

**Committee on Agriculture
Special Session**

**SUMMARY REPORT ON THE SIXTEENTH MEETING
OF THE COMMITTEE ON AGRICULTURE SPECIAL SESSION
HELD ON 24 JANUARY 2003**

Note by the Secretariat¹

1. The Special Session of the Committee on Agriculture, which was established by the General Council (WT/GC/M/53), is pursuing negotiations under paragraphs 13, 14 and other relevant provisions of the Doha Ministerial Declaration and held its sixteenth meeting on 24 January 2003. Mr. Stuart Harbinson chaired the meeting.

2. The agenda as contained in WTO/AIR/2005 was adopted.

ITEM A(i): REPORT BY THE CHAIRPERSON ON THE MAIN FEATURES OF THE DISCUSSIONS CONCERNING POSSIBLE MODALITIES, INCLUDING RULES-RELATED ELEMENTS

3. The Chairman presented his summary report of the main features of the informal discussions on 22-24 January 2003 which took place on the basis of the Chairman's Overview Paper dated 18 December 2002 (TN/AG/6). A copy of the report is attached (Annex 1).

ITEM A(ii): STATEMENTS BY MEMBERS

4. Uruguay was prepared to make a constructive contribution and indicate areas of possible flexibility and eventual lines of convergence. However, the lack of specific proposals from important trading partners and statements such as "tariff peaks and tariff escalation do not fall within the negotiating mandate", "tariff quotas could not be increased in these negotiations", "the agreements on modalities, to be established in March, must take into account commitments regarding geographical indications and other non-trade related concerns", "only the Uruguay Round formula can give us balanced results in these negotiations" posed serious difficulties as bridges could not easily be built. Nonetheless, in Uruguay's view respecting the deadlines set by Ministers in Doha was a fundamental requirement to maintain the credibility of the process, reaffirm Members' commitment to development and pave the way for a successful Ministerial meeting in Cancún. Uruguay considered that the agreed deadlines were not flexible and could not be ignored or extended.

5. Referring to the Chairman's Overview Paper, Uruguay concurred that modalities must faithfully reflect the Doha mandate and added that they should only include proposals in line with the level of ambition set by Ministers in Doha. Proposals seeking to maintain the status quo or reverse Uruguay Round commitments or to include elements that did not fall within the Doha mandate should be avoided. Uruguay also agreed that there was a need to concentrate on the key aspects as matters not directly required for the purpose of establishing draft schedules could be addressed after March 2003. Uruguay stressed that the preparation of the Chairman's modalities paper must take into

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

account the fact that the Doha work programme had to achieve balanced results within the overall context of the negotiations, not only within one particular sector such as the negotiations on agriculture. In this light, Uruguay looked forward to a highly ambitious first draft of modalities.

6. In the view of Venezuela, the negotiations must lead to fair and well-balanced trade commitments. Venezuela regretted that there had been no signs towards convergence. Regarding the Chairman's modalities paper, Venezuela suggested that the relationship between the three pillars must be clearly stated and that improvements in market access could not be achieved unless significant changes in the other two pillars were made allowing Venezuela to address social needs of rural areas and food security concerns. A future Agreement on Agriculture should include a special safeguard for all developing countries, the use of which would be adapted to their own individual circumstances. Venezuela regretted that the debate had brought to light the unwillingness on the part of major trading partners to accord due importance to S&D treatment, which was one of the conditions by many developing countries for the launch of the Round. Venezuela expressed the hope that the modalities paper would consider the interests and needs of developing countries and noted that the deadlines agreed upon by Ministers at Doha should be met without adversely affecting the interests of developing countries.

7. Argentina stressed the need to send a positive signal to the markets regarding prospects for further liberalization. The absence of this signal would undoubtedly have negative consequences, not only for agriculture but for all economic activities, and not only for the developing but also for the developed countries. Regarding the Overview Paper, Argentina expressed reservations with respect to the sections dealing with initiatives which fell outside the Doha mandate, such as geographical indications, labelling, and food safety. Argentina noted that as from 2004 agricultural export subsidies would no longer be exempt from actions based on Article XVI of the GATT 1994 or Articles 3, 5 and 6 of the Agreement on Subsidies and Countervailing Measures which underlined the need to meet the timetable set out in paragraph 14 of the Doha Declaration and to carry out the substance of paragraph 13. In Argentina's view, the Members' effort must be proportional to the magnitude of the distortions caused to the world agricultural trade. As the negotiations on agriculture were part of a wider package, compensation needed to be given within the context of the single undertaking and without adversely affecting the agricultural reform process. Also, the fact that many developing countries had made substantial efforts in the Uruguay Round and did not reserve the possibility of applying distortions needed to be taken into account. Argentina urged all Members, and particularly the main partners in the trading system, to do their utmost to adhere to the scheduled timeframe.

8. The United States could not agree with a number of working hypotheses in the Overview Paper nor could it support numerous statements by other Members in the informal meeting. The United States noted that it was difficult for any Member to work creatively when some of the most vocal participants had yet to identify how they would achieve the objectives established at Doha. To meet the agreed deadlines and establish ambitious modalities at the end of March, Members needed to be on track for significant liberalization, for the sake of growth and development and for the sake of keeping the Doha Agenda alive. Failure to take strong steps in this direction posed a serious threat to the Doha Agenda and the legitimacy of the WTO as an institution.

9. The United States called for the ultimate harmonization through the elimination of trade-distorting measures in all three pillars and appealed to Members to identify areas where they could make meaningful contributions to reform or bear the consequences of failing to engage in the process. On the margins of the Special Session, the United States had held a number of discussions with other Members to clarify its proposal and help move forward with substantial reform. The United States considered that Members faced a once-in-a-generation opportunity to tackle the huge disparities in levels of trade-distorting support and protection by agreeing to move forward ambitiously in all pillars, including on issues where Members had sensibilities. The stakes were very high as Members could move forward on meaningful market oriented reform that led to growth or

stall the WTO reform process. In the view of the United States, an incremental result was not possible because without substantial reductions and greater harmonization, the terms of the Doha mandate would not be met and countries would turn from the Doha process to advance their interests in agricultural trade. That included maintenance of subsidy programmes and market access barriers, and expansion of discriminatory trade agreements. The United States noted that the status quo only worked for farmers in a select group of wealthy countries that had the necessary resources to take care of themselves under the framework of existing disciplines. However, this status quo did not address Members' commitment in Doha, and the status quo in agriculture was not the road for sustainable economic development.

10. Brazil was not in a position to subscribe to some of the views reflected in the Overview Paper, particularly those contained in paragraph 28, as they fell outside the scope of the mandate. Brazil regretted that the European Communities had not come forward with a proposal as it would have created an environment more conducive to negotiations although the deadlines of the agriculture negotiations were carefully planned with a view to meeting the EC's internal calendar. Cognisant of the difficulties in coordinating positions among different countries, Brazil recalled that the Cairns Group included developed and developing countries who did not share a common agricultural policy but who were brought together by a common position predicated on a commitment to the reform of agriculture and to the ideals of the WTO. Brazil stressed that it was time to rise to the occasion as in the next few weeks Members would be deciding not only the modalities but also the fate of the Round and the shape of agriculture trade for a substantial period of time.

11. In the view of Egypt, the agriculture negotiations were the most important item of the Doha Development Agenda and success in agriculture was a condition *sine qua non* of a successful round. Unless the Chairman's modalities paper reflected a high level of ambition, there would be no progress in other areas of negotiations. A viable S&D treatment was another key element. Egypt explained that the S&D component should be seen as a means for all developing countries to enjoy improved access to all markets and that S&D should translate beyond longer implementation periods and lower rates of tariff reductions. The modalities paper should also address the current inequities in the Agreement on Agriculture, with special emphasis and "surgical" treatment applied to the existing protectionist mechanisms. The focus of the paper should be on achieving a level playing field. In Egypt's view, non-trade concerns, although of great importance to some Members, did not constitute a pillar of work and the mandate was to take them into account.

