U.S. Proposal -- WTO Agriculture Negotiations

The United States proposes ambitious results in all three pillars of the agriculture negotiations: export competition, market access, and domestic support. The U.S. proposal is contingent on comprehensive reform in all pillars and meaningful commitments by all members, except the least developed countries. Special and differential treatment and other provisions of the July 2004 Framework will be developed in the negotiations to complement the elements below.

Timing

- Two stage process: initial stage of significant reductions in tariffs and trade-distorting domestic support, and elimination of export subsidies, followed by a second stage of reductions culminating in the full elimination of remaining tariffs and trade-distorting domestic support.

- First Stage: tariff and subsidy reductions would be phased-in over 5 years.

- Interegnum: reductions pause for five year period for review of effects of first stage reforms.

- Second Stage: Unless Members agree to change course, further tariff and trade-distorting domestic support reductions would begin after the interegnum, culminating in the total elimination of remaining measures after a 5 year phase-in period, which include safeguard mechanisms to assist transitional adjustment.

Domestic Support

- Amber Box: 60% reduction in the total Aggregate Measurement of Support (AMS) for the United States.

- AMS cuts will be based on harmonization principle agreed to in the July 2004 Framework, requiring the deeper cuts by the larger subsidizers. Cuts will be based on the following parameters:

Bound AMS level (billion U.S. dollars)	Reduction
$25 -	83%
$12 - $25	60%
$0 - $12	37%

- This provides for a more equitable balance by reducing the disparity in allowed AMS between the United States and the EU from a ratio of 4:1 to a ratio of 2:1.

- Blue Box: Cap on "Blue Box" programs at 2.5% of the total value of agriculural production, instead of 5% as set in the July 2004 Framework.

- *de minimis:* product-specific and non-product-specific *de minimis* cut by 50%.

- Product-specific caps: establish product-specific AMS cap on 1999 – 2001 base.

- Overall reduction in trade-distorting domestic support: substantial reductions in the sum of the allowed level of the amber box, blue box, product-specific *de minimis*, and non-product-specific *de minimis* based on the following parameters:

Overall allowed level (billion U.S. dollars)	Reduction
$60 -	75%
$10 - $60	53%
$0 - $10	31%

- Green Box: no material changes in Green Box, specifically no expenditure caps.

- Litigation protection ("peace clause") for subsidy programs that stay under the new limits or conform to "green box" criteria.

- Special and Differential Treatment. Slightly lesser reduction commitments and longer phase-in periods for developing countries to be determined when base parameters for developed country commitments established. Review of "green box" criteria to specify inclusion of non-trade-distorting development policies.

Market Access

- Balancing the new proposal on domestic support, substantial reductions will be made in tariffs, yielding deeper cuts on higher tariffs as established in the July 2004 Framework, through a progressive formula based on the following parameters:

Developed Countries

Tiers (%)	Cuts at ...	
	... beginning of tier	... end of tier
0 – 20	55%	65%
20 – 40	65%	75%
40 – 60	75%	85%
60 →	85%	90%

Cap: 75%

Developing Countries

Tiers (%)	Cuts at ...	
	... beginning of tier	... end of tier
0 – 20	a	b
20 – 40	b	c
40 – 60	c	d
60 →	d	e

Cap: x%

- Minimal number of "sensitive products" subject to lesser tariff reductions: 1% of tariff lines, with full compensation via TRQ expansion.

- Meaningful access provided for priority products in key markets through the agreed formula, sectoral initiatives, and bilateral negotiations.

- Developing countries will be subject to slightly lesser reduction commitments and longer phase-in periods to be determined when base parameters for developed country commitments are established. Developing countries must make meaningful commitments which reflect their importance as emerging markets.

- As outlined in the July 2004 Framework, establishment of Special Safeguard Mechanism and Special Products for developing countries to provide transitional protection from import surges while still providing meaningful improvement in market access.

Export Competition

- Export Subsidies: rapid elimination, no later than 2010 for all products with accelerated elimination for specific products.
- State Trading Export Enterprises: elimination of monopoly export rights, termination of special financial privileges, and greater transparency.
- Food Aid: broad discretion for donors to meet needs in emergency situations, tighter disciplines to deal with other situations, but no requirement for "cash-only."
- Export Credits: bring government programs in line with commercial terms to prevent export subsidy.
- Differential Export Taxes: end discriminatory tax levels across exported products.

10 october 2005

Facts on Doha Round

Office of the United States Trade Representative www.ustr.gov
Doha Development Agenda Policy Brief – October 2005

U.S. Proposal for Bold Reform in Global Agriculture Trade

"We will fight to lift the burden of poverty from places of suffering -- not just for the moment, but permanently. And the surest path to greater wealth is greater trade...The Doha Round is the most promising way to achieve this goal...The United States is ready to eliminate all tariffs, subsidies and other barriers to free flow of goods and services as other nations do the same. This is key to overcoming poverty in the world's poorest nations. It's essential we promote prosperity and opportunity for all nations."

\- President George W. Bush
September 14, 2005

Building on Uruguay Round commitments and the July 2004 Framework agreement for agricultural modalities, the United States has presented a comprehensive package to move the WTO agriculture negotiations forward and unleash the full potential of the Doha Development Agenda. This is not a unilateral offer – it is contingent on bold reforms from all countries participating in the WTO process.

