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WTO Doha Round: Agricultural Negotiating Proposals

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Summary

The pace of negotiations in the Doha Round of multilateral trade negotiations has quickened as the mid-December Hong Kong Ministerial Conference of the World Trade Organization (WTO) approaches. At Hong Kong, WTO member countries are expected to reach agreements on specific measures (known as modalities) to expand global trade in agricultural and industrial products and services and set the stage for intensive negotiations that would take place during 2006. Despite intense negotiations, agreements on modalities, especially for agriculture, have eluded negotiators.

The WTO is unique among the various fora of international trade negotiations in that it brings together its entire 148-country membership to negotiate a common set of rules to govern international trade in agricultural products, industrial goods, and services. Agreement across such a large assemblage of participating nations and range of issues contributes significantly to consistency and harmonization of trade rules across countries. As to agriculture, because policy reform is addressed across three broadly inclusive fronts — export competition, domestic support, and market access — WTO negotiations provide a framework for give and take to help foster mutual agreement. As a result, the Doha Round represents an unusual opportunity for addressing most policy-induced distortions in international agricultural markets.

The ongoing trade negotiations have entered a critical stage reflecting their convergence with two key U.S. policy events: the expiration in 2007 of both current U.S. farm legislation and of Trade Promotion Authority (TPA). Under TPA, if the Administration meets negotiating objectives established by Congress and satisfies consultation and notification requirements, then Congress would consider implementing legislation for a Doha Round agreement with limited debate, no amendments, and a straight up-or-down vote. TPA is set to expire on July 1, 2007, and, although Congress could extend the deadline, there is concern that such a vote would be both rancorous and uncertain in outcome. Hence, the Administration and trade proponents are feeling considerable pressure to conclude the Doha Round prior to TPA expiry. In addition, current U.S. farm legislation (the 2002 farm bill) is set to expire in 2007. Prior to its expiration, Congress and the Administration will engage in a public policy debate about the goals of U.S. farm policy and the measures best suited to achieve those goals. Many policymakers are concerned about fashioning U.S. farm policy to be consistent with any new WTO trade agreement. As a result, many, but not all, U.S. policy makers have a strong interest in achieving a new trade agreement prior to the development of new U.S. farm policy.

This report provides background information on the WTO, the Doha Round, the key negotiating groups, and a schedule of historical and upcoming events relevant to the agricultural negotiations; reviews the agreements reached in the July 2004 framework and identifies issues that remain to be resolved by the Hong Kong Ministerial in December; discusses and compares the major agricultural negotiating proposals; and discusses the potential effects of an agricultural agreement on U.S. farm policy. The report will be updated.

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Current Status of Agricultural Negotiations

On October 10, 2005, the United States offered a detailed proposal with specific modalities (i.e., schedules, formulas, and other criteria for implementing tariff and subsidy reduction rates and other aspects of the reform) for the adoption of new disciplines on the three major agricultural reform pillars — export competition, domestic support, and market access. The U.S. proposal appeared to break a negotiations log-jam as it was followed closely in mid-October, by separate proposals for agricultural modalities from three other major negotiating participants — the EU, the G-20 developing countries, and the G-10, a group of mainly developed countries that are net importers of agricultural products. (The proposals are discussed below.)

Chairmen of both House and Senate Agriculture Committees have expressed their views on the kind of WTO agricultural agreement that would garner their support.[1] According to the chairmen, the four principles that should guide any WTO agreement are:

- Substantial improvement in real market access.
- Greater harmonization in trade-distorting domestic support.
- Elimination of export subsidies; and
- Greater certainty and predictability regarding WTO litigation.

Negotiations on the agricultural modalities are continuing in preparation for the next (and Sixth) WTO Ministerial Conference which will be held in Hong Kong December 13-18, 2005. The success of the Hong Kong Ministerial hinges greatly on the success of trade ministers to reach general agreement on the details of the major modalities. However, wide differences exist, especially between the United States and the EU, in the modalities proposed for market access, the most difficult issue encountered by negotiators.

As a result, the negotiations appear to be reaching another impasse. The United States, the G-20, and members of the CAIRNS group are calling for the EU to improve and resubmit its present offer on market access as they claim it is not as extensive as current reform proposals for domestic support and export competition, and thus provides insufficient bargaining room. The EU (with at least partial backing from the G-10 and India) claims that it is unable to improve its market access offer

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[1] Letter to the Honorable Rob Portman, U.S. Trade Representative, October 6, 2005, from Senator Saxby Chambliss, Chairman of the Senate Committee on Agriculture, Nutrition and Forestry, and Representative Bob Goodlatte, Chairman, House Committee on Agriculture.

without some formal proposals from other countries on reform in the non-agricultural trade sectors — primarily services and industrial goods.

If the impasse is surmounted and preliminary agreement is reached, then the agricultural modalities would be on the agenda of the December Ministerial, and negotiations could be completed during 2006, assuming agreements are reached in other negotiating areas. However, because little movement appears likely under present circumstances (i.e., limited time and internal EU-country disagreements over the nature of the EU's offer), news reports are surfacing about scaled-back ambitions for the Hong Kong Ministerial.[2] Director General Pascal Lamy has suggested the possibility of scheduling two further ministerial meetings within a year after the Hong Kong ministerial — one to approve modalties and one to finally conclude the Doha Round.

Negotiating Mandate for Agriculture: the Doha Declaration

At the World Trade Organization's (WTO) Fourth Ministerial Conference in Doha, Qatar, November 9-14, 2001, WTO member countries agreed to launch a new round of multilateral trade negotiations (MTNs), including negotiations on agricultural trade liberalization.[3] This new round, because it emphasizes integrating developing countries into the world trading system, is called the Doha Development Agenda (DDA).

A first phase of agricultural trade negotiations had been underway since early 2000.[4] The first phase produced proposals from WTO member countries for agricultural trade liberalization, but no work program or timetable for completing negotiations were developed. The new round incorporates agriculture into a comprehensive framework that includes negotiations on industrial tariffs, services, anti-dumping and countervailing duty measures (referred to as rules) dispute settlement, and other trade issues.

The Doha Ministerial Declaration mandate for agriculture calls for comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. These topics — domestic support, export subsidies, and market access — have become known as the three pillars of the agricultural negotiations. The Declaration also provides that special and

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[2] *Washington Trade Daily*, "A Less Ambitious Hong Kong Conference," Vol. 14, No. 222, Nov. 9, 2005.

[3] The Doha Ministerial Declaration launching the DDA negotiations is at [http://www.wto.org/english/tratop_e/dda_e/dda_e.htm#dohadeclaration]. Paragraphs 13 and 14 of the Doha declaration set out the agricultural negotiating mandate.

[4] Article 20 of the 1994 Uruguay Round Agreement on Agriculture called for initiating negotiations one year before the end of the URAA implementation period (the beginning of 2000). See the text of the URAA at [http://www.wto.org/english/docs_e/legal_e/14-ag.pdf]

differential treatment for developing countries would be an integral part of all elements of the negotiations. The Declaration took note of non-trade concerns reflected in negotiating proposals of various member countries and confirmed that they would be taken into account in the negotiations. March 31, 2003 was set as the deadline for reaching agreement on "modalities" (targets, formulas, timetables, etc.) for achieving the mandated objectives, but that deadline was missed. During the rest of 2003, negotiations on modalities continued in preparation for the fifth WTO Ministerial Conference held in Cancun, Mexico September 10-14, 2003.

While the United States and the EU reached agreement on a broad framework for negotiating agricultural trade liberalization before the Cancun meeting, a group of developing countries, the G-20 which includes Brazil, China, India, and South Africa, among others, made a counter-proposal. The G-20 proposal emphasized agricultural subsidy and tariff reduction for developed countries with fewer demands on developing countries. The Chairman of the Cancun ministerial circulated a draft declaration at the meeting that attempted to reconcile differences between developed (especially the United States and the EU) and developing countries (especially the G-20) on the agricultural issues. Neither the proposals made by the United States and the EU and the G-20 nor the Chairman's draft declaration proposed specific modalities (formulas, targets, or timetables) for reducing tariffs and trade-distorting support and for phasing out export subsidies.

The Cancun Ministerial Conference thus failed to reconcile differences on agricultural issues as well as differences between developed and developing countries over expanding the negotiating agenda to include such issues as competition and investment policy. The Cancun Ministerial ended without an agreement on modalities or a framework for continuing multilateral negotiations on agricultural trade liberalization. The inconclusive end of the Cancun ministerial largely eliminated the prospect that the DDA would conclude by its scheduled end date, January 1, 2005.

July 2004 Framework Agreement for Agriculture

WTO member countries did, however, reach an agreement on July 31, 2004 on a work program which includes a framework for negotiating the agricultural trade issues in the Doha Round.[5] The July 31 work program for completing the Doha negotiations included an overall decision to complete the negotiations launched in Doha, Qatar, in November 2001 with annexes that lay out negotiating frameworks for agriculture and other DDA issues.[6] The agricultural framework, part of a work program for all the negotiating issues in the DDA (see below), set the stage for negotiations to determine modalities, i.e., the specific targets, formulas, timetables, etc., for curbing trade-distorting domestic support, reducing trade barriers and

[5] See *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, CRS Report RS21905, May 3, 2005.