12. China noted great differences among Members on some key issues and called for further efforts by all Members to accelerate the negotiations. According to China, the draft modalities should reflect the ambitious goal to establish a fair and market-oriented agricultural trading system. Reaching this ambitious goal might require Members to take the necessary risks however failing to meet the deadlines set by the Doha Ministerial Declaration would put the Doha Development Agenda into a deadlock. China suggested that to reach a balanced package, a link to horizontal issues needed to be made by rewarding recently acceded Members for the substantial commitment made in the accession process and elaborating S&D treatment for developing countries.

13. Jamaica, supported by Mauritius and Fiji, said that the results of negotiations should be balanced and the outcome should accommodate the issues affecting the more vulnerable amongst Members. Meaningful S&D treatment must be integrated in the modalities. Jamaica was concerned about its dependence on a narrow range of agricultural commodities and preferential access for them as well as the issues of food security, rural livelihood and its needs as an NFIDC. Jamaica supported a Uruguay Round approach to tariff reductions, lower rates of reduction and longer time frames for developing countries, reduction exemptions for certain strategic products, maintenance of preference margins and expansion in the scope (i.e. developing country and product coverage) and simplification of the special safeguard mechanism. Jamaica supported further reform but it needed to take into account the needs of small vulnerable economies.

14. Kenya, supported by Uganda, noted that the challenges in reaching a consensus on modalities were great. Nevertheless, a compromise was possible through accommodating each others' concerns. Referring to its earlier submissions, Kenya highlighted the issues of key importance. First, S&D provisions for developing countries should not only be limited to longer implementation periods and lower reduction commitments but also take into consideration development needs of those countries. Second, the interlinkages between the three pillars should be taken into account in the outcome of these negotiations. Third, the level of ambition by developing countries to undertake commitments in the area of market access should be matched by a substantial reduction in all trade-distorting domestic support and export subsidies in developed countries. Fourth, the need to maintain trade preferences should not be undermined. In addition, any commitments to undertake reforms should take into consideration the possible negative effects on least-developed and net food-importing developing countries. Lastly, Kenya considered that it was important to meet the deadlines established by Ministers in Doha without compromising the substance of negotiations.

15. Thailand recalled that its primary objective in joining the consensus to launch the new round was to eliminate trade-distorting subsidies in world agricultural trade. Thailand noted that in comparison with the market access negotiations on services and non-agricultural products, progress in agriculture negotiations was disappointing due to the inability of some Members to seriously engage in the process. In Thailand's view, draft modalities should take into account the proposals that had already been put forward and the ambitious mandate given by Ministers at Doha. Only the views coinciding with the mandate should be taken into account. As Members agreed on a single undertaking approach, progress should be made evenly in all issues under the Doha mandate so that the overall balance of the package could be seen. Thailand urged Members to establish modalities by the end of March as missing this deadline would not bode well for negotiations in other areas. Thailand stressed that modalities must provide an ambitious outcome as mandated by Ministers in Doha, the product coverage must be comprehensive without excluding any products from the reform process, S&D treatment must be incorporated for developing countries with no discrimination among the developing countries, and the interlinkages between the three pillars must be observed.

16. The Czech Republic considered that the Doha mandate covered all elements of market access (not only tariffs), export competition (not only export subsidies) and domestic support that enabled each participant to identify the economic and political choices that needed to be made to achieve a balanced outcome. As significant differences in the interpretation of the level of ambition remained, the Czech Republic recalled that negotiations on agriculture started under Article 20 of the Agreement on Agriculture which established the basis for initiating a process of reform in agricultural trade and that the Doha Declaration provided Members with clear guidelines regarding that process. In this light, the Czech Republic hoped that the Chairman's modalities paper would leave no doubt about the base for the reform process. Regarding the Chairman's summary report of the informal meeting, the Czech Republic underlined that it attached great importance to the issue of the Peace Clause.

17. The Slovak Republic said that negotiations on modalities should strictly follow the mandate in paragraphs 13 and 14 of the Doha Declaration. Hence, considering the long-term objective of reform, it was not yet the time to quickly eliminate all distortions. In addition, non-trade concerns needed to be taken into account not just taken note of. Noting that participants had continued to focus on the parts of the mandate that corresponded closely with their ambitions, the Slovak Republic advocated a more realistic approach that necessarily covered all elements. With respect to the Chairman's modalities paper, it should contain modalities as well as the steps to facilitate a reasonable and constructive dialogue.

18. Referring to its statement at the informal meeting (see Annex 3), India underlined the interlinkage between the three pillars and the crucial need to take on board its livelihood security concerns.

19. Pakistan expressed concern about the pace of progress on various issues of the Doha Development Agenda as well as the comments by some Members to maintain the status quo. Pointing to the missed deadlines in other areas, Pakistan considered that modalities might not be established by the end of March. Pakistan underlined that any liberalization should be real and comprehensive. Specifically, there was a need to substantially reduce tariffs and to increase tariff quotas so that in five to seven years they would be eliminated. Tariff quota administration should be transparent and predictable. Export subsidies should be reduced to zero. On domestic support, Pakistan stated that it resulted in dumping and so long as domestic support existed, it was difficult for developing countries to produce their own food. Regarding food aid, clear rules should prevent using food aid as an instrument of surplus disposal. A mechanism for developing countries should be established to ensure food security, including a right to use export taxes if tariff escalation was maintained in developed countries, and S&D should be made more effective. Pakistan appealed to Members to focus on establishing modalities by the end of March in order to bring agriculture on an equal footing with other sectors under the WTO rules.

20. Malaysia noted that the lack of signs for convergence undermined the establishment of modalities by the end of March. Malaysia hoped for a very ambitious modalities paper, taking full account of S&D provisions for all developing countries and incorporating flexibilities that Malaysia indicated during the informal meeting. Malaysia supported the proposal on the Special and Differential Countervailing Measure put forward by a group of countries in November 2002.

21. Indonesia emphasized that this round of agricultural negotiations needed to rectify the existing imbalances in the Agreement on Agriculture which had allowed the developed countries to protect their farmers from the impact of trade liberalization while farmers in the developing countries had been left to fend for themselves facing the pressure of trade liberalisation. Agricultural reform should not only open and provide a more liberalized agricultural trade but should lead to a much fairer trade in agriculture so that all developing countries could reap the benefits of trade and attain food security. In this light, a fair trade must address the concerns of developing countries particularly on food security, rural development, and other S&D provisions by taking them into account and stipulating them as an integral part of the Agreement. Indonesia stressed that the reform in the area of domestic support and export subsidies would help advance the market access discussions. However, if such distortions were not eliminated, developing countries should not be asked to open their markets. With respect to product coverage, Indonesia noted that some Members supported the S&D proposal for an exclusion list for staple food products sensitive for food security and rural development. Indonesia was prepared to consider a formula based approach to further reduce bound tariffs and increase market access opportunity provided that some food security products be excluded from reduction commitment. Indonesia argued for a Food Security Mechanism which it considered was in line with the Doha mandate and should be seen as a development tool for developing countries.

22. Switzerland stated that the negotiating modalities formed a package and it was essential for Members to negotiate, at the same time, the elements leading to the list of commitments as well as rules. Without clarity on the rules elements of the modalities, Switzerland doubted how figures relating to Members' commitments could be put forward. The lack of constructive discussions on matters of concern to Switzerland could put the Doha timetable in danger. Nonetheless, Switzerland was committed to make every effort to meet the deadlines.

23. Paraguay was concerned about the slow progress of the negotiations and called on Members to respect the deadlines as it was vital for the credibility of the WTO and the global trade round. Anticipating proposals from some major trading partners, Paraguay would have liked to see negotiating approaches that corresponded with the mandate and were balanced with other market access negotiations where an ambitious outcome was sought by those Members. Regarding draft modalities, Paraguay referred to its statement made during the informal Special Session (see Annex 3) and highlighted that formulae or mechanisms used in the past would not allow to put agriculture on an equal footing with other sectors.

