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All the members of the “pathways” group, contributed to the work. All subscribe to the objective to re-invigorate and re-energise discussion on agricultural trade at and beyond the WTO. The proposals and suggestions made are broadly supported by each contributor, but this does not mean that there is full consensus on every aspect and detail of the proposal.

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1 Scope and ambition

This paper has been prepared by an informal network of individuals including former senior officials in governments and international organisations, academics, trade negotiators and analysts from think tanks and institutes, all of whom have been, and continue to be, actively engaged in reflections on agricultural policy and agricultural trade. Each participant has contributed under his or her own responsibility and authority and no support has been sought or received from any government or institution. The full list of the members of this pathways group with a brief description of former and current affiliations is included in Appendix 3.

The creation of the WTO in 1994 marked a new departure in multilateral trade relations, for several reasons, among them the successful inclusion of a specific agreement on agriculture, putting an end to the de facto exclusion of the sector from multilateral disciplines which had persisted since the founding of the GATT in 1948. By accepting the Uruguay Round Agreement on Agriculture, Members of the fledgling WTO acknowledged the disarray which had been created by unbridled subsidies and trade restrictions in the sector and set about rectifying this situation. Moreover, in agreeing Article 20 on the continuation of the reform process, Members also implicitly acknowledged that the Agreement on Agriculture (henceforth AoA) was merely a beginning. Explicitly it was agreed that negotiations for continuing the reform process would begin one year before completion of implementation, that is in the year 2000. These negotiations were then made an element of the new round of multilateral trade negotiations launched in 2001 and known as the Doha Development Agenda (DDA).

It is not the intention here to provide an exhaustive account of what has since transpired. Suffice it to say that it has so far not been possible to deliver the next tranche of a comprehensive reform process in agriculture. This is notwithstanding some notable achievements such as the Trade Facilitation Agreement negotiated in 2013, and the highly significant decision made at the 10th Ministerial Conference in Nairobi in December 2015 to completely eliminate export subsidies in agriculture. That same Ministerial Conference acknowledged that WTO members have different views on how to address the negotiations, some reaffirming full commitment to conclude the DDA while others believe new approaches are necessary. However, all members made it clear that they were strongly committed to advance negotiations on the remaining Doha issues including all three pillars in agriculture. (WTO 2015)

Despite this commitment, agriculture has continued to be a difficult and sensitive topic, and while the failure to reach agreement on agricultural matters cannot be held entirely responsible for the uncertain situation concerning the DDA, nor for the serious systemic
problems currently facing the WTO, there is no doubt that the intractability of the agricultural negotiations has contributed to the paralysis. Arguably, agriculture also serves to illustrate the broader, more systemic difficulties experienced by the WTO, in trying to deliver a significant multilateral agreement while preserving founding principles such as consensus and non-discrimination, as WTO membership expanded and geopolitical as well as economic balances in the world were undergoing radical change.

It is against this background that our informal network of experts has been brought together with a view to exploring pathways for progress to be made in agriculture. This paper attempts to bring together in a single proposal a host of ideas, some new and some less so, developed by contributors to the network and by others. At the centre of the paper are suggestions specifically addressing conceptual and technical aspects of the agricultural negotiations, ranging from “fixes” to the original agreement, to more radical, conceptually different approaches. Alongside the explicit ambition to offer something that could assist governments and the WTO to see a way out of the deadlock in agriculture, is a broader ambition. That broader ambition seeks to position this effort in a world where geo-political factors have shifted dramatically, where challenges such as resource depletion and climate change have intensified, and where the multilateral system itself is under existential threat.

2 A dramatically shifting geopolitical context

2.1 The world has changed

New actors have emerged

The late 20th and early 21st centuries have been marked by some dramatic shifts in economic weight as reflected in GDP and trade statistics. According to the IMF, emerging and developing economies now account for more than 58% of global GDP measured in purchasing power parity terms. By this measure the United States ranks second worldwide at almost sixteen percent, after China with nineteen and the European Union ranks third at almost fifteen (IMF 2021, DataMapper). According to the latest WTO trade data, developing economies now account for 43% of global merchandise trade, and 21% of world merchandise trade occurs among developing countries. China ranks first in the world in terms of merchandise exports with a world share of almost 13%. Economic integration has not been limited to merchandise trade, developing countries providing 25% of world services exports and accounting for 34% of imports (WTO 2019a,b, UNCTAD 2020).

