

G-20 PROPOSAL ON MARKET ACCESS

12 October 2005

1. The G-20 recalls that the Doha Ministerial Declaration calls for "substantial improvements in market access" and that special and differential treatment for developing Members is an integral part of all elements in the negotiations.
2. The G-20 reaffirms its document "Elements for discussion on market access", dated 7 July 2005 (attached), and the views contained therein. In particular, the Group recalls that the tariff reduction formula is the main component of the market access pillar and, therefore, should be negotiated before addressing the issue of flexibilities for developed countries.
3. The G-20 reiterates the importance of the Framework principles, contained in its paragraph 29, guiding the elaboration of the tariff reduction formula with a view to leading to substantial trade expansion.
4. The Group maintains that overall proportionality of commitments between developed and developing countries should be achieved through lower tariff reductions and higher thresholds for the bands. Developing country Members will cut less than 2/3 of the cut to be undertaken by developed country Members.
5. Also, the Group stresses that the full compliance of the Doha Mandate in terms of substantial reduction in domestic support and elimination of all forms of export subsidies by developed countries constitutes an essential element for the submission of this proposal and is a necessary condition for its validity.
6. The G-20 recognizes the need to safeguard developing countries farmers against imports from developed countries benefiting from trade-distorting subsidies. Developing countries will have the right to have recourse to remedial action against such imports. The G-20 will submit a proposal to ensure that right. These disciplines shall be negotiated.
7. The G-20 stresses that its proposal of the linear cut within the bands constitutes the real middle ground in market access negotiations and expects Members to converge to that proposal.
8. The G-20 emphasizes that special and differential treatment for developing countries constitutes an integral part of all elements of the negotiation. The G-20 is also determined to make operational the provisions in the Framework on special and differential treatment for developing countries, in particular SPs and SSM, so as to preserve the food security, rural development and livelihood concerns of millions of people.
9. With a view to delivering the Doha mandate, the G-20 proposes that developed countries will undertake a formula cut of at least 54%, on average, while developing countries will be subject to a maximum tariff cut of 36%, on average. In order to accomplish that, the G-20 proposes the following:

<i>Thresholds</i>	<i>Developed countries</i>		<i>Developing countries</i>	
	<i>Thresholds (in AVEs)</i>	<i>Linear Cuts</i>	<i>Thresholds (in AVEs)</i>	<i>Linear Cuts</i>
	0≤20	45%	0≤30	25%
	> 20≤50	55%	>30≤80	30%
	>50≤75	65%	>80≤130	35%
	>75	75%	>130	40%
<i>High tariffs & Cap</i>	cap: 100%		cap: 150%	

Other market access elements (paragraphs 35-47)

In relation to the elements contained in the 7 July 2005 document, the G-20 document wishes to highlight the following points:

SP/SSM

The G-20 emphasizes that the concepts of Special Products and Special Safeguard Mechanism are integral elements of special and differential treatment for developing countries. The Group reiterates its commitment to work together with the G-33 and other interested Groups to render effective and operationalize these instruments

Tariff escalation

The G-20 is finalizing its contribution on tariff escalation.

Tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops

The G-20 will be tabling in the next few days its contribution on this issue.

Long-standing preferences

The G-20 continues its technical work on long-standing preferences

LDCs

The Group reaffirms its guiding principles concerning Least Developing Country Members:

- (i) LDCs shall be exempt from reduction commitments.
- (ii) Developed country Members should provide duty- and quota free access to all products originating from LDCs.
- (iii) Steps should be taken to promote their export capacities, including the need to address their supply constraints. Meaningful gains should be made in this, as well as other pillars for LDCs.

RAMs

The G-20 will be tabling in the next few days its proposal on Recently Acceded Members.

G-20 PROPOSAL ELEMENTS FOR DISCUSSION ON MARKET ACCESS¹

Issues to be addressed:

A. Tariff reduction formula

1. The tariff reduction formula is the main component of the market access pillar and should be negotiated before addressing the issue of flexibilities.
2. The G-20 proposes five bands for developed country Members and four for developing country Members. The greater number of bands for developed country Members aims at implementing progressivity and taking into account the wider dispersion of tariffs in those Members.
3. A cap is necessary to bringing down prohibitively high tariffs. We would propose a cap for developed country Members of 100% and for developing country Members of 150%.
4. The G-20 does not favour a mechanical approach to determining thresholds, because the highly skewed tariff structures of developed country Members are such that this would produce artificially low thresholds.
5. Overall proportionality of commitments between developed and developing countries should be achieved through lower tariff reductions and higher thresholds for the bands. Developing country Members will cut less than 2/3 of the cut to be undertaken by developed country Members.
6. The full implementation of the Mandate in terms of substantial reduction in domestic support and elimination of all forms of export subsidies by developed countries is an essential element for assessing the contribution to be made by developing countries in market access.

