

Agriculture Negotiations at the WTO

'Framework Phase' Outlook Report

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AGRICULTURE NEGOTIATIONS AT THE WTO

“Agriculture Negotiations at the WTO” is a series of quarterly intelligence reports produced by ICTSD since 2000. The series outlines emerging themes, debates and overall progress of the WTO negotiations in agriculture, including detailed assessment of negotiating proposals, draft modalities and other negotiating frameworks. The aim of these reports is to provide stakeholders in agriculture trade and sustainable development with concise, user-friendly description and analysis of the current developments in the often very complex WTO negotiating process in agriculture. The reports also look ahead at upcoming issues in connection with the negotiations in agriculture so as to provide relevant stakeholders with an opportunity to respond to emerging themes in due time. Additionally other international processes outside the WTO context, which are interrelated to the multilateral agriculture trade negotiations, are addressed and highlighted as appropriate.

The methodology used in compiling these reports combines comprehensive in-house analytical work, on-site monitoring of key events, as well as extensive outreach to country delegates based in Geneva and representatives of local non-governmental organisations.

All quarterly intelligence reports from the series *Agriculture Negotiations at the WTO* are available online: <http://www.ictsd.org/issarea/ag/products/index.htm>.

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EXECUTIVE SUMMARY

This report, issued in March 2004, seeks to summarise the recent developments since issuing the last report in October 2003 to the end of February 2004. As WTO Members were unable to adopt a modalities 'framework' at Cancun, this report attempts to provide an update on how WTO Members could be expected to facilitate a process that could maintain a certain degree of momentum in the stalled agriculture negotiations.

New signs of movement in agriculture negotiations - a key element of the Doha round - are cropping up after a period of scant progress following the collapse of trade talks in Cancun in September 2003. As expected by most participants and observers of the WTO agriculture negotiations, Members were unable to agree on a framework for agricultural modalities by the scheduled 15 December 2003 General Council (GC) meetingⁱ. However, it was agreed that the special session of the WTO Committee on Agriculture (CoA) would be re-launched in early-2004. The CoA's newly nominated Chair, New Zealand's Timothy Groser, took immediate action as he has recently scheduled new WTO agriculture negotiations for 22-26 March in Geneva.

Following a number of high-level meetings between individual trade ministers and among groups of ministers over the past weeks, there are new signs that agriculture talks may be picking up speed. Key actors such as the US, the EC and the G-20 group of developing countries have signalled a renewed commitment to the round and willingness to compromise. Recent remarks from both the EC and the US suggest that the task of reaching an agreement on at least a framework for agriculture modalities could be accomplished by August. Geneva observers have, however, cautioned against too much enthusiasm at this point, waiting to see concrete results at the next Committee on Agriculture (CoA) special (negotiating) session. Due to increased pressure of the US, G-20 and the Cairns Group on the EC to agree on phasing out export subsidies, the issue of negotiating an end date for all forms of export subsidies appears now to be the most pressing theme in the post-Cancun negotiations. In a next step, the EC and the US would need to come to an agreement on how to substantially reduce trade-distorting domestic support in a way mutually acceptable to them as well as for all Members. Lastly, the most contentious task will be to find an agreement on the market access pillar, where compromise is needed from virtually all Members, and which involves various "hot" issues - mostly related to special and differential treatment (S&D) for developing countries.

ⁱ According to the Cancun Ministerial Statement adopted on 14 September 2003 (WT/MIN(03)/20), WTO Members were mandated "to convene a meeting of the General Council at Senior Officials level no later than 15 December 2003 to take the action necessary at that stage to enable [them] to move towards a successful and timely conclusion of the negotiations." See also ICTSD Post-Cancun Outlook Report, p. 38.

This report is divided into four sections:

- Section 1 contains a brief introduction setting the agriculture negotiations in the overall context of the Doha round negotiations, and a summary of key events relevant to the WTO agriculture negotiations.
- Section 2 makes an attempt to disaggregate and briefly analyse recent moves, statements and proposals of key actors in the negotiations such as the US, the EC, the G-20 and the newly reinvigorated Cairns Group.
- Section 3 summarises and briefly comments on the developments in the negotiations on cotton subsidies since the Cancun Ministerial Conference.
- Section 4 looks ahead at the upcoming issues in connection with the post-Cancun negotiations on an agriculture framework agreement.

The methodology used in compiling this report combined comprehensive in-house analytical work, as well as extensive outreach to country delegates based in Geneva and representatives of local non-governmental organisations.

ICTSD, March 2004

1. CONTEXT SETTING

1.1 Towards the 15 December General Council

As expected by most participants and observers of the WTO agriculture negotiations, Members were unable to agree on a framework for agricultural modalities by the scheduled 15 December 2003 General Council (GC) meeting¹.

Yet, on 18 November, WTO GC Chair Perez del Castillo had emphasised, when reporting to Heads of Delegations, that the first round of his post-Cancun agriculture consultations had been very positive, and that there was a "constructive spirit" in the talks. The Chair further noted that discussions had moved towards a common approach, encouraging him to move on to a second round of consultations on agriculture where he would already start discussing details of the Derbez text². According to the Chair, the common approach would operate along three basic lines: first, to seek "greater reductions in domestic support than the levels envisaged in the original EC/US proposal³"; second, to seek "commitments on the elimination of all forms of export competition" (namely export subsidies, export credits, food aid and state trading enterprises), although a concrete end date for phasing them out would not be inserted in the framework text; and, third, "commitments for the opening of markets from all

Members, developed and developing," though with the provision that developing countries would be accorded special and differential treatment (S&D) taking into account their "development and specific needs".

However, the optimism voiced by Chair Perez del Castillo was not shared by all participants. In particular, several Members were concerned with the Chair's intention to discuss substantive elements of the "Derbez text" prior to the 15 December General Council meeting, an approach they felt could have far-reaching consequences for Members' positioning. As not all countries were in a position to negotiate at this stage, some Members suggested delaying real negotiations to the first quarter of the 2004.

Due to these difficulties with the largely Chair-driven consultative process, the second round of consultations did not yield tangible results; so the GC Chair concluded at a 9 December Heads of Delegation meeting that Members would not be able to relaunch talks at the 15 December GC meeting. Instead he would present a Chair's report, outlining progress thus far, identifying key issues and setting out a progress for advancing the Doha round.

1.2 CoA Special Session Relunched

At the 15 December GC meeting itself⁴, Perez del Castillo presented a report given on behalf of himself and WTO Director-General Supachai Panitchpakdi in which he suggested that all negotiating bodies - including the Committee on Agriculture (CoA) special (negotiating) session - should resume their work in early 2004 once the new Chairs of the negotiating bodies had been appointed. After weeks of informal consultations on this issue, Members agreed at an 11 February GC meeting - the first time the GC convened in 2004 - on a new slate of Chairs, with New Zealand's Ambassador Timothy Groser being chosen to chair the relaunched CoA special session. The designated Chair⁵ took immediate action, and set 22-26 March as the dates for the first post-Cancun agriculture negotiation session.

In a message sent to delegations, Groser explained that he would try to strike a balance between providing opportunities for Members to consult and negotiate

among themselves during the session, and the need to ensure a transparent process. Brief formal meetings will only be held at the beginning of the session - mainly to formally appoint Tim Groser as Chair of the special session - and at the very end of the session to conclude the 'Agriculture Week'. Half-day informal special sessions are scheduled for day three and day five for reporting back and stocktaking purposes⁶. During the rest of the session, participants will be given the opportunity to discuss and negotiate in bilateral and plurilateral mode. Groser reportedly intends to limit plenary discussion to a minimum, as delegations already have made their initial negotiating position abundantly clear. "Little purpose would be served by yet more extensive formal statements addressed to the Chair," Groser told delegates. But Groser also said he was generally available to attend bilateral and plurilateral consultations, upon invitation and only as an observer.

2. RECENT MOVES, STATEMENTS AND PROPOSALS

Despite the formal stand-still of the WTO agriculture negotiations throughout the first two months of 2004, key actors in the debate used the given time space for bilateral and plurilateral consultations, as well as other strategic initiatives. Rather positive informal messages came from key actors such as the US, EC, G-20 and the

Cairns Group, signalling renewed commitment to the round and willingness to compromise. Recent remarks from both the EC and US even seem to suggest that the task of reaching an agreement on at least a framework for agriculture modalities could be accomplished by August.

2.1 US

In a surprise move, US Trade Representative Robert Zoellick sent a letter to WTO Members on 11 January,⁷ proposing to inject momentum back into the flagging trade talks. In his letter, he said he was taking a common sense approach to re-energise the talks and to avoid 2004 becoming a "lost year" for the Doha round.

