue concerning export subsidies for some MCs can be the operating methods of exporting STEs. In fact, discussions are looking at the conditions for preventing State trading activities from being used to circumvent commitments on export subsidies. This could bring stronger monitoring of institutions such as the Tunisian National Edible Oils Board (ONH) which was created and is maintained to guarantee a minimum income to olive oil producers, a sector of great social and economic importance to Tunisia. However, according to the Framework, STEs in developing countries will enjoy special provisions to preserve domestic price stability.

3.3 - Market access

The July Framework commits members to "substantial improvements in market access for all products" by developing a "single approach": everyone except least-developed countries has to contribute by improving market access for all products. This means that all WTO members in the Mediterranean region will have to make concessions in this pillar.

The Framework refers to tariff reductions that are subject to two principles: (a) 'progressiveness', that is, deeper cuts in higher tariffs; and (b) flexibility, to address "sensitive products" and "special products" based on the criteria of 'food security, livelihood security and rural development needs'.

Market access seems to be the most sensitive pillar. While concessions in the first two pillars will mainly affect industrial economies, in particular the EU and the US, the market access pillar affects everyone, with the probable exception of LDCs. Immediately after the July Framework, progress in the negotiation was needed on: (a) the type of tariff reduction formula that would produce "substantial improvements in market access", with a progressive approach; (b) how all countries' sensitive products can be treated and how developing countries can be given further flexibility for their "special products" and be able to use "special safeguard" actions to deal with surges in imports or falls in prices; and (c) how to deal with conflicting interests among developing countries over preferential access to developed countries' markets.

The choice of formulas for tariff reductions is critical to the ambition of the Round (see Box 1.2). Many countries maintain bound tariffs high above applied tariffs. Because tariff cuts in the WTO are made from bound levels, substantial tariff cuts will be needed in order to have any impact on trade. The basic idea derived from the Framework is that developed and developing countries' tariff lines would be divided into different sets of tariff bands according to the level of duties currently levied, with each band subject to different percentage cuts. For developing countries, the percentage cuts for each of the bands would be smaller – less than two thirds of what developed countries would make in comparable bands. As for the method of tariff reduction, the US and agricultural exporters have generally preferred using a harmonising "Swiss formula" for the cuts, which would cut higher tariffs more steeply even within each tariff band. However, there is an increasing consensus on the use of linear cuts of progressively higher percentages for each band, or the "tiered approach". The actual percentages of reduction are left for negotiation.

As for the flexibility instruments contained in the Framework, the first concerns all countries, which may designate 'an appropriate number' of sensitive products to which the reduction formula will not apply, although tariff cuts will still be required, and market access must be improved through tariff-quota expansion. While this provision responds mainly to the concerns of the G-10 group, it will also benefit highly protected sectors, such as sugar, in the EU. If one assumes that products with tariffs above 100% are "sensitive", then the European Union may claim that more than 5% of the total tariff lines should be considered sensitive products.

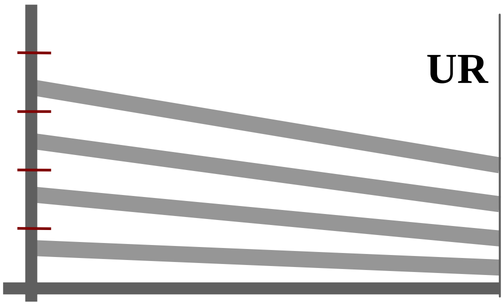
A short paragraph on least-developed countries says that they will not have to make reduction commitments. Developed countries should provide duty-free and quota-free market access for LDCs' exports, and so should developing countries "in a position to do so".

A second element, which is of interest for developed and developing countries, concerns the special safeguard mechanism. While its continuation for developed countries remains under negotiation, the Framework introduces its use by developing countries.

Box 1.2 - Approaches to tariff reduction formulas

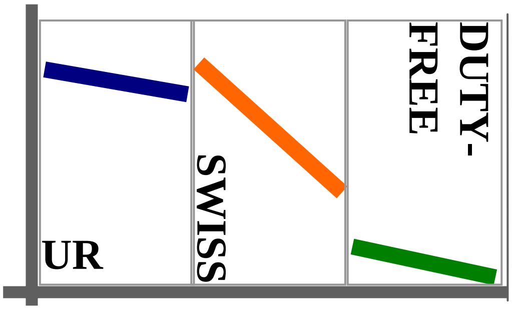
These are simplified visualisations of the various approaches, presented here **merely symbolically** to give an idea of the difference between the approaches. Each line represents a hypothetical cut from a single representative starting tariff. In reality there are a range of starting tariffs in each category.

'Banded approach' (draft modalities, March 2003)



Products categorised by height of starting tariff.
Higher bands: steeper cuts. In the March 2003 draft modalities, the formulas in each band use the Uruguay Round (UR) approach (average cuts subject to minimums).