The U.S. proposal calls for reform in two stages:

- **Stage 1**: Substantial reductions of trade-distorting support measures and tariffs, along with the elimination of export subsidies, to be phased-in over a five year period.
- **Stage 2**: Five years after implementing the first stage, an additional five year phase-in period will deliver the elimination of remaining trade-distorting policies in agriculture.

Market Access

The United States calls for WTO Members to aggressively reduce tariffs. Using the "tiered formula" agreed to in the July 2004 framework and working from the formula proposed by the G-20 countries, the U.S. calls for the following to be phased-in over five years requiring all countries, developed and developing, to provide substantial improvement in market access by making steep tariff cuts:

- Progressive tariff reduction: Developed countries cut their tariffs by 55-90%. Lowest tariffs are cut by 55%, with cuts ranging to 90% for highest tariffs.
- Tariff rate caps: Establish a "tariff cap" ensuring no tariff is higher than 75%.
- Sensitive products: Limit tariff lines subject to "sensitive product" treatment to 1% of total dutiable tariff lines. For these lines, ensure full compensation by expanding TRQs where they exist.
- Special and differential treatment: Slightly lesser cuts and longer phase-in periods will be established for developing countries, to deliver real improvements in access while ensuring import-sensitive sectors in those countries are afforded appropriate protection.

What the Framework Says: The July 2004 Framework calls for progressive tariff reductions delivering deeper cuts to higher tariffs. The Framework committed Members to substantial improvements in market access for all products including sensitive ones, to be granted through a combination of tariff quota expansion and tariff reductions. The Framework establishes that developing countries will not be expected to cut tariffs as aggressively as developed economies.

Export Competition

The United States calls for rapid elimination of export subsidies. The following rules would be phased-in by the year 2010:

- Export subsidies: Eliminate all agriculture export subsidies.
- Export credit programs: Establish specific disciplines on export credit programs to bring them in line with commercial practice, including a maximum repayment period of 180 days.
- STEs: Install new disciplines on export State Trading Enterprises that end monopoly export privileges, prohibit export subsidies, and expand transparency obligations.
- Export taxes: End discriminatory tax provisions that encourage export of processed products
- Food aid: Establish disciplines on food aid shipments that guard against commercial displacement, while removing obstacles to emergency shipments and deliveries to countries with chronic food aid needs. Establish an objective test to identify commercial displacement in other circumstances.

What the Framework Says: The Framework commits all Members to ensuring elimination of all forms of agricultural export subsidies by a credible end date. Specifically, Members agreed to eliminate all agricultural export subsidies, eliminate export credits of more than 180 days, discipline credits of less than 180 days, and eliminate the trade-distorting practices of State Trading Enterprises (STEs). It was also agreed that additional disciplines on food aid will be negotiated. The Framework states that the future use of monopoly powers by STEs will be subject to further negotiation.

Domestic Support

The United States calls for substantial reductions in trade-distorting domestic support, with deeper cuts by countries with larger subsidies. The United States proposes the following specific elements to be enacted within five years, conditioned on other countries meeting U.S. interests in the agriculture negotiations:

- Amber box: Cut Aggregate Measurement of Support (AMS) by 60% for the United States, with product-specific AMS caps based on 1999 – 2001 period.
- Blue box: Cap at 2.5% of the value of agricultural production from the 5% level agreed to in the framework.
- De minimis: Cut "*de minimis*" allowances for trade-distorting domestic support by 50% (from 5% of the value of production to 2.5% in developing countries).
- Overall Cut: Reduce overall levels of trade-distorting support by 53% for the United States.
- Harmonization: Reduce the EU and Japan allowed AMS by 83% and overall level of trade distorting support by 75% (53% for Japan). Proposed cuts will reduce the disparity between the EU and the United States in allowed AMS from the current 4:1 to 2:1 of current exchange rates.
- Green Box: No substantial changes in criteria, and no cap on "green box" support levels.
- Litigation protection: Establish a "peace clause" to protect farm programs if a country keeps trade-distorting support below agreed levels.

What the Framework Says: In the Framework, Members agreed to substantially reduce trade-distorting domestic support, with caps on support levels for specific commodities. Members agreed to harmonization in the reductions so that countries with higher levels of subsidy will be subject to deeper cuts. Per the Framework, in the first year of implementation, the overall level of trade-distorting support will also be reduced, with an initial cut of 20%. The Framework also requires the blue box support will be capped at five percent of a Member's total value of agricultural production, with further negotiation over criteria to ensure blue box programs are less trade-distorting than amber box programs.

Background

Negotiations of the Doha Development Agenda under the World Trade Organization were launched in 2001. WTO Members reached agreement in July 2004 on a Framework to establish modalities -- formulas and rules for implementing reforms in agriculture. Negotiations are now focused on specifying the precise formulas, depth of tariff and subsidy cuts, phase-in periods, and other rules.

Reforming global agricultural trade is widely recognized as an important step towards expanding economic development and is forecasted to lift millions out of poverty. The World Bank estimates that elimination of global trade barriers would enhance global economic welfare by $290 billion per year by 2015. The United States has actively pursued the agriculture negotiations in order to open new markets for U.S. products, eliminate unfair competition from export subsidies, and create a more level playing field through greater harmonization of trade-distorting domestic support measures.