On agriculture, he put back on the table various elements of the US's earlier position presented in July 2002⁸, and breaking away from the only very modestly ambitious US-EC joint framework deal made in August 2003.⁹ At a press conference held in Geneva on 20 February, Zoellick developed some of the ideas presented in his letter further, thereby increasing pressure on the EC to show flexibility in the agriculture talks. In overall terms, the recent US negotiating agenda now mainly focuses on market access in agriculture, non-agricultural goods (NAMA) and services, with a much more flexible approach on the Singapore issues (Investment, Competition, Transparency in Government Procurement, and Trade Facilitation).

In the meantime, Zoellick toured through a number of countries key to restarting the talks - such as Japan, China, Singapore, Pakistan, India and South Africa -, and also met with members of the Association of Southeast Asian Nations (ASEAN) as well as 15 African trade ministers in an effort to test his ideas on reinvigorating the stalled Doha round negotiations.

In terms of process, Zoellick proposes to hold the next Hong Kong WTO Ministerial Conference before the end of the year (but not mentioning whether this should mark the end of the Doha round), and to have negotiating frameworks (leaving out concrete numbers) agreed by late July. In this context he also suggests to have a WTO General Council meeting during the summer, "that as appropriate would be supplemented by ministers or senior officials."

As its first priority in the agriculture negotiations, a "precondition" for reviving the stalled agriculture talks, the US is pushing the EC for the elimination of **export subsidies** by a certain date (which will not yet be set). Robert Zoellick repeatedly suggested that if the EC and G-10 countries accepted to eliminate agricultural *export subsidies*, the US would accept to agree without any delay to "eliminate the subsidy element of *export credits*" and to discipline its *food aid* programmes. Moreover, meaningful disciplines on the special privileges of *state trading enterprises* (e.g. used by Australia and Canada) should be put in place.

In terms of **domestic support**, the US is willing to substantially reduce *AMS* bound levels (the *Amber Box*), provided that those with higher distortive subsidies levels (such as the EC and Japan) - comprising both *Amber Box* and *Blue Box* support - have to make deeper cuts; as well as that both developed and developing countries agree to "substantial increase in real market access opportunities." According to the USTR, the US is ready to reduce its current *AMS* level of USD 19 billion "to about 10 and a half billion". Zoellick has further stated that the US was comfortable with the idea of capping product-specific *Amber Box* support, a proposal put forward by many non-subsidising WTO Members that found its way in the Derbez agriculture framework text drafted in Cancun. Furthermore, the USTR made clear that the US was still sticking to its original proposal to eliminate the *Blue Box* (partly decoupled support linked to production limitation programmes). This stands in stark contrast to the agricultural framework text jointly tabled with the EC prior to the Cancun meeting (on 13 August), where the US had supported maintaining a revised *Blue Box* (without production limitation requirements), capping it at five percent of the total value of agricultural production.¹⁰ Finally, the US agrees to "have disciplines" on the *Green Box*.

On **market access**, Zoellick points to the need for substantial openings in markets of both developing and developed countries, and this especially for those who have a competitive agriculture sector. Concerning tariff reductions, the US defends the blended formula approach (containing a Uruguay round formula band, a Swiss formula band, and a zero-tariff band), but proposes a cap on high tariffs to tackle *tariff peaks*. Moreover, "significant growing access" - probably also through *tariff rate quotas* - is necessary to "create a basis for real market access over time."

As regards **special and differential treatment (S&D)**, Zoellick generally recognises that "developing countries face varying circumstances, additional challenges from globalisation, and particularly sensitive adjustment problems." However, he is calling for a methodology which addresses in a differentiated way the needs of the various developing countries, instead of treating them all the same. This could mean that significant net-food exporters such as Brazil would be accorded less S&D than relatively weaker developing countries.

2.2 EC

As the joint pre-Cancun EC-US positioning seems to disaggregate progressively, the EC has felt a growing pressure by the US, as well as G-20 and Cairns Group country members. Notably, EC Trade Commissioner Pascal Lamy has mostly welcomed Zoellick's initiative. In contrast, EC Agriculture Commissioner Franz Fischler has been keen to defend the key elements of the current EC position on agriculture. In overall terms, the EC has slightly modified its negotiating position, e.g. by showing more flexibility with respect to negotiations on the Singapore issues, as well as by signalling less ambition in areas such as geographical indications and trade & environment.¹¹ Moreover, there have been further signs that the EC could show more flexibility than in the pre-Cancun agriculture negotiations, as Fischler has recently noted that "without progress in agriculture, there won't be any progress" - thereby indirectly acknowledging that agriculture played a key role in the Doha round 'single undertaking'.

On overall **process**, Trade Commissioner Lamy takes the view that the 17-18 May General Council was the latest point at which it was possible to secure "Cancun-like" outcomes on modalities". Therefore he wants other Members to translate the recently demonstrated

Regarding market access, Zoellick wants a common tariff reduction methodology for both developed and developing countries (but probably with lesser reduction commitments and longer implementation periods). On *special products*, Zoellick accepts differentiated treatment only for "a very limited number of *special products*", and this only "for certain developing countries that are concerned about harming rural development and subsistence farmers."

On **non-trade concerns (NTCs)**, Zoellick signals in his 11 January letter that negotiations should focus on the three agricultural pillars market access, domestic support and export competition, and that if NTCs would be considered, this should not lead to further market distortion and create new protectionist barriers. This principally implies that the US sticks to its traditional position that NTC should only be addressed through the Green Box.

political will into a move forward of the Doha round, as time was very limited, due to internal politics in key countries (i.e. appointing a new EC Commission and the US presidential elections).

Since Zoellick's 11 January letter, Fischler has been stoutly defending the EC's pre-Cancun position that it is ready to eliminate **export subsidies**, but only for a series of products of interest which have to be negotiated in compliance with the needs of developing countries¹². Nevertheless, trade sources recently reported that Lamy had indicated - for the first time - that the EC would be prepared to consider the elimination of all agricultural *export subsidies*.¹³ But a precondition for the EC to eliminate any of its *export subsidies* is that all forms of subsidisation, not only *export subsidies*, will be genuinely tackled, including *export credits*, *state trading enterprises* and surplus disposal in the guise of *food aid*, which are mainly used by the US, Canada and Australia.

On **domestic support**, EC Agriculture Commissioner Franz Fischler reiterates the EC demand that more trade distorting support (i.e. *Amber box* subsidies) should be reduced more than less trade distorting *Blue*

Box support, but for which it still agrees on a cap of 5% of total agricultural production (as mentioned in the joint EC-US pre-Cancun text). The EC Commission states that domestic support with no or very little trade distorting effects, i.e. *Green Box* support, cannot be subject to any capping or reduction, because it is needed to address key policy goals.

Concerning market access, the EC mainly defends the blended formula approach, arguing that agreeing to this tariff reduction methodology is already a big concession from the EC as it had actually preferred to use the Uruguay round formula across-the-board.

Special and differential treatment (S&D) is still a major component of the EC position, but it should primarily apply to poorer, less competitive developing countries. Regarding market access, the EC wants others - including "the largest and most advanced developing countries" - to follow the EC's approach and grant preferential market access to G-90 countries - comprising all least-developed as well as African, Caribbean and Pacific (ACP) countries.

2.3 G-20/Cairns Group

Over the last months, the G-20 - a developing country grouping formed around the issue of dismantling developed country agricultural subsidies in August last year in response to the EC and US - has largely been able to resist various attempts to break the solidarity of this strong political alliance, as well as to sustain its pressure put on the EC and the US to significantly reduce their agricultural subsidies. The G-20 of developing countries - grouped around Brazil, India, China and South Africa - last met in Brasilia on 11-12 December, and G-20 countries laid out their shared views with respect to the WTO agriculture negotiations in a joint Ministerial Communiqué.¹⁵

At an informal 12-13 February meeting in Geneva between the G-20 and EC representatives, the G-20 coalition reiterated its call for the elimination of all export subsidies and for substantive decreases in domestic support. Market access was not discussed in detail. On the margins, the G-20 also held informal talks with G-10 countries Switzerland, Norway, Japan, South Korea and Israel, which have positions close to the EC.

On non-trade concerns (NTCs), the EC has basically repeated its view that it cannot be prevented from addressing legitimate societal goals - as e.g. environment, animal welfare, and rural development - in a non-distortive way (i.e. through *Green Box* payments). Related to the NTC discussion, a new concept is currently being discussed at the EC Commission, under which Members would be allowed to impose trade-restrictive measures on the basis of widely-held societal values and 'collective preferences', rather than just scientifically-proven health and safety risks (as under the WTO Agreement on Sanitary and Phytosanitary Measures). This concept is probably to be seen in the context of public debates in the EC, as e.g. on importing genetically modified organisms (GMOs) or hormone-treated beef. So far, only little is known about the idea, but the Commission has noted that 'collective preferences' exist in every society, and that the key issue in trade is how to articulate them "in the most trade-friendly and WTO-compliant way possible"¹⁴.

