WORKING DOCUMENT No. 5

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

Base Level

1. The base level for reductions in Overall Trade-Distorting Domestic Support (OTDS) shall be the sum of: (i) the Final Bound Total AMS specified in Part IV of a Member's Schedule; plus (ii) for developed country Members, 10 per cent of the average value of production in the 1995-2000 base period (this being composed of 5 per cent of the average value of production for product-specific and non-product-specific AMS respectively) and, for developing country Members, 20 per cent of the average value of production in the 1995-2000 base period (this being composed of 10 per cent of the average value of production for product-specific and non-product-specific AMS respectively); plus (iii) [the higher of existing average Blue Box payments, or] 5 per cent of the average total value of agricultural production, in the 1995-2000 base period.

Tiered Reduction Formula

2. The base level of OTDS shall be reduced in accordance with the following tiered formula:

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

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

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

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

Implementation Period and Staging

4. For Members in the first two bands, the Base OTDS shall be reduced by one third at the commencement of the implementation period. The remaining reductions shall be implemented in equal annual steps over five years. For developed country Members in the third band, the Base OTDS shall be reduced by 25 per cent on the first day of implementation. The remaining reductions shall be implemented in equal annual steps over five years.

Special and Differential Treatment

5. Developing country Members with no AMS commitments shall not be required to make commitments on reductions in the Base OTDS.

6. For developing country Members with AMS commitments, the applicable reduction in the Base OTDS shall be two thirds of the relevant rate specified in paragraph 2 above. However, NFIDCs listed in document G/AG/5/Rev.8 shall not be required to make commitments on reductions in the Base OTDS.

7. As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support shall not exceed 80 per cent of the Base level of OTDS. The remaining reductions shall be implemented in equal instalments over eight years.

Other

8. Commitments relating to reductions in the Base OTDS shall apply as a minimum overall commitment, which shall be bound in Part IV of each Member's Schedule of domestic support commitments. A Member shall be required to make commitments on reductions or limits in Final Bound Total AMS, *de minimis* and/or Blue Box additional to those specifically provided elsewhere in these modalities where this is necessary in order to achieve the appropriate reduction in OTDS.

9. Saudi Arabia, the Former Yugoslav Republic of Macedonia and Vietnam, as very recently-acceded Members shall not be required to undertake reductions in OTDS. Small low-income recently-acceded Members with economies in transition[1] shall not be required to undertake reductions in OTDS. Reduction commitments for other RAMs with AMS commitments shall be two thirds of the relevant rate specified in paragraph 2 above and shall be implemented in accordance with the provisions in paragraph 7 above.

[1] This shall be applicable to Albania, Armenia, Georgia, Kyrgyz Republic and Moldova.

WORKING DOCUMENT No. 6

FINAL BOUND TOTAL AMS: A TIERED FORMULA

Tiered Reduction Formula

Reductions in Final Bound Total AMS

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

   (a) where the Final Bound Total AMS is greater than US$40 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be [70] per cent;

   (b) where the Final Bound Total AMS is greater than US$15 billion and less than or equal to US$40 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be [60] per cent;

   (c) where the Final Bound Total AMS is less than or equal to US$15 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be [45] per cent.

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

Implementation Period and Staging

3. The reductions in Final Bound Total AMS for developed country Members in the top two bands shall be implemented by means of a first instalment of a [30] per cent reduction followed by reductions in equal annual instalments over the following four years. For other developed country Members, the reduction shall be implemented in equal annual instalments over five years.

Special and Differential Treatment

4. The reduction in Final Bound Total AMS applicable to developing country Members with Final Bound Total AMS commitments shall be two-thirds of the reduction applicable for developed country Members. The reductions in Final Bound Total AMS shall be implemented in equal annual instalments over eight years.

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

6. Developing country Members shall continue to have the same access to the provisions of Article 6.2 of the Agreement on Agriculture as under existing WTO obligations.

