The Falconer Draft Text for the WTO Negotiations on Agriculture

Brett Williams
Sydney Centre for International and Global Law
Faculty of Law
University of Sydney

Communication from the Chairman 30 April 2007 (the "Challenges paper", 1st instalment)

- Para 125 "we are, in my view, a long way apart on existing positions and there is no point in pretending otherwise. … You will all be familiar with the old adage about *the risk of the vessel being lost for wont of a ha'porth of tar*. It would be frankly ludicrous for the ship to sink over this issue [special products]. And it doesn't need to happen. We owe it to ourselves to make sure that does not happen here. So let's find a way to fix this. …"
- Is the Falconer Text a ha'porth of tar to prevent the ship from sinking or it is just a dab of paint on an irreparably damaged hull?

The Doha Round Negotiation on Agricultural Trade

- Commenced 2000 before Launch of Doha Round (Nov 01)
- Phase 1- 2000-2001 45 formal proposals
- Phase 2 2001-2002 mainly off the record proposals
- February 2003 - Harbinson text
- 13 August 2003 - US-EC Proposal
- Pre-Cancun (Del Castillo text -13 Sept 03)
- At Cancun Derbez text (24 Aug) & G33 (20 Aug)
- July 2004 Framework Agreement
- Chairman Falconer draft possible modalities 12 July 2006
- Chairman Falconer Challenges Paper 1st Instalment 30 April 07 2nd Instalment 25 May 07
- Falconer Text – issued 17 July 07
- **Revised Falconer Text – issued 8 February 08**

1948-1994

- 1948 – Art XI, Art XVI
- 1955 – insertion of Arts XVI:2-5; US Waiver
- 1960-63 Creation of the CAP
- Prevalence of QRs
- Unworkable rules on export subsidies on agricultural products
- Uruguay Round
  - Tariffication
  - Limits on export subsidies
  - Limits on other production linked subsidies

Important Thing is the Entire System of Rules not NAMA or Agriculture or the Three Pillars

- Dispersion (peaks, escalation, & discrimination against countries having certain comparative advantage)
- Ranking of Instruments (VERs, quotas, tariffs, export subsidies, production subsidies, other subsidies)
- Reciprocity
- Non-Discrimination

1 Tariff reductions and Dispersion

- Kennedy Round – linear cuts – but excluded agriculture;

- Tokyo Round – harmonizing cuts using Swiss formula – but excluded agriculture

- Result – the high protection stayed high
- & the system discriminates against those countries having a comparative advantage in agriculture

- Suggestion for Doha Round : harmonization cut for everything (AG, and NAMA)

2 Ranking of Instruments

	Economic	Political	Legal
VER	6	1	6
Import quota	5	2	5
Import tariff	4	3	4
Export subsidy	3	4	3
Production subsidy	2	5	2
Input subsidy	1	6	1

3 Reciprocity

- Politician can overcome opposition from import competing producers to implement liberalization if:
  - - gets political support from exporters who simultaneously receive market access into other Members' markets;
- Politician can overcome pressure from import competing producers to grant new protection if:
  - - exporters receiving market access into other Members' markets oppose the new grant of protection

- Members can only help themselves to reduce protection if they give reciprocal market access
- Members can only help others to reduce protection if they give reciprocal market access
- [If you give less than reciprocal trade liberalization, you have less to threaten to take back in dispute settlement]

- So need to be careful that SDT is limited to situations in which reducing protection really would be welfare diminishing – in other situations we need the help of as many WTO Members as possible (including Developing Members) to help control protectionism in all of the WTO Members (especially the powerful Members)

4 Non-Discrimination

- Preferential agreements and negotiations change the incentives in multilateral negotiations:
- - exporters - less motivation in favour
- - exporters – possible motivation against
- - politicians focus on DS instead of import barriers
- Makes it harder for the Multilateral system to harness the political lobbying exporters to make a multilateral trade liberalizing deal possible

