

27 September 2002

Domestic SupportSpecific Input: Cairns Group<sup>1</sup> Negotiating Proposal**Introduction**

Continued high levels of domestic support since the end of the Uruguay Round reflect the failure of the Agreement on Agriculture to alter attitudes at the heart of agricultural trade policy making. The Agreement does not adequately address the food security and development concerns of developing countries. Real cuts to distorting support along with improved disciplines on domestic support will be fundamental to agricultural trade liberalisation and a successful Doha Round outcome.

While the Green Box provides the scope necessary for Members to pursue legitimate non-trade concerns, since the conclusion of the Uruguay Round the Green Box has been abused. Provisions must be tightened to ensure that measures which do not meet the fundamental criteria that Green Box payments are non, or at most minimally, trade- or production-distorting are treated as distorting support.

Substantial reductions in distorting domestic support will lead to more open and efficient markets to the benefit of all Members, especially developing countries. In addition, special and differential treatment measures are proposed. This will enable developing and least developed countries to address their legitimate and varied needs, including agricultural and rural development, food security, and subsistence and small scale farming for the development of domestic food production. An important complement of special and differential treatment is achieving the elimination of all trade and production-distorting domestic support. The Cairns Group will actively engage with developing countries on concrete proposals on special and differential treatment.

**Amber and Blue Box**

The Cairns Group proposes the following approach for a substantial reduction in all forms of production and trade-distorting domestic support:

- Reduce on a product-specific disaggregated basis the final bound AMS commitment currently in Members' schedules to zero over 5 years for developed countries and 9 years for developing countries.
- Elimination of the exemption contained in Article 6.5
- Developed countries commit to a downpayment of 50 % in the first year of implementation, followed by equal cuts over the following years to reach zero.
- Retain existing *de minimis* provisions in Article 6.4(b) of the Agreement on Agriculture for developing countries.

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<sup>1</sup> Argentina, Australia, Bolivia, Brazil, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

- Existing *de minimis* support provisions as provided for in Article 6.4(a) for developed countries shall be reduced with a view towards its elimination within an agreed period of time.
- Strengthen disciplines to avoid product-specific support from being classified as non-product specific support.

The Cairns Group proposes to explore disciplines to ensure that reductions in trade-distorting support are substantial and effective. The Cairns Group also reserves the right to explore an approach that would target for more rapid reduction support measures provided by members on significantly exported agricultural products.

### **Green Box**

Revise Annex 2, as set out in the Attachment, to ensure that Green Box criteria are clear and precise, and that Green Box support does not distort production and trade.

Commit to a mechanism that will cap the amount of expenditure allowed on direct payments in Annex 2 and reduce the expenditure in paras 5,6,7 and 11 in order to prevent any potential distortions.

### **Special and Differential Treatment**

At least retain Article 6.2 exceptions for developing countries.

Retain access to existing domestic support arrangements for least developed countries.

**Attachment: Tightening the Green Box - Amendments to Annex 2**

The Cairns Group proposes the following changes, *inter alia*, to Annex 2 of the Agreement on Agriculture. The changes are in capitals/bold print.

5. Direct payments to producers
  - (A) Support provided through direct payments (or revenue foregone, including payments in kind) to producers for which exemption from reduction commitments is claimed shall meet the basic criteria set out in paragraph 1 above, plus specific criteria applying to individual types of direct payment as set out in paragraphs 6 through 13 below. **ALL BASE PERIODS SHALL BE NOTIFIED.**
  - (B) Where exemption from reduction is claimed for any existing or new type of direct payment other than those specified in paragraphs 6 through 13, it shall conform to criteria (b) through (F) in paragraph 6, in addition to the general criteria set out in paragraph 1. **THESE DIRECT PAYMENTS SHALL BE BASED ON ACTIVITIES IN A FIXED AND UNCHANGING HISTORICAL BASE PERIOD.**
6. Decoupled income support
  - (a) Eligibility for such payments shall be determined by clearly-defined criteria such as income, status as a producer or landowner, factor use or production level in a defined, **FIXED AND UNCHANGING HISTORICAL** base period.
  - (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the base period.
  - (c) The amount of such payments in any given year shall not be related to, or based on, the prices, domestic or international, applying to any production undertaken in any year after the base period.
  - (d) The amount of such payments in any given year shall not be related to, or based on, the factors of production employed in any year after the base period.
  - (E) **PAYMENTS TO INDIVIDUAL PRODUCERS SHALL BE AVAILABLE FOR NO MORE THAN THREE YEARS AND SHALL NOT BE RENEWED.**
  - (F) No production shall be required in order to receive such payments.
7. Government financial participation in income insurance and income safety-net programmes
  - (a) Eligibility for such payments shall be determined by an income loss, taking into account only income derived from agriculture, which exceeds 30 per cent of average gross income or the equivalent in net income terms (excluding any payments from the same or similar schemes) in the preceding three **TO FIVE**-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry. Any producer meeting this condition shall be eligible to receive the payments **FROM THE GOVERNMENT.**
  - (b) The amount of such payments **BY GOVERNMENTS SHALL RESTORE A PRODUCER'S INCOME TO NO MORE THAN 70 PER CENT OF HIS INCOME DERIVED BY THAT PRODUCER FROM AGRICULTURE IN**