7. Saudi Arabia, the Former Yugoslav Republic of Macedonia and Vietnam, as very recently-acceded Members shall not be required to undertake reductions in their Final Bound Total AMS. Small low-income, recently-acceded Members with economies in transition shall not be required to undertake reductions in Final Bound Total AMS.[1] In the case of such Members, investment subsidies

[1] This shall be applicable to Moldova which is the only such Member with a Final Bound Total AMS.

which are generally available to agriculture and agricultural input subsidies, interest subsidies to reduce the costs of financing as well as grants to cover debt repayment may be excluded from the calculation of the Current Total AMS.[2] The reductions in Final Bound Total AMS for other RAMs with AMS commitments shall be two-thirds of the rate specified in paragraph 1 above and shall be implemented in accordance with paragraph 4 above.

Other

8. Article 18.4 of the Agreement on Agriculture shall continue to apply in order to respond to the situations referred to in that provision.

Product-Specific AMS Limits

General

9. Product-specific AMS limits shall be set out in terms of monetary value commitments in Part IV of the Schedule of the Member concerned in accordance with terms and conditions specified in the paragraphs below.

10. The product-specific AMS limits specified in the Schedules of all developed country Members other than the United States shall be the average of the actual product-specific AMS support during the Uruguay Round implementation period (1995-2000).

11. For the United States only, the product-specific AMS limits specified in the schedule shall be the resultant of applying proportionately the average actual product-specific AMS support in the [1995-2004] period to the average actual total AMS for the Uruguay Round implementation period (1995-2000).

12. Where a Member has, after the base period, specified in paragraphs 10 and 11 above, introduced product-specific AMS support above the *de minimis* level provided for under Article 6.4 of the Uruguay Round Agreement on Agriculture, the product-specific AMS limit specified in the schedule for those products may be the average amount of the two most recent years' expenditure prior to the date of adoption of these modalities for which notifications have been made and provided that this is within the limits of the overall annual bound Total AMS commitment for those two most recent year-period for the Member concerned.

13. In cases where product-specific domestic support during the base period specified in paragraphs 10 and 11 above was below the *de minimis* level provided for under Article 6.4 of the Uruguay Round Agreement on Agriculture and the Member concerned is not in the situation covered by paragraph 12 above, the product-specific limit specified in the schedule for those products may be that *de minimis* level, expressed in monetary terms as a product-specific AMS commitment.

14. The product-specific AMS limits shall be implemented in [full on the first day of the implementation period] [three equal annual instalments, with the starting point for implementation being 130% of the product-specific average in the base period].

Special and Differential Treatment

15. In the case of developing country Members, the Product-specific AMS limits shall be established by the developing country Member concerned choosing one of the following methods and scheduling its commitments for all its products according to that method chosen:

(a) the average actual expenditure for each product during the base period 1995 to 2000 or 1995 to 2004, as may be selected by the Member concerned; or

---

[2] This shall be applicable to Albania, Armenia, Georgia, Kyrgyz Republic and Moldova.

(b) two times the Member's product-specific *de minimis* level provided for under Article 6.4 of the Uruguay Round Agreement on Agriculture; or

(c) 20 per cent of the Annual Bound Total AMS in any year.

16. Article 6.3 of the Agreement on Agriculture shall be amended also to reflect these modalities.

WORKING DOCUMENT No. 7

DE MINIMIS

Reductions

1. The *de minimis* amounts referred to in Article 6.4(a) of the Agreement on Agriculture for developed country Members (i.e. five per cent of a Member's total value of production of a basic agricultural product in the case of product-specific *de minimis* and five per cent of the value of a Member's total agricultural production in the case of non-product-specific *de minimis*)[1] shall be specified in Members' Schedules in monetary terms[2] and reduced by at least [50] [60] per cent [effective from the beginning of the implementation period] [through five equal annual instalments].

Special and Differential Treatment

2. For developing country Members with AMS commitments, the *de minimis* amounts referred to in Article 6.4(b) of the Agreement on Agriculture (i.e. ten per cent of a Member's total value of production of a basic agricultural product in the case of product-specific *de minimis* and ten per cent of the value of a Member's total agricultural production in the case of non-product-specific *de minimis*)[3] to which they have access under their existing WTO obligations shall be specified in Members' Schedules in monetary terms[4] and reduced by at least two-thirds of the reduction rate for developed country Members and with an implementation period that is three years longer.