Market Access

- Uruguay Round – tariffication (only 4 exceptions);
- Uruguay Round cuts – 36% over 6 or 24% over 9 years (on all products with no exclusions – but it was an average with a minimum of 15% and 10%)
- Uruguay Round – TRQs
- Art 5 Special Safeguard Mechanism
  - 1/3 surcharge for 1 year if volume exceeds % over volume over past 3 years; or
  - Sliding % of amount by which import price is below Ref price
- Ad Valorem and Specific Tariffs
- Tariff reductions –
  - US proposal 2000
  - Cairns group proposal 2002
  - Could we move to a Tariff Only system?
  - Pre Cancun US – EC Blended formula
  - G20 reaction
  - Sensitive products, special products, SSG and SSM
  - July 2004 Framework – moves from Blended formula to tiered formula

Moving to a Tariff Only Regime

- Completing Tariffication by disinvoking Annex 5 – Korea, Chinese Taipei, The Philippines – Falconer text is silent on this. – **Still Silent**
- TRQs
- Temporary then permanent
- If out of TRQ rate is high, then effective constraint is the volume of the TRQ
- Sneaky QRs by import monopolies (but *Korea Beef*)
- Economic Loss to Home Country is even bigger if it doesn't auction the TRQ entitlement (shoot yourself in the foot and the leg as well!)

- 3 ways to Move to Tariff only system by:
  - Art XXVIII renegotiation to abolish TRQ in exchange for reducing ordinary tariff – Swiss
  - reduce out of TRQ tariff rates down to the In-TRQ rates; (US):
  - increase volume of TRQ until the volume limit exceeds the volume of import demand

Falconer text does not achieve a move to a tariff only system

Table 1 Rates of Reduction of Customs Duties

Developed Members	**NEW – Min Avg Cut 54%** **Inc Sensitives**	Developing Members	Lesser of	
AVE rate between	Rate of Tariff cut **5 equal cuts over 5 years**		A or **8 equal cuts over 8 years**	B (If avg exceeds max of **36** - 40%)
<20%	**48%-52%**	R< 30%	**2/3 x 48-52%**	A x **36**/Avg
20%<R<50%	**55% - 60%**	30%<R<80%	**2/3 x 55-60%**	A x **36**/Avg
50%<R<75%	**62% - 65%**	80%<R<130%	**2/3 x 62-65%**	A x **36**/Avg
R>75%	**66% - 73%**	R>130%	**2/3 x 66-73%**	A x **36**/Avg

Sensitive Products

- - choose a % of tariff lines **[4-6]**
- - apply a lower (between 1/3 and 2/3) rate of tariff reduction
- - but expand volume of TRQ from % of domestic consumption as at end of UR (usually 5%) to ?% of domestic consumption
- (for highly dispersed customs regimes – 30% of lines < 20%: can designate more special products) – **for those products volume expansion is higher by [0.5][1.0]**

Table 2 Sensitive Products and TRQ expansions

	Developed Member	D'ed Member with 30% of tariff lines < 20%	Developing Member	D'ing Member with > 30% of tariff lines below 30%
Maximum Number of tariff lines	**4-6%**	6-8%	**[4-6%] x 4/3**	[6-8%] x 4/3
Min deviation of 1/3 of application rate of reduction	**New volume of [3-5%] of consumption** **1st Day + 1%** **Each year +1%**	New Avg volume of [4.5-6.5] plus minimum [3-5% on each product	**New volume 2/3 of [3-5%] of consumption**	New volume 2/3 of [4.5-6.5%] plus minimum 2/3 of [3-5%] on each product
Max deviation of 2/3 of applicable rate of reduction	New volume of [4-6%] of consumption	New Avg volume of [4.5-6.5] plus minimum [3-5% on each product	New volume 2/3 of [4-6%] of consumption	New average volume [4.5-6.5%] plus minimum [4-6%] on each product

