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Assessing Domestic Support Provisions of the 2003 Draft Texts in WTO Agriculture Negotiations

by
Lars Brink*

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*Lars Brink is an Economist with the Strategic Policy Branch of Agriculture and Agri-Food Canada.

Correspondence regarding this paper should be addressed to the authors at:

Lars Brink
brinkLA@em.agr.ca

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Lars Brink
Agriculture and Agri-Food Canada
Ottawa, Canada K1A 0C5
brinkLa@agr.gc.ca

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Abstract

The Doha Development Round of trade negotiations in the WTO aims to achieve substantial reductions in trade-distorting domestic support. The Harbinson draft modalities were tabled in March 2003, followed by less detailed draft framework texts for modalities before and during the Cancún meeting in September 2003. The framework texts introduce new provisions not present in the Harbinson modalities or in earlier proposals, modify some provisions and eliminate others. The Harbinson modalities and the five 2003 framework texts (EC-US, del Castillo, G-21, Derbez, and G-21) show differences and similarities and show how certain provisions evolved over time in, e.g., the green box, the blue and revised blue box, *de minimis*, AMS and Total AMS commitments, and the sum of overall support. To assess the various provisions consistent assumptions are adopted for the numerical values of reductions and other parameters, which remain subject to negotiations. The resulting entitlements to provide support, after full implementation, are assessed for USA, the EU, Japan, Canada and Brazil. This shows the significance of tiered reduction commitments of Total AMS, as opposed to equal reductions for all. It also shows the significance of the size of any caps on the amounts exempted as *de minimis* or as blue box payments. This is particularly the case if the set of policies qualifying as exempt is made larger and perhaps more distorting by removing the production-limiting condition on blue box payments. Capping product-specific AMS amounts based on past amounts would lock in existing differences between those who provide high support to many individual products and those who provide low support to individual products. The “maximum distorting support” (MDS) is calculated for the five Members under the provisions of each of the six texts. The EC-US draft framework would allow about the same MDS as the Harbinson modalities, while the del Castillo and Derbez frameworks would result in a twenty percent reduction from Harbinson. The G-20 framework (of September 9) would allow an MDS half as large as under Harbinson, and the G-21 framework (September 14) would yield an MDS equal to two-thirds of Harbinson’s. Overall the provisions of the draft texts are found to be dauntingly complex, with several constraints operating at the same time. The largest possible reduction of Total AMS, combined with better rules on exemptions, could be effective in achieving the substantial reduction of trade-distorting support. The overall reduction of all non-green support without exemptions could also, if the reduction is large enough, effectively achieve that substantial reduction articulated in the Doha objective on domestic support.

Assessing Domestic Support Provisions of the 2003 Draft Texts in WTO Agriculture Negotiations

Introduction

This paper reviews the domestic support provisions of major draft texts contributed to the negotiations on agriculture from March 2003 to September 2003 in the WTO (World Trade Organization). It interpretes, compares and assesses the suggested provisions. It evaluates the draft texts in terms of how they would constrain domestic support to agriculture in the European Union (EU), the United States of America (USA), Japan, Canada, and Brazil. The analysis builds on an evaluation of the 2002 proposals by the USA, the Cairns Group and Canada (Brink, 2002). The present analysis is more tentative since the draft texts being assessed are much less specific in terms of numerical values than were the 2002 proposals.

The draft texts are first reviewed in a consistent framework (the word "draft" is dropped in what follows). The review discusses the new provisions or ideas, making it possible to track them over time. Provisions are assessed on the basis of numerical assumptions applied to five Members: USA, the EU, Japan, Canada, and Brazil. In several cases assumptions have been made about how to interpret particular phrases. The analysis highlights the differences among the texts in terms of the severity of the constraints applying to the five Members. The conclusions also identify some areas that the texts have not addressed.

Background

The WTO Negotiations

The negotiations of the Doha Development Agenda (DDA) of the WTO started in 2001. The negotiations on agriculture started somewhat earlier with proposals for a new Agreement on Agriculture to replace the Uruguay Round Agreement on Agriculture (URAA). From December 2002 the agriculture negotiations aimed to establish modalities for commitments. Following the failure to establish modalities by March 2003, negotiations focused on enabling Ministers to agree on a framework for modalities. Ministers were expected to agree on this and other issues in Cancún in September 2003 but were not able to do so. Negotiations are now continuing.

Domestic Support in the URAA

The domestic support pillar of the URAA disciplines trade-distorting domestic support in agriculture. This includes commitments on distorting support, measured and classified in prescribed ways. Certain provisions allow more flexibility for developing countries to support agriculture in distorting ways.

Support measures meeting the criteria of the Green Box (Annex 2 of the URAA) are exempt from commitment. The rationale is that such support measures have no, or at most minimal, trade-distorting effects or effects on production. Commitments are taken on Total AMS (Aggregate Measurement of Support). Total AMS sums a number of product-specific (PS) AMS amounts and a non-product-specific (NPS) AMS.[1] The Total AMS commitment is a ceiling binding on each year's Current Total AMS.

Some distorting support need not be counted in Current Total AMS. This includes payments that meet the criteria of Art. 6.5 of the URAA (blue box). As well, any PS AMS that is less than 5% of the product's value of production need not be counted in Current Total AMS, and likewise for NPS AMS, using the whole agriculture sector's value of production. Developing countries use a *de minimis* percentage of 10% instead of 5%. They can also exempt some support from commitment as part of development programs.

Selected Texts

Chronology

The six texts examined are identified in Table 1 by date and by name of the person or group of Members to whom they were attributed. The Harbinson revised draft from March 2003 is the earliest text analyzed. It was preceded by proposals from Canada, the Cairns Group, USA, and the European Commission.

The Harbinson text aimed to facilitate the establishment of modalities by March 2003. It is therefore comprehensive and detailed and inserts numerical values of parameters to be negotiated. It was followed by texts aimed at enabling Members to agree on a framework for modalities in Cancún. As framework texts they are less comprehensive and detailed. The first such text was submitted jointly by the European Communities and the USA (EC-US). It was followed by the text submitted by Mr. del Castillo, Chairman

[1] Total AMS also includes the Equivalent Measurements of Support (EMS). Only few Members notify EMS.

of the General Council of the WTO. A group of developing countries known as the G-20 (originally 20 Members, rising to 23 and then further adjusted) submitted its text immediately prior to the Cancűn meeting. During the meeting the Chair, Mexico's Mr. Derbez, tabled a draft framework for agriculture. Finally, a revised version of the G-20 draft framework was submitted on the last day of the meeting by a group of 21 developing countries comprising most of the G-20 Members.[2]

Common Features

All six texts are similar in that they keep the URAA concepts of AMS and, with some adjustments, the green box, blue box, *de minimis*, and certain special and differential provisions for developing countries. Five of them (not Harbinson) are also similar in introducing a harmonizing element in the domestic support discipline, expressed as Members (or developed country Members) with the higher trade-distorting subsidies having to make greater efforts.

Most of the texts introduce a notion of capping and, in some cases, reducing product-specific AMS. Moreover, most of them introduce a declining ceiling on the sum of certain support classes, such as Total AMS, *de minimis* support, and payments similar to the present blue box payments.

The changes suggested in Annex 2 (green box) are compared in Table 2. The details suggested for other elements of discipline on domestic support are in Table 3-8.

Green Box (Table 2)

Harbinson’s draft modalities would change wording and add new elements in the green box. Some of this would considerably change what could be exempted from Current Total AMS as green support. In *Direct payments* and *Decoupled income support* (paras. 5 and 6), payments would be based on an unchanging historical period. *Income insurance and income safety nets* would base eligibility on five years, with payments restoring income to at most 70% of the triggering whole-farm income. In *Relief from natural disasters*, payments would be based on average production in an actuarially appropriate period. The triggering production loss could be less than 30% of average production if animals or crops are destroyed

[2] The significant difference between the origin of the G-20 and G-21 texts is not that the membership of the group changed slightly but rather that the G-21 text is a revision of the earlier G-20 text.

for disease control. Payments for S*tructural adjustment through resource retirement* would be time-limited. In S*tructural adjustment through investment aids* the structural disadvantage would be clearly identified, payments would not relate to production inputs, and amounts would not relate to factor use in any year after the base period, which would be an unchanging historical period. Animal welfare payments would be eligible for green box exemption under the same criteria as payments under E*nvironmental programs*. For R*egional assistance* the base period would be an unchanging historical period.

The five framework texts say little or nothing about the green box. del Castillo indicates that the criteria remain under negotiation. Derbez would review the green box criteria. G-20 would cap direct payments (paras. 5-13) in developed countries, and G-21 would strengthen the discipline on such payments.

Overall

Lack of specificity in the framework texts on green box changes does not necessarily mean that there would eventually be no or few changes. Five of the texts aim at a framework for modalities, in which all details need not be specified, contrasting against the Harbinson detailed draft modalities.

<u>Art. 6.2</u>

The Harbinson draft modalities introduce many new elements to Art. 6.2. to allow developing countries to exempt unlimited amounts of distorting support from Current Total AMS, in addition to changes in the green box criteria to accommodate support in developing countries. No framework text mentions Art. 6.2

<u>Blue box or Revised Blue (Purple) Box (Table 3)</u>

Eliminating the Blue Box

Two texts stand out by suggesting the elimination of the blue box classification of support. One Harbinson option is to start including blue box payments in Current Total AMS, effectively ending the exemption for certain payments under Art. 6.5. Harbinson's other option is to continue to exempt Art. 6.5 payments from Current Total AMS but also capping and reducing them. The G-20 text suggests eliminating Art. 6.5, which would effectively include blue box payments in Current Total AMS.

Eliminating the blue box would be the most direct way to deal with, e.g., EU compensatory payments and Japan's rice payments escaping AMS discipline, and USA perhaps looking at the blue box as a way to escape the bite of a future reduction of the Total AMS constraint. Payments meeting the criteria of Art. 6.5 may distort less than the same amount of market price support or output subsidies.[3] This, it has been argued, would justify exempting such payments from Current Total AMS, which would in turn encourage a shift from more to less distorting forms of support without necessarily reducing the amount of support.