[6] The framework agreement known as the *Doha Work Programme: Decision Adopted by the General Council on August 1, 2004* is at [http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf].

eliminating export subsidies. Negotiators set for themselves a deadline of July 2005 for completing a first draft of the agricultural modalities, a deadline that was subsequently missed.

Other Negotiating Areas

Cotton. Although not mentioned specifically in the Doha round mandate, cotton subsidies have become a key issue to resolve before DDA negotiations can be successfully concluded.[7] The framework expressly included cotton as an issue to be addressed in the agricultural negotiations. Four cotton producing African countries — Benin, Burkina Faso, Chad, and Mali — have proposed the complete elimination of trade-distorting domestic support and export subsidies for cotton.[8] The four countries, sometimes referred to as the C-4, call for an end to cotton export subsidies over three years, and the elimination of production-related domestic support over four years, in each case from January 1, 2005. In addition, the proposal calls for WTO members to establish a transitional financial compensation mechanism for cotton-exporting developing countries affected by the subsidies. The issue of how to handle the cotton issue is unresolved. In contrast to a stand-alone sectoral initiative as proposed by the C-4, the United States has advocated dealing with cotton issues as part of the comprehensive agricultural negotiations.[9]

Services. A critical element of the DDA round is the negotiation pertaining to foreign trade in services.[10] Trade in services has been covered under multilateral rules only since 1995 with the entry into force of the General Agreement on Trade in Services (GATS) and of the Uruguay Round Agreements creating the WTO. The negotiations on services in the Doha Development Agenda (DDA) round have two fundamental objectives. One objective is to reform the current GATS rules and principles. The second objective is for each member country to liberalize or open more of its service sectors to foreign competition. The WTO services negotiations also began as part of the "built-in agenda" of the WTO and have been going on for more than five years. However, as with the negotiations in agriculture and other area, the services negotiations have proceeded slowly with missed deadlines and few

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[7] *Statement by the Chairman of the General Council.* Doha Development Agenda: Informal Heads of Delegation Meeting, December 9, 2003, available at [http://www.wto.org/english/news_e/news03_e/stat_gc_chair_9dec03_e.htm].

[8] The original proposal, WTO Negotiations on Agriculture, *Poverty Reduction: Sectoral Initiative in Favour of Cotton: Joint proposal by Benin, Burkina Faso, Chad, and Mali*, Committee on Agriculture, Special Session, TN/AG/GEN/4, May 16, 2003, was revised in WTO, General Council, *Poverty Reduction: Sectoral Initiative on Cotton: Wording of Paragraph 27 of the Revised Draft Cancun Ministerial Text: Communication from Benin*, WT/GC/W/516, October 7, 2003. These documents can be retrieved from [http://www.wto.org].

[9] For details, see *The African Cotton Initiative and WTO Agriculture Negotiations*, CRS Report RS21712..

[10] See *Trade in Services: The Doha Development Agenda Negotiations and U.S. Goals*, CRS Report RL33085.

results. As indicated below, the EU has linked its offer on market access for agricultural products to concessions on services by the advanced developing countries such as G-20 members.

Non-Agricultural Market Access (NAMA). In the Doha Declaration, trade ministers agreed to negotiations to reduce or eliminate tariffs on industrial or primary products, with a focus on "tariff peaks, high tariffs, and tariff escalation."[11] Tariff peaks are considered to be tariff rates greater than 15% and often protect sensitive products from competition. Tariff escalation is the practice of increasing tariffs as value is added to a commodity. The talks are also seeking to reduce the incidence of non-tariff barriers, which include import licensing, quotas and other quantitative import restrictions, conformity assessment procedures, and technical barriers to trade. The sectoral elimination of tariffs for specific product groups such as lumber has also been a focus of the negotiations. Negotiators accepted the concept of less than full reciprocity in reductions for developing and least-developed countries.

Doha negotiators agreed to reach modalities for the reduction or elimination of tariffs and non-tariff barriers by the end of May 2003. This deadline and subsequent ones were not met. In the July 2004 Framework Agreement, negotiators adopted the use of a non-linear tariff reduction formula (one that would reduce higher tariffs more than lower ones), but in the meantime no agreement has been reached on a specific formula or coefficients. The framework agreement also agreed that tariff reductions would be calculated from bound, rather than the applied, tariff rates. Reductions in unbound tariff lines would be calculated from twice the currently applied rate. (Bound rates are the rates permitted, while applied rates are those actually used. Applied rates are generally lower than bound rates.)

Rules. The Doha Declaration included an objective of "clarifying and improving disciplines" under the WTO Agreements on Antidumping (AD) and on Subsidies and Countervailing Measures (ASCM).[12] The United States sought to keep negotiations on trade remedies outside of the Doha Round, but found many WTO partners insistent on including them for discussion. U.S. negotiators did manage to insert language asserting that "...basic concepts, principles and effectiveness of these Agreements and their instruments and objectives" would be preserved. However, Congressional leaders were highly critical of this concession by U.S. trade negotiators.[13]

The United States primarily has been on the defensive in the rules talks. Many countries have attacked the use of antidumping actions by the United States and other developed nations as disguised protectionism. However, many developing countries are now using antidumping actions themselves, which may goad some countries to reexamine the necessity for discipline. Most of the proposals on trade remedies focus

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[11] NAMA negotiations are discussed in *World Trade Organization Negotiations: The Doha Development Agenda*, CRS Report RL32060 October 7, 2005

[12] See CRS Report RL32810, *WTO: Antidumping Issues in the Doha Development Agenda*, by Vivian C. Jones.

[13] "Zoellick Stance on Trade Remedy in WTO Provokes Criticism." *Inside U.S. Trade*. November 13, 2001.

on providing more specificity or restrictions to the AD/ASCM Agreements in terms of definitions and procedures. However, no agreements have been reached, even on what is to be negotiated.

Other Negotiating Issues . A number of other issues are on the agenda of the Doha Round.[14] These include a review of dispute settlement procedures, a number of specific issues of interest to developing countries (for example, access to patented medicines, implementation of existing WTO agreements, and changes in special and differential treatment provisions), and trade facilitation (which refers generally to harmonizing and streamlining customs procedures among WTO members).

Role of Developing Countries

The active participation of developing countries in the Doha Round distinguishes it from previous multilateral trade rounds held under the auspices of the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO. During the Uruguay Round, an agreement between the United States and the EU on agricultural issues at Blair House in 1992 paved the way for a successful conclusion of this last GATT round. However, a U.S.-EU joint proposal on agriculture during the 2003 Cancun Ministerial meeting was greeted with strong opposition from a group of developing countries.[15] This group, led by Brazil, India, and China, known as the G-20, has remained together since Cancun and is playing a key role in the Doha agricultural negotiations. The G-20 was first among the major players in the Doha Round to offer a proposal on agricultural modalities in advance of the Hong Kong meeting, and its proposal has become a benchmark for evaluating other, developed country proposals.

Not only the more advanced developing countries like the G-20 members, but also the least developed countries (LDCs) are participating actively in the Doha negotiations. The African cotton initiative mentioned above, first introduced during the Cancun Ministerial, is an example of the LDCs attempting to use multilateral trade negotiations to accomplish their policy objectives. The LDCs also were instrumental in blocking an overall agreement at Cancun when they rejected an EU proposal to enlarge the negotiating agenda to include discussion of the so-called "Singapore issues" of trade facilitation, competition policy, investment, and transparency in government procurement. Subsequent agreement to limit negotiations of Singapore issues to just one — trade facilitation — was a victory for the LDCs.

[14] See CRS Report RL32060.

[15] See CRS Report RL32053, *Agriculture in the WTO*, September 30, 2003.

U.S. Economic and Agricultural Interests

According to several economic analyses, further liberalization of world trade in the Doha Round would provide economic gains for developing and developed countries alike.[16] A World Bank study estimates that "a deal to lower global trade barriers could add more than $500 billion a year to global incomes by 2015." A University of Michigan study estimates that world incomes would increase by $613 billion with reductions in world agricultural, industrial, and service barriers. Such analyses illustrate the potential impacts of trade liberalization; real outcomes, though, may not match the studies' results if their assumptions are not matched by the actual reductions in barriers in the negotiated agreements.

Much of U.S. agriculture would be expected to benefit from further multilateral trade liberalization, but some U.S. products might face stiffer foreign competition at home or in third-country markets. Benefits to U.S. agriculture could include increased market access through tariff reduction or expanded market access quotas, not only in developed but also in the fast-growing developing country markets.[17] Competitive conditions for U.S. agricultural exports could improve with the elimination of export subsidies, especially vis-a-vis the EU, which accounts for about 90% of the world's agricultural export subsidies. U.S. agriculture could also benefit from the elimination of trade-distorting practices of State Trading Enterprises, such as the Canadian Wheat Board.