Tariff Quotas (TQs) **NEW**

- Require cut to In-Quota tariff rates –
- - rate – not agreed
- [possible exemption for Developing Members]

- TQ Administration
- - provide for reallocation of unused entitlements

Special Safeguard Provision

- Change trigger for Import triggered safeguard of up to 1/3 of existing bound rate
  - From increase above previous 3 years volume of imports :
    - 5% if imports are >30% of consumption
    - 10% if imports are between 10 and 30% of consumption
    - 25% if imports are < 10% of consumption
  - To an increase above previous 3 years consumption of
    - 25% in all cases
    - **<u>Which also changes the ratio of imports to consumption by 0.35 or more</u>**
    - **<u>AND Volume triggered SSG only permitted if imports >10% of consumption</u>**

Special Safeguard Provision – changes to Price Triggered SSG

Existing Trigger level	Existing Permissible SSG	Proposed permissible SSG
Import price is 10% below trigger price	zero	**Zero**
Price between 10% and 40% below trigger price	30% of amount by which the difference >10% of the trigger price	**15% of amount by which the difference > 10% of the trigger price**
Price between 40% and 60% below trigger price	As above plus 50% of amount by which difference > 40% of TP	**As above plus 25% of amount by which difference > 40% of TP**
Price between 60% and 75% below trigger price	As above plus 70% of amount by which difference > 60% of TP	**As above plus 35% of amount by which difference > 60% of TP**
Price > 75% below trigger price	As above plus 90% of amount by which difference >75% of TP	**As above plus 45% of amount by which difference >75% of TP**

Special Safeguard (SSG) continued

- Still not agreed:
- - possible date of expiry for Developed Members
- Para 120 says 4 years
- Para 119 says cut to only 1.5 % of tariff lines eligible
- **New Para 121 – For Dev’g Members SSG remains unchanged [no time limit mentioned]**

Special and Differential Treatment on Market Access

	Developed Member	Developing Member
Rate of Tariff Cut	50% to 70%	33% - 47%
Implementation Period	Unknown	Unknown [x 2/3?]
Except % of lines designated Sensitive	**4% - 6%**	**5.3% - 8%**
With 2/3 of ordinary cut plus	Expand TRQ volume by 3 – 5% consumption	Expand TRQ volume by 2 – 3.3% of traded consumption
With 1/3 of ordinary cut plus	Expand TRQ volume by 4 – 6%	Expand TRQ volume by 3.7% - 4% of traded consumption
Volume triggered SSG	25% inc Import on designated products	Old – 10% - 25% inc imports On designated products
Price triggered SSG	½ old SSG	Old SSG on designated products

Exception for Special Products

- Entitlement to designate Special Products based on indicators set out in G33 indicators list:
  - - self sufficiency indicators
  - - dependence on customs duties for revenue
  - - that imports are causing injury
  - - ,……………
- Able to designate more than 5.3 – 8% of tariff lines **para 123 8%] + [12][20]%**
- Treatment – perhaps 2/3 of the tariff cut with a minimum cut of 10% to 20% (but not close to agreement) **para 123 :**
- **1st 6%- cut by [8][15]%**
- **Next 6% - cut by [12][25]%**
- **[[A further][8% of][no] tariff lines shall be eligible for no cut.]**

Indicators for Special products

1 is a staple food
2 significant proportion is met through
 domestic production
3 Ratio of domestic consumption to world exports
4 proportion of production sourced form small farms
5 proportion of population employed
6 proportion of producers who are poor
7 proportion of household income deriving from this production
8 low proportion of processing happen in the DC
9 significant proportion of tariff revenue comes from the product *(why not all revenue?)*
10 proportion of household expenditure on this product
11 product is exported by a Member who pays AMS or blue box subsidy
12 productivity per worked is lower than rest of world *(comp adv?)*

Is Selection of Special Products a right or is it subject to conforming to the Guidelines?