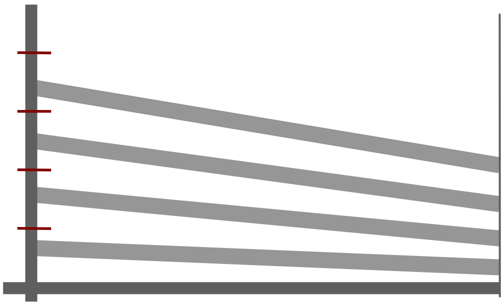
'Blended approach' (Cancún draft frameworks)



Products categorised by sensitivity.
Used in the Cancún draft frameworks, the approach "blends" three formulas. A Uruguay Round approach applies to one category, a Swiss formula to another, and a third is duty-free.

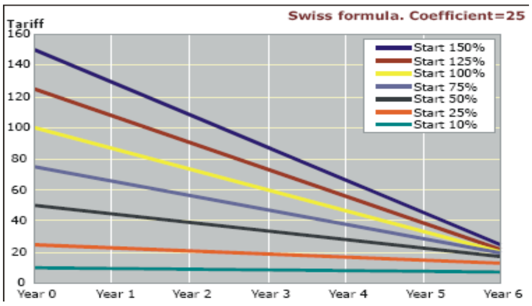
Box 1.2 (contd.)

'Tiered approach' (July Framework)



Products categorised by height of starting tariff.
Higher tiers (or bands): steeper cuts. Type of formula and number of tiers? This is still to be negotiated in the framework.

'Swiss Formula' (Harmonising reduction method)



Steeper cuts for higher tariffs.
The Swiss formula is a special kind of harmonising method. It uses one single mathematical formula to produce:
- a narrow range of final tariff rates from a wide set of initial tariffs
- a maximum final rate, no matter how high the original tariff was.

Source: WTO (2004): "WTO Agriculture negotiations. The issues and where we are now", 1 December 2004.

The third instrument is the SDT measure that will allow developing countries to designate 'an appropriate number' of Special Products (SPs), based on criteria of food security, livelihood security and rural development needs. The criteria and treatment of these products will be specified through negotiations, which are likely to centre on the number of products (which the G-33 group of developing countries says should be self-selected) and whether any tariff cuts will be required.

The G-33 developing country proponents of SP status are working on indicators for such products. However, certain developing countries with export interests express concern that reduced liberalisation for SPs could dampen South-South trade.

While convergence on the issue of the subsidy removal in the EU is relatively easy to achieve among developing MCs, it is more difficult when it comes to the question of which countries' markets will be targeted for tariff reduction and which can be protected. Most developing MCs will probably argue in favour of exemptions from agricultural tariff reductions, while this position will not be followed by most countries in the G-20 group. This will probably weaken the position of developing countries in the final part of the negotiating round.

The Framework establishes that tariff negotiations will also address the erosion of trade preferences due to MFN liberalisation, although there is no guideline for how this is to be tackled. Some countries in the G-20 doubt whether preferences are truly beneficial because they encourage small countries to be dependent on a reduced number of uncompetitive products, discourage diversification and prevent other countries from supplying those products. According to this argument, the countries currently depending on preferences would be better off if major markets liberalised and eliminated subsidies.

The progress in the negotiations for intra-Arab integration and the signature of bilateral agreements with the US can be considered as a tactical response of MCs to the lack of progress in the Euro-Mediterranean Associations as well as to the timid steps taken by the multilateral system towards agricultural liberalisation. Failure in multilateral negotiations will open the door to regionalism, as discussed below.

Regionalism would present certain advantages if it were seen as “deep integration”. This would happen in the case where regional integration arrangements offered a mechanism for harmonisation of regulatory regimes and administrative procedures and also involved transfers from the “richer” partners to the “poorer”. However, the regional approach presents the problem of a hub-and-spoke pattern where a number of small countries seek bilateral agreements with a large one and the bargaining power lies with the hub.

4. CAP reform and agricultural trade negotiations

4.1 - Decoupling support

The two influential powers, the US and the EU, appear to be quite reluctant to eliminate domestic support for agriculture. In the EU, the CAP has moved slowly along three lines. First, income support has increasingly relied on direct payments with less emphasis on market intervention. Secondly, EU agriculture is now significantly more open to foreign competition than it was in the past, although border protection remains relatively high for certain products. Thirdly, farm support is more dependent on compliance with modern social demands related to quality, food safety and environmental concerns. The MacSharry Reform and the Agenda 2000 constituted major milestones along this path of reform. The package adopted by the Council of Ministers in June 2003 maintains the same orientations. This reform is widely known as the MTR of the Agenda 2000 and was discussed in the 2004 AgriMed report.

The MTR is managing an apparently new policy instrument known as “single-payment”, which is supposed to be “decoupled” from production. One point of discussion is the actual meaning of ‘decoupling’ and its influence on trade. Within the MTR framework, decoupling involves the conversion of direct payments under the different schemes into a single farm payment, which is kept constant over time and is not dependent on land allocation to various crops.