Agricultural trade liberalization also could impose adjustment burdens on some agricultural sectors, including some commodity sectors in developed countries.[18] Particularly vulnerable to increased import competition could be such products as sugar, dairy, and livestock products. The designation of such commodities as sensitive and therefore exempt from large tariff reductions, as provided in the framework agreement, could mitigate adjustment effects that might ensue from liberalization.

Role of Congress: Trade Promotion Authority and the Farm Bill

If DDA negotiations do result in a trade agreement, then Congress would presumably take up legislation to implement it under trade promotion authority

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[16] World Bank, *Global Economic Prospects: Realizing the Development Promise of the Doha Agenda, 2004* at [http://www.worldbank.org/prospects/gep2004/full.pdf.]; University of Michigan, School of Public Policy, *CGE Modeling and Analysis of Multilateral and Regional Negotiating Options*, January 23, 2001 at [http://www.spp.umich.edu/rsie/workingpapers/wp.html.

[17] Robert L. Thompson, "The WTO Trade Negotiations: Why the Emphasis on Development?," *Illinois Ag Policy Briefs*, APB 05-01, October 2005.

[18] Daryll E. Ray, "World Bank Study: Trade liberalization would shut down two-thirds of EU's grain and oilseed production," AgDM Newsletter, January 2004, viewed at [http://www.extension.iastate.edu/agdm/articles/others/RayJano4.htm].

(TPA), or fast-track, procedures (Title XXI of P.L. 107-210). Under fast-track, if the President meets the trade negotiating objectives established in the legislation and satisfies consultation and notification requirements in P.L. 107-210, then Congress would consider legislation to implement a trade agreement with limited debate, no amendments, and with an up-or-down vote. TPA, however, covers trade agreements signed by July 1, 2007, the effective deadline for U.S. participation in the DDA round and for congressional consideration of implementing legislation. That time frame also coincides with the expiration of the 2002 farm bill in 2007 (P.L. 107-171). Farm bill changes may be needed to meet U.S. commitments in a final DDA agreement on agriculture.

Schedule of Key Events

Dates	Historical Events
1986-1994	Uruguay Round of multilateral trade negotiations.
1994	Uruguay Round culminated in the establishment of the World Trade Organization (WTO). The Agreement on Agriculture was one of 29 legal texts underwriting the WTO and its administration of rules governing international trade.
Nov. 9-13, 2001	Current Doha Development Agenda (DDA) or Doha Round of multilateral negotiations was initiated in Doha, Qatar.
July 31, 2004	WTO Doha Round negotiations produce an interim guideline document, the *Framework Agreement*, to solidify existing commitments and to guide negotiations of details for final agricultural agreement.
Jan. 1, 2005	Current Doha Round of multilateral negotiations was scheduled to end, but several 2003 and 2004 deadlines were missed. As a result, DDA negotiations continue with no formal schedule, but subject to several looming deadlines.
Summer 2005	USDA initiates farm bill listening sessions around the country.
Oct. 7-8, 2005	Informal FIPS meeting to solidify existing commitments for any final agreement.
Oct. 10-14, 2005	Series of position papers released by major negotiations participants including the U.S., EU, G-10, and G-20.
Oct. 27, 2005	The EU released an updated proposal in response to concerns about the inadequacy of its first proposal's market access offerings.
Oct. 28, 2005	FIPS conference call to discuss EU updated offer in response to U.S. and G-20 offers.

Dates	Upcoming Events
Dec. 13-18, 2005	WTO Hong Kong Ministerial.
July 1, 2007	U.S. Trade Promotion Authority expires.
Sept. 30, 2007	2002 farm bill expires.

Key Players in the WTO DDA Negotiations

Big Two	U.S. and EU
Big Three	U.S., EU, and Japan
New Quad	U.S., EU, India, and Brazil
FIPS	Five Interested Parties: U.S., EU, Brazil, India, and Australia
FIPS Plus	FIPS plus Argentina, Canada, Switz., Japan, China, and Malaysia
G-5	Group of Five: U.S., EU, Japan, India, and Brazil
G-10	Group of 10 developed, net importing countries that subsidize domestic agriculture: Bulgaria, Iceland, Israel, Japan, South Korea, Liechtenstein, Mauritius, Norway, Switzerland, and Chinese Taipei
G-20	Group of some 20+ major developing countries whose members vary but essentially includes Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela.
G-33	Group of 33 countries otherwise called the "friends of special products" including China, Turkey, Indonesia, India, Pakistan, plus some African, Caribbean, South American, and Asian countries.
G-90	Group of Least-Developed Countries (LDCs).
Cairns Group	Members are generally free-market oriented and supportive of increased trade liberalization. Members include Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.
LDCs	The WTO recognizes as least-developed countries (LDCs) those countries which have been designated as such by the United Nations. There are currently 50 LDCs on the U.N. list, 32 of which to date have become WTO members. A complete listing is available at [http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm]

Note: For more information, see the WTO trade negotiations background report, *WTO Agriculture Negotiations: The issues, and where we are now*, "Key to Groups," December 1, 2004, p.83-84; available at [http://www.wto.org/english/tratop_e/agric_e/ agnegs_bkgrnd_e.doc]

Key Terms

Key terms from the WTO Agreement on Agriculture and the proposed reforms under the Doha Round of multilateral trade negotiations.[19]

1. **The *Agreement on Agriculture* (AA)**
   Text of agricultural policy reform commitments agreed to under the Uruguay Round (1986-1994) of WTO multilateral trade negotiations.
2. **The *Three Pillars* of agricultural policy reform**
   a. **Export competition**
      i. Export subsidies
      ii. Export credit
      iii. Food Aid
      iv. State Trading Enterprises
   b. **Domestic Support**
      i. **Aggregate Measure of Support (AMS)**: summary measure of a country's total level of trade-distorting domestic subsidies.
      ii. **Amber box**: non-exempt trade-distorting subsidies; individual members' amber box bounds are listed in their country schedules.
      iii. **Blue box**: production-limiting subsidies; unbound.
      iv. **De Minimis-non-product specific**: bound <5% of total production. value.
      v. **De Minimis-product specific**: bound <5% of specific prod. value.
      vi. **Green Box**: minimally distorting subsidies; unbound.
   c. **Market Access**
      i. Bound and Applied Tariffs
      ii. Sensitive Products Treatment
      iii. Tariff Rate Quotas (TRQs) administration
      iv. Special Safeguard Mechanisms (SSMs)
3. ***Special and Differential Treatment (SDT)* for developing countries**
   a. Smaller commitments and longer implementation periods
   b. Other flexibilities and privileges
4. ***Least-Developing Countries***
   a. Free Round: no new commitments
5. ***WTO Framework Agreement* (referred to as the "Framework")**
   a. The Framework provided agreement on a general framework for reform within each of the three main "pillars" of agricultural trade with details to be worked out in subsequent negotiations.
   b. The Framework touched on several "non-pillar" issues: including cotton subsidies and geographical indications.

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[19] For detailed definitions see CRS Reports listed in References, below.

The Framework Agreement on Agriculture and Issues to be Resolved

I. Export Competition

General Comment. Although 36 WTO members are permitted to use export subsidies as listed in their country schedules, only 24 countries have actually used export subsidies; most countries with permissible export subsidies have used them very sparingly. During the 1995-2001 period for which notification data is available, the EU accounted for nearly 90% of all export subsidies used (**Table 5**).

What Has Been Agreed to in the Framework

Under the Framework, WTO members agreed to establish detailed modalities ensuring the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect by a credible end date. The following will be eliminated by the end date to be determined (TBD):

1. Export subsidies.

2. Export credits, export credit guarantees or insurance programs with repayment periods beyond 180 days.

3. Terms and conditions — e.g., interest payments, minimum interest rates, minimum premium requirements, and any other subsidy elements — relating to export credits, export credit guarantees or insurance programs with repayment periods of 180 days or less which are not in accordance with disciplines TBD.

4. Trade distorting practices of exporting State Trading Enterprises (STEs) including elimination of export subsidies they receive and government financing and underwriting of losses.

5. Provision of food aid not in conformity with disciplines TBD.

6. Developing countries will benefit from longer implementation periods TBD for eliminating all forms of export subsidies.