**THE AVERAGING PERIOD USED TO TRIGGER ELIGIBILITY FOR PAYMENT.** ~~compensate for less than 70 per cent of the producer's income loss in the year the producer becomes eligible to receive this assistance.~~

- (c) The amount of any such payments shall relate solely to income **DERIVED FROM AGRICULTURE OF THE FARM ENTERPRISE AS A WHOLE**; it shall not relate to the type or volume of production (including livestock units) undertaken by the producer; or to the prices, domestic or international, applying to such production; or to the factors of production employed.
  - (d) Where a producer receives in the same year payments under this paragraph and under paragraph 8 (relief from natural disasters), the total of such payments shall be less than 100 per cent of the producer's total loss.
8. Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters
- (a) Eligibility for such payments shall arise:
    - (i) **IN THE CASE OF DISASTERS** only following a formal recognition by government authorities that a natural or like disaster (including disease outbreaks, pest infestations, nuclear accidents, and war on the territory of the Member concerned) has occurred or is occurring; and shall be determined by a production loss which exceeds 30 per cent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry.
    - (ii) **IN THE CASE OF GOVERNMENT FINANCIAL PARTICIPATION IN CROP INSURANCE SCHEMES, ELIGIBILITY FOR SUCH PAYMENTS SHALL BE DETERMINED BY A PRODUCTION LOSS WHICH EXCEEDS 30 PER CENT OF THE AVERAGE OF PRODUCTION IN AN ACTUARIALLY APPROPRIATE PERIOD.**
    - (iii) **IN THE CASE OF THE DESTRUCTION OF ANIMALS OR CROPS TO CONTROL OR PREVENT DISEASES NAMED IN NATIONAL LEGISLATION OR INTERNATIONAL STANDARDS, THE PRODUCTION LOSS MAY BE LESS THAN THE 30 PER CENT OF THE AVERAGE PRODUCTION REFERRED TO ABOVE.**
  - (b) Payments made ~~following a disaster~~ **UNDER PARAGRAPH 8** shall be applied only in respect of losses of income, livestock (including payments in connection with the veterinary treatment of animals), land or other production factors due to the natural disaster **OR DESTRUCTION OF ANIMALS OR CROPS** in question.
  - (c) Payments shall compensate for not more than the total cost of replacing such losses and shall not require or specify the type or quantity of future production.
  - (d) Payments made ~~during a disaster~~ **UNDER PARAGRAPH 8** shall not exceed the level required to prevent or alleviate further loss as defined in criterion (b) above.
  - (e) Where a producer receives in the same year payments under this paragraph and under paragraph 7 (income insurance and income safety-net programmes), the total of such payments shall be less than 100 per cent of the producer's total loss.

9. Structural adjustment assistance provided through producer retirement programmes
  - (b) Payments shall be conditional upon the total and permanent retirement of the recipients from marketable agricultural production **AND SHALL BE TIME LIMITED.**
  
10. Structural adjustment assistance provided through resource retirement programmes
  - (d) Payments shall not be related to either the type or quantity of production or to the prices, domestic or international, applying to production undertaken using the land or other resources remaining in production. **PAYMENTS SHALL BE TIME LIMITED.**
  
11. Structural adjustment assistance provided through investment aids
  - (a) Eligibility for such payments shall be determined by reference to clearly-defined criteria in government programmes designed to assist the financial or physical restructuring of a producer's operations in response to objectively demonstrated structural disadvantages. Eligibility for such programmes may also be based on a clearly-defined government programme for the reprivatization of agricultural land. **SUCH STRUCTURAL DISADVANTAGES MUST BE CLEARLY DEFINED.**
  - (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production **OR INPUTS INTO THE PRODUCTION** (including livestock units) undertaken by the producer in any year after **A FIXED AND UNCHANGING HISTORICAL** ~~the~~ base period, other than as provided for under criterion (e) below.
  - (c) The amount of such payments in any given year shall not be related to, or based on, the prices, domestic or international, applying to any production undertaken in any year after the base period.
  - (d) The payments shall be given only for the period of time necessary for the realization of the investment in respect of which they are provided.
  - (e) The payments shall not mandate or in any way designate the agricultural products to be produced by the recipients except to require them not to produce a particular product.
  - (f) The payments shall be limited to the amount required to compensate for the structural disadvantage.
  
12. Payments under environmental programmes
  - (a) Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme. ~~including conditions related to production methods or inputs.~~
  - (b) The amount of payment shall be **LESS THAN THE EXTRA COSTS INVOLVED IN COMPLYING WITH THE GOVERNMENT PROGRAM AND NOT BE RELATED TO OR BASED ON THE VOLUME OF PRODUCTION.** ~~limited to the extra costs or loss of income involved in complying with the government programme.~~

13. Payments under regional assistance programmes

- (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the **FIXED AND UNCHANGING HISTORICAL** base period, **WHICH SHALL BE NOTIFIED**, other than to reduce that production.

**THE CAIRNS GROUP WOULD LIKE TO STRENGTHEN TRANSPARENCY, NOTIFICATION AND REVIEW MECHANISMS TO ENSURE PROGRAMMES MEET THE CRITERIA IN ANNEX 2.**

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