One of the aims of the MTR is to reduce production that is carried out merely in order to ‘harvest’ a subsidy. In theory this should reduce the amount of produce coming from European farms which either has to be protected from cheaper imports or is likely to be dumped on world markets, with export subsidies. Decoupling means that income support will depend less on price interventions; from the political point of view, this opens the door, to the further opening of the EU markets to foreign competition. Thus, the EU aims to obtain international recognition for its decoupled payments as Green Box payments, that is to say, as public budget transfers which are not restricted by the WTO rules. Public budget expenditure through ‘apparently’ decoupled payments is the means chosen by the EU and the US to facilitate transition to a more open agricultural market.

However, several remarks can be made regarding the EU decoupling concept. First, decoupling has been only partial, and some products (e.g. durum wheat and rice) will continue to receive specific crop payments. Second, EU member states will be allowed to maintain a certain percentage of the current direct payments (that is to say, the Agenda 2000 payments) as specific payments linked to production until 2007. This was defended by certain member states which were afraid of possible land abandonment impacts as a result of full decoupling. Third, it is not clear to what extent the new single payments will be recognised by other WTO members as a convincing shift from the Blue Box to the Green Box. As a matter of fact, the full direct payments will stabilise an unbalanced pattern of income support not only within EU territories but also between the EU and third countries, which do not have the same financial possibilities for funding such payments. In a sense, the globalisation process is pushing for greater integration of the agro-food markets, but the playing field is far from level. The CAP reform will not correct the current international asymmetries in the levels of agricultural support.

A line of argument that has frequently been used in favour of direct payments in the EU is that they can address non-trade concerns (NTCs), such as preservation of the landscape, the environment, and other cultural aspects linked to agricultural activities. Direct payments are at the core of the CAP, which officially aims to preserve the European agricultural model. But links between the new single payment and NTCs are not clear. It is true that requirements to be met by farmers in order to collect these payments are increasingly linked to environmental and land use conditions (cross-compliance). But the single payment is more likely to be an income support measure rather than a rural policy specifically targeted at NTCs.

4.2 - National constraints on CAP reform

Experience in the Agenda 2000 negotiations on CAP reform suggests that international factors were powerful enough to exert real pressure for reform. In the MTR negotiations, international pressures appear to have increased their influence on CAP reform. However, national interests appear to remain a major obstacle to far-reaching CAP reform towards non-trade-distorting methods of agricultural support.

An appropriate approach for understanding policy-making in the CAP might be to consider the interaction between the Commission, as an ‘entrepreneurial leader’, and the national preferences reflected in the Council of Ministers. Widespread concern over food quality and safety as well as environmental concerns currently appear to be shifting the Commission’s focus away from farmers’ interests to more general interests reflected in the ‘rural development’ approach. Non-agricultural interests are allowing the Commission to play its role in maintaining the initiative for the promotion of CAP reforms. However, national interests may exert influence which slows down the rate of reforms. Thus, the maintaining of agricultural support is a probable scenario in each reform because some countries, such as France, have chosen to advocate it and other countries, such as the United Kingdom (UK), have chosen not to prioritise the reform of this support, even if they are in favour of it. In other words, reform opponents assign a higher priority to the CAP than reform supporters. It is also clear that the way vested interests affect the CAP process varies from one country to another. In the countries that prioritise the CAP the official vote of their Ministry in the Council appears to reflect the national interest. In other countries with less interest in the CAP, national interests generally influence the Commission directly through farmers’ unions or non-agricultural lobbies. The direction and speed of the reform process must come from changes in the national policy preferences of key member states.

In recent years, several EU member states including Denmark, Sweden and the UK (and more recently Germany and the Netherlands) have been advocating agricultural reform. The opposite stance has been adopted by France and Ireland, normally followed by Austria, Belgium, Luxembourg, Greece, Portugal and Spain. The Italian position has more in common with the last group of countries but has had its own typical proposals over the past few years, often concentrating on food quality issues or asking for a “southern” shift for the CAP. This variety of national interests has led to much inertia in the CAP.

Three dominant forces explain reluctance to effect agricultural reform in the EU. The first factor is the typical significance attached to agriculture, which has been largely considered essential for the European farming model. It is also connected with the international trade negotiations, where not only an efficient agricultural policy is at stake but also an independent agricultural policy is pursued, protected from US interference. A second pressure comes from the financial benefits received by some member states from the EAGGF funds. While agricultural policy is expensive for European taxpayers, the significant weight of agriculture in some members states means a large amount of transfers from Brussels and a positive net financial balance. And the final factor concerns the scepticism regarding the ability of the market system to provide an efficient allocation of resources to the farming sector.