24. In the view of Hungary, the main obstacle to building bridges was the fact that Members continued to ignore fundamental agriculture-related interests of others. Examples included the issues of geographical indications and new disciplines on state trading enterprises. For Hungary, global balance could not mean that some Members would be deprived of gaining anything important in agriculture while giving significant concessions. As the issues were interlinked, negotiations on rules should proceed in parallel with those on matters directly related to the establishment of schedules.

25. Japan recalled that it had made a series of specific and realistic inputs mainly regarding rule-related aspects and pointed out that the figures presented by some Members were unrealistic and if applied would lead to a collapse of agriculture in many countries, including developing countries. Japan underlined that a number of rule-related issues needed to be discussed prior to discussing figures. For example, it was impossible for food importing countries to make any further commitment in the area of market access and domestic support without knowing what kind of commitment food exporting countries were to undertake in the areas of export restrictions and export taxes. Further discussion was also needed on whether harmonization was a right approach for the agriculture sector where conditions of production differed significantly from one country to another. Regarding S&D, Japan recalled its proposals including the flexibility for developing Members to apply lower reduction rates and longer implementation period and the exemption of LDC Members from the reduction commitments. Japan outlined its latest initiative to expand preferential tariff regimes for LDCs as well as developing countries which would be implemented from 1 April 2003, subject to approval by the Diet. Japan argued that in order to preserve the effects of such initiative, it was necessary to use the Uruguay Round formula for further tariff reductions rather than the Swiss formula 25. With respect to the Overview Paper, Japan considered that it covered important rule elements of the modalities, including strengthened disciplines on export restrictions and taxes. In Japan's view, the draft modalities should be comprehensive and the scope of rule-related elements should not be narrowed down.

26. The European Communities noted that further input as well as technical work and clarifications were required on a number of issues and expressed full commitment to play an active role in moving the process forward. The European Communities expressed the hope that the modalities paper would reflect the need for a comprehensive package aimed at an outcome that would find widespread support among Members.

27. New Zealand supported Uruguay's intervention and emphasized two points. First, it was necessary to respect the deadlines agreed by Ministers of all WTO Members in November 2001. Second, the modalities established must faithfully reflect the level of ambition agreed in the Doha mandate.

28. Bulgaria was prepared to make concessions however other Members appeared to seek only to gain from the negotiations. Bulgaria hoped that the Chairman's modalities paper would reflect the overall balance which necessarily meant that each delegation would be able to find a positive balance of interests for itself.

29. Noting little progress in the informal discussions, Mexico appealed to all Members to intensify efforts and engage in negotiations with a more ambitious focus. Mexico underlined that the fundamental link between the three pillars should not pose limits on progress but should imply an ambitious agricultural reform. Mexico hoped that the modalities paper would set out ways of embarking on clear reform as soon as possible.

30. Mauritius, supported by Fiji, underlined the need for a balanced and equitable outcome of the negotiations. Referring to the ACP paper on the importance of preferential access to develop agricultural markets, Mauritius noted that the ACP countries constituted a major component of the WTO membership but accounted for a very negligible proportion in world trade and had no capacity to distort trade. In the view of Mauritius, balanced and equitable results meant that the importance of

preferences be duly recognized and adequately featured in modalities. To this end, paragraph 26 of the Overview Paper was a good basis for further work. To fulfil food security objectives, adequate means should be put at the disposal of vulnerable countries, namely the LDCs, the NFIDCs, the small island developing states and the landlocked countries. Regarding the level of ambition, Members should aim for a win-win result for all which could not be achieved if the Swiss formula were adopted. Regarding the level playing field, Mauritius considered that it was inappropriate to compare countries with huge land resources with cyclone- or drought-prone small countries. Mauritius urged Members to recognize that there were numerous stakeholders and that no one should come out of the negotiations empty-handed.

31. In Norway's view, further discussions must be based on the Uruguay Round formula. It was a compromise solution during the previous round and should be used again as it would probably be the only way toward an outcome that all Members could live with. Regarding domestic support, the less trade-distorting part such as the Green Box and Blue Box support should be continued without any caps. The AMS trade-distorting support should be subject to differentiated reduction commitments according to export orientation. Norway pointed to the need for stricter disciplines in the area of export competition and was prepared to show flexibility as part of a balanced approach in the other areas of negotiations. Norway considered that before the end of March, Members should also agree on the rules-related aspects such as the future of the special safeguards, the Blue and Green Boxes, the Peace Clause, and disciplines on export credits and food aid.

32. Speaking on behalf of the LDCs, Bangladesh recalled that the LDCs had bound their tariffs at a rate much lower than their trading partners and that the applied tariff rates were also low. Due to the need for revenues for investment and economic development, LDCs should not be required to make any reduction commitment. Bangladesh noted that tariff peaks and tariff escalation in developed countries posed serious constraints on the exports of agricultural and agro-processing industries from the LDCs and should be eliminated. With respect to tariff quotas, modalities should incorporate quota-free access for all LDCs' products in both developed and developing country markets. As the LDCs did not have the right to use Article 5 of the Agreement on Agriculture, they needed a special safeguard based on a price or volume trigger. Therefore, the existing special safeguard under Article 5 should be abolished and be replaced with a new S&D measure. Bangladesh noted that although LDCs were given preferential tariff margins, there was an increasing trend among the developed countries to impose conditions on GSP benefits. Hence, the GSP principles should be elaborated and maintained in the framework of the Agreement with an explicit commitment by developed countries to the principles of non-discrimination and non-reciprocity.

33. Bangladesh considered that the export subsidy provisions of the Agreement on Agriculture were asymmetric and sought greater disciplines in the use of export subsidies by the developed countries and an immediate abolition of export subsidies on products of particular interest to the LDCs. Considering that all LDC Members were net food-importers, exporting Members should not impose any restrictions or taxes on exports of food to the LDCs. Bangladesh continued that LDCs were also exporters of certain agricultural products. They had the potential to attain sufficiency in food and become net exporters in agricultural commodities but the imbalances in the Agreement on Agriculture had forced them to remain importers. Bangladesh noted that LDCs needed investment in agricultural sector to spur economic development. To this end, the LDCs should be free to use any type of domestic support measures that they deemed appropriate and necessary as part of their development strategy. LDCs should be allowed to provide support including price support and cash incentives to their agricultural sector. Also, the provision of paragraph 13 in Annex 2 should be revised allowing the LDCs to provide assistance to low-income, resource-poor producers in all regions in pursuance of their respective poverty reduction strategies.

34. Regarding the Overview Paper, Bangladesh noted a broad consensus with respect to exempting LDCs from reduction commitments in the areas of market access, export competition and domestic support. In response to one Member who spoke about voluntary reduction commitment by

the LDCs, Bangladesh considered it contrary to the existing provision of Article 15.2 of the Agreement on Agriculture and therefore not acceptable. The second sentence of Article 15.2 should be maintained and a reaffirmation that LDC Members should not be required to undertake reduction commitments should be part of the draft modalities. On other matters, Bangladesh pointed out that developed countries had applied the SPS and TBT measures with greater stringency on imports from LDCs. In light of difficulties that LDCs face in order to export, developed countries should restrain from applying SPS and TBT measures on exports from LDCs. Referring to the lack of knowledge on SPS and TBT matters, Bangladesh underlined the need for technical and financial assistance and suggested that the provision of financial and technical assistance in SPS and TBT should be incorporated in the Agreement on Agriculture.

35. The Philippines reiterated that reform and trade liberalization necessarily meant the dismantling of production and trade-distorting subsidies by developed countries together with disciplining of high tariff barriers. The Philippines suggested that the framework of the next agreement must ensure that the three pillars be effectively integrated and that commitments be clearly inter-linked. According to the Philippines, further market openings by developing countries must be fully dependent on reforms by developed countries in domestic support and export subsidies. The modality must have a balancing mechanism providing for proper incentives to encourage a comprehensive reform while at the same time allowing some degree of flexibility to all countries. Stressing the importance of food security to developing countries, the Philippines expressed the hope that the modality paper would include an effective food security mechanism to address this key issue.