Redefining and Capping Blue Payments

Harbinson's other blue box option resembles ideas in EC-US, del Castillo, G-20, Derbez and G-21 in that it would cap the blue box. The cap would be set at a recent notified level of blue payments. EU notifications including full Agenda 2000 reforms could show blue payments increasing from €22 bill. in 2000/01 to €24 bill. or more (various estimates exist). Notifications for later years would show lower blue payments following the 2003 EU policy changes (€7 bill. has been mentioned). The future "most recent notified" blue payments would thus determine the Harbinson cap on blue.

EC-US, del Castillo, Derbez and G-21 all suggest a cap on certain payments. This set of payments would be larger than the payments defined in Art. 6.5 of the URAA (blue box) because they would no longer need to be made under a "production-limiting" program. Eliminating it could lead to expectations to exempt from Current Total AMS also EU payments made without set-aside and U.S. counter-cyclical payments. To distinguish the payments under the broader definition from the payments defined in Art. 6.5, this paper adopts the term purple payments for the broader and possibly more distorting set.

Establishing the Cap

The four texts that exempt purple payments from Current Total AMS would also cap them (in some cases a declining cap) from a point in time. EC-US would apply the cap only at the end of the "implementation period", which could mean the time when all commitments on such variables as Total AMS, tariffs, and export subsidies, after reduction or elimination, reach their final bound levels.[4] This would leave some

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3 Arguments along these lines have referred to the findings of the OECD (summarized in, e.g., OECD 2002).

years during the implementation period when purple payments (less narrowly defined than URAA blue payments) by themselves would not be subject to a cap. The other three texts would cap purple payments at an unspecified future date. This could be at the start of implementation, although this is not said. The four texts on purple payments are thus similar in concept to Harbinson on blue payments – Harbinson would reduce the cap on blue by 50 % over 5 years (numerical values subject to negotiation).

The cap on purple payments is defined in relation to the sector's value of production. The definitions vary, however, such that only del Castillo and Derbez would set the same cap. This cap would equal 5% of the sector's average value of production in 2000-02.[5] G-21 would use the same 2000-02 value of production but would set the cap at only 2.5%. Still, the G-21 cap on purple payments is very different from the G-20 suggestion of eliminating Art. 6.5 and not exempting any support from Current Total AMS as purple. EC-US would set the cap at 5% of the value of production at the end of implementation, i.e., a value several years into the future. The cap would thus for those Members where agricultural production grew in value be set at a possibly significantly larger amount than if based on 2000-02.

Three texts would reduce the cap on purple payments by an unspecified percentage over an unspecified period, possibly the implementation period (del Castillo, Derbez, and G-21). G-21 specifies, moreover, that the only half as large cap would be reduced "substantially". Presumably the reference to a substantial reduction signifies a larger reduction than that earlier suggested by del Castillo and Derbez. The G-21 wording would also introduce the possibility of an ultimate end to the purple payment classification.

Overall

The Harbinson option of a declining cap on blue box payments remains in later ideas of a declining cap on purple payments. However, the Harbinson cap at a recent notified level is clearly lower than 5% of the value of production for most Members, who have notified no or only fairly small amounts of blue payments. The exception is the EU, with blue box payments of 9-10% of the sector's value of production. A cap at 5% and even at 2.5% would for Members other than the EU be larger than the Harbinson cap on blue. This larger cap would apply to a set of exempt payments defined less narrowly than the blue box.

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[4] The URAA defines "implementation period" in terms of duration (Art. 1(f)) and uses the term in the sense of implementing reduction commitments.

[5] The texts do not specify the "average" value of production in this period, but averaging would have to be assumed.

For most members, but not the EU, the purple payment provisions (EC-US, del Castillo, Derbez, and G-21) would categorically be more accommodating than Harbinson's blue box provisions. Even for the EU, the EC-US wording would be more accommodating than Harbinson because of the time interval before the cap would apply, the broader definition of payments entitled to purple box exemption, and the absence of eventual reduction of the cap. Whether the other texts (Castillo, Derbez, and G-21) would be more accommodating would depend on the parameters for the size of the purple cap and the reduction.

Reductions in the D*e Minimis* Percentage

Interpreting the Texts

All texts suggest that "*de minimis*" be reduced. This is assumed to mean reducing the *de minimis* percentage.[6] Harbinson would reduce the percentage by 50% over five years (numerical values to be negotiated), bringing it to 2.5% for developed countries. Separate provisions in Harbinson would allow developing countries to stay with 10%. The other texts do not specify any size of the reduction or its duration. G-20 would explicitly reduce the percentage for developed countries only, while del Castillo, Derbez and G-21 would achieve this by exempting developing countries from the reduction. EC-US does not distinguish between developed and developing countries in this respect.

Overall

The reductions in the *de minimis* percentage for developed countries would increase the span between developed and developing countries in terms of the relative amount of distorting support they could exempt from Current Total AMS as *de minimis.* For example, the Harbinson provisions (to be negotiated) would double this span from twice as much for developing countries to four times as much. At the same

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[6] Harbinson refers to the *de minimis* percentage, as in URAA Art. 6.4. The other texts need interpretation. The cut might apply, e.g., to a base established as the amount actually exempted from Current Total AMS in, say, 2000. This would make the URAA percentage specification unnecessary. It would lock in entitlements to *de minimis* exemption based on how much was exempted in the past. A Member (EU) who used only a small part of its *de minimis* allowances in the base years could not exceed these amounts, after reduction, in the future. A Member (USA) who exempted a larger part of its support as *de minimis* in the base years would be able to continue large exemptions.

time many developing countries actually exempt very little support as *de minimis* and, if they continue to do so, the span between developed and developing countries in support actually exempted could decline.

Reduction of AMS or Total AMS (Tables 5.a and 5.b)

Interpreting the Texts

Four texts clearly envisage further reductions of the Total AMS commitment. G-20 would reduce PS AMS commitments but does not indicate how to establish the base amounts for PS commitments. EC-US does not say what is meant by ”the most trade-distorting domestic support measures” that would be subject to reduction, i.e., any non-green measure, or any non-green and non-purple measure, or a subset of measures in AMS.[7] EC-US indicates that purple payments are “less trade distorting support”.

Starting Point, Depth and Other Features of Reduction

Four of the texts would start the reductions from the final bound commitment on Total AMS, *i.e.*, the amount applying from 2000 for developed countries and 2004 for developing countries. EC-US is silent on this, as is G-20. In the case of G-20, it would be necessary to somehow derive a set of new PS base AMS amounts for each product. Nothing is said about how this would be done (e.g., allocating the Total AMS commitment among products according to some rule).

The depth of cut (Total AMS or AMS) is mentioned in all six texts. The Harbinson (negotiable) percentage cut is 60%, i.e., the remaining commitment is 40% of the starting point. A single percentage cut would apply to all Members (lower for developing countries). The EC-US mentions the idea of “tiered reductions” (often attributed to Canada), i.e., reducing a large Total AMS commitment (high tier) by a larger percentage than a small Total AMS commitment (low tier). It appears in all five non-Harbinson texts as “Members having the higher trade distorting subsidies making greater efforts” and as a range of percentage cuts in Total AMS or AMS.

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[7] The EC-US text literally subjects individual measures to reduction, i.e., the opposite of the aggregation across policy measures enshrined in the AMS of the URAA. This disaggregates beyond even the PS AMS commitments (as opposed to Total AMS commitments) proposed by some. However, EC-US may, while saying the opposite, intend to subject the Total AMS to reduction. Proposals submitted by the USA and the European Commission in 2002 and 2003 clearly indicated reductions of Total AMS.

Harbinson also gives rules for the conversion of a Member's Total AMS commitment from one currency to another (use IMF exchange rates). Moreover, Harbinson keeps the provision for Members to consider how excessive inflation may influence a Member's ability to comply with its commitments. G-21 makes the Total AMS discipline stricter by also constraining support to certain exported products. These might be products exported by a Member whose share of world exports of that product is larger than some benchmark share (this is only one interpretation of the unclear G-21 text).

There is usually no mention of the length of time over which the reduction in Total AMS (or AMS) would be carried out. The Harbinson text, however, does specify implementation over five years. This would apply both to any reduction of blue box payments and to the reduction of Total AMS.

Overall

The tiered reductions of Total AMS embodied in all texts other than Harbinson would make the Total AMS constraint tighter than Harbinson's for high-support Members (assuming the same percentage reduction for low-support Members as that negotiated for all under Harbinson). However, the parameters defining what is meant by high, medium, and low support in terms of Total AMS are crucial in estimating how much the combined Total AMS commitments would actually decline. This would also need to be considered along with changes in the calculation of Current Total AMS (e.g., *de minimis* exemptions) in order to assess the additional amount of distorting support actually ruled out by the new commitments.

<u>Reduction of Overall Distorting Support (Table 6)</u>

Interpreting the Texts

Five texts - not Harbinson - introduce a cap on all distorting support. This comprises the sum of Total AMS commitment, payments made under the revised blue box (i.e., purple payments), and the amounts excluded from Current Total AMS as *de minimis*. In the case of G-20, there would be no purple payments since all such payments would be included in the appropriate PS AMS.

The cap on overall distorting support could curb what some see as excessive exemptions from Current Total AMS on blue box and *de minimis* grounds. The blue box exemption was part of the 1992 Blair House deal between the EC and USA to accommodate their then current policy choices. The EU exempts distorting support amounting to more than one third of its Current Total AMS. USA exempts *de minimis* amounts that might otherwise make Current Total AMS exceed the commitment. This includes its non-product-specific AMS. It is thus important to examine the EC-US cap on the sum of distorting support to gauge its potential to further constrain EU and U.S. distorting support.