By contrast, the UK has generally been in favour of the Commission’s proposals for CAP reform, except for the introduction of ceilings on direct payments, which is not surprising given the greater average size of British farms. Full decoupling and the establishment of a system for agro-environmental and rural development policies have been advocated by the British government and parliament. In the British view, the Commission’s proposals address the requirements arising from the WTO round. This is supported by the attitude of the non-farming population, which is generally sceptical of agricultural support. Moreover, there is growing pressure regarding the impact of farming activities on the environment and animal welfare.

German preferences in relation to CAP reform have also shifted in recent years. Traditionally, German policy on the CAP has been in favour of farm support through high prices, which is consistent with the inefficient farm structures characterising the German farming sector, at least before unification. The core of the conflict for Germany has been the contradiction between the necessary cut in the agricultural budget (likely to grow after Enlargement) and the continuation of high levels of farm support. The intention of the German government to improve the net financial balance in the EU has given support to proponents of a far-reaching CAP reform in Germany. Under a Green Party farm minister, Germany has become a strong advocate of environmental protection, organic farming and animal welfare. This involves a positive attitude to second pillar policies. Since Germany has departed from the reluctance to shift away from the status quo (which was also observed during the Agenda 2000 discussions), the balance of the three models quoted has been a more favourable setting for CAP reform. This has allowed the Commission to take a certain degree of initiative for the MTR proposals, which included decoupling and modulation of direct payments.

In the present restrictive budgetary framework, the German government has favoured partial renationalisation of agricultural subsidies. The UK, Sweden and the Netherlands, amongst others, appear more willing to favour the progressive removal of the CAP subsidies and the integration of agricultural policies into their own rural development strategies. However, southern European member states are not very keen to accept a radical CAP shift to rural development projects, because these countries would probably have to co-finance a significant proportion of the projects. France’s position seems to be complex because it is both a fund contributor and a fund receiver. Though the debate has a lot to do with the allocation of limited financial resources, it is quite usual to find among southern European and French farmers the view that the CAP is a reflection of the EU backbone. This means that any move towards renationalising farm policies is seen as a “betrayal” of the ideals which inspired the EU.

The leeway for the EU to reach a domestic consensus to undertake further steps towards agricultural trade liberalisation will be further reduced after Enlargement as support payments become a property right for millions of farmers in the new member states. However, as farmer influence in Europe becomes eroded over the next few decades with the decline in the number of farmers, public choice theory would predict that the CAP will tend to move to a more market-oriented approach.

This was reflected by the Council deal on the EU budget reached in Brussels in December 2005. Income support expenditure will respect the spending plan reached in October 2002, before the EU Enlargement, thus preserving direct payments corresponding to those agreed with the CAP reform. However, an overall budget review by 2008-2009 was agreed; it will include examination of the Common Agricultural Policy and the British rebate. Rural development remains the main loser in budget cuts. However, the share of the “natural resource” axis in the EU budget (containing the CAP expenditure) will decrease from 47% in 2006 to 40% in 2013. At their discretion, Member States may transfer additional sums from within this ceiling to rural development programmes up to a maximum of 20% of the amounts that accrue to them from market-related expenditure and direct payments. Sums transferred to support rural development measures pursuant to such arrangements will not be subject to the national co-financing rules. Thus, a modulation scheme has been foreseen, which gives EU member states the chance to approve fundamental shifts from income support to rural development.

4.3 - Will the WTO involve constraints for the CAP?

Future changes in the CAP will be determined by international trade negotiations. However, with the agreed Framework, it is unlikely that a reform of the WTO AoA will involve major needs for CAP reform. Changes will come about in the future through internal pressures, such as Enlargement (see CIHEAM, 2004) and the political debates in the Council on the future budget. The CAP will also be pressed by the Dispute Settlement Body’s rulings, as has happened with the banana and sugar cases (see below). Trade disputes constitute an influence which is related to the interpretation of international law and will probably frame the CAP in the years that lie ahead. However, the July Framework, per se, does not appear to be a source of major constraints for the future CAP.

The fact that a new agreement will not involve constraints for the CAP is, to a large extent, the result of the reforms undertaken in recent years:

- The “Everything But Arms” initiative, which will provide least developed countries with full access to EU markets.
- The extension of preferential arrangements, which affect 64% of the EU’s total agricultural imports.
- The fact that the EU is the largest agro-food importer in the world, with imports amounting to €69.8 billion compared to the US, with €61.6 billion.

- Price reform after the completion of Agenda 2000 and the MTR will facilitate substantial reductions in export subsidies. The question is whether CAP reforms and the schedule for eliminating export subsidies by a "credible date" are consistent. The Hong-Kong Ministerial draft seems quite comfortable for the EU. Agreement has been reached on parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect,to be completed by the end of 2013.
- The MTR allows for a considerable reduction of the AMS and the OTDS. Even in the conservative hypothesis of partial decoupling (see Velazquez, 2004), both bound AMS and OTDS can be reduced by over 60%. And the Blue Box will actually be below the binding level of 5% of the value of EU agricultural production. As the European Union adds more member countries, without increasing its Blue Box spending, the percentage of spending compared to the overall value of production will naturally decline.