36. Chinese Taipei noted that the gap between Members' positions remained wide and the political will for further liberalization was required from each Member to meet the March 31 deadline. Chinese Taipei reminded that although the objective of these negotiations was to promote further trade liberalization and reduce trade-distorting domestic support, the non-trade concerns mandated by the Doha Declaration should be taken seriously into consideration at the same time. Chinese Taipei considered that the balance of these two elements would result in a more feasible, practical and realistic solution to these negotiations, otherwise they would be unnecessarily delayed. Emphasizing that agricultural reform was a long and gradual process and that each Member had its own unique pace of progress, Chinese Taipei appealed to Members to take the time element into consideration when making proposals for drastic change.

37. Bolivia supported statements made by Uruguay, Brazil, Paraguay, Malaysia, Indonesia, Thailand and the Philippines. Bolivia regretted that at the time when the public opinion needed to receive a clear, optimistic and positive message, the Committee did not live up to the expectations and its responsibility. Bolivia reiterated that the success of negotiations would only be possible through a deep reform of agricultural trade. This should be reached within the global negotiating framework, putting an end to the imbalance in agricultural trade and the differences it made between farmers in developed and developing countries. Bolivia urged those developed Members who had yet to submit proposals or whose proposals attempted to preserve the status quo or reverse the reform process to keep in mind the Doha commitment to trade liberalization and development. With respect to the modalities paper, Bolivia hoped that it would reflect faithfully the Doha mandate.

38. Uganda noted that significant differences existed among Members on the interpretation of the Doha mandate, on the issue of the appropriate provisions for S&D treatment and on how to take into account non-trade concerns. Uganda said that Members were drawing linkages between agriculture negotiations and other elements of the Doha Development Agenda. With respect to the level of ambition, Uganda recalled the Doha mandate which stated that S&D was to be an integral part of all elements of the negotiations and should be embodied in the Schedules of concessions and commitments and that modalities should include provisions for S&D treatment. Uganda stressed that LDCs required special attention and should not be required to undertake reduction commitments in the areas of market access, export competition and domestic support. Uganda noted Japan's support for such modality and urged other Members to build bridges with a view to addressing the problems

of the LDCs. Uganda pointed to the need to meet the Doha deadlines and asked those Members who had yet to submit proposals to do it soon.

39. Referring to its statement at the informal meeting (see Annex 3), Fiji underlined the need for trade preferences for some Members. Fiji considered that the time had come for the major trading partners to build bridges and hoped that the small countries would not fall in the gaps.

40. Australia stressed that failing to meet the deadlines or to faithfully reflect the objectives of the Doha mandate would put at risk the prospects for any outcome on agriculture, and the prospects of the whole round. Australia agreed with the United States that such a scenario would call into question the relevance of the WTO. Urging the Chairman to aim for a high level of ambition in his modalities paper, Australia stated that every modality put forward should contribute directly to the objectives set out in the Doha mandate and modalities should flow logically from the mandate, e.g. no modality should allow Members to increase their tariffs. Australia urged Members who had yet to submit proposals to come forward with ambitious proposals to help move the negotiations forward.

41. In response to Japan's concerns over potential destruction of agriculture as a result of the ambitious reform, Australia recalled Japan had raised the same fears in relation to the liberalization of its beef sector fifteen years ago but fifteen years after opening of Japan's beef market Japan's beef production was basically unchanged. Australia urged the Chairman to seriously consider calls for flexibility, realism and balance but only in the case of real concerns of developing countries. Australia rejected claims from some Members that reform would only benefit efficient exporters pointing out that the biggest gainers from reform would be countries with high levels of support and protection therefore the real concern for these countries was a political one rather than the lack of any gains which would flow from reform. Australia emphasized that the modalities must be cautiously crafted so that the inclusion of non-trade concerns would not be used as a basis for avoiding reform. Australia was concerned about attempts to introduce issues that would be more appropriately raised under other WTO agreements or where reforms would be conditional on reopening or reinterpreting of the existing WTO agreements. While these demands might represent genuine objectives of the proponents, they diverted attention from the core reform objectives. In Australia's view, non-trade concerns should be taken into account by the provision of measures allowing targeted, transparent and decoupled mechanisms which did not distort production and trade. As a key issue, the three pillars of the reform process and the interlinkages between them needed to be addressed. According to Australia, developing countries would not have the confidence to move on market access unless the other two pillars were substantially addressed. Special and differential treatment for developing countries should be an integral part of all three pillars and special consideration should be given to developing countries facing particular challenges in the areas of food security, rural unemployment and rural development.

42. Ecuador underlined that the Doha mandate was clear and ambitious because the reform had to be deep and beneficial to all. As development was a central theme of the Doha Declaration, it should be reflected in the agriculture negotiations. Ecuador placed an emphasis on the great responsibility that WTO Members had in fulfilling this ambitious mandate and delivering a result that would affect an important part of world's population. With respect to the Chairman's modalities paper, Ecuador advocated that it should be ambitious and cover all and only those areas contained in the mandate.

43. Chile expressed disappointment and concern regarding the lack of progress in the negotiations and cautioned about its effects on the Doha Round, including the impact for the world's poor, peace and international security, and multilateralism. Referring to a lack of concrete proposals from some participants, Chile compared the negotiations thus far to shadow-boxing. Chile called for a serious effort to deliver on the Doha Agenda that met the needs of all Members, and in particular the needs of development.

44. The representatives of Venezuela, India, Indonesia, Paraguay, Bulgaria, the Philippines, Fiji, Bolivia and Honduras requested that their statements made at the informal Special Session form an integral part of the record of the 16th formal Special Session (Annex 3).

ITEM B: OTHER BUSINESS

Date of the next Special Session

45. The Chairman noted that the next informal Special Session, which is to be held on 24-28 February 2003, would be dedicated to discuss the first draft of modalities for further commitments. This discussion will take place on the basis of the Chairman's paper to be circulated in advance of the February Special Session.

Chairman's Report to the Trade Negotiations Committee

46. The Chairman outlined his report to the Trade Negotiations Committee (TN/AG/7). A copy of the report is attached (Annex 2).

Annex 1

JOB(03)/11

Report by the Chairman of the Special Session, Committee on Agriculture 24 January 2003

Introduction

Under the programme adopted by the Special Session of the Committee on Agriculture on 24 March, the Chairman is required to report to the formal Special Sessions on the work undertaken in the informal Special Sessions (TN/AG/1 refers). This is my brief summary of the comprehensive and substantive review that took place on 22-24 January of possible modalities, including rules-related elements. It should be noted that this report refers only to the main themes of our discussions.

In accordance with the agreed programme, our work over the past days was based on the Overview Paper circulated on 18 December 2002 (TN/AG/6 refers). We had extensive discussions on possible modalities and rules-related elements, covering the broad range of issues and questions set out in that paper and on the scope of the modalities themselves. In the discussions there were some signs of progress on some issues but in critical areas there was little sign of movement towards compromise.

Presentation of Proposals

At the start of the informal Special Session, a number of delegations took the opportunity to present proposals that they had submitted after the November meeting.

A. Market Access

Under the first agenda item, there was an extensive discussion under the headings of tariffs, tariff quotas, special safeguards and other market access issues. With regard to these issues, as well as under the following Agenda items, possible modalities for special and differential treatment for developing countries were an important feature of our discussions.

As at previous Special Sessions, different ideas for modalities for tariff reductions were advanced and, in response, other delegations set out the reasons why they considered these proposals to be unacceptable or impractical. On tariff quotas several participants called for both their expansion and strengthened disciplines of their administration, although the views on an appropriate formula for the expansion differed. Others were only in favour of improvements in tariff quota administration. There were different views on whether or not the current special safeguard should be continued. Various types of special safeguard mechanisms for developing countries were commented upon. Points were raised on tariff preferences. Possible flexibility regarding the market access commitments of certain groups of Members, including transition economies and newly-acceded Members, were also the subject of interventions.