For its part, the Cairns Group of agricultural exporters - traditionally a very active alliance comprising, *inter alia*, Australia, Canada, New Zealand and South Africa - has been less active recently, especially since the emergence of the G-20 which has overlapping membership with Cairns.¹⁶ However, with a ministerial-level meeting at Costa Rica on 23-25 February, the Group has launched a process aimed to inject new momentum in the ambitious pro-liberalisation camp¹⁷, and to allow Cairns Group members to come up with a new negotiating position. The Group released a Ministerial Communiqué, putting together the group's joint position on moving the agriculture negotiations.¹⁸

Both groupings plan to meet around the forthcoming 'Agriculture Week' in March¹⁹, in an effort to consolidate the positions of both groupings - especially those between Cairns and the G-20 members which are not in the Cairns Group (such as India, Pakistan, Egypt and Nigeria). The most visible divergence in the two camps' positions is in the area of market access, where the Cairns Group calls for substantially increased market

openings in both developed and developing countries. Non-Cairns countries such as India and Pakistan, would, however, only accept making much less ambitious commitments in terms of market access than what they are demanding from their developed country trading partners. However, there are also tensions within the Cairns Group itself, as e.g. countries like Indonesia and the Philippines are also having problems with the ambitious market access proposal of the Group.

In terms of overall process, both groups confirm their commitment to the Doha round, as well as the successful and timely conclusion of the negotiations. The two camps would like to see substantial progress in the negotiations in 2004, and both agree that establishing a framework should possibly be the first step to take in the post-Cancun negotiations (instead of aiming for full fledged modalities right away). However, Cairns and the G-20 emphasise that any framework to be agreed would have to maintain the high level of ambition of the Doha mandate.

On **export subsidies**, both the G-20 and the Cairns Group welcome Zoellick's call for the elimination of all forms of agricultural export subsidies. The Cairns Group sees this as a "necessary condition for the success of the current negotiations." So the groups demand a commitment from the EC to negotiate a final date for the elimination of export subsidies. Obviously, both camps reject the EC approach under which a list of products, for which export subsidies should be eliminated, needs to be identified.

As regards **domestic support**, both groups call for substantial reductions in domestic support, with Cairns emphasising that "further movement by the major economies...is an indispensable element of a successful outcome of the negotiations."

On **market access**, both groups reiterate their call for substantive increase in market access. The Cairns Group - comprising both developed and developing countries -

seeks improved market access "for all products in all markets" and hopes that pushing for "ambitious cuts in domestic support and the elimination of all forms of export subsidies" would also "permit a more ambitious outcome on the market access pillar by developing countries"²⁰. The G-20, however, is describing "the search for substantial improvement in market access" rather as a developing country concern, thereby implying that developing countries would probably not have to make substantial market access commitments.

The main divergences in the groups' approach can be seen in the area of **special and differential treatment (S&D)**: for its part, the G-20 lists addressing "rural development, food security and/or livelihood security needs" as one of the key concerns of its members. Therefore, it calls for "effective" S&D which takes these needs into account. Therefore, the G-20 has a potentially rather extensive approach on S&D, which could comprise various privileges for developing countries, including a different tariff reduction formula, access to the *special products (SPs)* category and a new *special safeguard mechanism (SSM)*, or an exemption from the obligation to expand *tariff rate quotas*. In addition, it recalls, inter alia, the specific concerns of newly acceding countries, least-developed countries, and preference-receiving WTO Members. In contrast to this rather broad take on S&D, the Cairns Group is more specific on this issue: the Group acknowledges that developing countries should be granted "special flexibility" allowing them "to take into account the particular challenges they face, such as food and livelihood security and rural development". Cairns also agrees that the concepts of *SPs* and an *SSM* for developing countries "are to be elaborated as part of the approach in the market access area".

The recent Cairns Group and G-20 statements do not contain the notion of **non-trade concerns** and even suggest that this issue is not a major part of the Doha mandate.

3. RECENT DEVELOPMENTS IN COTTON

In the post-Cancun consultations held by former General Council Chair Perez del Castillo, the cotton initiative²¹ put forward by the four West and Central African (WCA) countries Benin, Burkina Faso, Mali and Chad some months before Cancun, was identified as one of the four focus areas (agriculture, non-agricultural market access, cotton and the Singapore issues) for the ongoing negotiations. In this consultative process in the lead-up to the 15 December General Council meeting it emerged, firstly, that key Members including the US and

the EC would like to integrate the cotton debate into the framework of the general agriculture negotiations²² (while the WCA countries want to discuss it as a stand-alone issue); and, second, that they would like to take a two-track approach on cotton, i.e. dealing with the trade-related aspects of the cotton issue (subsidies and market access) and the development-related aspects (including financial and technical assistance to consolidate the WCA cotton sector) separately.

3.1 Positions by the US and EC

The US - the main addressee of the cotton initiative - is still generally unresponsive to the cotton issue, refusing to accord to it special consideration - also within the general agriculture negotiations - as well as to address the negative effects of cotton subsidies and the issue of compensation.²³

For its part, the EC has presented itself as an ally of WCA countries, acknowledging that the concerns of WCA countries with regard to cotton would need to be addressed. However, the EC is only ready to decouple production support on cotton by 60 percent²⁴, accompanied by a 40 percent reduction of aid per hectare. Moreover, the EC announced in its November 2003 position paper that it was prepared to phase out

cotton export subsidies, but apparently the EC has so far not provided export refunds for cotton exports (mainly as it does not export cotton).

According to recent analysis, the EC cotton reform proposal would only lead to a reduction decrease of 4 percent compared to the cotton production in 2002/2003. Consequently, rather than supporting a shift away from cotton production, the current EC proposal is supporting the status quo.²⁵ Against this background, observers fear that as the EC is apparently not ready "to do its homework", this precedent could have negative repercussions for those cotton subsidisers which have so far been less active in the debate.

3.2 Prospects of the Cotton Initiative

At this stage, none of the major players appears to be ready to compromise. The US seems to be in a waiting mode, hoping that the cotton issue will not receive the same degree of public interest it had in Cancun. The EC has been more responsive to the WCA request, but does not seem to be considering cotton as a topic where it is ready to invest political capital.

On the other hand, WCA countries seem not to be willing to abandon their request without being given anything concrete in exchange, especially as WCA countries are feeling that Members have not even started to really discuss the cotton issue. As most Members seem to prefer the option of re-integrating cotton into the agriculture negotiations, WCA countries now need to decide if they could accept this, and at

which conditions. According to some observers, the demand to merge cotton and agriculture is not necessarily "negative" as special consideration could also be accorded to cotton within the overall agriculture framework (e.g. by higher targets and shorter implementation periods for cotton subsidy reduction). If WCA countries would agree to integrate the cotton debate into agriculture, this would be a clear signal of the four African countries that they are willing to compromise to move the post-Cancun negotiations forward. If, in return, the rest of the Membership would show a similar degree of flexibility with regard to cotton within the overall agriculture negotiations, then Members would indeed not need to "get bogged down" on the "procedural issue" where to discuss cotton, as ex-GC Chair Perez del Castillo put it on 15 December 2003.

Related to the cotton issue the WTO Secretariat is organising a regional African seminar on cotton on 23-25 March in Cotonou, Mali to explore the development-related aspects of the cotton issue (including financial and technical assistance). This is, on the one hand, a new and notable development at the WTO, as - for the first time since its establishment - the WTO explicitly deals with a non-trade-related issue. On the other hand,

this step towards decoupling the trade dimension from the development dimension of the debate - and thereby questioning the causal link between the two - is weakening the negotiating position of WCA countries which consider financial compensation as a transitional mechanism to off-set WCA cotton producers for the losses caused by global cotton subsidies.²⁶

4. LOOKING-AHEAD: FRAMEWORK BY SUMMER?

WTO Director-General Supachai Panitchpakdi, US Trade Representative Robert Zoellick and EC Trade Commissioner Pascal Lamy have all recently commented on the desirability of establishing negotiating frameworks by midyear at the latest for bringing the Doha round to a conclusion. The proposal is currently making its way through the corridors at the WTO. While Zoellick wants "to get done this summer what we didn't get done in Cancun," Lamy even suggested that negotiators "should aim at the WTO General Council (GC) in May as the latest point at which we aim to secure 'Cancun-like' outcomes on modalities".