- **New Para 123 – FN14 for 1st 8% of [what] – no need to conform to indicators**

Special Safeguard Mechanism (‘SSM’)

- Volume triggered SSM
  - Trigger at 110% of benchmark over previous 3 – 5 years
  - SSM at ?
  - For up to 12 months
- Price triggered SSM
  - Trigger at unspecified % below benchmark price over previous 12 – 18 months
  - SSM ? Some proportion of difference between benchmark price and import price
  - For up to 12 months

Special Safeguard Mechanism

1 – only for [3][8] lines in any year

2- SSM remian in force for Doha R implementation period [after?

Volume triggered SSM	Price Triggered SSM
If imports>[105][130] % of 3yr Avg SSM = higher of [50][20] of bound rate, or [40][20] %points. [up to [0.5] DR reduction	If Price < 70% of 3Yr Avg Import Price SSM = 50% of Trigger Price Up to Cap [0.5] DR Reduction
If >[110][135]%of 3 yr avg, SSM = higher of [75][25]% of bound rate or [50][25]% points [up to ?	
If >[130][155]% of 3yr Av, SSM= higher of [100][30]% of bound rate or [60][30]% points [up to ?	

Special and Differential Treatment on Market Access

	Developed Member	Developing Member
Rate of Tariff Cut	**50% to 70%**	**33% - 47%**
Implementation Period	Unknown	Unknown [x 2/3?]
Except % of lines designated Sensitive	**4% - 6%**	**5.3% - 8%**
With 2/3 of ordinary cut plus	Expand TRQ volume by 3 – 5% consumption	Expand TRQ volume by 2 – 3.3% of traded consumption
With 1/3 of ordinary cut plus	Expand TRQ volume by 4 – 6%	Expand TRQ volume by 3.7% - 4% of traded consumption
Except % of lines designated Special	Zero	**More than** [8] – [20]%
With	------	[8][15] & [12][25] cut
Volume Triggered Safeguard	SSG – if 125% of benchmark (Prev 3 years)	**Existing SSG + SSM – if 110%[130] of benchmark (prev 3-5 years)**
Price Triggered Safeguard	SSG – Half existing % of gap b/w price and benchmark	**SSM – 50% of gap b/w price and benchmark of 70% of 3 yr Avg imp price**

3 New Provisions

- **<u>Tropical Provisions:</u>** – higher tariff cuts
- Para 140 if tariff .25 – 85% cut or if tariff >10% cut by [66][73]% - Mandatory for Developed Members – not mandatory for Developing Members
- Cannot claim tropical products as Sensitive
- **<u>Tariff escalation:</u>** - higher cuts but not applicable to Sensitive Products
- If processed rate more that 5% above raw rate then increase rate cut to next band ot 1.3 times – Developing M only – not Mandatory for Developing Members
- **<u>Erosion of Preferences:</u>** Long standing preferences:
- If exports > [3][5]% of total exports to that importing country – extend Tariff cut period by [2][10] years
- Tariff escalation and tropical product provisions prevail except for list in Annex H

Export Subsidies

- *SCM Agreement* Article 3.1 "contingent on export performance"
- Exemption for agricultural export subsidies until 1 Jan 04 – *AoA* Article 13(c)
- *UR Negotiation over the basis for bindings: AMS or outlays and volumes, per unit, product specific*
- *AoA* bindings for groups of products – outlays and volumes
- Export credits – *US Cotton* case
- Volume Commitments – *EC – Sugar* case

Falconer Text provision on export competition

- eliminate export subsidies by 2013 for Developed Members & by **2016** for Developing Members
- With 50% frontloading for Developed Members & equal instalments for Developing Members
- Developing Members will give up the exemption for marketing and transport subsidies on export under art 9.5 within a further 5 years: **2021**
- On Volume Commitments – either equal reductions or simply apply a standstill at lower of existing applied levels or bound levels reduced by 20%