B. Export Competition

The discussions on export competition were divided into issues related to export subsidies and those relating to export restrictions. A number of Members stressed that export subsidies were to be phased out and that the only issue for negotiations was the time-frame to achieve this result. Others reiterated their readiness to reduce export subsidies provided all forms of export subsidization were treated in equivalent ways. There was also a discussion on the treatment of the subsidy element of export credits and related programmes.

There was a debate on whether export restrictions and/or taxes were part of the mandate given by Ministers at the Doha Ministerial Conference and, on this issue, several participants referred to the proposals they had made earlier.

C. Domestic Support

Domestic support issues were discussed next. There were some comments concerning the architecture of the domestic support chapter of the Agreement on Agriculture. In addition, specific points were made regarding possible amendments, deletions and/or additions to the existing Green Box provisions. Some participants suggested that Annex 2 should not be changed.

While all participants accepted that trade-distorting domestic support should be reduced as required by the Doha Ministerial Declaration, there continued to be different opinions concerning what would be a "substantial" reduction and how best to achieve it. Some participants called for AMS commitments on a product-specific basis while others advocated the current methodology. As with most other matters, there was no sign of changes in positions concerning the Blue Box. There appeared to be broad support for maintaining the provisions of Article 6.2 and some specific suggestions were made aimed at enhancing its policy coverage. Reference was once again made to the proposals for flexibility for transition and newly-acceded Members.

D. Least-Developed Countries

Under the agenda item on least-developed countries the proposal that least-developed countries should not be required to undertake reduction commitments was addressed. One participant suggested that the least-developed countries should be encouraged to take commitments on a voluntary basis.

E. Other Matters raised in connection with the areas of market access, export competition and domestic support

As regards Agenda Item E, some participants stressed the great importance they attached to making progress on the issues of labelling, geographical indications and food safety. However, it was clear that there continued to be wide differences of opinion on these issues, including on the question of whether they were part of the Doha Development Agenda and whether they should be part of the negotiations on agriculture or dealt with in other WTO bodies. Comments were also made about the difficulty developing countries were facing in meeting the SPS and TBT standards they have to comply with in export markets.

State trading enterprises, food aid, export credits and tariff quota administration were also discussed. On the last three of these issues there was some common ground. The peace clause was referred to by one participant.

Conclusion

Over the past two and a half days we have addressed a heavy agenda and I am grateful for the cooperation of participants in making it possible to conclude our work on time. We have heard a few ideas which will help us in our efforts to move the process forward. However, I have to note that we have made very little headway in building bridges between positions. At this late stage in the run up to 31 March, this must be a matter of serious concern to us all. It is clear that we urgently need to change gear and engage in serious negotiations. If everyone remains camped on their current positions the prospects for the negotiations are not encouraging.

For my part, I would have liked to have had more guidance from our informal Special Session in terms of how bridges can be built. Nevertheless, I will carefully reflect on the discussions over the past two and a half days and, no doubt, on this afternoon's session as well. On this basis, and on the basis of the considerable amount of work carried out in the negotiations to date, I shall then prepare the first draft of the modalities, as I am required to do under the agreed work programme. My intention is to circulate that draft well in advance of the Special Session to be held from 24-28 February.

In the meantime, I must urge all participants to continue their work both in Geneva and in capitals, including by way of bilateral and plurilateral contacts, with a view to having a much more productive Special Session when we next meet at the end of February. May I finally remind you that, after the February Special Session, a second draft of the modalities is to be produced for consideration at the Special Session at the end of March when modalities are to be established.

Annex 2

TN/AG/7

SIXTEENTH SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE

Report by the Chairman, Stuart Harbinson, to the Trade Negotiations Committee

I. STATUS OF WORK

1. The Special Session of the Committee on Agriculture, which is pursuing negotiations under paragraphs 13, 14 and other relevant provisions of the Doha Ministerial Declaration as agreed by the Trade Negotiations Committee (TN/C/M/1), held its sixteenth formal meeting on 24 January 2003. The agenda as set out in WTO/AIR/2005 was adopted.

2. The Chairman presented a report on his own responsibility concerning the main features of the discussions at the 22-24 January informal Special Session. In accordance with the agreed work programme, these comprised a comprehensive and substantive review of possible modalities, based on the Overview paper circulated on 18 December 2002 (TN/AG/6).

3. The Chairman's report will be included in the Secretariat summary report on the sixteenth formal Special Session (to be issued as TN/AG/R/6). A number of statements were made by participants in the formal meeting regarding the negotiations and the various issues and questions raised by the Chairman in the Overview paper. Participants' statements and contributions will also be reflected in the Secretariat summary report.

II. OUTSTANDING ISSUES

4. The Special Session addressed a heavy agenda. Although a number of ideas were raised that will help efforts to move the process forward, very little headway was made in building bridges between positions. At this late stage in the run-up to 31 March, this is a matter of serious concern.

5. Overall, Members are still far apart on many of the critical issues set out in the Overview paper. They include the methods to be applied by Members in preparing their draft Schedules and the levels of ambition concerning the depth of further reform. Outstanding issues also include a variety of matters relating to the rules and disciplines of the Agreement on Agriculture. In addition, certain collateral issues have been raised by a number of Members but, so far, there is no agreement on how, or in some cases whether, these matters should be addressed.

III. FURTHER WORK

6. A considerable effort will have to be made by Members in order to meet the end-of-March deadline.

7. In accordance with the agreed work programme, a first draft of a modalities document will be prepared and circulated for consideration at the next Special Session on 24-28 February. Subsequently, a second draft will be prepared and circulated for consideration at the Special Session scheduled to take place on 25-31 March, on which occasion the modalities are to be established.

Annex 3

Statements by Members at the Informal Special Session of the Committee on Agriculture held on 22-24 January 2003

Statement by Bolivia

Firstly, I would like to thank you for submitting document TN/AG/6 of 18 December 2002. We know that preparing the document was a difficult task and that it provides us with a good basis for our work. However we consider that the text goes beyond the Doha mandate, especially paragraph 28, and this is a matter which causes us some concern.

We would like to express our support for the statements made by the delegations of Australia, Brazil, Colombia, Costa Rica, Thailand and Argentina.

We agree that we must now concentrate on key aspects, that is to say the three pillars and Special and Differential Treatment, which form an integral part of the negotiations. After doing that, we will consider the other issues. We cannot spend the little time that we have left dealing with such issues, to the detriment of matters within the negotiating mandate. In this connection, we are surprised that one group of developed countries has not submitted its negotiating proposal and is now trying to tell us that if we do not negotiate issues which are not part of the mandate, no progress will be made in this process. In fact we would like to ask these countries, what has become of the Doha Development Agenda?

As regards the questions you have put forward, we would like to answer with just one word: flexibility. The vast majority have demonstrated flexibility, by accepting to begin negotiations on agriculture in 1986 and by accepting minimum commitments in the liberalization of agricultural trade. It is now the turn of certain developed countries which apply protectionist policies.

Equal efforts are not possible. We are in the middle of a reform process which began 16 years ago. Flexibility cannot be asked of countries such as Bolivia, which has already liberalized its trade and is now suffering from the effects of unfair competition from subsidized products and from the lack of market access for its products, both of which cause poverty levels to rise. Market access is of the utmost importance for alternative development products, for diversification programmes aimed at eradicating the production of illicit narcotic crops, and for tropical products, as the delegations of Peru and Colombia have pointed out. We are prepared to use the Uruguay Round list to redefine tropical products and draw up a list of alternative products for the purpose of diversification.

Finally, in response to repeated calls to apply the Uruguay Round formula, we would like to remind everyone that only by putting a theory into practice does the truth come to light, and practice has shown us that the Uruguay Round formula has not liberalized agricultural trade; on the contrary, market access is still ruled by protectionism. Let us ask the question once again: how is this group of developed countries expressing its commitment to the much-publicized Doha Development Agenda? We repeat that the best way to apply special and differential treatment is to eliminate protectionist and distortive policies, and that it is this, and not a special safeguard, that can eradicate food insecurity.