Many delegations in Geneva have indicated, however, that agreeing on a framework before summer seems rather unlikely, especially as no agreement between the

US, EC and the G-20 on key issues in market access, export competition and domestic support is in sight. It seems that the recent consultations between the three key actors had been "all but successful" and that much of the "recent statements and rumours" do not necessarily reflect the degree of convergence in Geneva-based consultations. Consequently, any forecasts made at this stage can only be highly misleading, so it appears recommendable waiting for the formal statements in the forthcoming 'Agriculture Week'. Nevertheless, there seems to be wide acknowledgement that, indeed, no major progress could be expected after the summer break, with the EC appointing a new Commission in November, and the US largely absorbed by the upcoming presidential elections in autumn.

4.1 Likely Sequence of Issues to be Resolved

In terms of process, it appears that through the recent moves made by US, the G-20 and the Cairns Group, no major movement seems likely without an agreement to negotiate an end date for all forms of export subsidies (including the subsidy components of *export credits*, *food aid* and *state trading enterprises*). The clear prospect to get this end date is now - at least from a psychological point of view - the most pressing theme in the current agriculture debate. However, the EC - the main target of this proposal - does obviously not have a mandate to negotiate the phase out its *export subsidies*. While Agriculture Commissioner Fischler is taking the view that the current EC mandate was flexible enough to allow for concluding the round, EC Trade Commissioner Lamy seems to recognise that EU member states need to expand it to be able to negotiate an end date for *export subsidies*. But looking at the reform history of the EC's Common Agricultural Policy (CAP) and the persistent inner-EC political dynamics, it will be a difficult task to take this significant step only within a few months - especially taking into account that in April another ten - mostly agriculture-dependent - economies will join the EU.

To address, in a next step, the issue of domestic support would require an agreement of major subsidisers such as the EC and the US on how to substantially cut trade distorting domestic support

(including *Amber Box*, *Blue Box* and *de minimis* support). One of the most contentious issues here is the future of the *Blue Box* where the EC demands that its support should be reduced less than *Amber Box* subsidies, arguing that it was less trade-distortive; the G-20 and the Cairns Group, however, call for its complete phase out, and also the US recently said that it does not need the Box in the future.²⁷ The second key challenge will be to determine a significant cut for both EC and US support, while at the same time narrowing the wedge between the US *Amber Box* cap (currently at around USD 19 billion) and the EC's AMS final bound level (at around USD 69 billion) - a demand repeatedly put forward by the US.

Discussions on the third pillar of the AoA - i.e. substantially increasing market access - seem to be the most contentious element of the negotiations. Arriving at an agreement on market access will require compromise from virtually all Members, developed²⁸ and developing countries alike, and it involves many "hot" questions such as: will the same 'methodology' for tariff reduction apply to both developed and developing Members, or will developing countries have access to a more flexible reduction formula (e.g. the Uruguay Round formula across-the-board as demanded by the G-20)? How to address eroding trade preferences and the call for duty- and quota-free access for imports from

least-developed countries and for certain products from all developing countries? Will the concepts of *special products* and a *special safeguard mechanism* for developing countries be translated in a restrictive or extensive manner? Will there be a differentiation between more competitive (such as Brazil and Argentina) and less competitive developing countries when S&D is being applied in market access?

Looking at it from the perspective of most developing countries, the core question in market access - i.e. the degree of special and differential treatment - will be directly linked to the outcomes of the negotiations on

export competition and domestic support, mainly as these countries have been taking the view that the precondition for them to sacrifice their only tool for protection - i.e. high bound tariff levels - was achieving security that significant reductions in OECD subsidies will ultimately create a more "level-playing field" in global agriculture trade.²⁹

As a consequence of these dynamics, it could be expected that market access can only be discussed in a reasonable manner if the possible outcomes of the export competition and domestic support talks have already assumed a more definite form.³⁰

4.2 Role of the New CoA Special Session Chair

One new factor in the relaunched negotiations is certainly the appointment of New Zealand's Ambassador Timothy Groser as Chair of the CoA special session. In contrast to the former Chair Stuart Harrison, Hong Kong, Groser is from a major agricultural exporting country with high stakes in the negotiations, and which - as a member of the Cairns Group - is pushing for substantial agricultural reform. Nevertheless, from the perspective of Members such as the EC Groser seems acceptable as New Zealand is not part of the politically rather radical G-20, and it is not seen to be too close to

the US. Also non-Cairns, non-G-20 developing countries do not seem to be overly concerned about Groser leading the agriculture negotiations, arguing that they prefer an outspoken promoter of agriculture liberalisation - in developed and developing countries alike - in the role of the facilitator of the talks rather than as an active participant. Moreover, Groser - an experienced negotiator - has made clear at the outset that he does not want Members to negotiate with him, but amongst each other, thereby indicating that he will probably play a less proactive role than his predecessor.

4.3 Joint G-20/Cairns Group position?

The G-20 and the Cairns Group have signalled that they will try to come up with a joint position by the end of the forthcoming 'Agriculture Week'. Here it can be expected that this position will be more ambitious in terms of market access and subsidy reduction than the G-20 position, and with less emphasis on special and differential treatment (S&D) for developing countries - such as a different tariff reduction formula for developing countries, as well as access to the *special products* (SP) category and a *special safeguard mechanism* (SSM). Such consolidated position is likely to modify the overall dynamics in the negotiations, as it

could bring those developing countries who want more special consideration on the side of the EC and G-10 (such as the G-35 and the G-90), pitting them against a reinvigorated pro-liberalisation camp including Cairns, the G-20 and - eventually - the US. Moreover, creating a shift within the G-20 towards more ambition and less S&D could also jeopardise the cohesion of the Group, as those who have traditionally put much emphasis on differentiated treatment may not find anymore their core concerns fully reflected by the Cairns/G-20 position.

END NOTES

¹ According to the Cancun Ministerial Statement adopted on 14 September 2003 (WT/MIN(03)/20), WTO Members were mandated "to convene a meeting of the General Council at Senior Officials level no later than 15 December 2003 to take the action necessary at that stage to enable [them] to move towards a successful and timely conclusion of the negotiations." See also ICTSD Post-Cancun Outlook Report, p. 38.

² Draft Ministerial Text prepared by Cancun Conference Chair Luis Ernesto Derbez on 13 September (JOB(03)/150/Rev.2).

³ Please see ICTSD Post-Cancun Outlook Report, pp. 11-15.

⁴ The General Council meeting took place in regular Ambassador-level mode, and not - as mandated by the Cancun Ministerial Statement - "at Senior Officials level". Apparently, the reason for this was that, as no movement on an agriculture negotiating framework had been in sight, Members did not see the need for involving ministerial-level officials.

⁵ Formally, the new Committee on Agriculture (CoA) special (negotiating) session Chair has to be appointed by the CoA special session itself.

⁶ See also Appendix 2 of this report.

⁷ See Appendix 4 of this report.

⁸ For more details, see Section 2 pp. 11-12 of this report.

⁹ Please see ICTSD Post-Cancun Outlook Report, pp. 11-15.

¹⁰ It is being speculated by some observers that the US would need access to the *Blue Box* (which it is currently not using) as with the new countercyclical payments under the 2002 Farm Act, it may eventually exceed its final AMS bound level.

¹¹ See European Commission paper titled "Reviving the DDA Negotiations - the EU Perspective", released 26 November 2003 (downloadable at: <http://europa.eu.int/cgi-bin/eur-lex/udl.pl?REQUEST=Seek-Deliver&COLLECTION=com&SERVICE=eurlex&LANGUAGE=en&DOCID=503PC0734&FORMAT=pdf>)

¹² It seems, however, that this proposal does not include sensitive products such as sugar, dairy or beef.

¹³ It should be noted that there has not been any official denial or confirmation of this statement from the side of the EC Trade Commissioner.

¹⁴ BRIDGES Year 8 No.2 February 2004, p.2.

¹⁵ See WTO document WT/L/559.

¹⁶ The eight developing country members Argentina, Bolivia, Brazil, Chile, Indonesia, Paraguay, the Philippines and South Africa are members of both groups.

¹⁷ Reportedly, USTR Robert Zoellick was also present at the Cairns Group meeting.

¹⁸ See Appendix 3 of this report.

¹⁹ This meeting is expected to take place on 17 March.

²⁰ Many developing countries argue that they are only prepared to make significant market access commitments if a level playing field has been created through requiring the EC and US to drastically reduce their agricultural subsidies.

²¹ Under the most recent WCA negotiating proposal on cotton (WTO document WT/GC/W/516 of 7 October 2003), WCA countries require Members to take, within three months, specific measures including the elimination of export subsidies within three years and the removal of production subsidies within four years starting in 2005. In addition, a transitional fund to support the cotton sector in least-developed countries would be created, and a working group would be established under the supervision of the WTO Director-General to elaborate the modalities for financing it.