Establishing the Base for the Cap on Overall Distorting Support

The base level of the cap suggested in EC-US is the sum of the (1) Total AMS commitment in 2004 (which for developed countries is the 2000 cap), (2) amount of blue payments provided in 2004, and (3) amount exempted from Current Total AMS as *de minimis* in 2004. It is not clear how the EC-US text envisaged Members being able to assess it for Cancún in September 2003, since the amounts underlying the cap would only be known through notifications submitted with some delay after the end of 2004.[8]

The base for the cap on overall distorting support suggested by del Castillo, Derbez, and G-21 is the sum of the same three components as in EC-US but observed in 2000 instead of 2004. EU blue box payments giving rise to the base cap could be several billion euros larger in 2004 than in 2000 as a result of Agenda 2000. Shifting the base period for the cap from 2004 to 2000 thus reduces it by this amount for the EU. G-20 does not say how to establish the base for the sum of overall distorting support.

Depth and Timing of Reductions in the Cap

Five texts (not Harbinson) would reduce the cap on overall distorting support without specifying the size of the reduction. EC-US and del Castillo reduce the cap so it is significantly less than the base amount (the 2004 or 2000 sum). G-21 calls for a cut resulting in an effective reduction of the cap.

None of the five texts stipulate when the cap reductions are to begin or be completed. del Castillo does state that the reduction in the cap is to be completed by the same unspecified future date as the entry into force of the 5% cap on purple payments. This creates an indirect ceiling on the purple payments along with the two other support classes in the years between the beginning of implementation and the beginning of the cap on purple payments by themselves.

[8] In early 2004 the latest EU and U.S. notifications available referred to, respectively, 2000/01 and 2001.

The possibility, if so negotiated, of a cut of a particular size in the first year of implementation is raised in Derbez (down payment). G-21 suggests a substantial down payment.

The Role of De Minimis

All five texts identify "*de minimis*" as one of the classes of support to be cumulated below the declining cap. This paper interprets this as the amounts of PS and non-product-specific AMS that are actually exempted from Current Total AMS on *de minimis* grounds, within the allowances resulting from a lower percentage than the URAA 5% (or 10%).[9] It is also assumed that "*de minimis*" means both PS and non-product-specific AMS. Art. 6.4 provides for separate *de minimis* allowances for all PS AMS amounts and non-product-specific AMS, which is assumed to continue in texts referring only to "*de minimis*".

Overall

The potential of reducing the cap on overall distorting support to constrain distorting support depends not only on how much the cap is cut but also on how much the *de minimis* percentage is reduced. A larger cut of that percentage forces more AMS support into Current Total AMS but reduces the *de minimis* AMS subject to the overall cap. Exempting less AMS as *de minimis* makes room for more purple payments below the cap. Future purple payments can therefore be larger than blue payments in 2000 (or 2004). A separate cap on purple payments, in percent of value of production, may or may not be an effective limit.

Likewise, the size of the cut in the Total AMS commitment affects the effectiveness of the declining cap on overall distorting support. A large cut in the Total AMS commitment may still allow accommodation of a similar amount below the cap on overall distorting support as purple or *de minimis*.

The effectiveness of a declining cap on overall distorting support is best evaluated on a case by case basis, considering the pattern of support provided in each class in 2000 (or 2004) and the reductions in each class by itself. The harmonizing idea of "Members having the higher trade distorting subsidies making

[9] "D*e minimis*" could mean the maximum amounts of PS and non-product-specific AMS that could be exempted from Current Total AMS as *de minimis*. This allowance is larger than what is actually exempted, since it is not possible in practice to fully use the *de minimis* allowance. While *de minimis* allowances may be used to establish the base for capping and reducing overall distorting support, it would make little sense to count the allowances and not the actual support in the amount being cumulated against the cap on overall distorting support.

greater efforts" is in all five texts expressed in the chapeau applying to all domestic support reductions, including the reduction of overall distorting support.

Cap on and reduction of product-specific AMS amounts (Table 7)

Interpreting the Texts

Capping and possibly also reducing PS AMS is addressed in the texts with a larger variety of ideas than any other domestic support provision. Harbinson suggests a cap on each PS AMS at its 1999-2001 average (the base period to be negotiated). The most similar provision is that of Derbez, who would cap each PS AMS at the average of an unspecified period. Neither suggests any reduction of these caps.

The capping of PS AMS would, in the G-20 text, be combined with a reduction of the caps. Under G-21, reductions remain under negotiation. del Castillo sees something similar, in that PS commitments would be of interest but not agreed - this could encompass a capping as well as reductions, if so negotiated.

The G-20 text indicates several more detailed rules on the reductions of PS AMS amounts. The reductions would be tiered, so that some Members cut by relatively more than others. The difference between the high percentage and the low percentage reductions would, however, be no greater than a given number of percentage points. Fr any product of which the Member's share of world exports was greater than a given percentage, the higher percentage cut would apply. The AMS cap for products that had been supported above the average would also be subject to larger cuts.[10] There would also be a down payment in the first year in the form of cut of a given percentage of the full cut.

EC-US is the only text not even referring to the possibility of PS commitments.

Establishing the Base Amounts for Product-Specific Caps

Setting the PS base AMS cap on the basis of some average avoids the difficulty of allocating the present Total AMS commitment to individual products according to some rule not yet specified. However, basing

[10] It is not clear how the "average" would be defined, e.g., average of the Member's PS AMS in a given year, average over all Members, average over time, etc.

the cap on the applied AMS support to each product deviates from the usual principle of deriving new commitments from earlier commitments. It can freeze the pattern of AMS support across a Member's products as it was in the base period. This "rewards" a Member who used much of its entitlement to provide distorting support below its Total AMS commitment – the Member obtains relatively large PS commitments. It “penalizes” a Member who did not use much of its Total AMS commitment in the base period by giving that Member only relatively low PS commitments.

The perverse outcome of introducing PS commitments can also go directly against the idea of "Members having the higher trade-distorting subsidies making greater efforts". If there is no reduction of the PS commitments (as in the case of Harbinson, Derbez and possibly del Castillo and G-21), there is clearly no greater effort on the part of the more highly supporting Members. If there is a reduction of the PS commitments, applying the same percentage reduction to all would entitle the relatively highly supporting Members to continue their practice, while constraining other Members to provide only little or no support.

Applying Product-Specific Caps with or without De Minimis Allowances

The texts that mention PS caps do not say how the caps would operate in conjunction with other rules on domestic support, especially the *de minimis* provision. For example, a *de minimis* allowance could apply in cases where the cap, based on past support, would be less than, say, 2.5% or 5% of the value of production. If there was no such allowance, Member A, who provided zero support to a product, or less than 2.5% of the value of production, would be prohibited from ever supporting the product at all, or be constrained to supporting it at no more than the past low level. This would effectively constrain Member A's support pattern more tightly than that of Member B, who provided support to many products at higher than *de minimis* levels in the past. Member B would, even if its Total AMS commitment was cut to zero, be able to provide PS AMS support up to each product's *de minimis* allowance. A perverse outcome results: those who have generously supported many products will be able to continue to do so while those who have not supported much will be constrained from providing even support up to *de minimis*.

The inequity in imposing PS caps based solely on past support, without regard to *de minimis* allowances, is shown by the situation of the EU and USA compared to that of Canada. The EU has usually exempted only two PS AMS from Current Total AMS as *de minimis*, while supporting other products well above *de minimis*. USA has also exempted a small and declining number of PS AMS as *de minimis.* Most of the EU and U.S. PS caps would thus be larger than the *de minimis* allowance for each product. Canada has been able to exempt many PS AMS from Current Total AMS, reflecting whole-farm income support instead of PS support to many products. Canada's PS caps could be set even lower than the relevant *de minimis* allowances. This shows the absurdity of basing PS caps on past applied levels without providing for minimal amounts of PS AMS up to the (possibly reduced) *de minimis* allowance for each product.

Developing country provisions (Table 8)

Developing countries treated differently from developed countries

All six texts address special and differential treatment of developing countries in the rules applying to them and the commitments they take. EC-US stands out by virtue of singling out significant food exporters, among developing countries, for special adjustment of rules and disciplines. The text does not specify the adjustment but it has been interpreted, as far as it applies to domestic support, as an attempt to constrain potential future support practices of large competitive exporters, such as Brazil and Argentina.

Harbinson, aiming at modalities and not just a framework, details suggested changes in Annex 2 (green box) and Art.6.2 (exemption of certain types of support in developing countries). The changes have many new elements. Some would introduce measures that are clearly distorting in Annex 2, thus rejecting the idea that only non-distorting measures can be green.

Harbinson sets out the differences applying to developing countries. Blue box payments would be cut by only 33% over 10 years (not 50% over 5 years). Alternatively, if blue payments were included in Current Total AMS, developing countries would do so only from the 5th year. Total AMS commitments would be cut by only 40% over 10 years (not 60% over 5 years). Harbinson would allow a developing country to reduce non-product-specific AMS by any negative PS support, up to 10% of the value of production of the product.[11] This could make non-product-specific AMS low enough to exempt it from Current Total AMS as *de minimis*, a significant move if the Member had a zero or very small Total AMS commitment.

[11] This is one interpretation of an incomprehensible paragraph. The superfluous words *de minimis* in the text seem to support the chosen interpretation. The text mentions PS support and not PS AMS. This literally means that negative market price support, by itself, could be used to reduce a positive non-product-specific AMS, even if the negative market price support was partially, exactly, or more than offset by positive direct payments, such that the relevant PS AMS was negative (but in absolute terms smaller than the negative market price support), zero, or positive.

Three texts (del Castillo, Derbez, and G-21) would allow developing countries to make smaller cuts in Total AMS commitments, purple box payments, and overall distorting support. They would also be able to implement these smaller cuts over a longer period. Developing countries would not need to reduce the *de minimis* percentage. EC-US is silent on this.