3. Developing country Members with no AMS commitments; or with AMS commitments, but that either allocate almost all that support for subsistence and resource-poor farmers; or which are NFIDCs listed in document G/AG/5/Rev.8; shall continue to have the same access as under their existing WTO obligations to the limits provided for product-specific and non-product-specific *de minimis* in Article 6.4(b) of the Uruguay Round Agreement on Agriculture and shall not be obliged to specify these in monetary terms in their Schedules.

4. Saudi Arabia, the Former Yugoslav Republic of Macedonia and Vietnam, as very recently-acceded Members shall not be required to undertake reductions in *de minimis*. Small low-income, recently-acceded Members with economies in transition[5] shall not be required to make cuts in *de minimis*. For other RAMs with AMS commitments and which have existing *de minimis* levels of five per cent, this shall be specified in those Members' Schedules in monetary terms and reduced by at least one-third of the reduction rate specified in paragraph 1 with an implementation period that is five years longer.

---

[1] Where a Member makes use of the additional flexibilities under paragraphs 12 and 13 of working document 6 to obtain product-specific AMS entitlements that it would not otherwise secure through the general base period, the corresponding product-specific *de minimis* entitlement that would otherwise have accrued to that Member through the general base period shall be deducted from that *de minimis* base for reduction commitments, thereby avoiding double counting.

[2] The base period shall be 1995-2000.

[3] Where a Member makes use of the additional flexibilities under paragraphs 12 and 13 above to obtain product-specific AMS entitlements that it would not otherwise secure through the general base period, the corresponding product-specific *de minimis* entitlement that would otherwise have accrued to that Member through the general base period shall be deducted from that *de minimis* base for reduction commitments, thereby avoiding double counting.

[4] The base period shall be 1995-2000.

[5] This shall be applicable to Albania, Armenia, Georgia, Kyrgyz Republic and Moldova.

WORKING DOCUMENT No. 8

BLUE BOX

Basic Criteria

1. The value of the following domestic support, provided that it is consistent also with the limits as provided for in the paragraphs below, shall be excluded from a Member's calculation of its Current Total AMS:

(a) Direct payments under production-limiting programmes if:

(i) such payments are based on fixed and unchanging areas and yields; or

(ii) such payments are made on 85 per cent or less of a fixed and unchanging base level of production; or

(iii) livestock payments are made on a fixed and unchanging number of head.

Or

(b) Direct payments that do not require production if:

(i) such payments are based on fixed and unchanging bases and yields; or

(ii) livestock payments made on a fixed and unchanging number of head; and

(iii) such payments are made on 85 per cent or less of a fixed and unchanging base level of production.

2. [A Member shall nominate, at the time of the adoption of these modalities, which of either of these categories – (a) or (b) - it has selected for the purposes of its Blue Box commitments, and shall not have the freedom to move thereafter between these categories once it has made its selection at the time of the adoption of these modalities. This shall be reflected in Members' Schedules.] [A Member need not specify whether it considers that its programmes fall under (a) or (b) henceforth and, provided all other criteria are met, may apply programmes that fit either description provided above. In any case, any Member that is in a position to move from Amber to Blue pursuant to paragraph 10 below subsequent to the conclusion of this negotiation shall have the freedom to do so on the basis of either criterion above.]

Additional Criteria

Overall Blue Box Limit

3. The maximum permitted value of support that can, under the above criteria of "Blue Box support", be excluded from a Member's calculation of its total AMS shall not exceed 2.5 per cent of the average total value of agricultural production for the [1995-2000] period. This limit shall be expressed in a value specific amount in Part IV of Members' Schedules and shall apply from the commencement of the implementation period.

