



## **DOMESTIC SUPPORT OPTIONS**

CIRCULATED ON BEHALF OF THE FOLLOWING CAIRNS GROUP MEMBERS:  
ARGENTINA, AUSTRALIA, BRAZIL, CANADA, CHILE, COSTA RICA,  
PERU, NEW ZEALAND, THAILAND AND URUGUAY

The following submission, dated 9 July 2019, is being circulated at the request of the aforementioned Members.

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### **1 OVERVIEW**

1.1. In discussions held since MC11 under the auspices of the Committee on Agriculture in Special Session (CoA-SS), Members have identified addressing issues surrounding the usage of production or trade-distorting domestic support as an important topic for WTO negotiations on agricultural reform. This paper reviews the different themes identified and discussed by Members on domestic support and consolidates the various reform options for consideration in this pillar.

1.2. The paper covers all elements of domestic support as they are categorized in the Agreement on Agriculture, from Articles 6.3 Final Bound Total AMS (FBTAMS) and 6.4 *de minimis* (e.g. the Amber Box), to exempted forms of support, including Article 6.2, Article 6.5 (i.e. the Blue Box) and Annex 2 of the Agreement on Agriculture (i.e. the Green Box). We also consider options raised with respect to Special and Differential Treatment and an overall trade-distorting support limit (e.g. OTDS). The options presented are drawn from those brought forward by Members, from all different groupings and across a range of perspectives.

1.3. The options outlined in the paper are not proposals, nor should they be interpreted to preference or prioritize any one particular option. Rather this paper should be viewed as a non-exhaustive list of options to be further discussed.

1.4. In order to facilitate discussion, this paper organises the various options on reforming domestic support into three themes: (1) developing new disciplines through limits and reductions in domestic support, (2) by clarifying existing rules on domestic support, and (3) enhancing transparency. This is intended to facilitate discussions towards pragmatic ways forward in negotiations on domestic support.

### **2 THE AMBER BOX – PRODUCT AND NON-PRODUCT-SPECIFIC SUPPORT**

2.1. The Amber Box covers non-exempt production and trade-distorting support in Articles 6.3 and 6.4 of the Agreement on Agriculture, which is limited according to a Member's Final Bound Total AMS (FBTAMS) in their Schedule of Commitments. Besides, all Members have access to a *de minimis* level of production or trade-distorting support which is tied to a proportional value of agricultural production. This support can be provided on a product specific or non-product-specific basis.

#### **2.1 Product-specific support**

##### **Issues**

2.2. Product-specific support is regularly cited by Members as the most distorting form of support in agricultural trade, as production or trade-distorting support is often concentrated on only a few

specific commodities. When applied in large sums, product-specific support can have a detrimental impact on both domestic and global markets. Currently, the limits on Amber Box support by product are the existing product specific *de minimis* limits, and scheduled FBTAMS.

## Options

2.3. Members have considered options to address product-specific support including: limiting and reducing total product-specific support; reducing or limiting AMS support beyond *de minimis* on its own; setting new *de minimis* limits; or limiting and reducing through inclusion in an overall limit. Members have also suggested providing additional clarifications of the rules for calculating product-specific support, and improving transparency in the notification of product-specific support.

## 2.2 Non-product-specific support

### Issues

2.4. Non-product-specific support can also distort trade and production, if it affects production decisions or reduces risk in Member's agricultural sector. Non-product-specific subsidies can enhance the competitiveness of agriculture sectors in domestic or international markets.

2.5. Another aspect that needs consideration is the reporting of non-product-specific support. Members have raised concerns that *de facto* product-specific support may be being notified as non-product-specific support, taking advantage of rules in Article 6.4 to more easily claim this support as *de minimis*, as the calculation of support is made on the basis of the total value of agricultural production.

### Options

2.6. Members have considered options to address non-product-specific support including: additional transparency; reducing Final Bound Total AMS, and/or *de minimis levels*; and/or including FBTAMS and non-product specific *de minimis* in an overall limit (OTDS). Moreover, in order to improve reporting, Members could discuss criteria to determine what is truly non-product specific.