Developed countries treated differently from developing countries

Special and differential treatment for developing countries is also expressed conversely in some texts as identifying provisions that apply only to developed countries. EC-US, del Castillo, and Derbez require developed countries to cut trade-distorting support significantly more than their UR cuts. Similar ideas are expressed as developed countries cutting trade-distorting support substantially (G-20) or developed countries having larger distorting support making greater efforts (G-21). G-20 also singles out developed countries for reducing *de minimis* and capping, and possibly reducing, direct payments in the green box.

Analysis of Domestic Support Provisions

Analytical Approach

The analysis of the six texts aims to estimate future amounts of support of different classes that could be provided by USA, the EU, Japan, Canada, and Brazil. It relies on interpretations of sometimes unclear statements in the texts, as outlined above. The underlying data is predominantly related to future values of production, since these values enter the calculation of several constraints. (Annex A derives the data).

The time perspective of the assessment is an unspecified future year when all reductions have been fully implemented. This abstracts from the texts having indicated different duration of the implementation and that the duration in any case would be subject to negotiation. While all texts, including Harbinson, leave the numerical parameters for negotiation, the analysis uses a particular set of parameters. It generally matches the parameters shown by Harbinson. Where other parameters are needed, assumptions have been made in line with what is understood about the positions of the Members advancing particular drafts.

The key years and assumptions are indicated in Tables 3 (Blue and Purple payments), 4 (*de minimis*), 5.a and 5.b (Total AMS), 6 (Sum of Selected Support Classes), and 7 (Product-Specific Cap). The resulting value of the respective limit for each of the five Members is shown in the right-hand portion of the tables. Annex B discusses some of the details of the derivation of these values.

The values of the key variables shown in Tables 3-7, resulting from the analysis, are compiled in Table 9, expressed in a common currency (US$). A number of features stand out in this table.

Summary of Analytical Findings (Table 9)

All texts other than G-20 would allow future **blue or purple payments** (under Harbinson only if blue payments were provided in a recent notified period, i.e., only by the EU and Japan). The amount of purple payments allowed under EC-US is more than twice as much as under del Castillo and Derbez and many times larger than under G-21.

The ***de minimis*** **allowance** for non-product-specific AMS is identical across the texts, under the common assumptions adopted here. The exception is Brazil under EC-US. This arises from the EC-US adjustment for significant net food exporters, giving Brazil the developed country *de minimis* percentage.

The **Total AMS commitment** (not applicable under G-20) would be the largest for each member under the Harbinson text. The absence of harmonization under Harbinson means that the EU commitment remains four times as large as that of USA. Under the other texts (which all give the same Total AMS commitments), the ratio between the EU and the U.S. commitments is about 2.8 to 1.

The **cap on overall distorting support** (Total AMS commitment and support exempt as purple or *de minimis*) would apply at the same level under EC-US, del Castillo, and Derbez. Under G-20 it would be somewhat larger for the EU, Japan and Canada, but the cap would apply to a sum of fewer support classes (blue/purple payments would not be recognized). The G-21 cap on overall distorting support would be only half as large as under other texts. Most texts set the EU cap at about 2.5 times the cap for USA.

EC-US and del Castillo would not impose **PS AMS commitments**. The sum of these commitments would be considerable in the cases of USA and the EU, being close to their notified average Current Total AMS in 1999-2001. Under Derbez and G-21 these same entitlements would remain, without reduction (or a negotiated reduction in G-21).

This leads to an interesting result under Derbez (and possibly G-21) for USA and the EU: the sum of the PS AMS commitments is about three times as large as the Total AMS commitment. In other words, reducing the Total AMS commitment but not the individual PS AMS commitments makes it impossible for USA and the EU to use all the entitlements under their PS AMS commitments. The effective constraint is thus the Total AMS commitment.

The converse applies to Japan, Canada and Brazil. These Members have provided AMS support much below their Total AMS commitments, the PS amounts are the base for the individual PS AMS commitments, and the sum of the PS AMS commitments is low enough to be less than even the reduced Total AMS commitment. The constraint on PS AMS comes not from a reduced Total AMS commitment but from the PS commitments, even if not reduced. A Member who provided PS AMS support low enough to be exempt from Current Total AMS as *de minimis* would, in one interpretation of the texts on PS caps, be bound not by the *de minimis* amount of support but by the even lower past actual PS AMS.

With the assumptions made, the entitlements are the same under del Castillo and Derbez. The only difference is that del Castillo would not cap PS AMS but Derbez would do so.

Maximum distorting support (MDS) is the sum of the Total AMS commitment, the purple (or blue) entitlements, the non-product-specific *de minimis* allowance, and half of the sum of the PS *de minimis* allowances.[12] It recognizes that if a product's AMS is larger than its *de minimis* allowance, it counts in Current Total AMS and can not at the same time count towards the sum of PS *de minimis* allowances.

EC-US would allow the largest MDS for USA (US$24.3 bill.) while Harbinson would do this for the EU (US$57.2 bill.). MDS for the EU and USA would be considerably lower under Derbez, G-21 and G-20.[13]

[12] MDS is an analytical device to consolidate several limits on support, similar to the cap on overall distorting support: it adds the Total AMS commitment and a cap on purple (or blue) payments. The MDS also adds the theoretically possible maximum amount that could be exempt as *de minimis* .This is the sum of the PS *de minimis* allowances for products accounting for an arbitrary half of the sector's value production and assumes Current Total AMS is distributed across the products accounting for the other half of value of production. NPS AMS is assumed to fully use the NPS *de minimis* allowance. Such assumed perfect management of *de minimis* allowances exempts a larger amount from Current Total AMS than what would be expected in practice. Brink (2002) calculated MDS for USA, the EU, Canada and Brazil under proposals submitted in 2002.

[13] For G-20 the sum of PS AMS commitments replaces the Total AMS commitment in the calculation of MDS.

The declining MDS, in the order of EC-US, Derbez, G-21 and G-20, is also found for Japan and Canada. The large drop in MDS between G-21 and G-20 for Japan (from 13.9 bill. to 4.6 bill.) results from MDS not using a Total AMS commitment under G-20 but the sum of the PS AMS commitments, based on the 1999 notification. Since Japan no longer reports market price support to rice, the sum of its 1999 PS AMS amounts (assumed also in 2000 and 2001) is much less than the amounts underlying its UR Total AMS.

The low MDS for Japan under G-20 results directly from G-20 basing future commitments on past applied levels of AMS and not on past commitments. Canada is in a somewhat similar situation, having provided support in 1999 (and assumed in 2000 and 2001) much below its Total AMS commitment.

The case of Brazil is unique among the countries in this analysis in that the MDS exceeds any of its commitments by so much. Brazil's MDS, under any of the texts, would amount to between US$6.2 and US$8.3 bill. This is much larger than the Total AMS commitment of about US0.5 bill. or the sum of PS AMS commitments at US$0.4 bill. The difference comes from the sizeable *de minimis* allowances resulting from Brazil's large future value of production. The agricultural output of Brazil is assumed to grow twice as fast as for the other Members.

The bottom row of Table 9 indicates the MDS if the URAA rules and commitments were to remain in the future. MDS under any of the texts is generally lower than under *status quo*. Brazil would see a small increase in entitlements in some cases, resulting from its assumed growth in value of production combined with an unchanged 10% *de minimis*. The size of the decline is diverse. Because the EU has a large URAA entitlement to MDS, it shows the largest absolute decline.

The rightmost column of Table 9 sums the rows across the five Members.[14] EC-US would reduce the summed MDS only minimally from the amount calculated under Harbinson, from $100 to $96 bill. A larger reduction from the Harbinson amount would result from del Castillo and Derbez. G-20 would reduce it by half, and G-21 would reduce it by one-third. The significance of these estimates is not so much in their absolute level but rather that, under consistent assumptions, the texts can differ markedly and perhaps surprisingly in their potential to reduce trade-distorting support.

Conclusions

The Harbinson text of March 2003 aimed to establish modalities, keeping the URAA structure of commitments on distorting support while exempting some support as non-distorting and exempting some distorting support as *de minimis*, as Art. 6.2 support in developing countries, or (in one option) as blue. The framework texts tabled for the Cancún meeting kept the outline of Harbinson's text but dropped or changed some of his provisions and added new ones. The attention then focused on the Derbez framework but ideas of other frameworks may still be brought to the fore.

From Harbinson onwards, major domestic support provisions include the following: reduce Total AMS commitments, make the size of this reduction depend on the level of base support (tiering), cap or reduce PS AMS, make more policy types eligible for exemption similar to the blue box, cap or reduce support under the revised blue (purple) box, reduce overall distorting support (e.g., Total AMS commitment, purple payments, and *de minimis* support), cap support to important export products, and adjust the developing country treatment for significant net food exporters.

The texts can be assessed in terms of how much support a Member can provide under each kind of cap in the future, once implementation is complete. This requires assuming certain parameter values, making the texts comparable by choosing the same values for the same kind of reduction (all parameters are to be negotiated). The analysis relies on extrapolating the sector's value of production into the future. In many cases the texts are ambiguous or incomprehensible, such that interpretations have had to be made.

A key difference among the texts is the treatment of the URAA blue box. One Harbinson option bases a future blue entitlement, without reduction, on recent past use. This gives a large entitlement to the EU but not to others. The nature of the blue box payments would stay the same as in URAA. Other texts widen the definition of exempt payments by dropping the production-limiting condition, allowing payments more distorting than blue to escape the Total AMS cap. Without production limits and with a generous cap (e.g., 5 % of value of production), large distorting payments can thus be exempt. The possibility of exempting U.S. counter-cyclical payments from Current Total AMS in this way has been mentioned.

[14] Such a sum includes support entitlements of the EU, USA, and Japan and would thus, in the past and presently, have accounted for the bulk of WTO Members' constrained entitlements. The situation is not as clear cut for the future since some constraints under some texts would be a function of the future value of production.