4. In cases where a Member has, consistent with the terms of Article 6.5(a) of the Uruguay Round Agreement on Agriculture, placed in the Blue Box an exceptionally large percentage of its trade-distorting support – defined as 40 per cent – during the 1995-2000 base period, the limit for that Member shall, instead, be established by application of a percentage reduction in that base period amount. For such a Member, the percentage reduction shall equal the percentage reduction that the Member concerned is to make in its Final Bound Total AMS. This limit shall be expressed in a value specific amount in Part IV of that Member's Schedule. An implementation period of no more than [2] years may be provided for any such Member in the event that immediate implementation is unduly burdensome.

Product-Specific Limits

5. For all Members other than the United States, the limit to the value of support that may be provided to specific products as Blue Box entitlements shall be the average value of support provided to those products, consistent with Article 6.5(a) of the Uruguay Round Agreement on Agriculture, during the period 1995-2000. These limits shall be expressed in those value specific amounts in Part IV of the Schedule of the Member concerned and shall apply from the commencement of the implementation period.

6. In any case, where Article 6.5(a) consistent Blue Box support was not provided for the entirety of that 1995-2000 period, the Member concerned shall use the average value of support for the years notified within that period, provided that there are at least three consecutive notified years within that period.

7. For the United States, the limits to the value of support that may be provided to specific products under paragraph 1(b) above shall be [110] [120] per cent of the average product-specific amounts that would result from applying proportionately the legislated maximum permissible expenditure under the 2002 Farm Bill for specific products to the overall Blue Box limit of 2.5 per cent of the average total value of agricultural production. These amounts for the specific products concerned are annexed as Annex [x].

8. Blue Box entitlements for specific products may nevertheless exceed the limitations determined under paragraphs 5-7 above. This shall be permissible only where there is a corresponding and irreversible one-for-one reduction in the product-specific AMS limits for the product(s) concerned (except for cotton, where that rate would be two-for-one).

9. Where this arises in the context of this particular negotiation, full documentation must be provided in support of this "transfer" to ensure that the starting point is verifiably, on the one hand, the AMS limit that would have been otherwise inscribed in the Schedule through application of the methodology provided above and, on the other, the Blue Box entitlement otherwise inscribed pursuant to application of the methodology set out above.

10. Where this arises as a result of continuation of the reform process after scheduling and during the implementation period, there must be an exact reciprocal reduction in the scheduled product-specific AMS limit for, as the case may be, a new, or increase in the scheduled, product-specific Blue Box limit. In both such situations, the overall Blue Box limit cannot in any case be exceeded.

11. Notwithstanding the above, where there is no product-specific entitlement to a Blue Box limit under the provisions above, and no Current AMS support in the base period for a particular product, a Blue Box product-specific limit is still permissible for that product but only where the support for the total of any such products concerned does not exceed [10] per cent of the overall Blue Box ceiling, there is a maximum for any single product of [5] per cent, and the overall Blue Box cap is still respected. This provision is only available to Members with direct payments of the kind that meet the terms of paragraph 1(a) above, and is a once-only provision for commitment in this Round of negotiations. The monetary value and the products concerned shall be inscribed in the Schedules. If it is resorted to, the Member concerned shall make also an equivalent value reduction in its Total AMS in addition to what it would have been otherwise required to undertake according to the formula for cuts in overall AMS.

Special and Differential Treatment

12. For developing country Members, the maximum permitted level for the value of support under paragraph 3 above shall be 5 per cent of the average total value of agricultural production in the 1995-2000 base period. However, in cases where there is a movement from AMS to Blue subsequent to conclusion of this negotiation, the developing country Member concerned shall have the option of selecting as its base period the most recent five-year period for which data are at that time available.

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

14. For RAMs, the maximum permitted level for the value of support under paragraph 3 above shall be 5 per cent of the average total value of agricultural production in the 1995-2000 base period. However, in cases where there is a movement from AMS to Blue subsequent to conclusion of this negotiation, the Member concerned shall have the option of selecting as its base period the most recent five year period for which data is at that time available.

15. Article 6.5 will be amended accordingly to reflect the above modalities.