2.7. The options for the Amber Box are summarized below in Table 1.

**Table 1: Amber Box – Product-specific and non-product-specific options to strengthen rules and disciplines**

Article in AoA	Reform through limits	Clarification of rules	Additional transparency
6.3 (FBTAMS and CTAMS)	<ul style="list-style-type: none"> <li>- Reduce FBTAMS</li> <li>- Introduce product specific disciplines (e.g. anti-concentration clause, product specific disciplines based on exports/imports)</li> <li>- Introduce standstill on product-specific support</li> <li>- Include in an overall limit (OTDS)</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Clarification of calculation methodologies (e.g. market price support (MPS))</li> <li>- Clarification of non-product-specific definition</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Add total Value of Production (VoP) and product specific VoP to notification templates</li> <li>- Include additional information on the calculation of market price support</li> <li>- inclusion of harmonized product descriptions for product-specific support (e.g. tariff codes)</li> <li>- Other</li> </ul>
6.4 ( <i>de minimis</i> )	<ul style="list-style-type: none"> <li>- Reduce <i>de minimis</i> percentage</li> <li>- Different <i>de minimis</i> levels between product specific and non-product-specific support</li> <li>- Introduce standstill on product-specific support</li> <li>- Include in an overall limit (OTDS)</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Clarification of calculation methodologies (e.g. market price support (MPS))</li> <li>- Clarification of non-product support</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Add total Value of Production (VoP) and product specific VoP to notification templates</li> <li>- Include additional information on the calculation of market price support in notification templates</li> <li>- inclusion of harmonized product descriptions for product-specific support (e.g. tariff codes)</li> <li>- Other</li> </ul>

## 3 EXEMPTED SUPPORT UNDER ARTICLES 6.2 AND 6.5

3.1. While both Article 6.2 (developing country Member exemptions) and Article 6.5 (Blue Box) are considered trade- and production-distorting and therefore included under Article 6 of the Agreement on Agriculture, Members agreed in the Uruguay Round to exempt these forms of support from a Member's reduction commitments. While the amount of support provided under these Articles was initially low for these exempted types of support, utilization has increased over time.

### 3.1 Article 6.2

#### Issues

3.2. Article 6.2 was established to allow developing country Members to provide some forms of product specific and non-product-specific support, without any reduction commitment, to enable them to pursue legitimate development goals. When applied in excess or without proper qualification, those subsidies may also be a source of distortions to trade and production of agricultural goods. These concerns are particularly acute in the case of input subsidies, whereas support for diversification from growing illicit narcotic crops has been less controversial.

#### Options

3.3. Members have discussed options including: placing limits on the amount of support that could be provided under Article 6.2, on the basis either of VoP or a fixed monetary value; the inclusion of Article 6.2 support into an overall limit; or further clarifying the meaning and extent of terms such as "low-income or resource-poor producers". Enhanced transparency where Members provide more information on how they implement their Article 6.2 programs could also be considered; including by outlining the eligibility criteria and a detailed breakdown of expenditure.

**Table 2: Article 6.2 – Options to strengthen rules and disciplines**

Article in AoA	Reform through limits	Clarification of rules	Additional transparency
6.2	<ul style="list-style-type: none"> <li>- Introduce a limit for 6.2 based on:               <ul style="list-style-type: none"> <li>- Historical spending</li> <li>- VoP</li> <li>- Other</li> </ul> </li> <li>- Include all 6.2 or just parts (e.g. exclude illicit crops)</li> <li>- Include part or all of 6.2 in an overall limit (an OTDS)</li> </ul>	<ul style="list-style-type: none"> <li>- Clarification of "generally available"?</li> <li>- Clarification of "low-income or resource poor producers"?</li> <li>- Clarify that support should go directly to producers and not suppliers of inputs (e.g. electrical utilities, or fertilizer suppliers)?</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- More complete programme descriptions</li> <li>- More complete breakdowns of expenditure – i.e program by program</li> <li>- Information to show how criteria are met?</li> <li>- Other</li> </ul>

### 3.2 Article 6.5 – Blue Box

#### Issues

3.4. The Blue Box can be used to achieve policy objectives such as providing a transition to Green Box support and to limit surplus production. Despite these objectives, concerns have been raised regarding the ambiguity of and potential to circumvent the FBTAMS commitments through the existing "production limiting" criteria in the Blue Box. These concerns include that: Blue Box payments can increase production of certain products; base periods can be revised and updated; and payments per unit could increase under the existing rules. Another concern raised by Members was that Blue Box programs can operate alongside Amber Box programs, thus undermining claims that such programs are production limiting.

#### Options

3.5. Members discussed a number of options to introduce new disciplines on Blue Box support to ensure that programs are indeed production limiting and are used to address legitimate policy objectives. Options to limit Blue Box support include placing Blue Box in an OTDS limit; placing a limit on overall Blue Box support; and /or introducing product specific Blue Box limits. In addition, some Members identified options to clarify the existing criteria in Article 6.5, such as requirement that payments are based on fixed and unchanging base periods, introduction of stricter eligibility criteria to more clearly define "production limiting" and adding a clarification that Blue Box and Amber Box support cannot be applied on the same product concurrently.