Issues to Be Resolved Through Further Negotiation

1. Schedule for eliminating export subsidies.

2. Nature of "parallel treatment" of export credit programs.

3. Rules for exporting STEs.

4. New disciplines for food aid to prevent commercial displacement.

5. An assessment of whether and to what extend food aid should be provided in grant form.

6. A review of the role of international organizations in providing food aid.

II. Domestic Support

General Comment. Only 35 out of 148 members have notified use of trade-distorting domestic subsidies in their country schedules. During the 1995-2001 period for which notification data is available, three countries — the EU, the United States, and Japan — accounted for nearly 91% of all domestic subsidies used.[20]

What Has Been Agreed to in the Framework

1. **General Concepts**
   a. Doha Ministerial Declaration calls for ***substantial reductions in trade-distorting domestic support***.
   b. **Special and Differential Treatment (SDT)** remains an integral component of domestic support: developing countries to be given ***smaller cuts with a longer implementation period*** and continued access to AA, Article 6.2.
   c. There will be a strong element of **harmonization** in the reductions made by Developed Members. A tiered, progressive formula TBD will be used for implementing all reductions.
2. **Amber Box —** Current bounds are detailed in country schedules.
   a. Substantial reductions (TBD) from bound levels.
   b. Limits (TBD) will be placed on supports for specific products in order to avoid shifting support between different products.
3. **De Minimis exemptions** — The current bound for non-product-specific support is 5% of the total value of agricultural production (TVP); for product-specific support it is 5% of the value of production for each specific product. Developing countries are bound at 10% for both measures.
   a.Substantial reductions, TBD, that take into account SDT.
4. **Blue Box** — Currently unbounded; includes only production limiting direct payments.
   a. "Members recognize the role of the Blue Box in promoting agricultural reforms."
   b. To be bound at no more than 5% of TVP during an historical period TBD.
   c. Will be expanded to include direct payments that do not require production under certain conditions (e.g., U.S. counter-cyclical payments (CCP)).
   d.Criteria TBD will be added to ensure that blue box payments are less trade distorting than AMS measures.
5. **Overall Ceiling for Trade-Distorting Domestic Support** — Currently unbounded.

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[20] See Appendix Table 4, p. 29, of RL30612 as listed in Information Sources below.

a. Substantial reductions (TBD) including an initial 20% cut enacted in the first year, with further cuts to be negotiated.
b. If the sum of bound ceilings for amber box, de minimis, and blue box is still above the Overall Ceiling, then additional cuts in at least one of them must still be made to comply with the Overall Ceiling commitment.

6. **Green Box** — Criteria will be reviewed and clarified to ensure that Green Box measures have no, or at most minimal, trade-distorting effects on production.

Issues to Be Resolved Through Further Negotiation

1. Formula for reductions in bounds for Overall and Amber Box
   -Levels and number of tiers.
   -Rate and formula for within-tier cuts encompassing greater harmonization.
   -Levels for individual commodity limits within the amber box.

2. Blue box disciplines
   -formula for establishing bound levels as a share of production value.
   -base period against which to measure bounds.

3. De Minimis disciplines
   -formula for establishing bound levels as a share of production value.
   -base period against which to measure bounds.

III. Market Access

General Comment. All countries have market access barriers, whereas only some have export subsidies or Amber or Blue Box domestic support. Therefore, the range of interest in market access reform is more complex.

What Has Been Agreed to in the Framework

1. All members must make ***substantial improvements in market access for all products***.
2. The Framework gives no tariff reduction formula, but provides direction —
   a. **Single approach**: all members except LDCs must improve market access.
   b. **Tiered and progressive**: staggered tiers with larger within-tier cuts for higher tiers.
   c. **Reductions from "bound" rate**, not applied rate.
   d. **Special & Differential Treatment (SDT)** available for developing countries:
      i. smaller formula commitments in tariff reductions,
      ii. greater access to and treatment of sensitive products, and
      iii. a longer implementation period.
   e. **Sensitive Products**
      i. Principle of substantial improvement in market access TBD.
      ii. Appropriate number of permissible sensitive products TBD.

Issues to Be Resolved Through Further Negotiation

1. **Harmonized tariff reduction scheme**
   a. Levels and number of tariff tiers or bands.
   b. Rate and formula for within-tier tariff cuts encompassing greater harmonization.
   c. Tariff caps, i.e., a bound maximum tariff rate.
2. Parameters governing **Sensitive Products**
   a. Limit on sensitive products (how many and what treatment?).
   b. Tariff rate quota (TRQ) formula for linking quota to reduced tariff achieved via:
      (1) MFN-based tariff quota expansion required of all sensitive products;
      (2) within and over-quota tariff reductions.
   c. Improved administration of TRQs.
   d. Reducing or eliminating tariff escalation associated with increasing stages of value-added products.
3. Exact nature of **Special & Differential Treatment (SDT)** for developing countries.
   a. Lesser commitments; longer implementation period; greater flexibility for sensitive products
   b. Special products (i.e., related to food or livelihood security, or rural development) given additional flexibility.
   c. Special Safeguard Mechanism (SSM) — to deal with surges in imports or falling prices — are to be available for developing countries. Their status is TBD with respect to developed countries.
   d. Special treatment of agricultural product alternatives to illicit narcotic crops.
   e. Erosion of trade preferences when the WTO agreement supercedes bilateral or regional trade agreements.
4. Treatment of **Least-Developed Countries (LDCs)**: whether LDCs be given a “free” round with no new market access commitments TBD.
5. **Geographical Indications (GIs)**: will GIs be a part of any final agreement and, if so, how will they be defined and implemented?

Comparison of Major Agricultural Negotiating Proposals

Overview. The modalities proposals of the G-20, United States, EU, and the G-10 address all three pillars — export competition, domestic support, and market access — with varying degrees of specificity. Export competition negotiations were facilitated by the EU’s July 2005 pledge to end export subsidies (conditioned on parallel treatment of other forms of export subsidies). Market access has been the most difficult issue, especially for the EU and the G-10, but also for the G-20. The EU’s latest offer on market access (October 27, 2005) falls short of the “level of ambition” of the G-20 proposal which proposes tariff cuts of 45%-75%.

The U.S. Proposal

Comment. The October 10, 2005, U.S. modalities proposal is credited with unblocking stalled modalities negotiations. It addressed domestic support and market access with specifics for the first time, and put the EU on the defensive especially on market access. It proposes a 3-stage reform: five years of substantial reductions in trade-distorting support and tariffs, followed by a five year pause; then 5 more years to phase-in total elimination of all remaining trade-distorting domestic measures and import tariffs.

Export Competition
- Eliminate all agricultural export subsidies.
- Establish disciplines for export credit guarantees, STEs, and food aid.

Domestic Support
- Cut the U.S. amber box bound by 60% based on 1999-2001 period.
- Reduce the EU and Japanese amber box bounds by 83%.
- Reduce overall level of trade-distorting support by 75% for EU and Japan, and by 53% for the United States.
- Cap blue box at 2.5% of value of production.
- Cut *de minimis* exemptions to 2.5% of value of production.
- Maintain green box criteria without caps.
- Establish a new peace clause to protect domestic supports against WTO litigation.

Market Access
- Cut the highest tariffs by 90%; cut other tariffs in a range of 55% - 90%.
- Cap the maximum agricultural tariff at 75%.
- Limit sensitive products to 1% of tariff lines.
- Expand TRQs: i.e., larger quotas with lower tariffs.
- SDT for developing countries (TBD), but cap maximum developing country agricultural tariff at 100%.

Conditions: U.S. domestic support commitments are conditioned on "ambitious" market access proposals especially from the EU and the G-20.

The EU Proposal

Comment. Under pressure from France and 12 other EU countries (but not a qualified majority) not to improve its offers, the EU made a new market access proposal on October 27 and provided additional detail on its proposal for domestic support, export competition, and Geographical Indications (GIs). The EU's "level of ambition" in market access does not reach that of the G-20 or the United States. A major criticism of the EU's agricultural proposal is that its market access offer does not provide an inducement for developing countries like Brazil, Thailand, or other G-20 members to make concessions in non-agricultural market access or services. The United States and G-20 countries continue to pressure the EU to offer further concessions on agricultural market access.

Export competition

- Eliminate all agricultural export subsidies, contingent on "parallel" disciplines for export credits, food aid, and STEs by 2012.
- Establish a "short-term self-financing principle" for credits: programs must demonstrate that they charge adequate premiums to ensure self-financing.
- STEs: eliminate price-pooling, anti-trust immunity, direct and indirect preferential financing, and preferential transport services; and eliminate single-desk selling.
- Food Aid: phase out food aid that leads to commercial displacement but maintain commitments to adequate food aid levels; move gradually to untied and in-cash food aid; permit in-kind food aid only in exceptional, emergency situations under agreed criteria.

Domestic Support

- Reduce the EU's amber box ceiling by 70% (in line with the 2003 CAP Reform); reduce the U.S. amber box ceiling by 60%.
- Base amber box product-specific caps on the Uruguay Round implementation period of 1986-88.
- Reduce the *de minimis* exemptions ceiling by 80% of the Framework's proposed 5% cap (i.e., establish a cap of 1% of the value of total production).
- Blue box: freeze the existing price difference between linked price support prices and limit the price gap to a percentage of the base price difference.
- Reduce overall trade-distorting support in three bands: 70% (EU), 60% (U.S.), and 50% (rest-of-world).
- Maintain the green box without limits.

Market Access

- Reduce the highest tariffs by 60%; cut other tariffs in a range of 35% - 60%.
- Reduce the number of sensitive products to 8% of tariff lines (given the EU's approximately 2,200 tariff lines this would result in about 176 protected tariff lines for the EU).
- Apply both tariff cuts and expanded TRQs to sensitive products.
- Cap the maximum agricultural tariff for developed countries at 100% (but with no cap for sensitive products).