Using market price projections developed by the US Department of Agriculture, Brink (2005) concludes that the European Union and the United States could absorb 72% and 61% cuts respectively in their total AMS commitment without a significant change in policy. Brink's projections take into account the changes in the EU agricultural programmes under the MTR, in particular the shift from Blue Box to Green Box payments, and the continuation of the current US Farm Act beyond 2007 (with the inclusion of CCPs in the Blue Box). These results support the conclusion that very large reduction percentages in the total AMS and OTDS would be required in order to generate the need for significant changes in support policies in these countries.

5. Looking ahead: the future of the multilateral trading system

Just before the present document went to press, a number of proposals, meetings and events were taking place in the Doha Round negotiations. While many of them could be highlighted, it might be of interest to elaborate on the US proposal on agriculture and the subsequent EU proposal.

In October 2005, the US launched an ambitious plan to unlock the negotiations on the modalities for the new AoA. In fact, until that time progress in multilateral trade negotiations seemed to be blocked by the rigid stances of the main trading partners in the agricultural chapter.However, the US made a proposal on the three main pillars with a view to redefining the Farm Bill for 2007. In summary, the US proposal was as follows:

- With regard to export competition, complete elimination of export subsidies by 2010, in line with the G-20 proposal.
- With regard to domestic support, the US would reduce its total OTDS by 53%. Within this category of measures, it proposed that its total AMS would be reduced by 60 percentage points, whereas the de minimis support and the Blue Box could each amount to 2.5% of the value of agricultural production. Similarly, other countries such as the EU and Japan should also make a substantial reduction effort in proportion to their higher levels of distorting support. The US proposal advocated an 83% reduction in the AMS of both Japan and the EU, while in the case of total OTDS the EU should reduce this support by 75% and Japan by 53%.
- With regard to market access, the maximum tariff level after reductions would be 75%, with a reduction rate of between 55 and 90 percentage points, depending on the initial tariff. In addition to the cap level and the reduction rates, a maximum of 1% of tariff lines would be permitted as sensitive products.

The Special and Differential Treatment will be ensured through slightly smaller cuts and longer phase-in periods for the market access measures. Whereas the proposal seemed unacceptable to many other countries – such as the G-10 – it helped to re-launch the discussions on technical matters again. The EU thus tabled a new counterproposal in late October, which clearly showed its redlines as discussed in previous sections.

The EU proposal gave rise to lively internal debate, since it was close to exhausting the Council's mandate to the Commission – if not exceeding it, according to several member states' reactions. It consisted of the following aspects:

- In export competition, the EU also advocates the total elimination of all its agricultural export support, if other countries also discipline their export support. This would come about 'by an agreed date'.

- With regard to domestic support, the EU would reduce its OTDS by 70%, in line with the maximum reductions that the MTR could permit according to the quantitative estimates shown above. Also, tighter discipline on Blue Box spending was proposed ;
- Regarding market access, a 46% reduction of the EU average agricultural tariff, from the current 22.8% to 12.2%. Altogether, a 60 percentage point reduction in its highest tariffs and a range of tariff cuts between 35% and 60% for lower tariffs. The number of sensitive products designated by the EU would be reduced, while for all countries the maximum agricultural tariff would be 100%. The tariffs for sensitive products should also be reduced with simultaneous expansion of the TRQs for these products ;
- With regard to SDT, developing countries would be granted higher tariff bands, lower tariff cuts and a tariff cap of 150%. The LDCs should not reduce their agricultural tariffs (a "round for free" approach).

The EU also specified a number of conditions pertaining to this proposal and, with regard to agricultural products, mentioned disciplining US counter-cyclical payments, a commitment on reforming STEs and food aid concerning other developed countries. Similarly, the EU asks for the protection of Geographical Indications through an international register.

If both proposals are compared, they seem to be similar in substance except with regard to the percentage reduction values and capping of boxes and tariffs. While it could be seen as an improvement compared to the previous situation of deadlock, the expectations with regard to reaching an agreement for the December meeting in Hong Kong were disappointed by the reactions of the WTO partners regarding each one of the proposals and the declarations made by the Director-General of the WTO requiring members to "recalibrate" their expectations for the Hong Kong Ministerial Conference. He stressed the need to maintain the ambition of the Round and for Hong Kong to mark a step forward in successfully completing the talks next year.

As expected, the Hong Kong Ministerial Declaration did not contain specific numbers and formula structures for cutting subsidies and tariffs. The Hong Kong Ministerial Conference's most concrete achievement was to establish 2013 as the end-date for eliminating agricultural export subsidies, contingent "upon the completion of the modalities." Members are expected to finalise full modalities by April, they must also submit comprehensive draft schedules of commitments based on them by 31 July 2006 (see Annex III).