**Table 3: Blue Box - Options to strengthen rules and disciplines**

Article in AoA	Reform through limits	Clarification of rules	Additional transparency
Article 6.5 (Blue Box)	<ul style="list-style-type: none"> <li>- Introduce a cap on overall Blue Box support</li> <li>- Introduce Blue Box product specific limits</li> <li>- Include part or all of Blue Box in an overall limit (OTDS)</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Clarify that payments are based on fixed and unchanging base periods</li> <li>- Clarify paragraph 6.5(a) on how production limiting programmes are defined</li> <li>- Clarify that Blue Box and Amber Box support cannot be applied on the same product concurrently</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Include product specific VoP</li> <li>- Notification of base period yields, acreage, livestock</li> <li>- Include current year production compared to a previous base period</li> <li>- Other</li> </ul>

#### 4 OVERALL TRADE-DISTORTING SUPPORT (OTDS)

##### Issues

4.1. Members have identified concerns that overall entitlements for some Members are increasing rapidly, and that Article 6 spending is also on a consistent upward trajectory. Members have noted that without some cap or limit placed on overall entitlements, Members could have access to excessive amounts of production and trade-distorting support – estimated to exceed USD 1 trillion by 2030. If these entitlements were utilized, there could be devastating distortionary impacts on global agricultural markets.

##### Options

4.2. Members have discussed multiple options to address overall trade-distorting support.

4.3. Options discussed focus on: which categories of support to capture – all Article 6 support, or only some elements; how to set such limits; whether limits should be set as a fixed monetary amount, or allowed to float with either a Member's value of production or inflation rate. Improvements to transparency of overall support have also been suggested.

**Table 4: OTDS - Options to establish an overall limit and improve transparency**

What is covered?	How is it set?	Floating limit	Fixed limit	Hybrid limit
<ul style="list-style-type: none"> <li>- All Article 6</li> <li>- Article 6.2 – developing country exemptions (or elements within)</li> <li>- Article 6.3 (<i>FBTAMS</i>)</li> <li>- Article 6.4 (<i>de minimis</i>)</li> <li>- Article 6.5 - Blue Box</li> <li>- Annex 2 - Green box (or elements within)</li> </ul>	<ul style="list-style-type: none"> <li>- Based on VoP</li> <li>- Based on entitlements</li> <li>- Based on spending</li> <li>- Based on a monetary amount</li> </ul>	<ul style="list-style-type: none"> <li>- Do limits float with values of: <ul style="list-style-type: none"> <li>- Production?</li> <li>- Inflation?</li> <li>- Other?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- A fixed monetary amount?</li> <li>- Which currency?</li> </ul>	<ul style="list-style-type: none"> <li>- Is it fixed for a period before becoming floating?</li> <li>- Initially floating over a specified time period before coming fixed?</li> <li>- Certain Articles are floating, while others are fixed?</li> <li>- A fixed limit that could be adjusted due to hyperinflation?</li> </ul>
<b>Options to improve transparency on overall support</b>				
<ul style="list-style-type: none"> <li>- Include a total for Overall Article 6 Support in notifications</li> <li>- Include a total for Overall Article 6 and Green Box support in notifications</li> <li>- Include total VoP in notifications</li> <li>- Include all parameters in market price support calculations in the AoA (Annex 3, paragraph 8)</li> </ul>				

#### 5 GREEN BOX

##### Issues

5.1. There is a general recognition that the Green Box provides numerous policy options for Members to provide support in a way that has "no or minimal" trade- or production-distorting effects. If there are new disciplines introduced into the Green Box, they must be developed in such a way that does not discourage policy reforms to less distorting programs.

5.2. Concerns are raised when certain types of Green Box support (e.g. certain types of direct payments) could have more than minimal distorting effects and that these types of payments may

not be fully decoupled. In addition, there are sometimes policy challenges faced by some developing country Members that limit the successful implementation of Green Box programs.

### Options

5.3. A number of options were raised to address concerns regarding the potential circumvention of rules on Article 6 support through Green Box support. These include: placing all or certain elements in the Green Box under an OTDS; clarifying certain criteria in the Green Box; and introducing enhanced transparency on how programs meet the criteria in Annex 2 of the Agreement on Agriculture.