Special Safeguard Mechanism (SSM)

- Keep the SSM available for both developed and developing countries. Specifically, the EU wants SSM to be available for beef, poultry, butter, fruits and vegetables, and sugar.

Geographical Indications (GIs)

- Extend protection available to wines and spirits under Article 23 of TRIPS to all products, while leaving existing trademarks unaffected.

- Establish a multilateral system of notification and registration of GIs, open to all products, with legal effect in all Member countries not having lodged a reservation to the registration.
- Use of well-known GIs on a short list should be prohibited, again subject to existing trademark rights.

Special & Differential Treatment (SDT) for developing countries

- Establish higher tariff bands, lower tariff cuts, and a maximum tariff of 150% for developing countries.
- No tariff cuts for the 50 WTO-member LDCs.

Conditions

- *NAMA*: agreement before Hong Kong on a progressive formula that cuts into applied tariffs for manufactured products.
- *Services*: agreement at Hong Kong to establish mandatory country targets for services trade liberalization.
- *Rules*: Negotiate between now and the Hong Kong Ministerial meeting, a list of issues to be resolved including antidumping.
- *Development*: prepare for Hong Kong a Trade Related Assistance package for developing countries and extend tariff and quota free access to all LDCs no later than the conclusion of the DDA.

The G-20 Proposal

Comment. The G-20 proposal on market access reflects differences between Brazil, an agricultural exporter, and India, an agricultural importer.

Export Competition

- Eliminate all forms of export subsidies over five-year period.
- New food aid disciplines should not compromise emergency humanitarian assistance.

Domestic Support

- Cut the bound for overall trade-distorting domestic support in three bands: >$60 billion, 80%; $10-$60 billion, 75%; and $0-$10 billion, 70%.
- Cut the amber box ceiling in three bands: >$25 billion, 80%; $15-$25 billion, 70%; and $0-$15 billion, $60%.
- Reduce *de minimis* exemption allowances so as to meet the cut in the overall bound.
- Address the cotton issues no later than the Hong Kong Ministerial meeting.

Market Access

- Cut developed country tariffs by 45%-75%; cut developing country tariffs by 25%-40%.
- Cap the developed country maximum agricultural tariff at 100%, developing country maximum tariff at 150%.
- Limit the number of sensitive products; compensate for designation as sensitive with a combination of tariff cuts and expanded TRQs.

- Maintain Special Safeguard Mechanism (SSM) for developing countries; eliminate SSM for developed countries.
- Address issue of preference erosion for developing countries with expanded access for LDCs and trade capacity building.
- Special & Differential Treatment (SDT): exempt LDCs from reduction commitments.

The G-10 Proposal

Comment. The G-10 is a group of mainly developed, net-agricultural importing countries led by Japan, Norway, and Switzerland. The G-10 has tabled proposals on market access and domestic support, but not on export competition. The G-10 takes a relatively "defensive" posture on market access that calls for lower tariff reductions and a larger number of sensitive products than do other proposals.

Market access

- Reduce agricultural tariffs in a range from 27% to 45% for most products.
- The number of sensitive products would be 10% of tariff lines with linear cuts within tiers, 15% of tariff lines would have flexibility for within-tier adjustments.
- There would be no cap on the highest agricultural tariff allowed.

Domestic Support

- Reduce the amber box ceiling by 80% for support >$25 billion; by 70% for support in the $15-$25 billion range; and by 60% for support <$15 billion.
- Reduce the overall support ceiling by 80% for support >$60 billion; 75% for $10-$60 billion; and 70% for support <$10 billion.
- Blue box and *de minimis* spending are not addressed.

Potential Effects on U.S. Farm Policy

Export Competition

The United States uses export subsidies and export credit guarantees to support its commodity exports, and is a major donor of international food aid. As a result, changes in these programs will have some impacts on U.S. commodity markets and trade policy.

1. Elimination of export subsidies

Although the United States has the second-largest level of permissible export subsidies under current WTO limits (see **Table 1**), it uses only a very small share of its allowable level (see **Table 2**). Milk and milk products are the principal beneficiaries of U.S. export subsidies and would, therefore, be the principal losers if export subsidies were to be eliminated. However, **Figure 1** clearly demonstrates the dominance of the EU in use of export subsidies, primarily for sugar, beef, and dairy products.

2. Reform of agricultural export credit guarantees

The United States is the world's leading user of export credit guarantees (**Figure 2; Tables 3 and 4**).[21] Current reform proposals are likely to reduce the effectiveness of export credit guarantees at facilitating U.S. commodity exports into price-competitive markets.

3. Changes in food aid programs.

The United States is among the world's leading food aid donors. Since most of U.S. food aid is in the form of commodity donations rather than cash, U.S. food aid donations will likely be reduced to the extent that reforms to food aid limit or restrict the donation of actual commodities.[22]

Domestic Support

The United States together with the EU and Japan account for nearly 90% of all agricultural domestic support subsidies.[23] As a result, these three are most likely to bear the brunt of the economic consequences associated with new disciplines on domestic support. **Tables 5-8** contain information on U.S. domestic support and the various Doha Round proposals for reform.

4. Reductions to bound level of amber box spending

Under the U.S. proposal for reform of domestic support (**Table 6**), the U.S. amber box ceiling would be lowered by 60% to approximately $7.6 billion. This compares with current amber box spending in FY2005 of an estimated $12.7 billion (**Tables 7 and 8**). As a result, U.S. domestic support programs would require some redesign (with likely box shifting) to be able to meet such a lower ceiling. Although there are many ways that such changes could be achieved, a likely candidate would include shifting away from market-distorting programs such as loan deficiency payments (LDP) or marketing loan gains (MLG) and towards greater use of green box programs such as decoupled direct payments, conservations payments, or rural infrastructure development.

5. Tightening of *de minimis* bounds

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[21] For more information, see USDA, Foreign Agricultural Service, Export Programs at [http://www.fas.usda.gov/exportprograms.asp].

[22] For more information, see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs.*

[23] For more information, see CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*.

Under the U.S. proposal for reform of domestic support (**Table 6**), the *de minimis* exemptions, both non-product specific and product specific) would be bound at 2.5% of the value of relevant production (i.e., either aggregate or commodity specific). For non-product specific *de minimis*, this would result in a ceiling of about $5 billion (**Table 7**), compared with estimated exemptions of $6.2 billion in FY2005. However, shifting the counter-cyclical payments (CCP) to the blue box (see below) would bring spending under the *de minimis* exemptions back into line with their proposed commitments.

6. Establishment of bound on blue box

Under both the framework agreement and the U.S. proposal for reform of domestic support (**Table 6**), CCP would be eligible for the blue box. The U.S. proposal also recommends establishing a blue box ceiling of 2.5% of the total value of national agricultural production (TVP). For the United States, 2.5% of TVP would be approximately $5 billion. The U.S. currently has no spending in the blue box, however, CCP outlays are estimated at $4.1 billion in FY2005 (**Table 8**).

Market Access

The United States already has very low import tariffs relative to most other nations. As a result, further reductions in tariff levels are unlikely to produce major effects in terms of U.S. import. Dairy products and sugar are the principal U.S. beneficiaries of agricultural tariff-rate quota (TRQ) protection. Both of these products are likely to continue to receive protection as "sensitive" products. The U.S. proposal does not provide any specificity regarding TRQs; however, the G-20 proposal recommended 6% of domestic consumption as the minimum access quota. Australia recommended a higher level of 8-10% of domestic consumption. U.S. sugar import quota levels appear to be well in excess of proposed mandatory access levels. For example, in 2004, the U.S. sugar import quota averaged about 13% of domestic consumption. As a result, the primary effects on sugar would likely be from reductions to above-quota tariffs. Dairy import quotas as a share of domestic consumption are more difficult to estimate because milk products vary greatly by form, weight, and value. Little trade occurs in liquid milk form. Instead most trade occurs as non-fat dried milk, butter, cheese, or specialty products, and significant product differentiation occurs within each of these categories. As a result, the effects on U.S. dairy import quotas are more difficult to predict.

Information Sources

CRS Reports

CRS Report RL32060: *World Trade Organization Negotiations: The Doha Development Agenda*

CRS Report RS21905: *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*

CRS Issue Brief IB98006: *Agricultural Export and Food Aid Programs*

CRS Report RS20858: *Agricultural Export Subsidies, Export Credits, and the World Trade Organization*

CRS Report RL32916: *Agriculture in the WTO: Policy Commitments Made Under the Agreement on Agriculture*

CRS Report RL30612: *Agriculture in the WTO: Member Spending on Domestic Support*

CRS Report RS20840: *Agriculture in the WTO: Limits on Domestic Support*

CRS Report RS21569: *Geographical Indications and WTO Negotiations*

CRS Report RS21712: *The African Cotton Initiative and WTO Agriculture Negotiations*

Other Sources

WTO, *Agriculture Negotiations: Backgrounder: The Issues and Where We Are Now*, [http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm].