¹ This paper was drafted as a contribution to the negotiating process on the understanding that some Members of the G-20 are still waiting for final comments from their capitals.

	<i>Developed countries</i>		<i>Developing countries</i>	
Number of bands	5		4	
Thresholds	<i>Thresholds (in AVEs)</i>	<i>Linear Cuts</i>	<i>Thresholds (in AVEs)</i>	<i>Linear Cuts</i>
	0≤20	v%	0≤30	< v
	> 20≤40	w%	>30≤80	< w
	>40≤60	x%	>80≤130	< x
	>60≤80	y%	>130	< y
	>80	z%		
	where v<w<x<y<z			
High tariffs & Cap	cap: 100		cap: 150	

B. Sensitive products:

1. Selection

- i. A very limited, standard number "N" of tariff lines at x-HS digit level to be negotiated. Such number shall be credible and reasonable with relation to trade to each market.

2. Treatment

- i. For this standard number of tariff lines "N": the greater the deviation from the tariff reduction formula, the greater the compensation for this deviation through combinations of TRQ commitments and tariff reductions.

Note: important technical issues which will need attention at an early stage will be the questions of:

- *the technical issue of "discontinuity/overlap" of tariffs in the bands;*
- *how to measure the extent of deviation from the tariff reduction formula;*
- *determining the appropriate "compensation" in the treatment for every sensitive product, i.e. for every tariff line; and*
- *the base from which TRQ expansion will take place.*

C. Other market access elements (paragraphs 35-47)

1. TRQ administration & In-Quota Tariffs

The G-20 considers that improvements in TRQ administration should not be construed as providing additional market access. The improvement and increased transparency in TRQ administration methods should facilitate market access on an MFN basis.

2. **SSG**
The date of elimination of the Special Safeguard of Article 5 must be agreed in these negotiations. The G-20 proposal remains that it should be eliminated by developed Members at the beginning of the implementation period.
3. **SP/SSM**
The G-20 emphasizes that the concepts of Special Products and Special Safeguard Mechanism are integral elements of special and differential treatment for developing countries. The Group reiterates its commitment to work together with the G-33 and other interested Groups to render effective and operationalise these instruments.
4. **Tariff escalation**
As provided for in the Framework, an additional formula shall be established to reduce tariff escalation in developed countries. Products in which tariff escalation, in terms of increases in effective protection exists, will need to be identified.
5. **Tariff simplification**
All non *ad valorem* tariffs shall be bound in their *ad valorem* equivalents.
6. **Tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops**
The final modalities should include for the fullest liberalization of tropical products by developed country Members, as this is an overdue commitment which must be addressed and honoured.
7. **Long-standing preferences**
Preferences are being eroded by both regional and multilateral liberalization and this issue should be addressed in the modalities, in accordance with the provisions of the 'July Framework'. This should include (i) expanded market access for products which are of vital export importance to the preference beneficiaries; (ii) effective utilisation of existing preferences and (iii) additional financial assistance and capacity building to address supply constraints, promote diversification and assist in adjustment and restructuring.
8. **LDCs**
 - i. LDCs shall be exempt from reduction commitments.

- ii. Developed country Members should provide duty- and quota free access to all products originating from LDCs.
- iii. Steps should be taken to promote their export capacities, including the need to address their supply constraints. Meaningful gains should be made in this, as well as other pillars for LDCs.

9. RAMs

The particular concerns of recently acceded developing Members on market access shall be effectively addressed through specific flexibility provisions, including *inter alia*, exemption from further tariff reductions and TRQ expansions for products which are of vital importance for their food security, livelihood security and rural development and on which significant commitments have already been made during accession. There shall be lower tariff reductions, longer implementation periods and adequate grace periods for other products.