A reduction in the amount that can be exempted as blue or revised blue can help to discourage a shift of support into this category from Current Total AMS. The effectiveness of this remedy will depend on the size of the cap and the reduction. It would be important to set the cap and the reduction such that they do not merely accommodate payments that major users of this exemption planned to make if the exemption did not have a limit. Timing is also important - delaying the cap or the reduction would let very large amounts of distorting payments escape discipline during several years. The only constraint on such payments would be the indirect one in the form of the cap on overall distorting support.

Reducing the *de minimis* percentage is straightforward but has complex implications when combined with other constraints. One effect of reducing the percentage is to make it more difficult to use non-product-specific *de minimis* to exempt large amounts of support from Current Total AMS. The exemption is legitimate for non-product-specific, sector-wide support but not for support claimed as non-product-specific on loose grounds (e.g., U.S. market loss assistance payments for a few crops, making up only a minor share of the sector). This problem would be best solved by better rules for what constitutes non-product-specific support rather than the blunt approach of reducing the *de minimis* percentage.

Whether a declining cap on overall distorting support is an effective constraint depends on its base level. Reducing this cap relatively less than the Total AMS commitment will encourage a shift from AMS support to purple payments. However, the concurrent reduction in the *de minimis* allowance can force some formerly exempt AMS amounts into Current Total AMS. This makes it very complex to assess a cap on overall distorting support. Such a cap could lock in existing inequities among Members since the cap would be based on present Total AMS commitments and past blue payments. With the percentage reductions suggested for the cap being the same for all Members, i.e., no tiering, the differences between the large and small entitlements will remain.

Tiered reductions as suggested for Total AMS commitments can effectively reduce the differences in the commitments of high-support Members, such as the EU, Japan, and USA, and low-support Members. This will depend, however, on the size of the reduction in the top tier as well as the criteria for including a Member in the top-tier. Tiered reductions have been suggested only for Total AMS, not for product-specific AMS, blue or revised blue payments, or overall distorting support.

A cap on PS AMS could be considered under several texts. It might be based on PS AMS amounts in recent years, which would perpetuate the difference between those who have provided only little PS AMS support in the past and those who have generously supported many products. Tiered reductions of PS AMS have also been suggested. A cap on AMS to each product limits support to the past amount even if it is far below what could have been provided under the Total AMS commitment. A similar constraint could have been obtained by basing the new Total AMS commitment on a recent Current Total AMS. The constraint from capping PS AMS thus results not from the product-specificity of the cap but from basing it on a recent applied amount instead of the existing commitment. Such a cap on a PS AMS could constrain it to below even a reduced *de minimis* allowance for the product. Members with large PS AMS for many products would enjoy continued entitlements, while non-supporting Members could not even support a product up to its *de minimis* allowance.

Several constraints operating at the same time on different classes of support and combinations of classes makes the analysis multi-dimensional. This is overcome by calculating the "maximum distorting support" (MDS) allowed under each text. MDS sums the Total AMS commitment, blue or purple box entitlements, the full *de minimis* allowance for non-product-specific AMS, and the *de minimis* allowances for products accounting for half of the sector's value of production.

Under any text the largest MDS would accrue to the EU. The difference between the EU entitlement and that of USA is the greatest, both absolutely and relatively, under Harbinson. This results from the absence of tiering under Harbinson. Under the other texts the MDS of the EU is less than half that of USA.

G-20 is the most effective in constraining MDS for four of the Members studied (but not for Brazil). This stems from G-20 not exempting blue or purple payments, not from the AMS commitments being product-specific. The importance of being able to exclude certain payments from future commitments will vary with each Member's policy orientation. For example, are those who have made no or relatively small blue payments in the past (Brazil, Canada, Japan) likely to rely on large purple payments in the future?

Derbez constrains the MDS less than G-21 (and G-21 constrains it less than G-20). However, Derbez constrains no more than del Castillo, in spite of introducing caps on PS AMS. The idea of product-specific caps raises issues that are not addressed in the texts themselves. This includes a point of principle about establishing new commitments based on applied levels of support rather than on past commitments.

Green box issues are addressed specifically only in Harbinson, including the possibility of new provisions for developing countries. Two framework texts introduce constraints on direct payments in the green box.

Overall, the texts introduce a variety of new ideas for constraining certain types of support and exempting support from constraint. It is not clear how all of these provisions help to achieve substantial reductions in trade-distorting support, as the Doha declaration mandates. A large enough and harmonizing reduction of the existing final bound commitment on Total AMS, combined with improved rules on what can be exempt from commitment, could possibly achieve that result more directly and in more foreseeable ways. The overall reduction of trade-distorting domestic support also has potential, if the harmonizing reduction is large enough, to achieving the Doha mandate.

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------- WTO (2003d) "Preparations for the Fifth Session of the Ministerial Conference – Draft Cancun Ministerial Text – Second Revision", JOB(03)/150/Rev.2, 13 September. (www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_annex_rev2_e.htm)

Table 1. Selected texts with relevance to domestic support provisions

Originator	Date	Available at	WTO reference
Canada	24 September 2002	www.agr.gc.ca/itpd-dpci/english/current/support.htm	JOB(02)131
Cairns Group	27 September 2002	www.cairnsgroup.org/proposals/7623.html	JOB(02)132
United States	3 October 2002	www.fas.usda.gov/itp/wto/proposal.htm	JOB(02)122 indirectly related
European Commission	27 January 2003	europa.eu.int/comm/trade/issues/sectoral/agri_fish/docs/modalities2.pdf	JOB(03)12
(**A**) Harbinson (revised)	18 March 2003	www.wto.org/english/tratop_e/agric_e/negoti_mod2stdraft_e.htm	TN/AG/W/1/Rev.1
(**B**) EC and USA	13 August 2003	usinfo.state.gov/topical/econ/wto/ag0310813.htm	JOB(03)157
(**C**) del Castillo	24 August 2003	www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_annex_e.htm	JOB(03)/150/Rev.1
(**D**) G-20	4 September 2003	docsonline.wto.org/DDFDocuments/t/WT/MIN03/W6.doc	WT/MIN(03)/W/6 and Add.1, Add.2
(**E**) Derbez	13 September 2003	www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_annex_rev2_e.htm	JOB(03)/150/Rev.2
(**F**) G-21	14 September 2003	not published (available to subscribers to Inside U.S. Trade)	not applicable

Note: The letters (**A**) to (**F**) refer to the labels used for these texts in the present analysis.

Table 2. Specific Changes in Annex 2 (Green Box) Identified by the Six Texts

<table>
<tr>
<td rowspan="2">(A) Harbinson</td>
<td colspan="2">Paras. 5 and 6 (Direct payments, including Decoupled Income Support)
Base payments on unchanging historical base period.</td>
<td colspan="2">Para. 7 Income insurance and income safety nets
Base eligibility on five year period; clarify that payments are payments from government (instead of any payment); restore producer's income to no more than 70% of triggering income (instead of compensating for up to 70% of income loss); base amount of payment on whole-farm income (instead of any income regardless of source).</td>
<td colspan="3">Para. 8 Relief from natural disasters
In crop insurance, base eligibility on loss being larger than 30% of average production in actuarially appropriate period (instead of 3-year or olympic 5-year average); In case of destruction of animals or crops for disease control, production loss may be less than 30% of average production (instead of basing eligibility on production loss larger than 30%).</td>
</tr>
<tr>
<td>Para. 9 Producer retirement
No mention.</td>
<td colspan="2">Para. 10 Resource retirement
10d. Make payments time-limited.</td>
<td colspan="2">Para. 11Investment aids
11a. Structural disadvantage to be clearly defined.
11b. Payments not to relate to production inputs; amount of payment not to relate to factor use after base period; base period to be unchanging historical.</td>
<td>Para. 12 Environmental programs
Introduce eligibility for animal welfare payments.</td>
<td>Para. 13 Regional assistance
Base period to be unchanging historical.</td>
</tr>
<tr>
<td colspan="2">Framework draft texts</td>
<td colspan="6">Green box generally or specifically</td>
</tr>
<tr><td colspan="2">(B) EC and USA</td><td colspan="6">No mention.</td></tr>
<tr><td colspan="2">(C) del Castillo</td><td colspan="6">No mention.</td></tr>
<tr><td colspan="2">(D) G-20</td><td colspan="6">Cap developed countries' direct payments (paras. 5-13).</td></tr>
<tr><td colspan="2">(E) Derbez</td><td colspan="6">No mention.</td></tr>
<tr><td colspan="2">(F) G-21</td><td colspan="6">Strengthen disciplines on direct payments</td></tr>
</table>

Source: See Table 1.

Table 3. Assessment of Changes Concerning Blue Box Payments

Draft text	URAA Blue box Art. 6.5 or new DDA Purple box	Key years and assumptions	Resulting cap on blue or purple payments				
			USA $ bill.	**EU** € bill.	**Japan** ¥ trill.	**Canada** C$ bill.	**Brazil** US$ bill.
(A) Harbinson	Cap at most recent notified level and cut to A_1 [50]% over [5] years or Include in Current TAMS.	Year 1 Year 5	0 0	22.2 11.1	0.09 0.05	0 0	0 0
(B) EC and USA	Cap at 5% of sector's value of production at end of implementation. Eliminate requirement that program be production-limiting.	Year 1 Year n	No cap 10.6	No cap 13.4	No cap 0.5	No cap 1.7	No cap 2.3
(C) del Castillo	Cap at 5% of sector's 2000-02 value of production at unspecified future date. Thereafter, cut cap to C_1% over a further unspecified period. Eliminate requirement that program be production-limiting.	Year m Year m+p Assume C_1=50%	9.7 4.8	12.2 6.1	0.4 0.2	1.6 0.8	1.9 0.9
(D) G-20	Eliminate Art. 6.5. (i.e., include in Current TAMS)		0	0	0	0	0
(E) Derbez	Cap at 5% of sector's 2000-02 value of production at unspecified future date. Thereafter, cut cap to E_1% over unspecified period. Eliminate requirement that program be production-limiting.	Year m Year m+p Assume E_1=50%	9.7 4.8	12.2 6.1	0.4 0.2	1.6 0.8	1.9 0.9
(F) G-21	Cap at 2.5% of sector's 2000-02 value of production at unspecified future date. Thereafter, cut cap substantially to F_1% over unspecified period, with a view to phasing out. Eliminate requirement that program be production-limiting.	Year m Year m+p Assume F_1=10%	4.8 0.5	6.1 0.6	0.2 0.02	0.8 0.1	0.9 0.1

Source: See Table 1 and Annex 1.