WTO, *Country Schedules of Member Commitments*, [http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_e.htm].

Office of the U.S. Trade Representative (USTR), Online information on U.S. trade negotiations and agreements; [http://www.ustr.gov/].

USDA, Foreign Agricultural Service, *International Trade Policy (ITP) Division*, Online information on U.S. trade negotiations and agreements; [http://www.fas.usda.gov/itp/policy/tradepolicy.asp].

USDA, Economic Research Service, *World Trade Organization (WTO) Briefing Room*, [http://www.ers.usda.gov/briefing/WTO/].

European Commission, Agriculture, International Trade Relations, [http://europa.eu.int/comm/agriculture/external/wto/index_en.htm].

Table 1. WTO, Export Subsidy Notifications by Country, 1995-2001

Country	1995	1996	1997	1998	1999	2000[a]	2001[a]	Average: 1995-2001
				(U.S. $ million)				
Permitted Export Subsidies								
European Union	15,626	13,837	11,169	10,291	8,664	6,784	6,603	10,425
United States	1,168	1,053	939	824	709	594	594	840
Turkey	872	787	702	617	532	440	361	616
Poland	737	690	630	353	549	538	500	571
Switzerland	557	521	398	362	325	260	260	383
Czech Republic	241	218	168	161	134	112	115	164
Rep. South Africa	230	177	157	119	102	79	61	132
Hungary	159	124	94	78	64	50	50	89
Norway	148	133	106	89	74	55	55	94
Rest of World	2962	2,404	2,034	1,786	2,117	1,842	1,709	2,122
World Total	**22,701**	**19,946**	**16,396**	**14,681**	**13,268**	**10,754**	**10,307**	**15,436**
Notified Export Subsidies								
European Union	6,496	7,071	4,857	5,989	5,854	2,517	2,297	5,011
United States	26	121	112	147	80	15	55	79
Turkey	30	17	39	29	28	27	-	24
Poland	0	16	9	13	56	36	22	22
Switzerland	455	392	295	293	269	188	-	270
Czech Republic	40	42	38	42	34	24	-	31
Rep. South Africa	40	40	18	3	5	3	-	16
Hungary	39	17	9	12	13	9	4	15
Norway	84	78	100	77	126	44	32	77
Rest of World	114	91	79	63	40	39	16	63
World Total	**7,324**	**7,886**	**5,555**	**6,668**	**6,504**	**2,903**	**2,425**	**5,609**
				Percent				
Share of Total World Export Subsidy Notifications								
European Union	89%	90%	87%	90%	90%	87%	95%	89%
United States	0%	2%	2%	2%	1%	1%	2%	1%
Turkey	0%	0%	1%	0%	0%	1%	0%	0%
Poland	0%	0%	0%	0%	1%	1%	1%	0%
Switzerland	6%	5%	5%	4%	4%	6%	0%	5%
Czech Republic	1%	1%	1%	1%	1%	1%	0%	1%
Rep. South Africa	1%	1%	0%	0%	0%	0%	0%	0%
Hungary	1%	0%	0%	0%	0%	0%	0%	0%
Norway	1%	1%	2%	1%	2%	2%	1%	1%
Rest of World	2%	1%	1%	1%	1%	1%	1%	1%
World Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: USDA, Economic Research Service calculations from WTO export subsidy notifications.

a. Not all countries have notified as yet for this year.

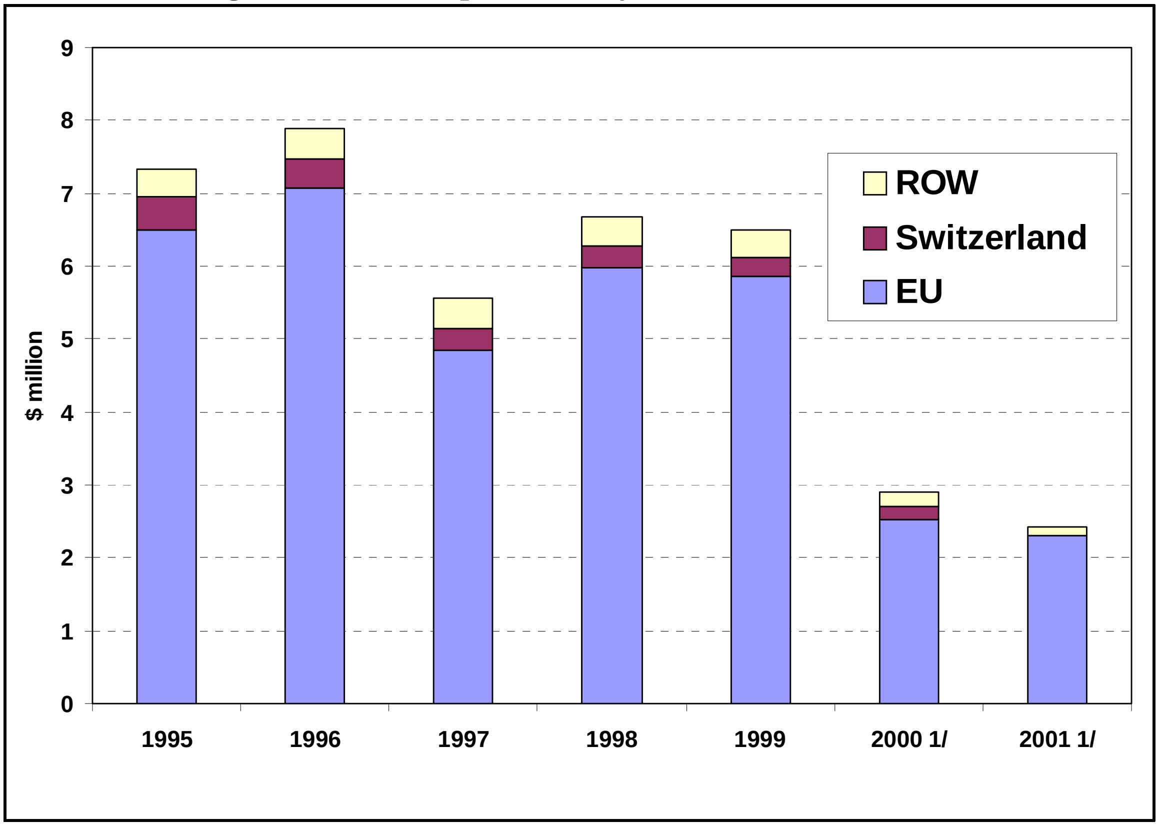
Table 2. U.S. Export Subsidies, Total versus Milk & Products, 1995-2002

World	Value		
	Permitted	Used (Notified)	Unused
	(U.S. $ million)		
All Allowable Commodities			
1995	1168	25.6	1,143
1996	1,053	121.5	932
1997	939	112.2	826
1998	824	146.7	677
1999	709	80.2	629
2000	594	15.3	579
2001	594	54.6	540
2002	594	31.5	563
Milk & Milk Products			
1995	186	20	165
1996	172	121	50
1997	158	110	48
1998	144	145	-1
1999	130	79	52
2000	117	8	108
2001	117	55	62
2002	117	32	85
All Other Products[a]			
1995	983	5	977
1996	882	-	882
1997	781	2	779
1998	680	1	678
1999	579	2	577
2000	478	7	471
2001	478	-	478
2002	478	-	478

Source: U.S. notifications to the WTO.

a. Primarily poultry.

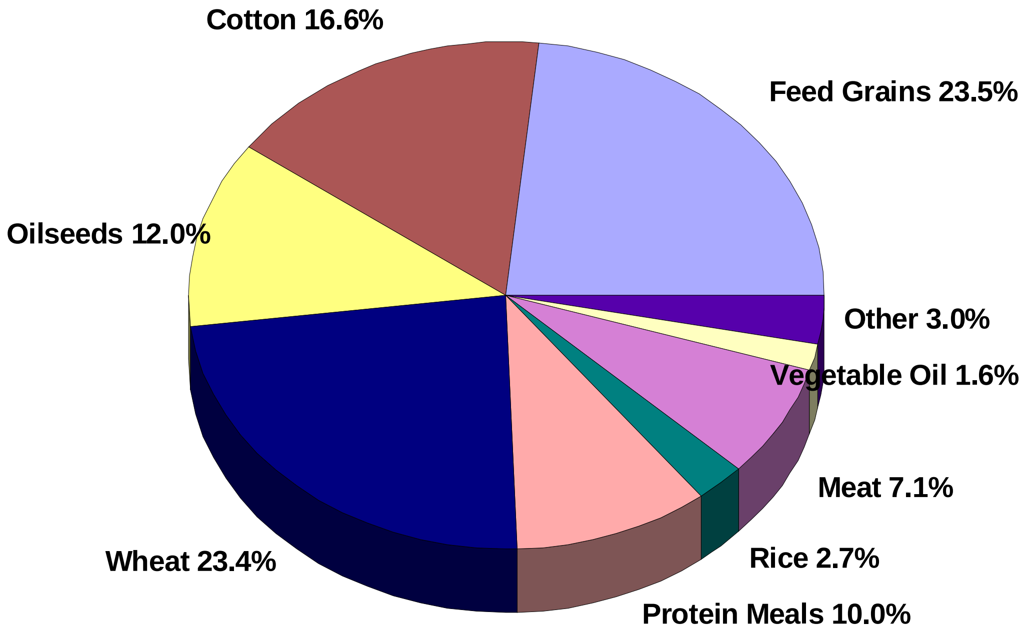
Figure 1. WTO Export Subsidy Notifications, 1995-2001



Source: USDA, Economic Research Service calculations from WTO export subsidy notifications.