Export Subsidies: 3 complications

- Export Credits **Annex J**

- Entities with Monopoly or Exclusive Export Rights **Annex K**

- International Food Aid **Annex L**

Export Credits

- AoA Art 10.1 if circumvent Exp S bindings
- Can apply CVDs – if benefit to borrower (i.e. interest rate lower than market – SCM Art 14(b))
- Depending on interpretation of AoA Art 21 – prohibited under SCM Art 3.1
- Illustrative list – item (j), (k) – based on cost to government not benefit to borrower (and further exception if follow OECD Agt)
- Falconer text – new Annex D - focusses on whether there is a cost to gov't and on term of the credit – why not just apply SCM Agreement art 3.1? **Now applies 3.1 – Item (j) on but not (k)**

Domestic Support

- No prohibition but remedies available: CVDs and adverse effect claims (serious prejudice claims and non-violation nullification or impairment claims)
- AoA creates AMS
- The UR negotiation on AMS rules - the Oilseeds case & the May 1992 reform
- AoA exempts subsidies from adverse effect claims if conform to AMS

AMS

- AMS includes
  - Any price support
  - Any direct payment linked to production
- Single figure not product specific
- Excludes support to compensate for price falls below reference price
- Excludes *de minimis* comprising:
    - any product specific support up to 5% of value; and
    - any non-product support up to 5% of value of all production
- Art 6.5 excludes 1992 CAP payments (linked to price but only to a fixed amount of production) and 1990 Farm Bill payments (deficiency payments linked to price but only for 85% of hectares in base year)
- PMTS conforming to AMS were exempt (until 1 Jan 2004) from adverse effect claims provided the support did not exceed support to the specific commodity decided during the 1992 marketing year

What is the current position for using subsidies to deal with food security?

- Can buy imports or local production to hold as buffer stocks
- Can pay any non-agriculture specific subsidies (not actionable under SCM Agreement)
- Can pay any farmers income support payments (provided not linked to production or price beyond base year) (Green Box)

- For payments that are linked to limited amount of production (within art 6.5), can pay any amount to compensate for any price gap (Blue Box)

- For payments linked to production, can pay unlimited amounts which merely compensate for price falls below reference price (1986-88) (not in AMS)
- For other payments linked to production of specific product, can pay up to 5% of value of production of otherthat product (*de minimis*)
- For payments linked to production (but not to any particular product), can pay up to 5% of total production (*de minimis*)
- For payments that are linked to production, can pay any amount provided the total paid on all products does not exceed the AMS (not counting Green, Blue or *de minimis*)

- Immunities until 2004

- Immunities Now

What objectives for the Doha Round in relation to domestic support

- Overall objective of achieving a “fair and market oriented trading system through strengthened rules and commitments
- Including “substantial reductions in trade-distorting domestic support”

- 1. encourage a shift from less efficient to more efficient subsidies:
  - - limit immunities so that adverse effects rules can discipline agricultural subsidies
  - - where adverse effect rules are not enough, agree to substantial reductions
- 2. do so without impairing the overall move to a market oriented system i.e. don’t let negotiation on small welfare gains from reducing subsidies impair the negotiation to receive big welfare gains from reducing import barriers

Falconer Text does not suggest any Immunities from actions so my suggestions

Immunity	From NV or 6.3(a) claims	From other adverse effect (serious prejudice or injury claims)	CVD
(1) Non-agricultural specific subsidies (non-actionable under SCM Agreement)	Yes	Yes	Yes
(2) Agriculture specific but no linked to either production or price (Green)	Yes	Yes	Yes
(3a) Linked to limited production but not to price (Blue – art 6.5)	Yes	No	No
(3b) linked to limited production but linked to current price (Blue – Art 6.5)	Yes	No	No
(4) Linked to production up to a common cap per unit of value (AMS but *de minimis*)	Yes	No	No
(5) Subsidies linked to Production (other than (4)) (AMS)	Only up to negotiated product specific cap)	No (even if within product specific cap)	No (even if within product specific cap)