Statement by Bulgaria

On the question of timeframes, we too are aware of the fact that under the Doha Declaration the mandate to establish modalities for the commitments on agriculture, to be agreed to in these negotiations, expires on 31 March 2003. After that date negotiations can continue on a bilateral basis with a view to submitting draft schedules by the Fifth Session of the Ministerial Conference.

On the issues addressed in the overview paper (TN/AG/6):

We cannot accept the approach, outlined in para 10, to try to adopt modalities on "key aspects" only. We are of the view that the modalities must be comprehensive and include the new rules or the amendments to existing ones which are to be agreed in the course of the negotiations.

On para 14 (a) of the paper: we see no scope for accepting the Swiss formula in any modification.

On para 14 (b): we can accept the Uruguay Round formula and we can be flexible on implementation periods but we will not be able to be flexible on reduction rates. We are of the view that harmonization of tariff structures is not a matter for the modalities and can be dealt with bilaterally. It is difficult for us to formulate specific proposals for the reduction rates because there is no clarity on other matters which are of utmost importance to us, including some matters in the other areas of the negotiations, the deadlines for which have already expired. We are in a position to say, however, what we will not be able to accept - even if our demands are met on other matters in the negotiations on agriculture and in the other areas of the negotiations: we will not be able to accept such reduction rates which are equal or more than those in the Uruguay Round. If we do not have progress on other matters of importance to us (both in these negotiations, as well as in other areas), we cannot discuss rates which are close to those of the Uruguay Round.

On para 14 (c) - if there is no consensus on the proposed reduction formulae by 31 March, the only option left for the negotiations is to continue on a request-offer basis.

We would note that the matter addressed in para 29 of the overview paper should have been addressed in para 15. We think that the way, in which the flexibility proposals are presented in para 29 is biased and does not reflect the discussions in the Special Session. It is biased, since questions whether specific proposals are "acceptable" can be and actually were raised about other proposals for the modalities, without being reflected in the paper. On the other hand, the proposal for flexibilities for countries in transition was not explicitly rejected in the course of the discussions.

On para 15: we are of the view that the reduction formula should be the same for developed and developing countries, with the same reduction rates, but possibly with longer implementation periods for developing countries. We can agree with lower cuts for LDCs, but not for developing countries generally, since we do not have clarity as to which countries exactly would be included in that category.

On para 16 - as noted by others - it is obvious that there is no consensus. If on this subject matter clear rules, which would be applicable to all Members, are not agreed upon, we will proceed on the assumption that we will be free to undertake modifications to our own schedule.

On para 21 - with respect to country specific quotas we have the position that they should be either abolished, or - if not - be made available to others and Members should be able to ask for such country specific quotas in the request-offer process.

On para 23 (b) - we cannot accept a countervailing mechanism as special and differential treatment specifically for developing countries.

Statement by Fiji

I wish to join other delegates in thanking you for the paper. It summarises quite well the issues that have been discussed so far. More importantly it has assisted delegations like mine which seldom appears in this forum for reasons that you are well aware of.

I will be brief in accordance with your instructions. My delegation wishes to support the previous interventions made by small island developing states such as Mauritius and St. Lucia on behalf of the Caribbean countries. My delegation would like to convey its support for paragraph 26 of the overview paper mentioning preferential schemes, specifically (iii), on the need to provide longer implementation timeframes for tariff reduction in respect of products which are of vital export importance for developing country beneficiaries of such preferences and (v) to extend to small island developing states the facility currently available for LDCs that enables special WTO compatible market access arrangements on terms that do not require extension of reciprocal preferences.

On paragraph 27, my delegation will not over-emphasise the vulnerability, smallness and isolation of small island states such as those of us in the Pacific which coupled with our mono-crop economies underscores the need for preferential categorization.

We also agree that modalities for such schemes be predictable, meaningful and secure.

Statement by Honduras

The delegation of Honduras would first of all like to stress the importance which it attaches to the relationship between the three pillars of the Agreement on Agriculture and why it considers that they should be dealt with together, as other delegations have suggested.

As far as tariffs are concerned, it should be borne in mind that developing countries are not responsible for the existing distortions in the markets for agricultural products and, moreover, that tariffs are the main instrument used by those countries to support and protect their agricultural sector. We would therefore be prepared to make market access concessions only if they are in proportion and comparable to the concessions that other Members are willing to make in relation to domestic support and export subsidies.

From this perspective, we are of the opinion that the most appropriate approach for defining new reduction commitments must be based on the Uruguay Round formula, with possible amendments thereto, so that the legitimate concerns over the tariff peaks and tariff escalation of some Members can be addressed and flexibility shown in exempting certain products from further reduction commitments.

Thus, the joint proposal which we and several other Members tabled last November suggests establishing a 50-per-cent *ad valorem* tariff ceiling for all tariff lines over a three-year period, followed by a further three-year reduction process applying the Uruguay Round formula, with an average reduction of 50 per cent from the tariff ceiling or bound level, whichever is lower. Each tariff line would be reduced by a minimum of 20 per cent.

With regard to special safeguards, we consider that discussions on the advisability of establishing a new special safeguard mechanism within the framework of special and differential treatment for developing countries are necessarily linked to any decision taken by Members on validity and country and product coverage pursuant to Article 5 of the Agreement on Agriculture.

These negotiations must solve the basic problem of the inequality which currently exists, whereby only a group of WTO Members are entitled to use special safeguards, in spite of the fact that developing countries apply a tariff-only regime.

Experience gained since the Uruguay Round has shown that the developing countries should be the ones entitled to use this type of instrument, since we, like every Member of this Organization, have been confronted with sudden and considerable increases in imports and significant drops in the prices of agricultural products, but have not had the opportunity to take safeguard action to prevent their devastating impact on our food security and rural development.

Furthermore, we are concerned that your paper should include several of the proposals submitted by developing countries and geared towards tackling the range of problems that we face, but presents them as "options" or mutually exclusive instruments, in spite of the fact that their elements are complementary and necessary to fulfil the Doha Mandate.

If we continue along these lines, the outcome will be the definition of an incomplete instrument which is totally ineffective in addressing any of the problems which developing countries have set out to solve during these negotiations.

Statement by India

Allow me to extend our greetings to you and to Members and the Secretariat for the New Year, and to compliment you for circulating the Overview Paper on negotiations on agriculture consistent with the road map we had agreed upon last year.

In the context of paragraph 10 of the Overview Paper which suggest that the modalities we establish may now perhaps be limited to the requirements of draft Schedules of further commitments, we would like to emphasize that the modalities must comprehensively deal with all aspects of the mandate for negotiations, including rules-related elements, so that the interests and expectations of Members from these negotiations are fully addressed in the ongoing negotiations. In our contribution during the November 2002 Session, we had highlighted the need for the modalities for negotiations to be an integral part of the outcome thereof. The coverage of products for the application of commitments and rules is also an issue that is important in the negotiations.

We propose to structure our remarks on the Overview Paper largely in accordance with the scheme suggested by you for this Session during the informal meeting held on 16 January 2003. The modalities that we establish must ensure that, consistent with the mandate from Ministers at Doha, special and differential treatment for developing countries, including the least-developed among them, is integral to our work and its outcome. Creating hierarchies among developing countries' interests is divisive and not quite in accordance with the Doha mandate. In paragraphs 25 and 38 on State Trading Enterprises, extending special and differential treatment to developing countries has been questioned. We do not see the need for raising this question.

The significance of, and the need for, special and differential treatment for developing countries in the agriculture sector rests on two pillars. The first pillar is the elimination of distortions in the agricultural sector through heavy subsidization of domestic production and exports by many developed countries which, by every analysis, adversely affects developing countries' opportunities for development.

The second pillar is the need to enable developing countries to effectively address food and livelihood security and rural development interests through appropriate flexibility in domestic policy for agriculture. The Overview Paper does not recognize this concern.