[1] Not all countries have notified as yet for this year.

Figure 2. U.S. GSM-102 Export Credit Guarantees, FY2004



Other includes animal fat, animal feed products, and other.

Table 3. U.S. GSM-102 Export Credit Guarantees, by Commodity, FY2004

Commodity	U.S. $ million	Relative Share (%)
Feed Grains	$686.60	23.5%
Wheat	$685.90	23.4%
Cotton	$485.50	16.6%
Oilseeds	$352.30	12.0%
Protein Meals	$292.30	10.0%
Meat (mostly poultry)	$207.80	7.1%
Rice	$79.00	2.7%
Vegetable Oils	$48.20	1.6%
Others	$87.60	3.0%
Grand Total	**$2,926.17**	**100.0%**

Source: USDA, FAS, "Summary of FY 2004 Export Credit Guarantee Program Activity for GSM-102," as of close of business: 9/30/04-Final. Data are "Exporter Applications." Available at [http://www.fas.usda.gov/excredits/Monthly/ecg.html].

Table 4. U.S. GSM-102 Export Credit Guarantees, by Major Region, FY2004

Country/Region	U.S. $ millions
Algeria	$25.10
Caribbean Region	$128.87
Central America Region	$274.00
China/Hong Kong	$68.25
India	$0.70
Indonesia	$149.60
Jordan	$8.40
Kazakhstan	$9.90
Korea	$445.80
Lebanon	$12.15
Mexico	$138.40
Romania	$4.44
Russia	$200.00
South America Region	$900.00
Southeast Asia Region	$151.70
Turkey	$399.30
Yemen	$8.70
Grand Total	**$2,926.17**

Source: USDA, FAS, "Summary of FY 2004 Export Credit Guarantee Program Activity for GSM-102," as of close of business: 9/30/04-Final. Available at [http://www.fas.usda.gov/excredits/Monthly/ecg.html].

Table 5. U.S. Proposal for Reform of Trade-Distorting Domestic Subsidies

Tiers ($ Billions)	Countries within each tier	Cuts (%)[a]
Amber Box		
$25+	EU, Japan	83%
$12 - $25	U.S.	60%
$0 - $12	Other Developed	37%
Developing	Includes Brazil, China, India, and over 100 other countries.	Not specified
Total Overall Ceiling[b]		
$60+	EU, Japan	75%
$10 - $60	U.S.	53%
$0 - $10	Other Developed	31%
Developing	Includes Brazil, China, India, and over 100 other countries.	Not specified

Source: assembled by CRS from various news releases of the USTR and World Trade Online.

a. Cuts are evaluated as a % of the total value of agricultural production.
b. Includes amber box, blue box, and de minimis support (non-product and product specific).

Table 6. Comparison of Proposals for Domestic Policy Reform

	Highest Tier	2nd Tier	3rd Tier	Developing Countries	LDCs
U.S.[a]	EU, Japan	U.S.	Other Developed		
Amber Box Cuts	80%	60%	37%	n.s.	n.s.
De Minimis cuts	Bound at 2.5% of TVP	Bound at 2.5% of TVP	Bound at 2.5% of TVP	n.s.	n.s.
Blue Box Ceiling	Bound at 2.5% of TVP	Bound at 2.5% of TVP	Bound at 2.5% of TVP	n.s.	n.s.
Overall Ceiling Cuts	83%	53%	31%	n.s.	n.s.
G-20	EU, Japan	U.S.	Other Developed		
Amber Box Cuts[b]	80%	70%	60%	n.s.	n.s.
Overall Ceiling Cuts[b]	80%	75%	—	n.s.	n.s.
EU	EU, Japan	U.S. (or Japan+)	Other Developed		
Amber Box Cuts[c]	70%	60%	50%	n.s.	No cuts
Overall Ceiling Cuts	70%	60%	50%	n.s.	No cuts
De Minimis cuts	Bound at 1% of TVP	Bound at 1% of TVP	Bound at 1% of TVP	n.s.	No cuts
Blue Box Ceiling	Bound at 5% of TVP	Bound at 5% of TVP	Bound at 5% of TVP	n.s.	No cuts
G-10	EU, Japan ($25 +)	U.S. ($15 - $25)	Other Developed ($0 - $15)		
Amber Box Cuts	80%	70%	60%	n.s.	n.s.

Source: assembled by CRS from various news releases of the USTR and World Trade Online.

a. The U.S. proposes different value ranges for amber box and overall ceilings (Table 2); however, the within-tier country composition remains unchanged under the different ranges: 1st tier: EU and Japan; 2nd tier: U.S.; 3rd tier: rest-of-world.
b. The G-20 is also calling for product-specific caps both in the overall AMS and the Blue Box.
c. The EU also proposes commodity-specific amber box spending limits.

Table 7. U.S. Domestic Spending Limits and Outlays: Current Status, Framework Agreement, and U.S. Reform Proposal

Category	Current Outlays		Current WTO Limits		Framework Proposal		U.S. Proposal	
	1995-2001[a]	2005[b]						
	US$ Billion		Status	US$ Billion	Status	US$ Billion		US$ Billion
Total Overall Ceiling	$16.3	$19.1	Unbounded (due to blue box)	—	20% initial cut; further cuts implemented gradually. Final total cut TBD	~$45.4	Bound and subject to cuts that vary based on level of domestic support (Table 3).	~$23
Amber box (Bound AMS)	$11.0	$12.7	Separate Bound for each country	$19.1	20% initial cut; further cuts implemented gradually; with product-specific AMS caps TBD.	$15.4[c]	Tiered; subject to substantial cuts during 1st five years; stable for 2nd five years; then eliminated in 3rd five-years.[d]	$7.6
Blue box	$ 1.0	$ 0.0	Unbounded	—	Bound TBD but < 5% of TVP	~$10	Bound at 2.5% of TVP	~$5
De Minimis: aggregate	$ 4.2	$ 6.2	Bound at 5% of TVP	~$10	Bound TBD but < 5% of TVP	~$10	Bound at 2.5% of TVP	~$5
De Minimis: commodity specific	$ 0.1	$ 0.1	Bound at 5% of SCVP	~$10	Bound TBD but < 5% of SCVP	~$10	Bound at 2.5% of SCVP	~$5
Green Box	$49.9	—	Unbounded	—	Unbounded	—	Unbounded	—

Source: assembled by CRS from news releases of various sources. For a detailed description of U.S. domestic spending by category for both commitments and actual outlay notifications, see CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*.

a. Average for 1995-2001 period for which official WTO notification data is available.

b. Estimate for 2005 period based on CRS calculations from various USDA projections.

c. Reflects only the 20% initial cut.

d. The three five-year period phase out would apply to all trade-distorting domestic support and tariffs (including safeguard mechanisms).

Definitions:

AMS = Aggregate Measure of (trade-distorting domestic) Support as defined in the Agreement on Agriculture.
TBD = To Be Determined.
TVP = Total Value of agricultural Production for all commodities.
SCVP = Total Value of agricultural Production for a Specific Commodity.