²² Nevertheless, the EC proposed in its November 2003 position paper on reinvigorating the Doha round that cotton "could receive a specific treatment, for example a specific timeframe for implementation."

²³ In contrast, the European Commission proposed on 12 February an "EU-Africa Partnership in the support of Cotton Sector Development". EC support will target the African cotton sector specifically, and the EC will expand and simplify its 'FLEX' instrument, which is used to compensate African, Caribbean and Pacific (ACP) countries for short-term fluctuations in export earnings. The EC has adopted an action plan focusing on six major areas: supporting commodity dependent developing countries in elaborating strategies covering critical parts of the commodities chain; supporting regional initiatives for commodity development; increasing access to finance and commodity risk insurance schemes; supporting diversification; helping integrate commodities dependent countries in the international trading system; and enhancing sustainable corporate practices and investments in such countries

²⁴ See European Commission document IP/03/1559 of 18 November 2003.

²⁵ See the CAFOD/CIDSE/Caritas Europe Briefing Note on the Reform of the EU Cotton Regime, p. 4 (downloadable at http://www.cafod.org.uk/policy_and_analysis/policy_papers/reform_of_the_eu_cotton_regime).

²⁶ WCA countries have repeatedly pointed out that they were not asking for alms; what they wanted was a translation of Members' commitment to prevent distortions in global agricultural markets.

²⁷ According to the Derbez text paragraph 1.3(ii), *Blue Box* support "shall not exceed 5% of the total value of agriculture production in the 2000-2002 period by [...]. Subsequently, such support shall be subject to an annual linear reduction of [...] % for a further period of [...] years." The EC is particularly concerned with the second reduction phase provided for in the second sentence of paragraph 1.3(ii).

²⁸ Compromise from developed countries such as the EC and the G-10 will be required in areas such as: tariff formula (i.e. allocation of tariff lines to the three tariff bands of the emerging 'banded formula'); maximum tariff level; simple average cut for all tariff lines; tariff quota expansion; and the future of the existing special safeguard (SSG).

²⁹ The Cairns Group recently pointed to this interlinkage in its 25 February 2004 Ministerial Communiqué (see Appendix 5 of this report), stating that "[a]mbitious cuts in domestic support and the elimination of all forms of export subsidies would also permit a more ambitious outcome on the market access pillar by developing countries."

³⁰ Apparently, in the immediate negotiating period prior to issuing the first modalities draft in January 2003, Members chose the sequence: export competition; market access; and, lastly, domestic support. Various subsidising developed countries had argued that they were unable to discuss subsidy reduction without knowing the results of the market access discussion, as the level of new market openings would have direct repercussions for internal support schemes.

APPENDIX 1: COUNTRY GROUPINGS SYNOPSIS

Country Groupings			
Cairns Group	G-20	EC - US	G-35
Argentina Australia Bolivia Brazil Canada Chile Colombia Costa Rica Guatemala Indonesia Malaysia New Zealand Paraguay Philippines South Africa Thailand Uruguay	Argentina Bolivia Brazil China [Colombia]* [Costa Rica]* Cuba Ecuador Egypt [El Salvador]* [Guatemala]* India Indonesia Mexico Nigeria Pakistan Paraguay [Peru]* Philippines South Africa Thailand Venezuela Zimbabwe *These members have left the G-20 since its formation, due to the CAFTA negotiations with the US.	Austria Belgium Denmark Finland France Germany Greece Ireland Italy Luxemburg Netherlands Portugal Spain Sweden United Kingdom United States	Barbados Botswana China Cuba Congo Cote d'Ivoire Dominican Republic Haiti Honduras Indonesia Jamaica Kenya Korea Mauritius Mongolia Mozambique Nicaragua Nigeria Pakistan Panama Peru Philippines Senegal Sri Lanka Tanzania Trinidad and Tobago Turkey Uganda Venezuela Zambia Zimbabwe
Recently Acceded Members	G-10	Countries Acceding to the EC	AU/ACP/LDC
Albania China Croatia Georgia Jordan Moldova Oman	Bulgaria Chinese Taipei Iceland Israel Japan Korea Lichtenstien Switzerland Mauritius Norway	Cyprus Czech Republic Estonia Hungary Latvia Lithuania Malta Poland Slovak Republic Slovenia	This is a combination of the 54 African Union countries, 77 African, Caribbean and Pacific (ACP) countries and 49 least-developed countries (LDCs), which are Members of the WTO.

APPENDIX 2: CALENDAR

Date	Event
24 October 2003	First consultation on agriculture
18 November 2003	First Wrap-up meeting
9 December 2003	Second wrap-up meeting
15-16 December 2003	WTO General Council meeting
31 December 2003	Expiration of Peace Clause ¹
23 January 2004	Mini-Ministerial in Davos
2-5 February 2004	FAO Intergovernmental Working Group (IGWG) on Right to Food
11-12 February 2004	WTO General Council meeting
18-19 February 2004	Meeting in Mombasa/Kenya
23-25 February 2004	Cairns Group meeting in Costa Rica
22-26 March 2004	WTO Committee on Agriculture - special (negotiating) session
25 March 2004	WTO Committee on Agriculture - regular session
April 2004	Formal accession of new EC Member States
17 June 2004	WTO Committee on Agriculture - regular session
17-18 May 2004	WTO General Council meeting
13-18 June 2004	UNCTAD XI
27 + 29 June 2004	WTO General Council meeting
Late 2004	US Presidential Elections
September/October 2004	End of term for current EC Commission
18 November 2004	WTO Committee on Agriculture - regular session
1 January 2005	Scheduled Conclusion of the Doha Round
1 June 2005	Expiration of US Trade Promotion Authority ("Fast Track") ²

¹ This has been so far been the general (and perhaps compelling) interpretation of Article 13 of the WTO Agriculture Agreement. However, Members such as the EC and the US have recently issued differing interpretations, under which the Peace Clause would expire sometime in 2004; see also Section 5 of this report.

² The TPA will be automatically enacted unless Congress adopts a resolution of disapproval.

APPENDIX 3: SCHEDULE OF COA SPECIAL SESSION

MONDAY 22 MARCH

11:00 - FORMAL SPECIAL SESSION: to appoint chairman and agree on conduct of work for the rest of the week. (Then suspended until 15:00 Friday 26 March)

Afternoon - open for negotiations and discussions among delegations (and Tuesday)

TUESDAY 23 MARCH

All day - negotiations and discussions among delegations (continued)

WEDNESDAY 24 MARCH

10:00 - INFORMAL OPEN-ENDED (i.e. open to all members) SPECIAL SESSION: to give delegations the opportunity to report on their negotiations and discussions and to take stock of progress made

Afternoon - negotiations and discussions among delegations (continued)

THURSDAY 25 MARCH

All day - negotiations and discussions among delegations (continued) (Regular Agriculture Committee meets from 10:00.)

FRIDAY 26 MARCH

10:00 - INFORMAL OPEN-ENDED (i.e. open to all members) SPECIAL SESSION:

- (1) To give delegations the opportunity to report on their negotiations and discussions and to take stock of progress made;
 - (2) To consider whether and what kind of technical work would need to be undertaken at this stage.
-

APPENDIX 4: EXCERPTS FROM ZOELLICK'S LETTER TO MINISTERS

January 11, 2004

Dear Minister:

...

A Suggested Focus: The Market Access Agenda

At the most fundamental level, I think we are most likely to succeed if we focus our work on the core market access topics: agriculture; goods; and services. These areas offer the most significant gains both for the world economy and our individual economies. Improved market access is particularly critical for meeting the needs of the developing countries. These topics also involve enough diversity to permit economic synergies and balanced results. Most of us are generally familiar with the issues -- although not yet the solutions!

In addressing these topics, we will of course need to incorporate special and differential treatment, recognizing that developing countries face varying circumstances, additional challenges from global competition, and particularly sensitive adjustment problems.

Agriculture: The Essential Topic and Catalyst

From the start of our preparations for Doha, it has been clear that an ambitious result in agriculture is essential for this negotiation to proceed and succeed. The Uruguay Round only began the process of disciplining and lowering barriers to trade in agriculture. As our Doha mandate stressed, to foster development and growth in agriculture we need to address effectively the three interconnected topics: export competition; domestic support; and market access. As some colleagues will remind the rest of us, they also want to consider non-trade concerns, although others will rejoin that by taking this into account, we should not further distort markets and create new protectionist barriers.

