



Facts on Global Reform

Office of the United States Trade Representative
Doha Development Agenda Policy Brief – December 2005

www.ustr.gov

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

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.

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:** An additional five year phase-in period that delivers the elimination of remaining trade-distorting subsidies and tariffs in agriculture.

Market Access

The United States calls for WTO Members to aggressively reduce tariffs. Using the “tiered formula” identified in the July 2004 framework and building on the elements proposed by the G-20, the U.S. calls for the following to be phased-in over five years:

- **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, and find other means to address sensitive products where TRQs are not in place.
- **Special provisions for developing countries:** Create special and differential treatment provisions for developing countries to provide 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. Further, the Framework identified negotiations over a tariff cap to be part of further discussions and it notes 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:

“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

- **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.
- **Food aid:** Establish disciplines on food aid shipments that guard against commercial displacement by 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 parallel 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 specific elements to be enacted within five years:

- **Overall goals:** Reduce overall levels of trade-distorting support by 53% for the United States and 75% for the European Union.
- **Amber box:** Cut Aggregate Measurement of Support (AMS) by 60% for the United States and 83% by the European Union, with product-specific AMS caps based on 1999 – 2001 period.
- **Blue box:** Cap partially decoupled direct payments at 2.5% of the value of agricultural production.
- **De minimis:** Cut “*de minimis*” allowances for trade-distorting domestic support by 50% (from 5% of the value of production to 2.5%).

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.