Table 8. U.S. Domestic Support Outlays by AMS Category: Notification Data (1995-2001) and Forecasts (2001-2005)

($ million)

		Notification data							Forecast			
	AMS Spending Categories	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002F**	**2003F**	**2004F**	**2005F**
	Product-Specific AMS Spending											
1	**Price Supports**	**6,213**	**5,919**	**5,816**	**5,776**	**5,921**	**5,840**	**5,826**	**5,777**	**5,906**	**5,977**	**6,044**
	Dairy	4,693	4,674	4,455	4,332	4,437	4,377	4,483	4,667	4,756	4,817	4,844
	Sugar	1,108	937	1,045	1,093	1,180	1,133	1,032	1,110	1,150	1,160	1,200
	Peanuts	412	308	315	350	303	330	311	0	0	0	0
2	**Non-exempt Direct Payments**	**88**	**7**	**578**	**4,437**	**10,403**	**10,567**	**8,435**	**2,705**	**4,708**	**1,819**	**6,442**
	LDP/MLG	0	0	164	3,818	7,895	7,006	6,203	1,656	774	416	3,664
	Certificate-Exchange Gains	0	0	0	6	175	619	1,975	0	1,243	814	1,114
	Cotton Step-2	35	6	416	280	446	237	182	182	455	363	644
	Other	53	0	(2)	333	1,887	2,706	74	867	2,236	226	1,020
3	**Other Product-Specific Support**	**10**	**12**	**80**	**338**	**567**	**457**	**367**	**367**	**367**	**367**	**367**
4	**Product Specific Total (1+2+3)**	**6,311**	**5,937**	**6,475**	**10,550**	**16,891**	**16,865**	**14,628**	**8,849**	**10,982**	**8,164**	**12,854**
5	**Exclusion: Product Specific *de minimis***	**99**	**61**	**244**	**166**	**29**	**63**	**217**	**126**	**126**	**126**	**126**
6	**Amber Box: non-exempt AMS (4 - 5)**	**6,212**	**5,876**	**6,231**	**10,384**	**16,862**	**16,802**	**14,411**	**8,723**	**10,856**	**8,038**	**12,728**
	Amber Box Ceiling	23,083	22,287	21,491	20,695	19,899	19,103	19,103	19,103	19,103	19,103	19,103
	De Minimis Non-Product Specific Ceiling	9,505	10,285	10,194	9,544	9,237	9,476	9,925	9,750	10,830	12,060	11,980
7	**Exclusion: Non-Product specific *de minimis***	**1,543**	**1,113**	**568**	**4,584**	**7,406**	**7,278**	**6,828**	**2,535**	**4,432**	**3,254**	**6,232**

	AMS Spending Categories	1995	1996	1997	1998	1999	2000	2001	2002F	2003F	2004F	2005F
		Notification data							Forecast			
	Crop market loss payments	0	0	0	2,811	5,468	5,463	4,640	200	0	0	0
	Crop insurance	906	633	120	747	1,514	1,396	1,770	1,560	1,560	1,560	1,560
	Counter-cyclical payments	0	0	0	0	0	0	0	203	2,301	1,122	4,100
	Other	637	481	448	1,026	424	419	418	572	572	572	572
8	**Blue Box**	**7,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
9	**Overall AMS Spending (5+6+7+8)**	**14,855**	**7,051**	**7,042**	**15,134**	**24,297**	**24,143**	**21,456**	**11,384**	**15,414**	**11,417**	**19,085**
10	**Green Box**	**46,041**	**51,825**	**51,252**	**49,820**	**49,749**	**50,057**	**50,672**	**na**	**na**	**na**	**na**

na = not available. Forecasts are CRS calculations based on USDA data from: FSA, Table 35 — CCC Net Outlays by Commodity & Function [http://www.fsa.usda.gov/dam/bud/bud1.htm] and ERS farm income and costs briefing room, Table — Direct Government Payments, 2001-2005F, [http://www.ers.usda.gov/Briefing/FarmIncome/Data/GP_T7.htm].

Table 9. Doha Round Negotiations Market Access Proposals: G-10, G-20, EU, and U.S.

Developed Countries	G-10			G-20		EU		United States [a]	
Tiers % and Within-Tier Cuts	**Tiers %**	**Linear**	**flexibility**	**Tiers %**	**Linear**	**Tiers %**	**Linear**	**Tiers %**	**Progressive**
1	0 ≤ 20	27%	32% ± 7%	0 ≤ 20	45%	0 ≤ 30	35% (20-45%)[b]	0 ≤ 20	55-65%
2	> 20 ≤ 50	31%	36% ± 8%	> 20 ≤ 50	55%	> 30 ≤ 60	45%	> 20 ≤ 40	65-75%
3	> 50 ≤ 70	37%	42% ± 9%	> 50 ≤ 70	65%	> 60 ≤ 90	50%	> 40 ≤ 60	75-85%
4	> 70	45%	50% ± 10%	> 70	75%	> 90	60%	> 60	85-90%
Tariff Cap %	No Cap			100%		100% (no cap for sens. prod.)		75%	
Estimated Average Tariff Cut	25-30%			54%		46% (39%)[c]		75%	
Sensitive Products	15% w/linear cuts; 10% w/flex cuts			1% of total tariff lines and subject to capping		8% of tariff line[d]		1% of total tariff lines	
Sensitive Products & TRQs				Minimum access level = 6% of annual domestic cons in base period.[e]		Small TRQ expansion on small # of products[f]		Greater deviation from formula cut = Greater TRQ	
Special Products	Not defined			Not defined		Not defined		Not defined	
Special Safeguard Mechanism (SSM)				Limited to developing countries		Available for all members for selected commodities			
Geographical Indicators (GIs)						Extend TRIPS, Art.23 to all products[g]		Existing trademark laws are sufficient.	
Special & Differential Treatment (SDT): Developing Countries	More flexibility on sensitive products.			2/3 treatment in tiers ; ≤ 2/3 treatment in cuts		Higher thresholds for top tiers; 2/3 lower in cuts		Slightly smaller cuts and longer phase-in periods	
	Tiers %	Linear	flexibility	**Tiers %**	Linear	**Tiers %**	Linear	**Tiers %**	Progressive
1	0 ≤ 30	27%	32% ± 7%	0 ≤ 30	< 30%	0 ≤ 30	25% (10-40%)[b]	0 ≤ 20	TBD
2	> 30 ≤ 70	31%	36% ± 8%	> 30 ≤ 80	< 40%	> 30 ≤ 80	30%	> 20 ≤ 40	TBD
3	> 70 ≤ 100	37%	42% ± 9%	> 80 ≤ 130	< 50%	> 80 ≤ 130	35%	> 40 ≤ 60	TBD
4	> 100	45%	50% ± 10%	> 130	< 60%	> 130	40%	> 60	TBD
Tariff Cap %	No Cap			150%		150%		100%	
Sensitive Products	Not defined			1.5% of total tariff lines		Not defined		Not defined	
Least-Developed Countries	Not defined			Same as EU plus exemption from tariff reduction commitments.		All developed countries should allow full duty-free access for EBA.		Not defined.	

Source: assembled by CRS from USTR, EC, and World Trade Online news releases. Data are as of October 28, 2005.

a. The U.S. has proposed applying the set of tiered tariff cuts described below during the 1st five-year period of implementation; to be followed by a period of stability during the next (2nd) five years; then totally eliminating tariffs during the 3rd five-year period. This same reduction-stability-elimination sequence would be applied to trade-distorting domestic support as well (see Table 2).

b. The EU proposes additional FLEXIBILITY be given for tariff cuts within the lowest tier (0-30%) such that the tier's overall average cut of 35% (25% for developing countries) is still respected, but that within tier cuts may vary between 20% to 45% (10% to 40%).

c. The EU estimates the average tariff cut, according to its proposed tier/tariff reduction formula, would be 46% across all tariff lines. However, USTR suggests that a more accurate estimate would be 39%. Since the average tariff cut across all tariff lines must also consider the level of protection provided by TRQs for sensitive products, it would appear that the EU's estimated average tariff cut of 46% grossly overstates the true average as it apparently ignores the large degree of protection provided by allowing 8% of tariff lines to hide behind TRQs. (See next footnote.)

d. The EU has approximately 2,200 8-digit tariff lines. An 8% limit on sensitive products would imply a maximum of about 176 sensitive products to be subject to TRQs with expanded market access. The EU currently has 300 to 400 tariff lines covered by TRQs under the Uruguay Round Agreement. The EU suggests that such a large number of sensitive products is necessary to achieve both protection for its agricultural sector while allowing for substantial tariff cuts across unprotected tariff line items. Furthermore, the EU states that its sensitive products, although numerous, would be structured to allow for "substantial increases in market access that would nonetheless still be lower than that granted by the result of the full tariff cut."

e. The G-20 proposes that no new tariff-rate quotas (apart from existing TRQs agreed to under the Uruguay Round's Agreement on Agriculture) be created for products designated as sensitive, and it calls for a maximum deviation from the tariff reduction formula of 30%. It said existing TRQs on developed country sensitive products should at least be expanded so that a minimum access level is increased to a level equivalent to 6% of annual domestic consumption.

f. The EU proposal calls for the possibility of new TRQs. In addition it recommends a TRQ formula linking the quota increase to the level of tariff reduction, proposing that the quota increase is:
[(Normal tariff cut) **-** (applied cut)] / [(import price) + (ad valorem for that tariff line)] * (0.8). At the same stage there should be a minimum tariff reduction in each of the bands of 5%, 10%, 15%, and 20%, respectively.

g. EU proposes that GIs receive the same protection as a trade mark in line with protection currently available for wine and spirits under Article 23 of TRIPS agreement. For products with existing trade mark protection that would otherwise be invalidated by GI protection elsewhere, Article 24 of TRIPS would be adjusted such that existing trade marks would not be affected. The EU considers this a major concession.

Definitions:

EBA = Everything But Arms (i.e., all products except weaponry and munitions).

TBD = To Be Determined.

TRQ = Tariff Rate Quota. This involves a quota level (TBD) within which all imports enter duty-free or subject to a minimal tariff duty (TBD). All over-quota imports are subject to a higher (often prohibitive) duty (TBD). Greater market access (or greater TRQ) is achieved by raising the quota level and reducing the over-quota tariff rate.