Recognizing the critical role of agriculture in these negotiations, the United States proposed sharp cuts in subsidies, tariffs, and other barriers. Later, the United States tried to work with the European Commission to capitalize on changes in the EU Common Agricultural Policy (CAP) to offer a framework for negotiating significant openings for global agricultural trade. Some Members of the WTO found that framework, including subsequent variations, to be insufficient or too uncertain; others believed it demanded too much.

So here is where I think we stand.

I believe that we will not be able to solve the puzzle of the DDA unless we have an agreement to eliminate export subsidies by a date certain. Export subsidies distort trade more than any other measure. The final elimination of these subsidies would underscore our common commitment, especially for developing economies. So we need to set an end date. I prefer an early date, but recognize that may not be realistic for some, given the sensitivity of the topic. I also am committed to eliminating the subsidy component of export credit programs; we also need meaningful disciplines on the special privileges of State Trading Enterprises. As a practical matter, to move the negotiations forward, I believe we should seek an understanding that there will be elimination of export subsidies by a date certain, with the exact date not set until there is a better sense of the overall package, including non-agricultural components.

As for reductions in domestic support, I remain committed to an ambitious result, which I believe can be achieved. As Chairman Perez del Castillo suggested, I urge that we focus on the most trade-distorting support. The Uruguay Round established caps on amber box support. We should now lower those caps substantially. For the United States, the degree of ambition is linked to two essential elements: a significant narrowing of the differential between those with higher caps (along with a currently uncapped blue box), and a substantial increase in real market access opportunities both in developed and major developing country markets. In addition to substantial cuts in amber box support, we need disciplining caps on blue box support, where there are none today.

Chairman Perez del Castillo suggested that the DDA also points to a second stage for agricultural liberalization, which I would be pleased to support if it refers to all distortions in agricultural trade. Indeed, the United States stands by its 2002 proposal to set a goal of total elimination of trade-distorting subsidies and barriers to market access.

In the area of agricultural market access, all of us have been struggling to find a compromise between those that favor an ambitious (i.e., Swiss) formula for tariff cuts and those that want to continue the modest Uruguay Round methodology. The various frameworks produced in August and September of last year suggested compromise amalgams. We should be open to all ideas on how to develop a blend that applies fairly to all and provides meaningful market access commitments that provide real export opportunities. These should be guided by three principles. One, we need substantial openings in markets of developed and developing countries, especially those that are competitive in sectors of agriculture and with stronger economies. Two, if a blended formula still permits extremely high tariffs, we need the principle of a cap on high tariffs and significant growing access to create a basis for true access to markets over time. Three, we need a common methodology, or else the DDA and even the WTO will be driven by divergent disciplines that will undermine our ability to press forward together, even if at different speeds. Of course, a common methodology can incorporate different degrees of reduction of barriers and longer staging for developing countries that need more time to adjust. As a practical matter, I believe our ability to share a methodology depends on different treatment for a very limited number of special products for certain developing countries that are concerned about harming rural development and subsistence farmers.

Finally, although cotton is never specifically mentioned in the Doha mandate, I agree with the Chair's suggestion that we examine possibilities in this sector that are both trade- and development-related. As we affirmed in Cancun, in the Doha negotiations it is the objective of the United States to achieve substantial cuts in trade-distorting domestic support for agricultural products, including cotton; the elimination of export subsidies for cotton and all other agricultural products; and substantial improvements in market access for cotton, cotton products, and other agricultural goods. This can be combined with comprehensive economic reforms in individual countries and new technologies to offer additional opportunities for developing economies.

The United States has also proposed sectoral negotiations in agriculture -- to build on the general disciplines -- which developing countries may wish to consider pursuing for other products of interest, including coverage of value-added processing.

...

How Might We Proceed?

I recognize that this letter covers only some of the topics we will need to address in a successful DDA negotiation. For example, we are committed to addressing the Dispute Settlement Understanding, trade rules, environmental topics, and the other elements in the Doha mandate. I would of course be pleased to discuss other topics of interest to you. My hope is that a focus on core work would enable us to determine a way to move forward.

So how might we proceed?

First, we need an active Chair of the General Council to work with the Director General to press discussions forward in Geneva. I understand there are traditions of rotating the Chair between a developing and developed economy, with developed slated next. I suggest, nevertheless, that given the importance of combining trade liberalization with development that we select a Chair from a developing economy. There are many skilled, experienced candidates -- for example, the WTO Ambassadors from Brazil, Chile, Pakistan, Singapore, and South Africa.

Second, we should urge the new Chair of the General Council to work with the Director General and the Chairs of Negotiating Groups to build upon, not repeat, the mid- December exchange. With our help, they can prod our teams in Geneva to focus on solving -- not just discussing -- problems. We need to explore -- on- and off-line -- compromises that maintain ambition while securing necessary flexibility and a balanced result for all. I would welcome your thoughts about whether the common sense agenda I am outlining -- or some variation -- could help concentrate our energies.

Third, we need a stronger engagement by capitals, particularly at senior levels, to test ideas and possible compromises. Indeed, this exploration for constructive compromises may necessitate trying out ideas in capitals and in informal consultations.

If these negotiations and explorations of solutions are making progress and narrowing differences, we can then look to the Chair of the General Council and the Director General to advise whether Ministers need to meet, in some fashion, to address part or all of the agenda.

To target productive results for 2004, I suggest we take an additional step. Since Hong Kong has offered to host the next WTO Ministerial, I propose we agree now to meet before the end of this year in Hong Kong. Let's keep our focus during 2004. We should try to agree on the frameworks for negotiations by mid-year. I understand some of you believe we need to develop precise numbers -- or at least have a good sense of them -- along with the frameworks. I suspect sequenced steps are likely to be most successful, but am willing to work with other approaches if they can help reach good results.

In closing, I want to let you know that I am seeking to explore every avenue to make 2004 not a lost year, but a year of accomplishment for the Doha Agenda and the WTO. I have tried to outline ideas that I think might help us resolve critical issues, but no doubt I have overlooked or misperceived particular interests. Therefore, I plan to visit a number of capitals around the world early this year, as well as talk with others by phone, to hear other ideas and assessments of how we can advance together. I have already benefited from conversations with some of you late in 2003, but perhaps we can refine our thinking together further so that the Doha Agenda regains momentum.

Thank you for your patience. I appreciate this is a long letter to impose upon you. Yet I am doing so because the stakes are high for our citizens, our economies, and the world trading system. So I wanted to be open with all of you on my perspective on how to make 2004 a year that exceeds expectations and delivers for the Doha Development Agenda.

With best wishes,

Robert B. Zoellick

APPENDIX 5: CAIRNS GROUP COMMUNIQUÉ

Cairns Group
26th Ministerial Meeting
San Jose, Costa Rica
23-25 February 2004

MINISTERIAL COMMUNIQUE

The twenty sixth Ministerial meeting of the Cairns Group was held in San Jose, Costa Rica, from 23-25 February 2004. WTO Director General Supachai Panitchpakdi, United States Trade Representative Robert Zoellick, Mexico's Foreign Minister Luis Derbez and Cairns Group Farm Leaders participated in part of the meeting.

Ministers stressed that the fundamental reform of world agricultural trade to which WTO Members committed in the Uruguay Round and reaffirmed their commitment in Doha remains a development imperative. Distortions in world agricultural markets continue to undermine the ability of many developing countries' agricultural sectors to contribute meaningfully to sustained economic development and poverty alleviation. The elimination of barriers and distortions in agriculture can play a major role in economic transformation and the promotion of social and political stability in developing countries. Ministers underlined therefore the urgency of concluding the reform process as soon as possible.

World leaders, including most recently UN Secretary-General Kofi Annan, are calling for the elimination of the agricultural subsidies that cause these distortions because of their negative impact on development. However, more than two years after the launch of the Doha Round, the richest WTO Members have not yet shown any signals that they will remove these distortions. Ministers called on Europe, the U.S. and Japan, which have a special responsibility to show leadership, to translate into action their commitment to implement faithfully the mandate. Without deeper developed country reform, developing countries will not be able to realise the full competitiveness of their agricultural sectors.

The Cairns Group is fully committed to achieving substantial progress in the negotiations in 2004. The Group is ready to work actively over the coming months with all WTO members and groups, such as the G20, to agree on a framework for negotiating modalities that is consistent with the high level of ambition of the Doha mandate.

Ministers underlined that the elimination of all forms of export subsidies on all products by a specific agreed date is a necessary condition for the success of the current negotiations. There is no need to identify a list of products on which export subsidies should be eliminated. What is needed now is a commitment to negotiate a final date for the elimination of export subsidies on all products.