G-20 PROPOSAL ON DOMESTIC SUPPORT

12 October 2005

1. The G-20 reaffirms its document dated 5 July 2005, "Draft elements for discussion on Domestic Support", in which it presented the structure for reductions in AMS, *de minimis* and overall trade distorting support, as well as the note regarding the elements for the base for overall reduction appended to it. A copy of the previous G-20 paper on domestic support is attached for reference.
2. In particular, the G-20 highlights the fact that in order to deliver the Doha mandate of "substantial reductions in trade distorting domestic support", it is necessary to count with a combination of cuts, disciplines and monitoring.
3. Regarding disciplines, the G-20 has circulated its proposals "Review and Clarification of Green Box Criteria" and "G20 Elements for discussion: Blue box" and has just endorsed a document on product-specific capping. With that the G-20 will be covering all elements concerning disciplines provided in for the Framework that are essential tools to complement cuts.
4. Furthermore, the G-20 is also tabling a proposal on monitoring and surveillance that will further enhance the mechanisms to ensure transparency and compliance with the commitments members entered into.
5. In order to move forward the negotiations, the G-20 presents below its proposal on the level of ambition regarding cuts of overall trade-distorting support and AMS.
6. As S&D is an integral part of all elements of the negotiation, developing country Members required to do so will undertake a cut less than 2/3 of the cut to be undertaken by developed Members in the same band.
 1. Overall Trade Distorting Support
7. The Doha Declaration mandates negotiations to achieve the objective of "substantial reductions in trade distorting domestic support". In keeping with such instruction, the July Framework, indicates that the overall cut constitutes the central element of the pillar to which all other elements of domestic support - AMS, Blue Box and *de minimis* -should adjust to (see paragraphs 10 and 12 of the Framework). With that, the Framework provides for an overall restriction to the level of subsidies independent from how it is classified under the different boxes and allows for the fulfillment of the objective of bringing down levels of applied trade-distorting domestic support.

8. The G-20 proposes that the bands and the cuts for developed countries be defined as follows:

Bands (Thresholds in US\$ billion)	Cuts
Over 60 billion	80%
10-60 billion	75%
0-10 billion	70%

9. As to S&D, given the difference in *de minimis* entitlements between developed and developing countries (5 and 10% of total value of production, respectively), developing countries should be in a separate band for overall cuts. Furthermore, developing countries without AMS entitlements shall be exempt from making an overall reduction to their trade-distorting domestic support, since they will be exempt from making reductions to their *de minimis*.

II. DE MINIMIS

10. Reductions shall be made to both product and non-product specific *de minimis*. The level of such reductions will be such to adjust to the rate of cut for the overall trade-distorting support.

11. Developing country members with no AMS entitlements shall be exempt from reductions. The level of reduction of *de minimis* for those developing country members with AMS entitlements will be determined in relation to overall reductions of trade-distorting domestic support, bearing in mind that those developing countries that allocate almost all *de minimis* support for subsistence and resource-poor farmers will be exempt.

III. AMS

12. Final bound AMS will be reduced substantially, using a tiered approach, as follows:

Bands (Thresholds in US\$ billion)	Cuts
Over 25 billion	80%
15- 25 billion	70%
0-15 billion	60%

IV. Other issues

13. The G-20 believes that the work in the Sub-Committee on Cotton needs to be expedited so that early agreement can be reached on effective measures consistent with all aspects of the Framework Agreement. They stressed the urgency to address this question not later than the Sixth Ministerial Conference in the light of the current crisis affecting African cotton producers.

DRAFT ELEMENTS FOR DISCUSSION ON DOMESTIC SUPPORT

REDUCTIONS IN AMS

1. Final bound total AMS will be reduced substantially, using a tiered approach.

Bands	4 bands	
Parameters	Thresholds	Cuts
Thresholds²	4th Band: >US\$25bn	w%
	3rd Band: > US\$ 12bn ≤ US\$25bn	x%
	2nd Band: >US\$ 2bn ≤ US\$12bn	y%
	1 st Band: ≤ US\$ 2 bn	z%
	where $w > x > y > z$	
	Cuts: Developing Members will cut less than two thirds of the cut to be undertaken by developed Members in the same band. The difference between the cuts to be undertaken in the contiguous bands should not be large.	
Basis	On absolute levels. However, Members with bound total AMS levels higher than 40% relative to total annual value of agricultural production will be subject to extra cuts, except in the case they are already in the highest band.	
Staging of commitments	Some frontloading to address the "water" will be required, especially as the commitments are at aggregate level.	

2. To prevent circumvention of the objective of the agreement through transfers of unchanged domestic support between support categories, product-specific AMS will be capped at their respective average levels according to a methodology to be agreed. The G20 attaches importance to this provision and will in due course make specific proposals for its implementation.
3. The final numbers in the formula for AMS reduction will need to be assessed in light of the fourth tier of paragraph 9 of the July Framework which foresees a reduction in some product-specific support, e.g. cotton.

² The final bound levels in Members' Schedules of commitments of domestic support should be expressed in US\$ based on the average exchange rate of the final year of the Member's implementation. The exchange rate to be used will be the annual average market exchange rate published in the *International Financial Statistics (IFS)* by the International Monetary Fund (IMF) in that year. This will also apply with respect to the formula for overall reductions in trade-distorting domestic support.