Table 4. Assessment of Reductions in *De Minimis* Percentage

Draft text	Provisions about *de minimis* percentage	Key years and assumptions	Resulting *de minimis* percentage					*De min*. percentage applied to value of production				
			USA	EU	Japan	Canada	Brazil	USA $ bill.	EU € bill.	Japan ¥ trill.	Canada C$ bill.	Brazil US$ bill.
(A) Harbinson	Cut by [0.5] percentage points per year over [5] years (A_2 = 50%).	Year 1 Year 5	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	10% 10%	5.3	6.7	0.2	0.9	4.6
(B) EC and USA	Cut to B_2%.	Year 1 Year n Assume B_2=50%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	9% 5%	5.3	6.7	0.2	0.9	2.3
(C) del Castillo	Cut to C_2%.	Year 1 Year n Assume C_2=50%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	10% 10%	5.3	6.7	0.2	0.9	4.6
(D) G-20	Cut to D_2% for developed countries.	Year 1 Year n Assume D_2=50%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	10% 10%	5.3	6.7	0.2	0.9	4.6
(E) Derbez	Cut to E_2%.	Year 1 Year n Assume E_2=50%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	10% 10%	5.3	6.7	0.2	0.9	4.6
(F) G-21	Cut to F_2%.	Year 1 Year n Assume F_2=50%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	4.5% 2.5%	10% 10%	5.3	6.7	0.2	0.9	4.6

Source: See Table 1 and Annex 1.

Table 5.a. Features of Reduction of AMS or Total AMS

Draft text	Cut AMS or Total AMS	Starting point of cuts in AMS or TAMS	End point of cuts in AMS or TAMS	Other features of reduction	Implementation period
(A) Harbinson	TAMS	Developed countries: UR 2000 commitment; developing countries: UR 2004 commitment.	Cut to A_3=40% of starting point.	Possible to convert to different currency. Keep Art. 18.4 (consider excessive inflation).	Five years (any cut in blue box payments and cut in TAMS).
(B) EC and USA	not clear	No mention.	Cut to range of B_3-B_4% of starting point.	No mention.	No mention.
(C) del Castillo	TAMS	Developed countries: UR 2000 commitment; developing countries: UR 2004 commitment.	Cut to range of C_3-C_4% of starting point.	No mention.	No mention.
(D) G-20	Product-specific AMS	No mention.	Cut to range of D_3-D_4% of starting point.	See Table 7.	No mention.
(E) Derbez	TAMS	Developed countries: UR 2000 commitment; developing countries: UR 2004 commitment.	Cut to range of E_3-E_4% of starting point.	No mention.	No mention.
(F) G-21	TAMS	Developed countries: UR 2000 commitment; developing countries: UR 2004 commitment.	Cut to range of F_3-F_4% of starting point.	Negotiate additional discipline on products that exceed F8% of world exports of that product	No mention.

Source: See Table 1.

Table 5.b. Assessment of Reductions in Total AMS

Draft text	Provisions for reducing Total AMS (summary of Table 5.a)	Key years and assumptions	Resulting commitment on Total AMS USA $ bill.	EU € bill.	Japan ¥ trill.	Canada $bill.	Brazil US$ bill.
(A) Harbinson	Cut TAMS to $A_3$40% of UR commitment over 5 years (developing countries: to 60% over 10 years).	Base Year 5	19.1 7.6	67.2 26.9	4.0 1.6	4.3 1.7	0.9 0.5
(B) EC and USA	Cut TAMS (?) to B_3-B_4% of UR commitment (?) over unspecified period. Adjust S&D for certain developing countries (significant net food exporters).	Base Year n Assume B_3=20%, B_4=40%, (USA 30%, EU 20%, Japan 30%, Canada 30%, Brazil 40% (i.e. no S&D for Brazil).	19.1 5.7	67.2 13.4	4.0 1.2	4.3 1.3	0.9 0.4
(C) del Castillo	Cut TAMS to C_3-C_4% of UR commitment over unspecified period (developing countries: higher remaining commitment, longer implementation).	Base Year n Assume C_3=20%, C_4=40% (USA 30%, EU 20%, Japan 30%, Canada 30%) (C_4 = 60% for Brazil)	19.1 5.7	67.2 13.4	4.0 1.2	4.3 1.3	0.9 0.5
(D) G-20	(Cut on product-specific basis, not on TAMS).	(See Table 8 on product-specific caps and/or reductions)					
(E) Derbez	Cut TAMS to E_3-E_4% of UR commitment over unspecified period (developing countries: higher remaining commitment, longer implementation).	Base Year n Assume E_3=20%, E_4=40%, (USA 30%, EU 20%, Japan 30%, Canada 30%) (E_4=60% for Brazil).	19.1 5.7	67.2 13.4	4.0 1.2	4.3 1.3	0.9 0.5
(F) G-21	Cut TAMS to F_3-F_4% of UR commitment over unspecified period (developing countries: higher remaining commitment, longer implementation).	Year 1 Year n Assume F_3=20%, F_4=40%, (USA 30%, EU 20%, Japan 30%, Canada 30%) (F_4=60% for Brazil).	19.1 5.7	67.2 13.4	4.0 1.2	4.3 1.3	0.9 0.5

Source: See Table 1 and Annex 1.

Table 6. Assessment of Reductions of Overall Distorting Support

Draft text	Provisions concerning overall distorting support	Key years and assumptions	Resulting cap on overall distorting support				
			USA $ bill.	**EU** € bill.	**Japan** ¥ trill.	**Canada** C$ bill.	**Brazil** US$ bill.
(A) Harbinson	No mention.	Not applicable	n.a.	n.a	n.a	n.a	n.a
(B) EC and USA	Cut sum of TAMS commitment, purple payments, and "*de minimis*" so it is significantly less than (<B_5% of) the 2004 sum of TAMS commitment, blue payments, and "*de minimis*".	Base Year q Assume B_5=40% (60% for Brazil)	48.1 19.2	103.7 41.5	5.3 2.1	9.1 3.6	10.4 6.2
(C) del Castillo	Cut sum of TAMS commitment, purple payments, and "*de minimis*" so it is significantly less than (<C_5% of) the 2000 sum of TAMS commitment, blue payments, and "*de minimis*". Complete this cut by same unspecified future date as entry into force of 5% cap on purple payments.	Base Year m Assume C_5=40%	48.1 19.2	103.7 41.5	5.3 2.1	9.1 3.6	10.4 4.2
(D) G-20	Include formerly blue payments in Current TAMS. Cut sum of all AMS commitments and "*de minimis*" so it is no more than D_5% of unspecified level.	Base Year q Assume D_5=50%	38.4 19.2	91.5 45.8	4.9 2.4	7.5 3.7	8.5 4.2
(E) Derbez	Cut sum of TAMS commitment, purple payments, and "*de minimis*" so it is no more than E_5% of the 2000 sum of TAMS commitment, blue payments, and "*de minimis*". No mention of when cut is to be completed. Possibly, if so negotiated, cut to E_9% in first year of implementation.	Base Year 1 Year q Assume E_5=40%, E_9=70% (60% and 80% for Brazil)	48.1 33.7 19.2	103.7 72.6 41.5	5.3 3.7 2.1	9.1 6.3 3.6	10.4 8.3 6.2
(F) G-21	Cut sum of TAMS commitment, purple payments, and "*de minimis*" so it is no more than F_5% of the 2000 sum of TAMS commitment, blue payments, and "*de minimis*", resulting in effective reduction. No mention of when cut is to be completed. Make substantial initial cut to F_9% in first year of implementation.	Base Year 1 Year q Assume F_5=20%, F_9=60% (47% and 73% for Brazil)	48.1 28.9 9.6	103.7 62.2 20.7	5.3 3.2 1.1	9.1 5.4 1.8	10.4 7.6 4.9

Source: See Table 1 and Annex 1.

Table 7. Assessment of Product-Specific Cap or Reduction

Draft text	Provisions concerning product-specific cap and/or reduction	Key years and assumptions	Resulting product-specific cap				
			USA $ bill.	**EU** € bill.	**Japan** ¥ trill.	**Canada** C$ bill.	**Brazil** US$ bill.
(A) Harbinson	Cap each PS AMS at its 1999-2001 average.	Year 1 onwards	16.1	46.0	0.8	1.1	0.4
(B) EC and USA	No mention.	Not applicable.	n.a.	n.a.	n.a.	n.a.	n.a.
(C) del Castillo	Product-specific commitments of interest but not agreed.	Not applicable.	n.a.	n.a.	n.a.	n.a.	n.a.
(D) G-20	Cut to range of D_3-D_4% of starting point. Difference between D_3 and D_4 to be no greater than D6 percentage points. Any exported product having accounted for more than a given share (D_7%) of world exports of that product to be subject to the larger cuts of support, with a view to elimination. Products having been supported above the average (not clear of what) to be subject to the larger cuts. For each product, make cut in first year by not less than D_8% of the full cut.	Base Year 1 Year n Assume D_3=20%, D_3=40%, D_8=50% (USA 30%, EU 20%, Japan 30%, Canada 30%, Brazil 40%). Assume D_6=20 points. No assumption for D_7	16.1 10.5 (=65%) 4.8	46.0 27.6 (=60%) 9.2	0.8 0.5 (=65%) 0.2	1.1 0.7 (=65%) 0.3	0.4 0.3 (=70%) 0.2
(E) Derbez	Cap each PS AMS at its average in unspecified period.	Year 1 onwards Assume "unspecified" = 1999-2001	16.1	46.0	0.8	1.1	0.4
(F) G-21	Cap each PS AMS at its average in unspecified period. Reduction of PS AMS under negotiation.	Year 1 onwards [Year ?] Assume "unspecified" = 1999-2001	16.1 [?]	46.0 [?]	0.8 [?]	1.1 [?]	0.4 [?]