Ministers emphasised that the Doha mandate calls for substantial reductions of trade distorting domestic subsidies. Proposals by the major developed countries fall well short of the Doha mandate and would leave in place enormous levels of trade-distorting support. Further movement by the major economies towards the goals set in Doha on domestic support is an indispensable element of a successful outcome in the negotiations.

Ministers recalled the commitment in the Doha mandate to achieving substantial improvements in market access. They reaffirmed their determination to see substantial improvements in real access for all products and in all markets. All WTO members, with the exception of the least developed countries, must contribute to this objective. Special

flexibility must be provided to developing countries in order to take into account the particular challenges they face, such as food and livelihood security and rural development. Ministers agreed that the concepts of special products and a special safeguard mechanism for developing countries are to be elaborated as part of the approach in the market access area.

Ministers stressed that the three pillars are closely linked and that a high and balanced level of ambition across all the pillars of the agriculture negotiations is needed to achieve the objectives set at Doha. Ambitious cuts in domestic support and the elimination of all forms of export subsidies would also permit a more ambitious outcome on the market access pillar by developing countries.

Ministers noted that elimination of cotton subsidies is of critical interest for a number of developing and least developed countries, and stressed that effective solutions must be found in the WTO agricultural negotiations as part of an overall ambitious outcome for all products and implemented as a matter of urgency.

In concluding, Ministers said the greatest contribution the WTO could make to development was to conclude the negotiations promptly and produce an outcome that opens international agricultural markets by substantially removing distortions in world trade.

Ministers expressed their appreciation to the Costa Rican Government for hosting the 26th Cairns Group Ministerial Meeting.

Appendix 6: Quick Reference Guide

DOMESTIC SUPPORT									
	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Amber Box	- Reduce the most trade distorting support in range of []%-[]%	- Reduce all trade distorting support in the range of []% - []% on a product specific basis. The difference between upper and lower range shall be no more than []%, with a significant first cut made within the first year of implementation	- Substantial reductions with a view to phasing out	- AMS reduction should be negotiated within the light of small agricultural sectors with no or minimal export of agriculture products, as Amber Box support has a limited impact - see below	- Not mentioned	- Reduce final bound total AMS in the range of []%-[]%	- Identical to Castillo Text - Product specific AMS support should be capped in an unidentified base year	- Identical to EC-US Text - Product specific AMS remains under negotiations. -In case of products that exceed [x]% of the world exports of that product additional disciplines shall be negotiated
	De minimis	- De minimis level reduced by []%	- Identical to EC-US text	- No mention in text	- Not mentioned	- Not mentioned	- Identical to EC-US Text	- Identical to EC-US Text	- Identical to EC-US Text
	Blue Box	- Blue Box: (i)Direct payments are based on fixed yield or made on 85% or less of the base level of production or made on a fixed number of head. (ii)Support under (i) shall not exceed 5% of the total value of agriculture production by the end of the implementation period	- Eliminate Blue Box	- Substantial reductions with a view to phasing out.	- Sufficient level to be maintained	- Not mentioned	- Identical to EC-US Text, but reference period are the years 2000-2002 - Subsequently, Blue Box support is to be linearly reduced by []% for another [] years.	- Same as Castillo Draft	- Change from 5% of average total value of agriculture production in 2000-2002 to 2.5 Subsequent reduction with a view to phasing them out
	Combined trade-distorting support	- Combined Support of the Amber and Blue box and de minimis level should be reduced significantly below 2004 level	- Reduce Amber Box support and De minimis by [x]%	- Not mentioned	- Not mentioned	- Not mentioned	- Same as EC-US text, but base year is 2000.	- Minimum cut to all trade distorting domestic support, and eventually significant cut in the first year of implementation (downpayment)	- Identical to EC-US Text
	Green Box	- No Change	- Direct Payments shall be capped and/or reduced. - Further disciplines to be established	- Trade distorting elements of the Green Box should be capped	- No capping or reduction of Green Box	- Not mentioned	- Criteria to remain under negotiation	- Its criteria shall be reviewed to ensure that they have minimal trade distorting effects	- Green Box disciplines on direct payments shall be strengthened with a view to ensuring that its measures have no or minimal trade distorting effects
	On domestic support in general	- Not Mentioned	- Not Mentioned	-Developed countries shall substantially reduce all forms of trade-distorting domestic support.	<u>Japan</u> : Basic framework of Amber Box, Blue Box and Green Box should be maintained. <u>Norway</u> : Developed Countries should make steeper cuts in Amber Box and Blue Box support	- Not Mentioned	- Not Mentioned	- Not Mentioned	- Not Mentioned

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPING COUNTRIES	General S&D	- Not Mentioned	- Not Mentioned	- LDCs exempt from any reduction commitments	- Lower reductions and longer implementation periods. <u>Japan</u> : Not Mentioned <u>Norway</u> : same as G-20	- Not mentioned	- Lower reductions commitments and longer implementation periods	- Lower reductions commitments and longer implementation periods	- Identical to Derbez Text
	AoA Article 6.2	- Not mentioned	- Exempt subsidies for developing countries under AoA Art. 6.2 to be expanded to include focused and targeted programmes	- Not mentioned	- Not mentioned. <u>Norway</u> : same as G-20	- Provisions under AoA 6.2 to be expected	- S&D with respect to Art 6.2	- Longer implementation periods and enhanced provisions under Article 6.2 of the AoA	- Same as Derbez Draft
	De minimis	- Not Mentioned	Maintain present de minimis levels.	- Not mentioned	- Not mentioned <u>Norway</u> : same as G-20	- Not mentioned	- No reductions required under trade distorting de minimis domestic support	- Developing countries shall be exempt from the requirement to reduce the de minimis domestic support.	- Same as Derbez Draft

MARKET ACCESS

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Tariff reduction formulas	- Use of a three-pronged blended formula with the UR Formula, Swiss Formula and a duty free tariff line.	- The G-20 text follows the EC-US three-pronged approach with the variation of a liner cut in the UR Formula Band instead of an average and minimum cut.	- Formula leading to improved market access, also addressing tariff peaks	- UR formula for tariff reduction should remain the rule while; the Swiss formula should be the exception.	- Same as EC-US text	- Same as EC-US text	- Same as EC-US text	- Identical to the Derbez draft, but: - Under the three-pronged approach, tariffs under the first band would be cut linearly.
	Maximum Tariff	- For tariff lines that exceed a maximum of []% members shall either reduce them to the maximum or ensure effective additional market access through a request: offer process including TRQs.	- Tariff lines exceeding []% shall be reduced to the maximum	- Not mentioned	- No maximum tariff	- Same as EC-US text	- Same as EC-US text	- Same as EC-US text	- Tariffs that exceed a maximum of []% developed country participants shall either reduce them to that maximum or ensure effective additional market access through TRQs or other measures
	Tariff Escalation	- Not Mentioned	- With a view to addressing tariff escalations a factor of [] will be applied to the tariff rate of the processed product in the case that its tariff rate is higher than that of its tariff in its primary form.	- Improved Market Access by tackling tariff escalation.	- Not Mentioned	- With applying tariff reductions, the tariff on a processed product is higher than the tariff for its primary form the rate of reduction for the processed product shall be equivalent to that for the product in its primary form multiplied, at minimum, by a factor of []	- The issue of tariff escalations will be effectively addressed	- The issue of tariff escalations will be by applying a factor of f[] to the tariff reduction of the processed product in case its tariff is higher than the tariff for the product in its primary form.	- Same as Castillo Draft
	Simple Average Tariff Reduction	- Not mentioned	- Not mentioned	- A setting of overall tariff reductions by developed countries	- Not mentioned	- Not mentioned	- Not mentioned	- The resulting simple average tariff reduction for all agriculture products shall be no less than []%	- The resulting simple average tariff reduction for all agriculture products excluding duty free tariff lines shall be no less than []%
	Tariff Rate Quotas	- Not mentioned	- TRQs shall be expanded by []% of domestic consumption and in quota tariff rates shall be reduced to zero.	- Simplified TRQ regime	- No mandatory expansion of TRQs.	- Not mentioned	- Not mentioned	- In quota tariffs will be reduced and the issue of TRQ expansion remains under negotiation	- In quota tariffs shall be reduced by []% and TRQs expanded by []% percent.
	Special Safeguard (SSG)	- SSG will remain under negotiations	- The SSG shall be discontinued.	- Not mentioned	- SSG should remain in place.	- SSG remains under negotiation	- SSG will remain under negotiation	- SSG will remain under negotiation	- The conditions and timetable for the elimination of the SSG for developed countries shall be negotiated
	Non-Trade Concerns	- No specific provision concluded	- Not mentioned	- Not mentioned	<u>Japan</u> : There should be sufficient flexibility to address sensitive products, which are closely related to non-trade concerns.	- Not mentioned	- Not mentioned	- The draft introduces the concept of a very limited number of products to be designated on the basis of non-trade concerns.	- No products related to non-trade concerns