There will thus be no agreement in the WTO until mid 2006. This opens the door to two outcomes in the near future: a) a "Uruguay Round-type" agreement on agriculture, less ambitious than the desirable outcome for the developing countries, or b) no agreement with an open door to regionalism.

In this context, several developments concerning trade policy reforms are likely to occur in the years that lie ahead.

First, once the "Peace Clause" (Article 13) of the AoA is exhausted, the WTO's Dispute Settlement Body (DSB) will probably have increasing influence on the policy reform process. Thus, policy reform will be affected by the DSB rulings rather than by a process of multilateral negotiations, as has been the case with the recent rulings on cotton, sugar and bananas. For example, the future of the Green Box payments is currently uncertain because of the recent WTO ruling under the Cotton Case. In that case, Brazil brought a complaint against certain aspects of the cotton policies of the United States. A key aspect of the complaint, for the purposes of the current discussion, was the panel's finding that US direct payments and the legislative and regulatory provisions which establish and maintain the direct payments programme do not fully conform to the conditions set out in Annex 2 of the AoA (the Green Box). The panel concluded that since the payments were conditional on producers not planting certain commodities (more specifically fruits and vegetables) on the land on which payments were based, the payments cannot be considered to be totally "decoupled". A further shift to decoupling is required. This is an important decision not only for the United States, but also for the European Union, whose single farm payment involves a similar requirement.

Second, as has already been mentioned, the multilateral trade reform is expected to be lengthy and much less ambitious than what many developing countries have been expecting. The EU and the US could finally reach a consensus on the use of the adjusted Blue Box and the Green Box payments as a way of facilitating trade reform. In this context, two features will contribute to assessing the real success or failure of the Doha Round, at least from the agricultural point of view in developing countries. The first is the extent of concessions in the market access pillar, especially for so-called sensitive products. The second is the ability of the US and the EU to accept tighter discipline on the Green Box payments, as recently proposed by the G-20 (June 2005).

6. Concluding remarks

Since MCs do not have a common position or interest within the WTO negotiations on agriculture, it is not easy to conclude a similar outcome for all of them if negotiations fail. In general terms, the EU can emerge better off under this new scenario, whereas developing MCs can find themselves in a weaker position.

Clearly, it can be said that the failure to achieve substantial progress in multilateral trade negotiations is connected with the pace of bilateral liberalisation. North-South and South-South regional liberalisation processes are being enhanced as alternative strategies for trade reform. The Moroccan-US bilateral agreement can be placed in this framework. Trade liberalisation will probably be the result of open regionalism rather than of multilateral liberalisation. A problem of this approach is the “hub and spokes” relationship between big trading powers and small developing economies. One outcome is the increased dependency of many developing areas on the market opportunities granted by the big trading powers in exchange for comprehensive trade liberalisation in the poorer economies. Another immediate result is the inconsistency of tariff elimination in developing countries with the incomplete phasing-out of domestic subsidies in developed economies. When negotiations are bilateral, the big trading powers tend to condition subsidy removal on the WTO negotiations. When this removal does not take place, as is in fact happening, the playing field of the North-South free trade areas is far from balanced.

The collapse of the multilateral system could bring failure to build a common approach for the role of agriculture in development that is shared by the various countries. All rural areas in the world have the right to rural development policies and there is no reason why agricultural policies in one part of the world should mean welfare reduction in other parts. While regional integration, expressed in the Mediterranean area by the Barcelona Process, can play a role in narrowing positions between the two shores of the Mediterranean, the WTO negotiations appear to be the last chance for many countries in the world for achieving fairer rules for agricultural trade.

Institutions such as the CIHEAM are also making a contribution to considering rural development as a “global public good” by devising institutional mechanisms that supply solutions by different countries in the Mediterranean, irrespective of their stage of development. The economic development of “poorer” countries should thus be accorded at least the same weight as the Northern rural areas.

A practical way to approach this common role for agriculture in development is to find a common view for the non-distorting or Green Box payments. Northern and Southern MCs should be able together to provide clear guidelines for other WTO members for this type of agricultural support, guidelines that allow the EU to keep non-trade products of agriculture at the desired level, and, simultaneously, Southern MCs could provide their farmers with the required support to improve their quality of life and to restructure their farms and could meet the other needs of their agricultural populations. It is to be hoped that CIHEAM high-level meetings can help to design this new Green Box best suited to all countries’ needs.

References

- Brink, L. (2005): *WTO 2004 Agriculture Framework: Disciplines on Distorting Domestic Support,* International Agricultural Trade Research Consortium, Working Paper #(05-1).

- CIHEAM (2004): Issues on Euro-Mediterranean integration and agricultural policies. *Agri.Med: Agriculture, fishery, food and sustainable rural development in the Mediterranean region.* Annual report 2004, Centre International des Hautes Etudes Agronomiques Méditerranéennes.