DE MINIMIS

1. Reductions shall be made to both product specific and non-product specific *de minimis*.
2. Developing country Members with no AMS entitlements shall be exempt from reductions.
3. The level of reduction of *de minimis* for those developing country Members with AMS entitlements will be determined in relation to overall reductions of trade-distorting domestic support, bearing in mind that those developing countries that allocate almost all *de minimis* support for subsistence and resource-poor farmers will be exempt.

OVERALL

1. Overall levels of trade-distorting domestic support will be reduced based on a tiered formula.

	<i>Developed Country Members</i>		<i>Developing country Members with AMS</i>
Bands	Three bands		1 st band
Parameters	Thresholds	Cuts	
Thresholds	4th Band: >US\$60bn	a%	Given the difference in <i>de minimis</i> entitlements for developed and developing countries (5% and 10% of total value of production respectively), developing countries should be in a separate band for overall cuts. A cut of d%, where $d < 2c/3$, is envisaged. Given the importance of <i>de minimis</i> support to these countries, the overall cut may be achieved through making greater cuts in other categories of trade-distorting domestic support.
	3rd Band: >US\$10bn ≤ US\$60bn	b%	
	2nd Band: ≤ US\$10bn	c%	
	where $a > b > c$		
Given that Developing country Members without AMS entitlements shall be exempt from making reductions to <i>de minimis</i> , they shall be exempted from making an overall reduction to trade-distorting domestic support.			

Basis	On absolute levels. However, Members in the second and third bands with levels of overall trade-distorting support higher than 40% + 15% = 55% relative to total annual value of agricultural production will be subject to additional cuts, except in the case they are already in the highest band.	On absolute levels.
Staging of commitments	Reductions beyond the initial 20% cut should be frontloaded so as to eliminate "water". Since there is less "water" in AMS than overall support, this frontloading should be more pronounced than in AMS reductions.	

Note 1: To establish accurate base levels for the overall cuts, adjustments should be made to prevent double counting between AMS and de minimis.

Note 2: The outcome of the review and negotiation of criteria with respect to Green and Blue boxes will be critical to assess the value of the reductions of overall trade-distorting domestic support and under each category of trade-distorting domestic support. This will ensure that these negotiations will result in a substantial reduction and not in the circumvention of reductions through mere transfers between different support categories in the case of Green Box or through avoiding cuts in Amber Box or de minimis in the case of Blue Box.

BASE FOR OVERALL REDUCTION

I. Value of production:

Only production at farm gate shall be considered, i.e. the value of production of products which have been processed shall not be taken into account³. To allow for monitoring, Members shall inform, for each year of the base period: the value of production; the production amount; and prices used for each basic agricultural product.

³ Art. 1 (b) of the AoA.

II. Calculation of the overall base amount of trade-distorting domestic support.

A. Base period: The base period shall be the implementation period of the Uruguay Round commitments (1995-2000 for developed members; and, in the case of developing country Members, a choice between this base period and 1995-2004).

B. Overall base amount in each year of the base period:

(1) An overall base amount of trade-distorting support shall be established for each year of the base period.

(2) This overall base amount for each year of the base period will result from adding:

- (i) the final AMS bound at the end of the UR implementation period⁴; and
- (ii) 5% (for developing country Members: 10%) on total value of agricultural production measured at the level of basic agricultural product, for product-specific *de minimis* support, as determined in Section D below; and
- (iii) 5% (for developing country Members: 10%) on total value of agricultural production for non-product-specific *de minimis* support, as determined in paragraph D below; and
- (iv) the percentage applied on the value of agricultural production for Blue Box or the historical notified level, as determined in Section E below.

C. Total overall base amount:

The total overall base amount of trade-distorting domestic support from which substantial reductions shall be established shall result from the average of the overall base amounts for every year of the base period determined in Section B above.

D. Calculation of the value of production for the calculation of the *de minimis* supports:

1. The value of agricultural production to establish the product-specific *de minimis* support level in every year of the base period shall result from the sum of the value of production for every basic agricultural product minus the value of production of the basic agricultural product or products having received AMS support that year.

2. The value of agricultural production to establish the non-product-specific *de minimis* support level in every year of the base period shall result from the total value of agricultural production, only if non-product-specific AMS has not been provided that year. If such non-product-specific AMS support has been provided that year of the base

⁴ In the case of members with AMS having acceded to the WTO after 1/1/1995, the final bound AMS shall be the one at the end of the implementation period of their accession.

period, then for that year the non-product-specific *de minimis* support shall be deemed to be zero.

E. Blue Box:

Instead of adding the percentage of production value for the Blue Box, a Member may add the amount of Blue Box payments in every year of the base period, as notified, provided it does so in all the years of the base period.

F. Special and Differential Treatment:

Developing country Members which have bound their AMS levels at zero, as well as LDCs, shall not need to calculate any overall base amount of trade distorting domestic support.