Source: See Table 1 and Annex 1.

Table 8. Differences in Application to Developing and Developed Countries

Draft text	Developing countries treated differently from developed countries		Developed countries treated differently from developing countries
	Green box and Art. 6.2	**Blue/purple box, AMS, TAMS, implementation period, *de minimis***	
(A) Harbinson	GB: numerous new elements. Art. 6.2: numerous new elements.	Blue box: possibly reduce by 33% over 10 years, or possibly include blue box payments in Current Total AMS from 5th year only. Total AMS commitment: cut only to 60% over as long as 10 years. Do not cut *de minimis* percentage. Allow reduction of NPS AMS by any negative PS support, within limit of 10% of value of production of each product concerned.	No mention.
(B) EC and USA	Adjust rules and disciplines regarding S&D for significant net food exporters.	Adjust rules and disciplines regarding S&D for significant net food exporters.	Cut TD support significantly more than in UR.
(C) del Castillo	S&D in GB and Art. 6.2	Lower cuts in Total AMS, purple box payments, and sum of selected support classes. Longer implementation. No need to cut *de minimis* support.	Cut TD support significantly more than in UR.
(D) G-20	Expand scope of Art. 6.2 to include focused and targeted programs.	Keep *de minimis* percentage unchanged.	Cut TD support substantially. Cut *de minimis*. Cap and/or cut GB direct payments.
(E) Derbez	Enhanced provisions in GB and Art. 6.2.	Lower cuts in Total AMS, purple box payments, and sum of selected support classes. Longer implementation. No need to cut *de minimis* support.	Cut TD support significantly more than in UR.
(F) G-21	Enhanced provisions in GB and Art. 6.2.	Lower cuts in TD support. Longer implementation. No need to cut *de minimis* support.	Developed countries with larger distorting support to make greater efforts.

Source: See Table 1 and Annex 1.

Table 9. Summary of Entitlements at End of Implementation, by Text and by Member

Text	Entitlement	USA	EU	Japan	Canada	Brazil	Sum for 5 Members
				----- US$ billion -----			
A. Harbinson							
	Blue or purple payments	0.0	13.2	0.5	0.0	0.0	13.7
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	4.6	20.4
	Total AMS commitment	7.6	32.0	14.7	1.3	0.5	56.1
	Overall distorting support	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Sum product-specific caps	16.1	54.7	7.0	0.8	0.4	79.0
	Max. distorting support (MDS)[1]	15.6	57.2	17.9	2.3	7.4	100.4
B. EC-US							
	Blue or purple payments	10.6	16.0	4.6	1.3	2.3	34.7
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	2.3	18.1
	Total AMS commitment	5.7	16.0	11.0	1.0	0.4	34.1
	Overall distorting support	19.2	49.4	19.5	2.8	6.2	97.1
	Sum product-specific caps	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Max. distorting support (MDS)[1]	24.3	43.9	18.3	3.3	6.2	96.0
C. del Castillo							
	Blue or purple payments	4.8	7.3	1.8	0.6	0.9	15.4
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	4.6	20.4
	Total AMS commitment	5.7	16.0	11.0	1.0	0.5	34.2
	Overall distorting support	19.2	49.4	19.5	2.8	4.2	95.1
	Sum product-specific caps	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Max. distorting support (MDS)[1]	18.5	35.2	15.6	2.7	8.3	80.2
D. G-20							
	Blue or purple payments	0.0	0.0	0.0	0.0	0.0	0.0
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	4.6	20.4
	Total AMS commitment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Overall distorting support	19.2	54.5	22.3	2.9	4.2	103.1
	Sum product-specific caps	4.8	11.0	1.8	0.2	0.2	18.1
	Max. distorting support (MDS)[1]	12.8	23.0	4.6	1.3	7.1	48.7
E. Derbez							
	Blue or purple payments	4.8	7.3	1.8	0.6	0.9	15.4
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	4.6	20.4
	Total AMS commitment	5.7	16.0	11.0	1.0	0.5	34.2
	Overall distorting support	19.2	49.4	19.5	2.8	6.2	97.1
	Sum product-specific caps	16.1	54.7	7.3	0.8	0.4	79.4
	Max. distorting support (MDS)[1]	18.5	35.2	15.6	2.7	8.3	80.2
F. G-21							
	Blue or purple payments	0.5	0.7	0.2	0.1	0.1	1.6
	De minimis allowance (NPS)	5.3	8.0	1.8	0.7	4.6	20.4
	Total AMS commitment	5.7	16.0	11.0	1.0	0.5	34.2
	Overall distorting support	9.6	24.7	9.7	1.4	4.9	50.3
	Sum product-specific caps	16.1	54.7	7.3	0.8	0.4	79.4
	Max. distorting support (MDS)[1]	14.2	28.6	13.9	2.1	7.5	66.3
Note: MDS under continued URAA		35.1	130.3	44.0	5.3	7.7	213.7

Source: Tables 3-8. Exchange rates: 0.84€/US$, 109¥/US$, 1.3C$/US$. Key variables calculated for unspecified future year when all commitments are fully implemented, accounting for assumed growth in value of production. Continued UR assumes 2000 amounts of blue for all. n.a. = not applicable.

ANNEX A

Development of Assumptions and Data for Analysis

Assumptions

In order to estimate the outcome variables, such as the final bound commitment on Total AMS, it is necessary to assume numerical values of the parameters for reduction, in line with what each text says. The Harbinson modalities text gives numerical values in square brackets, i.e., subject to negotiations. The framework texts give no numerical values at all, showing only a series of periods in square brackets.

The left side of Annex Table A.1 shows the parameter assumptions for the analysis. The right side converts the assumptions to what remains after the reduction has been fully implemented, e.g., the new final bound commitment as a percentage of the starting point, or the new *de minimis* percentage. The starting point can be the final bound UR commitment, as in the case of Total AMS, or it can be an amount calculated in line with the wording of the text. When texts are unclear, one particular interpretation is chosen. While the texts generally indicate conceptually similar parameters, the G-20, Derbez, and G-21 texts stipulate the use of a few additional parameters. The values of these additional parameters are shown in the rightmost column of Annex Table A.1.

The numerical assumptions are generally the same as in the Harbinson modalities text, in order that the analysis can focus on the structural differences among the texts. To the extent that the texts use different wording for otherwise similar provisions, the parameter assumptions are adjusted accordingly.

The analysis assumes that developing country reductions are two-thirds of developed country reductions (not shown in Annex Table A.1). In the case of EC-US applying to Brazil, the same reductions are assumed for Brazil as for developed countries, in line with the adjustment of special and differential treatment for significant net food exporters.

Data

The new constraints, following the capping or reduction stipulated by the texts, result from the base amounts of the relevant variables or from the value of production in some year or period of years. Only two variables follow directly from the URAA or from Members' final bound UR commitments:

- The *de minimis* percentage is set in the URAA at 5% of the current value of production (10% for developing countries). This starting point is used for all six texts.

- The final bound UR Total AMS is shown in Members' schedules for year 2000 for developed countries (2004 for developing countries). This starting point is used for all texts except G-20 (EC-US is not explicit about starting point so it is assumed to be the final bound UR Total AMS).

Other variables are estimated in order to establish caps and starting points for cuts (Annex Table A.2).

The estimation of MDS (maximum distorting support) requires an estimate of the value of production in an unspecified future year when the reduction commitments are fully implemented. This need arises from the need to estimate the amount of support exempted from commitment at that time on *de minimis* grounds. The value of production at the end of implementation is also needed to estimate the cap on the amount of purple payments under EC-US (5% of future value of production).

The data were estimated according to the following procedures and sources.

- Blue payments: recent notified amounts: 2000 notifications for USA, EU and Japan (G/AG/N/USA/51, G/AG/N/EEC/49, G/AG/N/JPN/98); 1999 for Canada (G/AG/N/CAN/49), and 1998 for Brazil (G/AG/N/BRA/18).

- Blue payments in 2000: 2000 notifications for USA, EU and Japan (G/AG/N/USA/51, G/AG/N/EEC/49, G/AG/N/JPN/98). Assume equal to 1999 for Canada and 1998 for Brazil.

- Value of production (VOP) of agriculture sector in 2000-02: USA: estimated from USDA data for 2000-02 using methods given in G/AG/R/38, p. 30; EU: estimated from average "value of agricultural production" (Table 3.1.1 in Agriculture in the European Union – Statistical and Economic Information) in 2001 and 2002, less the difference in 1999, i.e. €35 bill., between "value of agricultural production” and notified VOP; Japan: estimated as average of "Gross production" in 2000 (www.maff.go.jp/esokuhou/kei200141.pdf) and “gross agricultural output” in 2001 (www.maff.go.jp/hakusyo/kaigai/2002a_rep.pdf, p. 33); Canada: estimated from Statistics Canada data for 2000-02 in accordance with methods in notifications; Brazil: estimated from 2000-02 data on agriculture GDP (Table 8, National Accounts, IBGE; www.ibge.gov.br), converted to US$ (1.83R$/US$ in 2000, 2.36R$/US$ in 2001, 2.92R$/US$ in 2002).

- Value of production (VOP) of agriculture sector in 2004: Assume equal to the 2000-02 VOP.

- Value of production (VOP) of agriculture sector at the end of implementation (perhaps in 2010 or 2012 for developed countries, 2015 or 2017 for Brazil (developing country): Increase estimated 2000-02 VOP by 10% (20% for Brazil).