- IPC (2005): *Building on the July Framework Agreement: Options for Agriculture*, International Food & Agricultural Trade, Policy Council, Issue Brief, June 2005, Washington, D.C.

- Petit, M. (2005): *Politiques agricoles américaines et négociations à l'OMC, CIHEAM, L'Observatoire Mediterraneen.*

-
- Velazquez, B. (2004): *La reforma Fischler y las negociaciones agrícolas en la Organización Mundial del Comercio: compatibilidad y cuestiones abiertas*, V Congreso de Economía Agraria, Asociación Española de Economía Agraria, Santiago de Compostela, Septiembre.

- WTO (2004): "*WTO Agriculture negotiations. The issues and where we are now*", 1 December 2004.

- WTO (2003): "T*ariff negotiations in agriculture. Reduction methods".* WTO agriculture negotiations. Background fact sheet. August 2003.

Appendices

Annex I - List of members of several groups in Doha Development Round negotiations MCs in bold letters

Cairns Group: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay

G-10: Bulgaria, Iceland, **Israel**, Japan, Republic of Korea, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei

G-20: Argentina, Bolivia, Brazil, Chile, China, Cuba, **Egypt,** India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Venezuela, Zimbabwe. (Countries participating in the 11-12 December 2003 G-20 Ministerial Meeting)

G-33 (understood to comprise 42 countries): Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Senegal, St Kitts and Nevis, St Lucia, St Vincent & the Grenadines, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe.

African Union/Group, ACP, least-developed countries (also known as **"G-90"**, but with 64 WTO members): Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, **Egypt**, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, **Morocco,** Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent & the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe

Source: WTO, 2004.

Annex II

Proposals in which MCs have taken part

Phase 1 (23–24 March 2000 to 26–27 March 2001)

Proposals received		**Mediterranean country involved in the proposal**
G/AG/NG/W/17	EU: **The Blue Box and Other Support Measures to Agriculture** – 28 June 2000	EU Members
G/AG/NG/W/18	EU: **Food Quality: Improvement of Market Access Opportunities** – 28 June 2000	
G/AG/NG/W/19	EU: **Animal Welfare and Trade in Agriculture –** 28 June 2000	
G/AG/NG/W/34	EU: **Export Competition** — 18 September 2000	
G/AG/NG/W/56	**Domestic Support — Additional Flexibility for Transition Economies** — 14 November 2000	Albania
G/AG/NG/W/57	**Market Access —** 14 November 2000	Slovenia, Croatia
G/AG/NG/W/90	EU: **Comprehensive negotiating proposal —** 14 December 2000	
G/AG/NG/W/105	Morocco: **Negotiating proposal —** 5 February 2001	Morocco
G/AG/NG/W/106	Turkey: **Negotiating proposal** — 5 February 2001	Turkey
G/AG/NG/W/107 + rev.1	Egypt: **Comprehensive proposal —** 6 February 2001, revised 21 March 2001	Egypt
G/AG/NG/W/140	Jordan: **Negotiating proposal —** 22 March 2001	Jordan
G/AG/NG/W/142	African Group: **Joint negotiating proposal —** 23 March 2001	Egypt, Morocco, Tunisia

Technical submissions

G/AG/NG/W/36 and G/AG/NG/W/36/Rev. 1	Submission on Non-Trade Concerns – **22 September 2000;** Revision — **9 November 2000**	EU, Israel, Cyprus, Malta
G/AG/NG/W/141	Croatia: **Submission** — 23 March 2001	Croatia

Phase 2

Most of these are proposals or elaborations of Phase 1 proposals. A few are questions on others' proposals. Most are off-the-record "non-papers".

- **EU:** Tariff rate quotas administration
- **EU:** Amber Box
- **Israel:** Export subsidies
- **EU:** Export credits
- **EU:** Food safety
- **Cyprus:** Rural development
- **EU:** Geographical indications
- **Cyprus:** Green Box
- **EU:** Green Box
- **African Group:** Trade preferences

- **EU:** Tariff preferences for developing countries
- **7 developing countries (Cuba, Egypt, Grenada, Mauritius, Nigeria, Sri Lanka and Uganda):** Food aid
- **EU:** Food aid
- **EU:** Consumer information and labelling
- **African Group:** Proposal on trade in agricultural commodities and the concerns of single commodity exporters (SCEs)
- **African Group, Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Pakistan, and Sri Lanka:** Special and differential provisions

Technical submissions received during Phase 2

G/AG/NG/W/187	**Aspects of non-trade concerns in (post) transition economies (10 countries, including Croatia)— 5 December 2001**

The Cancún 'framework' proposals

Before Cancún:

- **US-EU:** JOB(03)/157 (restricted), 13 August 2003
- **G-20 (Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela):** JOB(03)/162 (restricted), 20 August 2003; re-circulated as WT/MIN(03)/W6 including Add.1 and Add.2, 30 September 2003

During Cancún, the following members proposed amendments to the framework in the Pérez del Castillo draft:

- Israel: WT/MIN(03)/W/16, 12 September 2003
- **African Union, ACP, least developed countries:** WT/MIN(03)/W/17, 12 September 2003

Source: WTO, 2004.