Amendments to AMS rules

- (Assuming all AMS not having immunity from serious prejudice claims)

- Make AMS cap product specific instead of global
- Adjust AMS so it includes any price support (remove the exclusion for support below fixed reference price) (AoA Annex 3, paras 8-12)
- Adjust AMS so that it does not double count tariff support (exclude intervention schemes not utilized because of tariffs) (AoA Annex 3 paras 8,10)
- Apply reductions to the product specific AMS caps that are the highest percentage of value of production
- ? Blue Box – cap these as well on a product specific basis
- ? No need to adjust *de minimis*

- *? Allow immunity from Non-V claims but only up to the product specific AMS cap (and product specific Blue Box cap)*

Adjust Safeguard Rules

- Art XXVIII – allow permanent renegotiation to increase a product specific AMS cap
  - ?Blue Box – allow increases of product specific Blue Box in exchange for reductions in product specific AMS cap
- Art XIX & *Agreement on Safeguards* – allow temporary subsidy above AMS (even if it would otherwise be a non-V N&I) or mix of subsidy plus tariff
- AoA SSG (if import volume increases or [large price falls]) – allow subsidy above the AMS
- AoA SSM (for Developing Members only) (if import volume increases or [moderate price falls] – allow subsidy above the AMS <u>or partial import tariff</u>
- <u>(Note flexibilty to renegotiate subsidy levels under Art XXVIII, XIX, SSG and SSM is not prohibited under AoA Art 3)</u>

Falconer Text on Domestic Support

- Tiered formula for reductions in OTDS
- Tiered formula for reductions in Total AMS
- Product Specific AMS caps
- Reductions in *De Minimis*
- Blue Box definition and Cap
- Amendment of Definition of Green Box
- Special reductions for AMS on cotton

Reductions in Product Specific AMS – NO – only Caps – Table 3

Product	**Product Specific Cap**
Products for Developed Members	The average AMS for the product during 1995-2000
Products for the USA	The average proportion of total AMS for that product during 1995-2004 as a proportion of total AMS during the period 1995-2000
Products for which a Developed Member has introduced AMS above *de minimis* since 2000	The average AMS for the product during the 'most recent two notified post base period years'
Products for which a Developed Member's AMS during 1995-2000 was below the de minimis level	The [current] [new] *de minimis* level
Products for Developing Members	Choice of: (a) Average applied levels during either 1995-2000 or 1995-2004; or (b) Two times the Member's product specific *de minimis* level; or (c) 20% of the Annual Bound Total AMS in any year.

Table 4 Rates of Reduction in Total AMS

The Member's Final Bound Total AMS in US$ billion	Reduction rate for Developed Country	Reduction rate for Developed Country with AMS>40% of production	Reduction rate for Developing Country (over a longer implementation period)	Reduction rate for SLI-RAMS or NFIDCs
>40	[70%] **25% then** **5 equal annual**			Zero
15<FBTAMS<40	[60%]	[60%] + [70-60]%		Zero
FBT AMS < 15	[45%] **6 steps over 5 years**	[45%] + 0.5 [60]-[45]%	2/3 x [45%] **9 steps over 8 years**	Zero

Table 5 Rates of Reduction of *De Minimis* Support

Member	Rate of reduction of *de minimis* support	By equal instalments over
Developed Members	Higher of [50][60]% and rate of cuts to OTDS	Implementation period **<u>[1st day][5 steps]</u>**
Developing Members	Higher of 2/3 of [50][60] % and rate of cuts to OTDS	**<u>As above + 3 years</u>**
Recently Acceded Members	**<u>1/3 of [50][60]%</u>**	**<u>As for Dev'd Members + 5 Years</u>**