- Exempted as *de minimis* in 2000: Notifications for USA, EU, Japan. Assume equal to notified 1999 exemptions for Canada and 1997/98 for Brazil.

- Exempted as *de minimis* in 2004: Assume equal to 2000 exemptions.

Sum of product-specific AMS in 1999-2001: 3-year average of notifications (USA), 1999 and 2000 average of notifications (EU and Japan), 1999 notification (Canada), 1997/98 notification (Brazil).

ANNEX B
Estimation of Key Variables

Annex B gives details of the derivation of the values shown in Tables 3-7 for blue (or purple) payments, *de minimis*, Total AMS, overall distorting support, and product-specific caps or reductions.

Blue or purple payments (Table 3)

Since Harbinson (in one option) would base any future entitlement to blue box exemption on a recent notified level of blue payments, only the EU and Japan show a future entitlement. It would be half of the recent amount of blue payments notified. In the case of the EU, a later notification than 2000/01 might show €4 bill. more in blue box payments than notified so far, raising the EU entitlement to about €13 bill.

The most generous entitlement to exempt certain payments from Current Total AMS would result from the EC-US text. Not only would the set of payments be enlarged to encompass payments not conditional on production limits, but the base amount would not be subject to any reduction. Moreover, the cap, equal to 5% of the sector's value of production, would apply only at the end of implementation. At that time, the value of production would likely be larger than the 2000-02 value applied to set the cap in the other texts.

The del Castillo and Derbez texts result in identical entitlements in the final future year, after cutting by an assumed 50%. G-21 would impose a smaller initial cap and would then cut it substantially (a cut by an assumed 90%). This would yield the smallest entitlement to purple payments, other than their elimination. It would put EU and USA on an almost equal footing. However, according to these three texts, the cap on purple payments would start only some time after starting the implementation of other commitments and could then continue until a still later year after the full implementation of other commitments.

De minimis (Table 4)

The assumptions of the analysis make the *de minimi*s percentages following reduction and the consequent *de minimis* allowances identical across texts and Members. The exception is Brazil’s *de minimis* percentage under EC-US. This text indicates that the treatment available to developing countries would be adjusted for significant net food exporters (Brazil is one). This is interpreted here to mean that the *de minimis* percentage for Brazil would be cut by 50 %, as for developed countries, albeit from 10% to 5%.

The non-product-specific *de minimis* allowances are of course directly proportional to the sector’s value of production. For this reason the EU obtains a somewhat higher allowance than the USA. The PS *de minimis* allowances would be proportional to the value of production of the product concerned.

Total AMS (Tables 5.a and 5.b)

The influence of particular assumptions becomes pronounced in estimating the final bound Total AMS commitment under five of the texts (G-20 would not generate a Total AMS commitment, only PS commitments). Because the same reduction percentages are assumed across texts, and the starting point being the UR final bound commitments, there is no difference among the new final bound commitments. The only variation is a slightly lower Total AMS commitment for Brazil in the case of EC-US, resulting from a deeper cut applying to Brazil as a significant net food exporting developing country.

Because of the non-tiered reductions in Harbinson, the resulting final bound Total AMS commitment is higher than in other cases. This is particularly apparent if the EU is assumed to be the only Member applying the highest percentage reduction (the EU has the largest UR Total AMS commitment of all Members). If Brazil is assumed to apply the lowest percentage reduction, there is of course no difference between its final bound commitment under Harbinson and under tiered reductions.

Under Harbinson the EU would keep a final Total AMS commitment three and a half times larger than that of USA (26.9 vs. 7.6). Under the tiered approach shown here (high percentage reduction equals 80%, medium equals 70%) the ratio would be less than two and a half (13.4 vs. 5.7). Other high and medium percentage combinations could lead to even more equal Total AMS entitlements for these two Members.

Overall Distorting Support (Table 6)

The final commitment on overall distorting support would, under the common assumptions chosen, be identical under EC-US, del Castillo, and Derbez. Because the EU base is so much larger than that of any other Member, the EU final commitment is more than three times as large as that of even USA. The commitments resulting from del Castillo would apply only from a later year, while commitments under EC-US and Derbez apply from the start. The time path of reductions under Derbez, with a first-year down payment, differs from that of EC-US and del Castillo.

The G-20 cap on overall distorting support would apply only to AMS commitments and *de minimis* support (purple payments would be included in Current Total AMS). Because the support classes being constrained are fewer, it is assumed that the percentage reduction (50%) of the sum is smaller than the 60% assumed under EC-US, del Castillo, and Derbez. The G-20 cap is larger for all four countries (other than the EU) than the cap under EC-US, del Castillo, and Derbez. These texts would allow 2000 or 2004 blue payments to be included in the EU base, but this would not happen under G-20. Without the "extra-large" base to reduce from under G-20, the EU commitment on the sum of PS AMS commitments and *de minimis* support is actually smaller under G-20 than under EC-US, del Castillo, and Derbez.

Under G-21, the cuts are intended to create an effective reduction. This is interpreted as a larger reduction percentage than under Derbez. Thus, if the Derbez reduction is assumed to be 60%, the G-21 reduction is assumed to be 80% (leaving, respectively, 40% and 20% as the remaining commitment). For Brazil, a developing country, assume the Derbez cut is 2/3 of 60% = 40%, and the G-21 cut 2/3 of 80%= 53%.

<u>Product-Specific Cap and/or Reduction (Table 7)</u>

EC-US does not mention PS commitments. del Castillo indicates that they are of interest but not agreed.

The Harbinson text indicates 1999-2001 as the base period (to be negotiated) for PS caps, without reduction. Derbez does not indicate a base period for its caps without reduction, so 1999-2001 is assumed here. The same amounts are also assumed as base caps in the case of G-21 (a reduction of these caps is said to be under negotiation). They are also assumed as the base for the PS reductions specified in G-20.

The amounts in Table 7 are the sums of the PS caps, summed across all of agriculture. As caps or as base amounts for reduction, they show the extent to which the Member provided AMS support in PS forms. The sums include the PS AMS amounts that were below the *de minimis* allowance in the base period, not the allowances themselves. This makes a difference for especially Canada, which was able to exempt PS AMS to many products in 1999 as *de minimis* (and is assumed to be able to do so also in 2000 and 2001).

Under G-20, the reductions of some of the PS commitments could be severe for some Members. This has to do with the rules for the size of reduction for products of which the Member is a large exporter or which are supported above the average. These rules are not accounted for in the amounts shown in Table 7. However, the tiered approach to reduction is applied, in line with the range of percentage cuts indicated in G-20. It is assumed that only the EU implements the highest percentage cut of PS AMS amounts.

Annex Table A.1. Summary of Parameter Assumptions Needed for Analysis

Draft text	**Assumed percent cut in:**				**Express end point of cut as percentage of starting point**				**Other parameter assumptions**
	Cap on blue or purple	*De minimis* percentage	AMS or Total AMS	Overall distorting support	Cap on blue or purple	*De minimis* percentage	AMS or Total AMS	Overall distorting support	
(A) Harbinson	50%	50%	60%	Not applicable	A_1=50 %	A_2=50%	A_3=40%	Not applicable	Not applicable
(B) EC and USA	No cut	50%	60-80%	60%	No cut	B_2=50%	Range from B_3=20% to B_4=40%	B_5=40%	Not applicable
(C) del Castillo	50%	50%	60-80%	60%	C_1=50 %	C_2=50%	Range from C_3=20% to C_4=40%	C_5=40%	Not applicable
(D) G-20	No blue or purple	50%	60-80%	50%	No blue or purple	D_2=50%	Range from D_3=20% to D_4=40%	D_5=50%	AMS: D_6=20 (point difference between small and large cut). D_7=? (share of world exports). D_8=50% (remaining cap after first year's cut)
(E) Derbez	50%	50%	60-80%	60%	E_1=50 %	E_2=50%	Range from E_3=20% to E_4=40%	E_5=40%	Overall distorting support: E_9=70% (remaining cap after first year's cut)
(F) G-21	90%	50%	60-80%	80%	F_1=10%	F_2=50%	Range from F_3=20% to F_4=40%	F_5=20%	Overall distorting support: F_9=60% (remaining cap after first year's cut)

Annex Table A.2. Summary of Data Requirements for Analysis

Draft text	Blue or purple box	PS AMS	Overall distorting support
(A) Harbinson	Recent amount of notified blue	Cap: Average of each PS AMS in 1999-2001. Assume cap only if PS AMS greater than *de minimis* allowance.	Not applicable.
(B) EC and USA	5% of sector VOP at end of implement'n	Not applicable.	Start reducing from: Sum of 2004 Total AMS commitment, 2004 blue payments, 2004 exempted as *de minimis*.
(C) del Castillo	5% of sector VOP in 2000-02	No PS AMS commitments assumed.	Start reducing from: Sum of 2000 Total AMS commitment, 2000 blue payments, 2000 exempted as *de minimis*.
(D) G-20	Not applicable	Start reducing from: Average of each PS AMS in unspecified period (assume 1999-2001). Assume reduction only if PS AMS greater than *de minimis* allowance.	Start reducing from: Sum of Total AMS commitment (unspecified year) and exempted as *de minimis* (unspecified year). Assume year 2000.
(E) Derbez	5% of sector VOP in 2000-02	Cap: Average of each PS AMS in unspecified period (assume 1999-2001). Assume reduction only if PS AMS greater than *de minimis* allowance.	Start reducing from: Sum of 2000 Total AMS commitment, 2000 blue payments, 2000 exempted as *de minimis*.
(F) G-21	2.5% of sector VOP in 2000-02	Cap: Average of each PS AMS in unspecified period (assume 1999-2001). Assume reduction only if PS AMS greater than *de minimis* allowance.	Start reducing from: Sum of 2000 Total AMS commitment, 2000 blue payments, 2000 exempted as *de minimis*.