These trends are mirrored in global developments of agricultural and food production, consumption and trade. The past three decades have seen East Asia (i.e. mainly China) increase its share of global agricultural production from 25% in 1993-95 to 33% in 2013/15,
that of South and Central America from 9% to 11%, while Europe’s share has fallen from 26% to 14% and that of North America from 13% to 10% (OECD 2019). Moreover, projected growth in production will continue to be stronger in regions outside the traditional agricultural powerhouses of the US and Europe (OECD/FAO 2019). Patterns in agricultural trade have also evolved significantly, with agricultural trade tripling between 2000 and 2014, while the share of developing countries has risen sharply, from 26 to 39% of imports since the mid-nineties, and from 31 to 40% of exports over the same period (Glauber 2019).

Significant policy shifts have also been occurring. OECD’s annual monitoring and evaluation exercise provides an up-to-date estimate of the levels of support and protection of the sector in its own members and in a group of emerging economies, which together account for close to three-quarters of global value added in agriculture (OECD 2019b). The composition and amounts of different kinds of domestic support as defined at the WTO have also changed significantly (Brink and Orden 2020). The data reveal persistent, vast disparities among countries in the level of their interventions in the sector, ranging according to the OECD’s PSE measure, expressing government support as a share of gross farm receipts, from negative support to a maximum around 60%. Trends also diverge significantly, with the OECD group of countries mostly following a declining or stable trend, with average PSE levels currently (that is the period 2017-19) at 17.6%, while a group of emerging and developing countries who began the 21st century with very low levels (of positive support) now provides support on average in the region of 13%. Another group of countries, among them India and Argentina, deploy trade and other policy measures that implicitly or explicitly tax their agricultural sectors.

Clearly, as weight has shifted towards the emerging and developing countries in terms of production, consumption, trade and farm support, they have become important actors in the policy sphere, deploying the full range of domestic and trade interventions, and exerting considerable influence on the functioning of international markets for agricultural and food products. Agriculture in many of the countries in this group is dominated by large numbers of smallholders with relatively low productivity, as illustrated by the disparity between agriculture’s share of employment and GDP. Many of these smallholders are poor, many are net buyers of foodstuffs from the markets, and have limited or no capacity to absorb shocks. Protection leading to higher prices damages net buyers, while low prices harm small farmers and may push them out of business. Governments attempt to reconcile these divergent impacts. This and other features of emerging and developing country agriculture complicate the political economy of agricultural policy making and significantly impact their capacity to engage in multilateral negotiations if these are seen as limiting their policy choices in the domestic arena. On the other hand, all countries have an interest in participating in negotiations to reduce distortions and the resulting damage to their interests caused by the behaviour of third countries. Our proposals have been attentive to these challenges and try to
encourage policy adaptations that facilitate important social priorities in minimally distorting ways.

**Increased focus on sustainability and other societal concerns**

The Marrakesh Agreement creating the WTO clearly acknowledged that natural resources, environment and sustainability are essential elements to be taken into account in the pursuit of growth and development through improved trade (WTO 1995). Several decades later, these issues have taken on even greater prominence and urgency. The scientific evidence concerning humankind’s contribution to climate change is incontrovertible as are the conclusions that the world is not on track to prevent it from becoming a serious threat to the livelihoods and lives of a significant share of humanity. Agriculture and food production are projected to be one of the sectors most severely affected (IPCC 2018). Concerns are also growing about biodiversity loss and the threat it poses, inter alia, to the resilience of the food system. Agriculture is contributing to the problem, but it is also potentially an important part of the solution. Similarly, there are concerns worldwide about depletion of natural resources such as soil and water, where agriculture is strongly implicated. Agricultural water risk hot spots have been identified where a continuing failure to address over-exploitation could have implications for global food security (OECD 2017). Governments around the world need, as a matter of urgency, to move away from policies that encourage intensification of production of specific crops and the use of methods and inputs that are contributing to climate change and are harmful to sustainability. A renewed effort to address agricultural market distortions could provide an important impetus here, as well as nudging governments to redeploy scarce fiscal resources to more effective, targeted measures.

While significant improvements have been made in food security as measured by the percentage of the world’s population experiencing hunger, actual numbers of undernourished have increased recently, giving rise to worries that the Sustainable Development Goal to eliminate hunger by 2030 may not be reached. In recent years nutrition dimensions of food security have come into stronger focus as micro-nutrient deficiencies, and rates of overweight and obesity have increased to alarming proportions. Trade has an important role to play in this respect both as a vector for growth and poverty alleviation, and as one element in a comprehensive approach to food security encompassing production, imports, exports and stockholding. Consideration also needs to be given as to how the multilateral trading system can better support, not just greater access to needed volumes of foodstuffs, but also better nutritional outcomes.