From many of the proposals, it is evident that the developed countries that heavily subsidize their farmers and exports of agricultural products, either directly or indirectly, have not shown any real desire to effectively reduce, let alone remove, distortions in agriculture. Moreover, attaching conditions to reduction in support and protection by developed countries is neither consistent with the mandate for negotiations, nor will it serve to establish sets of compromises that are realistic and legitimate. Any trade-offs which pitch developing countries' interests against non-trade concerns of developed countries, or indeed serve to entrench the disadvantages faced by developing countries, such as those implicit in the fifth bullet in paragraph 9, cannot be supported. And then, some Members who are also significant exporters of agricultural products, attach importance to obtaining additional market access. Subjecting all products in all countries to substantial tariff cuts, and ultimately eliminating tariff barriers, ostensibly to reduce inequities, cannot be accepted since this will eliminate the agricultural sector itself in developing countries. Moreover, unlike market access commitments, the consequences of reductions in subsidies will only be observed after a lag. We are sure this is not how the WTO Membership should define equity.

In this situation, we re-emphasize that the ability of developing countries like India to offer further market access commitments is conditional upon the commitments offered on reduction of all trade-distorting domestic support and all forms of export subsidies, and on comprehensive and

effective treatment of food and livelihood security and rural development interests of developing countries. This facet of the negotiations has not been duly reflected in the Overview Paper.

In relation to the second core aspect of special and differential treatment for developing countries, in order to provide clarity on food and livelihood security and rural development interests of developing countries like India, we have just circulated a written input for consideration by this Committee.

The underlying issues involved are not new and have been highlighted by many Members. The manner suggested for resolving these issues focuses on policy space to address specific concerns and situations of the agricultural sector of many developing countries, keeping in mind the diversity of their agricultural systems.

The development needs of developing countries, including food and livelihood security and rural development, emanate from features specific to their agriculture; in particular, dependence of a large proportion of the population on agriculture and related activities, the diversified nature of production, and the high incidence of poverty. The basic approach to address development needs must, therefore, serve to improve production systems, provide for opportunities to enhance income levels, ensure physical and economic access to sufficient, safe and nutritious food, and reduce vulnerability to market fluctuations and enhance stability of prices of agricultural products, through governmental support and appropriate protection at the border through price-based and quantity-based measures. If developing countries are expected to reduce their tariffs, while developed countries maintain support for farmers and exports, safeguarding against surges in imports becomes inevitable to meet the food and livelihood security of their farmers.

In this scenario, any consideration of the scope or coverage of applicable safeguards cannot limit itself to one or the other characteristic of the agricultural sector in developing countries, but must focus on "enabling developing countries to effectively take note of their development needs", which span diversified production systems and diverse food and nutritional requirements and preferences. Regional aspects of agricultural production systems of large agrarian economies, including diverse agro-climatic conditions, also militate against establishing either a list of products eligible for protection or safeguards, or limiting the nature of available protection through different instrumentalities.

Moreover, determining "essentiality" among different products pre-supposes that domestic agricultural policies in developing countries are product-specific and, therefore, largely static, and without regard to evolution of a competitive and dynamic agriculture. Accordingly, developing disciplines based on "essentiality" would not be desirable.

Finally, no market access commitment translates into actual access unless NTBs operating on items granted such access are removed.

The Committee on Agriculture, while facilitating negotiations, should also provide for resolution on the large number of NTBs that bedevil market access in agriculture. Instead of leaving these for resolution in the non-negotiating bodies, the Committee on Agriculture should agree on a methodology for addressing this issue which is of vital significance to the developing countries. The practice being followed in the Negotiating Group on Market Access could give us necessary guidance. We, therefore, feel that this issue should also be resolved as part of a single undertaking to which we continue to be committed.

We are confident that you will take due account of our suggestions in the collective process forward towards establishing modalities for negotiations in agriculture, consistent with your final observations in paragraphs 50 and 51.

Statement by Indonesia

Market Access

Let me firstly express our appreciation to you, for your comprehensive Agriculture Negotiations Overview Paper. We are encouraged, to see that the overview paper has managed to capture many specific inputs and important suggestions made by members during our negotiations process so far. Your paper has again clearly shown your ability to skillfully juggle the divergence of views in the negotiation.

As you have requested, I will try to be brief and only address the issues of tariffs as stipulated in paragraph 13–16 and SSG in paragraph 22–23 of your paper.

Tariffs (paragraph 13–16)

On the issue of tariffs as stipulated in paragraph 13 to 16 of your paper, we should like to make the following comment:

We do not share your view that the main outstanding issues under the subheading of tariffs are only the formula and quantitative target for the further tariff reductions that are to be applied, as stipulated in paragraph 13. My delegation believes that the issue of product scope has not been fully agreed and thus should also be included as an outstanding issue. Whilst we recognized that many members have referred to product coverage to cover all agricultural products in Annex I of the Agreement of Agriculture, we also recall that there were many other members that stated developing countries should be allowed to have an **exclusion list** for staple food products sensitive for food security and rural development. Indonesia does not agree with the view that an exclusion list for developing countries is contradicting the current effort to further liberalized agriculture trade. Indonesia has long embraced liberalization. As a developing country **our current average tariff rate for agriculture products of 8.4 per cent is relatively low**. We are also ready to consider a formula based approach, to further reduce **bound tariff** and increase market access opportunity. **However, our genuine plea to exclude some food security product from reduction commitment** should not be disregarded. With over 70 per cent of our population earning their living relying on food security crops as subsistence farmers, the political and economic repercussion would be too much to bear for Indonesia, should current tariff on our food security product be reduced. We further view that **bound tariff** reduction in developing countries should also be linked to the reduction in developed countries agricultural support, a point which we do not see in your paper.

As regards reduction method or formula, Indonesia believes that whatever formula is eventually agreed upon, the issue of developing countries non-trade concerns must be accommodated and be given full flexibility, and tariff peaks and escalation in developed countries be addressed. We are ready to work and agree to a formula approach on this basis.

Special Safeguard Measures (Paragraph 22-23)

On the issue of Special Safeguard Measures, we have noticed that you have categorized proposals for the establishment of a food security mechanism as an alternative to the current SSG. **We do not agree with this approach**. SSG is a mechanism that was already given to some members during the Uruguay Round as an incentive for tariffication. Whether the current SSG is to be eliminated for some countries or retained for all countries is to be decided in these negotiations. However, the issue of food security is a recognized non-trade concern in the Doha Declaration that has been requested by Ministers to be taken fully into account in the negotiations. For these reasons, we are of the position that **proposals and issues relating to food security and rural development**

should be given a separate heading and thus separated from the issue of SSG. Putting the issue of food security under SSG may create the misunderstanding that food security problems of developing countries can be addressed by merely extending the current SSG to be given to developing countries, which is certainly not the case.

For SSG as stipulated in Article 5 of the Agreement on Agriculture, Indonesia views the current agriculture special safeguard as unfair and thus it needs to be rectified. Developed countries producers with no supply side constraint and substantial domestic support should not have recourse to an agriculture special safeguard. We are of the position that the current SSG be **extended only** to all developing countries. Product coverage of the existing SSG should also be modified to only include products, which are of strategic importance and particularly sensitive to food security, rural development and employment, and poverty alleviation. Developing countries that do not yet have recourse to the current SSG may have recourse to such SSG for their agricultural products, which have been tariffed.

Indonesia fully supports the establishment of a food security mechanism, which specifically addresses the problem of food security in developing countries. This is in line with the mandate of the Doha Declaration. Such a food security mechanism can be along the lines of the proposal by the Philippines and Indonesia, or of a combination of other proposals that members have put forward or will put forward. It is imperative that food security mechanism not be mixed-up with SSG or other countervailing mechanism. A food security mechanism should be seen as a **development tool for developing countries**, which may include but not be limited to some kind of countervailing mechanisms.

Statement by Paraguay

Like other delegations, we would like to thank you for submitting the Overview document, which provides a proper balance among the various proposals put forward in the negotiations so far.

We have studied this document closely and the relevant questions, and would like to make some comments, although we reserve the right to make further comments at a later stage.