- No reduction for REALIM, D'ing M with no AMS commitments, D'ing M with AMS commitments but that allocate almost all that support for subsistence and resource poor farmers, Listed NFIDMs

Blue Box under Article 6.5

- Adjust 6.5 so that exclusion would be lost if the production or asset limit does not continue to be based on the base year
- The exclusion can apply if no production is required at all
- Limit 6.5 exemption to **amount bound in Schedule -** total payments not exceeding 2.5% or 5% (Dg M)
- Limit 6.5 exemption to product specific ceilings which can be increased if product specific AMS caps are reduced by a corresponding amount

AMS and Blue Box for cotton

- Higher rate of reduction of AMS where additional percentage points:

- (100 – Rg)*100 / 3 * Rg

- Over shorter implementation period

Green Box amendments include:

- Para 2(h) rural employment programmes (presumably not specific to employment in agricultural sector?)
- Para 3 on whether losses made on selling stocks from public food security stocks count in the AMS
- Para 6(a) for income payments not linked to production or prices after the base year - that a programme would lose green box status if the base year is changed

Overall Trade-Distorting Support (OTDS) - Table 6

The Member's Base Overall Trade Distorting Support in US$ billion	Reduction rate for Developed Member **<u>33% then 5 annual steps</u>**	Reduction rate for Developed Member with OTDS>40% of production	Reduction rate for Developing member with AMS commitments **<u>(20% then 8 annual steps)</u>**	Reduction rate for Developing Member without any AMS commitments	Reduction rate for SLI-RAMs or NFIDCs
>60	[75][80]%			Zero	Zero
10<OTDS<60	[66][73]%	[66][73] + 0.5(difference between [75][80] – [66][73]%)		Zero	Zero
OTDS<10	[50][60]%		2/3 x [50][60]%	Zero	Zero

Outcome

- EU, G10 will retain high tariffs on several product areas (mostly sugar, dairy, meat, some tropical products) – with TRQs of about 5% of consumption
- US high tariffs in less areas – sugar, dairy, peanuts
- Canada in some areas too
- Many Developing Members will retain high tariffs across several product areas
- Agricultural tariffs will remain higher than industrials
- High subsidizing countries will continue to pay high subsidies focussed on particular products

- Does it fulfill the promise of a Development Round?
- Does it achieve the major economic welfare gains?
- Does it help the system to help the powerful countries to become and stay open?
- Does it help the less powerful countries to overcome political forces for protection?

What was needed?

- to get EU, G10, US to cut protection, what was needed?
- General harmonizing tariff cut with no product exclusions
- Focus SDT on length of implementation period
- Allow special safeguard – only subsidies for Developed Members, partial tariff surcharges for Developing Members
- Apply SCM to export subsidies
- Adjust AMS to cover all support, set product specific caps
- apply reductions only to highest per unit product specific AMS
- Apply SCM rules to all subsidies
- Only give immunity for non-violation N&I for AMS up to product specific AMS caps

But Instead if:

- Developing Members:
- Insist on reductions on AMS in global terms
- Offer no way to resort to more AMS as safeguard
- Insist on exclusion from tariff reduction for sensitive products and special products and a variable levy like Developing Member only safeguard

- The Developed Members would be likely to:
- Press for exclusions for sensitive products
- Press for retention of relatively liberal SSG
- Press for AMS reductions not to be product specific.

- Conclusion: need to give room on some subsidies so as to retain integrity of the system’s rules on import barriers

The Choice

- Everyone comes to negotiations to strengthen the principles of reciprocity, ranking of instruments, low dispersion, non-discrimination

- Outcome – world in which price signals flow around the world and everyone is constantly adjusting to changes occurring all over the world

- Everyone comes to negotiations to negotiate an exception for themselves and leaves it to others to protect the system.

- Outcome – no multilateral system; parts of the world insulate themselves from changes occurring in other parts until sudden and painful changes are necessary; small countries need to negotiate one on one with big countries