**Table 5: Green Box - Options to strengthen rules and disciplines**

Article	Reform through limits	Clarification of rules	Additional transparency
Annex 2 (Green Box)	<ul style="list-style-type: none"> <li>- Include all of Annex 2 support in the Green Box in an OTDS</li> <li>- Include certain elements of Annex 2 in an OTDs (e.g. certain direct payments)</li> </ul>	<ul style="list-style-type: none"> <li>- Limit duration for support for structural adjustment programmes</li> <li>- Clarify that some base periods are fixed and unchanging</li> <li>- Clarifying rules related to income insurance schemes</li> <li>- Clarifying rules related to payments for natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>- More detailed information on base periods used in providing decoupled income support</li> </ul>

## 6 SPECIAL AND DIFFERENTIAL TREATMENT

6.1. Special and Differential Treatment (S&D) for developing countries is captured in the rules for calculating domestic support contained in the Agreement on Agriculture, including specifically with regard to *de minimis* levels and access to Article 6.2. S&D is also referenced in both the preamble and Article 20 of the Agreement on Agriculture. Members continue to discuss how S&D should be reflected in any new commitments on domestic support.

### Issues

6.2. S&D can enable developing and least developed Members to participate in global rule making efforts and to benefit from multilateral agricultural reform in a manner consistent with their participation in agricultural markets and their development needs. However, some Members noted that "one size fits all" S&D does not accurately reflect the reality in global agriculture trade, levels of subsidization, and Members different levels of development.

### Options

6.3. Members have discussed a number of options for reflecting S&D in any outcome on domestic support. Options include: retaining all existing flexibilities for developing Members, or certain categories of developing Members (i.e. no change in commitments); differing S&D based on a Members level of development, participation in global agricultural trade or other variables; or extending the time offered for developing Members to meet commitments in comparison to developed Members.

6.4. A summary of some of the options for S&D is provided below.

**Table 6: Selected options for Special and Differential Treatment**

	Exemptions	Differentiated commitments	Implementation period
Options	<ul style="list-style-type: none"> <li>- No exemptions, rules apply equally to all Members</li> <li>- Developing Members apply a lower reduction commitment (not full reciprocity)</li> <li>- Exemptions from commitments for:               <ul style="list-style-type: none"> <li>(a) LDCs</li> <li>(b) NFIDCs</li> <li>(c) All developing Members</li> </ul> </li> <li>- Other?</li> </ul>	<ul style="list-style-type: none"> <li>- No differentiation</li> <li>- Differentiated commitments depending on:               <ul style="list-style-type: none"> <li>(a) Participation in agriculture trade</li> <li>(b) Level of subsidization</li> <li>(c) VoP?</li> <li>(d) GDP?</li> <li>(e) Per Capita?</li> <li>(f) Developing country category (e.g. LDC, NFIDC)</li> </ul> </li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- No differentiation</li> <li>- Longer phase in periods for:               <ul style="list-style-type: none"> <li>- LDCs</li> <li>- NFIDCs</li> </ul> </li> <li>- All developing Members</li> <li>- Or depending on:               <ul style="list-style-type: none"> <li>(a) Participation in ag trade</li> <li>(b) Value of ag production</li> <li>(c) GDP?</li> <li>(d) Per Capita?</li> </ul> </li> <li>- Other</li> </ul>

## ANNEX

## ALL OPTIONS FOR ADDRESSING DOMESTIC SUPPORT

Article in AoA	Options to strengthen rules and disciplines			
	Reform through limits	Clarification of rules	Additional transparency	
6.2	<ul style="list-style-type: none"> <li>- Introduce a limit for 6.2 based on: <ul style="list-style-type: none"> <li>- Historical spending</li> <li>- VoP</li> <li>- Other</li> </ul> </li> <li>- Include all 6.2 or just parts (e.g. exclude illicit crops)</li> <li>- Include part or all of 6.2 in an overall limit (an OTDS)</li> </ul>	<ul style="list-style-type: none"> <li>- Clarification of "generally available"?</li> <li>- Clarification of "low-income or resource poor producers"?</li> <li>- Clarify that support should go directly to producers and not suppliers of inputs (e.g. electrical utilities, or fertilizer suppliers)?</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- More complete programme descriptions</li> <li>- More complete breakdowns of expenditure – i.e program by program</li> <li>- Information to show how criteria are met?</li> <li>- Other</li> </ul>	
6.3 (FBTAM and CTAMS)	<ul style="list-style-type: none"> <li>- Reduce FBTAMS</li> <li>- Introduce product specific disciplines (e.g. anti-concentration clause, product specific disciplines based on exports/imports)</li> <li>- Introduce standstill on product-specific support</li> <li>- Include in an overall limit (OTDS)</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Clarification of calculation methodologies (e.g. market price support (MPS))</li> <li>- Clarification of non-product-specific definition</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Add total Value of Production (VoP) and product specific VoP to notification templates</li> <li>- Include additional information on the calculation of market price support</li> <li>- Inclusion of harmonized product descriptions for product-specific support (e.g. tariff codes)</li> <li>- Other</li> </ul>	
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