One aspect which my delegation considers relevant is the reiteration of paragraph 14 of the Doha Declaration, in which our Ministers established dates and deadlines: 31 March 2003 as the deadline for modalities for the further commitments and as paragraph 10 of your document clearly states, "the negotiations on agriculture do not end at the end of March 2003"; the 5th Ministerial Conference, to be held in September 2003, for the submission of draft schedules; and, finally, 1 January 2005, when the entire negotiating agenda of this development round will be concluded.

The Doha mandate also states that the negotiations will be "aimed at substantial improvements in market access", and this is the issue we would now like to discuss.

The importance of substantial improvements in market access for agricultural products is vital for many developing countries that greatly depend on this sector.

At this stage, we would have liked the proposals made by the main negotiating partners to clearly indicate that the current negotiations on agriculture will conform fully with the mandate, and be integrated and balanced with other market access negotiating, above all considering that in other negotiating forums, the proposals made by these partners are extremely ambitious and are unreservedly aimed at liberalizing trade and establishing rules and regulations which will undoubtedly make the "development" sought after in this Round possible.

As regards tariffs, my delegation considers that the Uruguay Round formula has been unable to redress the discriminatory situation which still prevails in the agricultural sector, nor has it resolved the problem of tariff peaks or tariff escalation, although the latter is particularly prejudicial to developing countries in that it impedes both market access and the possibility of giving their products more value added.

We therefore agree with the statements made by other delegations, especially those of the Cairns Group, which propose the Swiss formula. We believe that such a formula will contribute to the fundamental reform and substantial improvement of the agricultural sector, inasmuch as our aim is to establish a fairer and more market-oriented trading system for agricultural products.

A proposal that repeats past formulae or mechanisms that have failed to yield positive results will not only negate all the efforts made to put this sector on an equal footing with others, but will increase trade distortions and consequently not achieve the much-awaited result.

As regards tariff quotas, we believe that, as indicated in paragraph 17, the expansion of import volumes under existing tariff quotas will improve the current situation. Under no circumstances could we be flexible and agree to reductions. An improvement in the way tariff quotas are administered is also essential, because many developing countries either do not participate or only participate to a limited extent in their administration.

Finally, with regard to other market access issues, we are particularly concerned that existing preferential schemes are not producing the desired results and are creating discriminatory situations which distort trade. These issues must be resolved during the current negotiations.

Statement by the Philippines

The Philippines would like to convey its deep appreciation to you for your hard work in preparing the overview paper. We will follow the agenda that you have outlined to us today, but before doing so, allow us to offer some general observations with regard to the Overview paper.

Let me touch on the first part of the paper, which contains your general assessment of the negotiations. We appreciate that this section mentions some of the issues, such as the Food Security Mechanism, which are crucial to us and to many developing countries. In doing so, the paper has rightly accorded special focus to this very important issue. At the same time, we share the observation by Indonesia that the proposal has been somehow subsumed under certain categories which had the effect of re-orienting and narrowing the proposed measures intended to address them.

We would also note that other key concerns of developing countries have not been given enough attention in your general assessment. For instance, while the paper clearly acknowledged the link established by some participants between agriculture and other areas of negotiations, the paper has missed the importance of the inter-linkage between the three pillars, which is a paramount concern for many developing countries, including the Philippines.

We will now shift to the agenda before us, in particular, on market access. On tariffs, we are not convinced that applying the Uruguay Round formula will address the issue of tariff peaks and escalation which are confronting developing countries. In our view, a harmonization approach would be more effective in addressing these problems and would translate to greater market access openings for developing countries. Developed countries should therefore commit to apply such reduction formula.

It would be a different matter, however, to demand developing countries to apply the same harmonization formula. Developing countries could not be expected to commit to reduce tariffs to the same level as that for developed countries, while at the same time compete with products which continue to enjoy subsidies and trade-distorting support. Any reduction formula that developing countries would be asked to apply should take into account these residual subsidies and trade-distorting support in the agriculture markets of developed countries.

Statement by Venezuela

We would like to thank both you and the Secretariat for the presentation of the overview paper which provides a sound basis for negotiation. Before turning to the matter at hand, I would like to make a few remarks on an issue which, given its significance, has implications on the discussions under way as a whole, namely the interrelation between the three negotiating pillars. Although the dynamics of your proposal pave the way for an orderly and above all particularly fruitful discussion, we cannot lose sight of the interrelation between these three negotiating pillars. In the absence of such a relationship, unless the substantial reductions in domestic support and export subsidies specified in the Doha Declaration are forthcoming, we cannot conceive how market access can be improved.

In this respect, a paragraph should be included in the draft of modalities making the implementation of the new commitments by developing countries conditional upon substantial reductions in domestic support and export subsidies.

There is no sense in the results of the various negotiating groups being taken into consideration for the "single undertaking" in the overall context if the three negotiating pillars are dealt with separately in the same negotiations. A reduced "single undertaking" should also exist.

Another point at issue is the scope of the products to which reductions will apply.

The scope of the reduction modalities approved for developing countries must also be taken into consideration. By this, we mean that there is a need to establish which developing country products will be subject to reductions. The formula cannot be discussed in the abstract and a decision then taken at the very end as to whether certain products will be subject or not. This is a key issue for developing countries and one on which a decision has to be taken first or, failing that, concurrently.

In this respect, a discussion on which agricultural products would be exempt and the criteria for exemption from reduction commitments becomes increasingly important.

Tariffs

Paragraphs 13 to 16 of the overview paper propose that we decide upon the reduction formula.

As has been mentioned previously, we, in conjunction with other developing countries, have proposed applying a modified version of the Uruguay Round formula in order to accommodate our aspiration to harmonize tariff structures and address tariff peaks and escalation.

As we have already pointed out, this simple modification would consist of establishing a ceiling for all developed country tariff lines. Thus, the tariffs of these countries would be reduced by 50 per cent over the first few years; the Uruguay Round formula would then begin to apply to this new tariff on the basis of the agreed percentages.

In our opinion and that of several other delegations here present, this would provide a compromise between the proposed formulae.

The special and differential treatment referred to in paragraph 14 can be dealt with on the basis of the following two complementary rather than alternative options:

- (a) Firstly, developed countries would make more substantial reduction commitments in relation to products of special interest to developing country Members;

- (b) secondly, on the basis of the compromise formula which we have suggested, developing countries would have the possibility of starting to apply the Uruguay Round formula starting from their present bound levels once the developed countries had made their 50-per-cent down payment. Moreover, the reduction percentages would, in this case, be at least half those applied to developed countries.

Tariff quotas

We merely wish to emphasize that special and differential treatment must afford developing countries the possibility of applying lower rates of expansion and longer implementation periods so that their financial, development, trade and food security needs are taken into consideration. This is particularly important for net food-importing countries.

Special safeguard measures

We agree that a new safeguard mechanism which addresses the needs of developing countries while respecting the minimum benefits granted by the current mechanism provided for in Article 5 should be established. Only by respecting these benefits will elimination for the developing countries be possible.

We consider that the key features of such a mechanism should include the following:

- (a) Developing countries alone should be eligible.

It is a matter of fairness for all developing countries to have a mechanism which, in the event of a disproportionate increase in imports or a sharp drop in prices, enables them to adapt to the circumstances and thereby prevent increased poverty in rural areas and the consequent social impact which this would have on the whole economy.
- (b) The mechanism should be designed in such a way as to make it easier to apply and more beneficial than the current mechanism.
- (c) Product coverage should aim to protect products which developing countries consider significant to rural development and food security. The number of developing country products already eligible for the mechanism provided for in Article 5 should, in any case, be respected.

Other issues

We merely wish to point out that our delegation considers that there are suitable fora dealing with issues which are amongst its concerns, and it is to these councils and committees, namely the Council for TRIPS and Committees on Sanitary and Phytosanitary Measures and Technical Barriers to Trade, and the discussions currently underway within these bodies, that we would turn.

Given the need for streamlining in all negotiating areas, there is no need for a repetition or proliferation of discussions in different fora.
