

REVIEW AND CLARIFICATION OF THE GREEN BOX

Communication by the African Group

1. Paragraph 16 of the Framework Agreement states:

"Green Box criteria will be reviewed and clarified with a view to ensuring that Green Box measures have no, or at most minimal, trade-distorting effects or effects on production. Such a review will need to ensure that the basic concepts, principles and effectiveness of the Green Box remain and take due account of non-trade concerns. The improved obligations for monitoring and surveillance of all new disciplines foreshadowed in paragraph 48 below will be particularly important with respect to the Green Box."

2. Paragraph 5 of the Hong Kong Ministerial Declaration further reaffirms:

"[...] Green Box criteria will be reviewed in line with paragraph 16 of the Framework, *inter alia*, to ensure that programmes of developing country Members that cause not more than minimal trade-distortion are effectively covered."

3. Consequently, the African Group views that the review and clarification should achieve the following objectives:

- (a) The first objective is to ensure that measures notified under the Green Box comply with the basic criterion, that is, they have no, or at most minimal, trade-distorting effects or effects on production. The group believes that such review and clarification will contribute to achieving meaningful and effective reform of agriculture subsidies in the current round. In addition, the review and clarification process should be complemented by appropriate monitoring and surveillance mechanism (as stated in paragraph 48 of the Framework agreement).
- (b) The review and clarification process of the Green Box should ensure that the value of domestic support commitments to be undertaken will not be undermined through box shifting of trade distorting support to the Green Box.
- (c) The introduction of the necessary elements on the Green Box criteria to reflect the particular circumstances of developing country Members would to some extent address the current imbalances in the Agreement on Agriculture.

4. The following contribution by the African group aims at highlighting some provisions which the group considers particularly important in an effort to reflect developing country concerns in a revised Green Box. This submission is without prejudice of additional contributions that the African group could make in the future regarding the two objectives the group strives to achieve.

ANNEX 2

DOMESTIC SUPPORT: THE BASIS FOR EXEMPTION FROM THE REDUCTION COMMITMENTS

2. General services

Policies in this category involve expenditures (or revenue foregone) in relation to programmes which provide services or benefits to agriculture or the rural community. They shall not involve direct payments to producers or processors. Such programmes, which include but are not restricted to the following list, shall meet the general criteria in paragraph 1 above and policy-specific conditions where set out below:

- (a) research, including general research, research in connection with environmental programmes, and research programmes relating to particular products;
- (b) pest and disease control, including general and product-specific pest and disease control measures, such as early-warning systems, quarantine and eradication;
- (c) training services, including both general and specialist training facilities;
- (d) extension and advisory services, including the provision of means to facilitate the transfer of information and the results of research to producers and consumers;
- (e) inspection services, including general inspection services and the inspection of particular products for health, safety, grading or standardization purposes;
- (f) marketing and promotion services, including market information, advice and promotion relating to particular products but excluding expenditure for unspecified purposes that could be used by sellers to reduce their selling price or confer a direct economic benefit to purchasers; and
- (g) infrastructural services, including: electricity reticulation, roads and other means of transport, market and port facilities, water supply facilities, dams and drainage schemes, and infrastructural works associated with environmental programmes. In all cases the expenditure shall be directed to the provision or construction of capital works only, and shall exclude the subsidized provision of on-farm facilities other than for the reticulation of generally available public utilities. It shall not include subsidies to inputs or operating costs, or preferential user charges.
- (h) Policies and services related to farmer settlement, land reform and the redress of historical land ownership structures in developing country Members. These services may include the provision of infrastructure, land rehabilitation, soil conservation and food security programmes to promote rural development and poverty alleviation.**

3. Public stockholding for food security purposes⁵

Expenditures (or revenue foregone) in relation to the accumulation and holding of stocks of products which form an integral part of a food security programme identified in national legislation. This may include government aid to private storage of products as part of such a programme.

The volume and accumulation of such stocks shall correspond to predetermined targets related solely to food security. The process of stock accumulation and disposal shall be financially transparent. Food purchases by the government shall be made at current market prices and sales from food security stocks shall be made at no less than the current domestic market price for the product and quality in question.

8. Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters

- (a) Eligibility for such payments shall arise only following a formal recognition by government authorities that a natural or like disaster (including disease outbreaks, pest infestations, nuclear accidents, and war on the territory of the Member concerned) has occurred or is occurring; and shall be determined by a production loss which exceeds 30 per cent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry. **In the case of developing country Members, payments for relief from natural disasters may be provided to producers when the estimated production loss is less than 30 percent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period.**
- (b) Payments made following a disaster shall be applied only in respect of losses of income, livestock (including payments in connection with the veterinary treatment of animals), land or other production factors due to the natural disaster in question.
- (c) Payments shall compensate for not more than the total cost of replacing such losses and shall not require or specify the type or quantity of future production.
- (d) Payments made during a disaster shall not exceed the level required to prevent or alleviate further loss as defined in criterion (b) above.
- (e) Where a producer receives in the same year payments under this paragraph and under paragraph 7 (income insurance and income safety-net programmes), the total of such payments shall be less than 100 per cent of the producer's total loss.

⁵ For the purposes of paragraph 3 of this Annex, governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stocks of foodstuffs for food security purposes are acquired and released at administered prices, ~~provided that the difference between the acquisition price and the external reference price is accounted for in the AMS.~~

11. Structural adjustment assistance provided through investment aids
- (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after **fixed and unchanging** base period, other than as provided for under criterion (e) below. **Developing country Members who have not previously notified the usage of this type of payment, shall not be precluded from establishing an appropriate base period.**
12. Payments under environmental programmes
- (a) Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme, including conditions related to production methods or inputs.
- (b) The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme
- (c) **the conditions spelt out in paragraphs 12 (a) and (b) above shall not apply to payments made by developing countries.**
13. Payments under regional assistance programmes
- (a) Eligibility for such payments shall be limited to producers in disadvantaged regions. Each such region must be a clearly designated contiguous geographical area with a definable economic and administrative identity, considered as disadvantaged on the basis of neutral and objective criteria clearly spelt out in law or regulation and indicating that the region's difficulties arise out of more than temporary circumstances. **Developing countries will be exempt from the condition that the disadvantaged region be a clearly designated contiguous geographical area with a definable economic and administrative identity.**
- (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the **fixed and unchanging** base period, **which shall be notified**, other than to reduce that production. **Developing countries should not be precluded from utilizing this kind of payment in the future in the event that no base period was notified. An appropriate base period which shall be fixed and unchanging shall be established and notified.**
- (c) The amount of such payments in any given year shall not be related to, or based on, the prices, domestic or international, applying to any production undertaken in any year after the base period.
- (d) Payments shall be available only to producers in eligible regions, but generally available to all producers within such regions.
- (e) Where related to production factors, payments shall be made at a degressive rate above a threshold level of the factor concerned.

- (f) The payments shall be limited to the extra costs or loss of income involved in undertaking agricultural production (**including livestock production**) in the prescribed area.
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