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DEVELOPED COUNTRIES	Duty free for LDCs/developing countries	- All developed countries will seek to provide duty free access for at least [x]% of imports from developing countries through a combination of MFN and preferential treatment	- Developed countries shall provide duty free access to all tropical products and others mentioned in the Preamble of the AoA as well as other agriculture products representing [x]% of imports from developing countries.	- Duty-free and quota free market access be granted to LDCs	- Not mentioned - <u>Norway</u> : Same as EC-US text plus for all LDCs	- Same as EC-US text	- Same as EC-US text - The objective of duty-free and quota-free market access from LDCs will be expeditiously pursued.	- All developed countries will seek to provide access for at least []% of imports for , developing countries through a combination of MFN and preferential access including all tropical products and others mentioned in the Preamble of the AoA. - Duty-free and quota free access for LDCs	- Same as Castillo text, but no reference to preferential access.
DEVELOPING COUNTRIES	General S&D	- Developing countries shall benefit from special and differential treatment, including lower tariff reductions and longer implementation periods. - S&D will be adjusted for significant net-food exporters	- Developing countries shall benefit from longer implementation periods, lower reductions	- Support programme to enhance supply capacities for the AU/ACP/LDC countries - Erosion of long-standing trade preferences to be duly addressed.	- Lower reductions and longer implementation periods. - <u>Norway</u> : UR formula also for developing countries	- Not directly mentioned	- Developing countries shall benefit from longer implementation periods and lower reductions, - LDCs to be exempt from reduction commitments - Importance of preferential access to be taken into account	- Developing countries enjoy longer implementation periods for implementation under the Swiss Formula and the third band. - LDCs to be exempt from reduction commitments	- Developing countries shall benefit from additional implementation periods under the tariff reduction formula
	Special Products (SP)	- Not mentioned	- SPs applicable under conditions to be determined	- Countries should be allowed to self-select SPs.	- Not mentioned	- Developing countries shall have the flexibility to self-designate a []% of tariff lines as special products which will be exempt from tariff reductions	- Flexibility to designate SPs in the UR formula	- Under the UR Formula, additional flexibility to designate SPs	- Same as Castillo Draft
	Special Safeguard Mechanism (SSM)	- SSM shall be established for use by developing countries with regard to tariffs where the UR formula applies.	- Under conditions to be determined, the SSM shall be established for use by developing countries	- States the Importance of SSM for developing countries.	- Not mentioned	- SSM shall be established for all developing countries	- SSM would be created for developing countries under conditions and for products to be determined.	- The SSM shall be established for developing countries subject to conditions and for products to be determined.	- Same as Castillo Draft
	Tariff Reduction formulas	- Not mentioned	- UR formula across-the-board - No commitments with regard to TRQ expansion and reduction of in quota tariff rates for developing countries	- Not mentioned	- Not mentioned	- []% Average cut and []% minimum cut per tariff line substantially lower and in no case more than half the reduction targets specified in the tariff reduction for developed nations. - Developing countries shall not be required to expand TRQs or intra-quota tariff	- The draft proposes either a three-band UR Formula Approach or a new blend of the UR formula and Swiss Formula without a zero duty tariff line. - The applicability a maximum tariff remains under negotiation, taking into account the development needs of the developing countries.	- The draft sets out a banded version closer to the general tariff reduction formula: a UR formula, a Swiss banded formula and a third band with tariff lines between 0 and 5 percent. - To new TRQ commitments under the UR formula band - On maximum tariff, same as Castillo Draft	- Same as Derbez draft with the following exceptions: - The banded approach is replaced by a three-pronged UR formula with differing degrees if commitment. - The resulting simple average tariff reduction for all agriculture products shall not be more than [x]% of the simple average tariff reduction required for developed countries

EXPORT COMPETITION

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT	
DEVELOPED COUNTRIES	Export Subsidies	- Eliminate export subsidies over [x] years on the following products of interest to developing countries. For the remaining products members shall reduce budgetary and quantity allowances for export subsidies.	- Eliminate subsidies on products of specific interest to developing countries over an []-year period - Eliminate export subsidies on the remaining products over a [] year period	- Export Subsidies should be substantially reduced with a view to phasing them out. - Welcome the EC-US proposal to eliminate subsidies on products of interest to the African countries.	- Should be treated equally and reduction commitments should be negotiated in relation with Non-trade concerns and increase in market access.	- Not mentioned	- Eliminate export subsidies over [x] years on the following products of interest to developing countries. - For the remaining products members shall reduce, with a view to phasing out budgetary and quantity allowances for export subsidies.	- Identical to the Castillo Draft - A list of these products to be established for the purpose of tabling comprehensive draft schedules.	- Identical to Derbez Draft - Establishing an end date for phasing out remaining products (to be determined)	
	Export credits	- Eliminate over the same period as in Export Subsidies the trade-distorting element of export credits through disciplines that reduce the repayment terms to commercial practices ([] months).	- Identify and eliminate the subsidy component of officially supported export credits, guarantee and insurance programmes through a rules-based approach	- Not mentioned	- Should be treated equally and reduction commitments should be negotiated in relation with Non-trade concerns and increase in market access.	- Not mentioned	- Identical to the EC-US text with the addition of a reference to "with a view of phasing out" export credits on the remaining products	- Identical to the EC-US text with the addition of a reference to "with a view of phasing out" export credits on the remaining products.	- Identical to Derbez Draft	
	Parallelism	- Reductions of all forms of export subsidies will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credits.	- Not mentioned	- Not mentioned	- Not mentioned - Norway: Same as EC-US text	- Not mentioned	- Not mentioned	- Reductions of all forms of export subsidies with a view to phasing out will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credit.	- Identical to Castillo Draft	- Identical to Derbez Draft
	Food Aid	- Disciplines shall be agreed in order to prevent commercial displacement through food aid operations	- Identical to EC-US Text	- Not mentioned	- Not mentioned - Norway: additional disciplines to be agreed	- Not mentioned	- Not mentioned	- Identical to EC-US text	- Identical to EC-US text	- Identical to Derbez Draft
	State Trading Enterprises (STEs)	- Establishment of disciplines on the single desk export privileges, prohibition on special financing privileges and disciplines on pricing practices of state trade enterprises	- Not Mentioned	- Not mentioned	- Not mentioned - Norway: Additional disciplines to be agreed on	- Not mentioned	- Not mentioned	- The Above provisions shall apply equally to all forms of exports subsidies related to or provided directly or indirectly by or through state trading enterprises.	- Similar to Castillo Draft	- Similar to Derbez Draft
	Phasing Out Date	- Not mentioned	- Indirectly mentioned (all export subsidies to be phased out)	- Not mentioned	- Not mentioned	- Not mentioned	- Not mentioned	- The question of the end date of phasing out of all forms of export subsidies remains under negotiation.	- A date is to be determined by which the export subsidies are to be phased out.	- The date to phasing out for all forms of export subsidies shall be negotiated.

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DEVELOPING COUNTRIES	General S&D	- Not mentioned	- Not mentioned	- Not mentioned	- Not mentioned - <u>Norway</u> : same as G-20	- Not mentioned	- Developing countries shall benefit from longer implementation periods for reductions of with a view to phasing out all forms of export subsidies - LDCs to be exempt from reduction commitments	- Identical to Castillo Draft	- Same as the Derbez Draft with the following addition: - Developing countries shall also benefit from more flexible disciplines in the context of Article 12 of the Agreement on Agriculture
	AoA Article 9.4	- Not mentioned	Maintain exemption of subsidies for developing countries under article 9.4 of the AoA.	- Not mentioned	- Not mentioned - <u>Norway</u> : Same as G-20	- AoA art. 9.4 to be continued	- Until such time as the phasing out of all forms of export subsidies is completed, developing countries shall continue to benefit from the special and differential treatment provisions in Art. 9.4 of the AoA.	- Identical to Castillo Draft	- Identical to Derbez Draft
	LDCs	- Not mentioned	- Not directly mentioned	- The provisions of appropriate differential treatment in favour of LDCs and NFIDCs in the development of disciplines on exports credits as provided for in the Marrakech Decision.	- Not mentioned	- Appropriate S&D provisions to be included for LDCs and NFIDCs.	- Participants shall ensure that the disciplines on export credits to be agreed shall make appropriate provisions for differential treatment in favour of LDCs and NFIDCs.	- Participants shall ensure that the disciplines on export credits to be agreed shall make appropriate provisions for differential treatment in favour of LDCs and NFIDCs.	- Same as Derbez Draft