Annex III

Hong-Kong Ministerial Declaration
(section on Agricultural Negotiations)

4. We reaffirm our commitment to the mandate on agriculture as set out in paragraph 13 of the Doha Ministerial Declaration and to the Framework adopted by the General Council on 1 August 2004. We take note of the report by the Chairman of the Special Session on his own responsibility (TN/AG/21, contained in Annex A). We welcome the progress made by the Special Session of the Committee on Agriculture since 2004 and recorded therein.

5. On domestic support, there will be three bands for reductions in Final Bound Total AMS and in the overall cut in trade-distorting domestic support, with higher linear cuts in higher bands. In both cases, the Member with the highest level of permitted support will be in the top band, the two Members with the second and third highest levels of support will be in the middle band and all other Members, including all developing country Members, will be in the bottom band. In addition, developed country Members in the lower bands with high relative levels of Final Bound Total AMS will make an additional effort in AMS reduction. We also note that there has been some convergence concerning the reductions in Final Bound Total AMS, the overall cut in trade-distorting domestic support and in both product-specific and non product-specific de minimis limits. Disciplines will be developed to achieve effective cuts in trade-distorting domestic support consistent with the Framework. The overall reduction in trade-distorting domestic support will still need to be made even if the sum of the reductions in Final Bound Total AMS, de minimis and Blue Box payments would otherwise be less than that overall reduction. Developing country Members with no AMS commitments will be exempt from reductions in de minimis and the overall cut in trade-distorting domestic support. Green Box criteria will be reviewed in line with paragraph 16 of the Framework, inter alia, to ensure that programmes of developing country Members that cause no more than minimal trade-distortion are effectively covered.

6. We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013. This will be achieved in a progressive and parallel manner, to be specified in the modalities, so that a substantial part is realized by the end of the first half of the implementation period. We note emerging convergence on some elements of disciplines with respect to export credits, export credit guarantees or insurance programmes with repayment periods of 180 days and below. We agree that such programmes should be self-financing, reflecting market consistency, and that the period should be of a sufficiently short duration so as not to effectively circumvent real commercially-oriented discipline. As a means of ensuring that trade-distorting practices of STEs are eliminated, disciplines relating to exporting STEs will extend to the future use of monopoly powers so that such powers cannot be exercised in any way that would circumvent the direct disciplines on STEs on export subsidies, government financing and the underwriting of losses. On food aid, we reconfirm our commitment to maintain an adequate level and to take into account the interests of food aid recipient countries. To this end, a "safe box" for bona fide food aid will be provided to ensure that there is no unintended impediment to dealing with emergency situations. Beyond that, we will ensure elimination of commercial displacement. To this end, we will agree effective disciplines on in-kind food aid, monetization and re-exports so that there can be no loop-hole for continuing export subsidization. The disciplines on export credits, export credit guarantees or insurance programmes, exporting state trading enterprises and food aid will be completed by 30 April 2006 as part of the modalities, including appropriate provision in favour of least-developed and net food-importing developing countries as provided for in paragraph 4 of the Marrakesh Decision. The date above for the elimination of all forms of export subsidies, together with the agreed progressivity and parallelism, will be confirmed only upon the completion of the modalities. Developing country Members will continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture for five years after the end-date for elimination of all forms of export subsidies.

7. On market access, we note the progress made on ad valorem equivalents. We adopt four bands for structuring tariff cuts, recognizing that we need now to agree on the relevant thresholds – including those applicable for developing country Members. We recognize the need to agree on treatment of sensitive products, taking into account all the elements involved. We also note that there have been some recent movements on the designation and treatment of Special Products and elements of the Special Safeguard Mechanism. Developing country Members will have the flexibility to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development. Developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined. Special Products and the Special Safeguard Mechanism shall be an integral part of the modalities and the outcome of negotiations in agriculture.

8. On other elements of special and differential treatment, we note in particular the consensus that exists in the Framework on several issues in all three pillars of domestic support, export competition and market access and that some progress has been made on other special and differential treatment issues.

9. We reaffirm that nothing we have agreed here compromises the agreement already reflected in the Framework on other issues including tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops, long-standing preferences and preference erosion.

10. However, we recognize that much remains to be done in order to establish modalities and to conclude the negotiations. Therefore, we agree to intensify work on all outstanding issues to fulfil the Doha objectives, in particular, we are resolved to establish modalities no later than 30 April 2006 and to submit comprehensive draft Schedules based on these modalities no later than 31 July 2006.