**Risk of increased volatility**

Volatility, broadly defined as large and unanticipated fluctuations in agricultural and food prices, has long been a concern for many governments. Behind issues of price volatility often lie concerns about price levels, specifically the impact of high prices on the food
security of vulnerable households and countries, and the impact of low prices on vulnerable producers. Agricultural markets are more subject to volatility than other markets due to the dependence of the sector on weather, climate and other natural phenomena, to the low price elasticity of demand and to the lagged nature of supply responses. Developing countries, in particular, worry about the transmission of price volatility from international markets and the impact on their poorer consumers and producers, although volatility stemming from domestic market failures or supply disruptions is likely to be more problematical (G20, 2011).

Following the international price peaks experienced in 2007-8 and again in 2011, many analysts concluded that the world was entering a period of increased volatility. While prices have been relatively stable since, and may have returned to the previous pattern of slow decline in real terms, greater volatility cannot be ruled out in the future (OECD/FAO 2019). Climate change will force changes in production patterns which themselves may be disruptive, while the predicted increase in the incidence of extreme weather events may significantly impact production. Specific countries or regions may face supply shortfalls. In an increasingly globalised world, transmission of contagious animal diseases could also cause price volatility, locally, regionally or even globally.

An open, robust and predictable global trading system for agricultural and food products will be key to mitigating the impacts of increased volatility, alongside appropriate risk management instruments for producers and safety net programmes for vulnerable consumers. On the contrary, countries wishing to maintain high barriers to trade or to rely solely on their own production will be at risk of even greater volatility. The larger the number of countries participating in international trade, governed by agreed and predictable behaviours, the greater the likelihood that an episode of volatility can be contained, and that supplies can continue to flow to regions experiencing a supply shortfall. A renewed effort to achieve a more transparent, robust and well-functioning multilateral trading system for food and agriculture will be needed to ensure that vulnerable producers and consumers are able to cope with the expected disruptions.

Lessons from the Covid pandemic (This topic is discussed in more detail in Appendix 1)

The coronavirus outbreak of early 2020 spread rapidly and quickly acquired pandemic proportions. Some disruptions to food production and distribution logistics initially gave cause for concern, but the system proved to be resilient, adjusting relatively quickly to the evolving sanitary situation and the associated changes in consumption behaviour. Governments stepped in to support the supply side and also quickly deployed help to vulnerable consumers. Some governments implemented trade liberalising measures, other took trade restrictive steps, but many of the latter were quickly removed. Overall the global food system continued to function well. Global agricultural commodity and food prices have increased since mid 2020 due to a combination of weather and market factors, and while
overall, market fundamentals remain comfortable, the situation requires careful monitoring. Panic buying and ill-advised trade restrictions implemented by governments have not been on the scale seen during the food price crisis when they actually caused or exacerbated the problems in some sectors. Nevertheless many of the most vulnerable households have experienced an increase in food insecurity although the channel through which this has occurred has mainly been the loss of employment and income, rather than disruptions to the food system itself. Overall, the resilience shown by the sector demonstrates the importance of transparency, (e.g. through the Agricultural Market Information System, AMIS), and of keeping markets open, the effectiveness of reforms that have already occurred and the importance of consolidating and continuing the process (FAO/AMIS 2021, FAO 2020, OECD 2020a).

2.2 Trade policy must respond

Trade will have to become more important in future

The world’s population is predicted to continue to grow, reaching according to various estimates between 9.5 and 10 billion people by 2050, up from the current 7.3 billion. Analysts concur that with continuing growth and related improvements in incomes, demand for food will grow more than commensurately, particularly demand for animal protein. The most often quoted projection is for an increase in food demand of 50% (from a 2012 base) by 2050 (FAO 2017). The literature also concurs in saying that much of that increased demand will have to be met through trade. This is because population growth will outstrip production capacity in some regions, because of societal demand for a more nutritious, varied and less seasonal diet, and because of the changes that resource depletion and climate change will provoke in the patterns of production around the world (Gurria and Graziano da Silva 2018; Diaz-Bonilla and Hepburn 2016). To ensure food security worldwide, it will be crucial therefore that the international community delivers a more open trading system in which both importing and exporting countries can place their trust.

The importance of trade has been explicitly acknowledged in the formulation of the Sustainable Development Goals adopted by the United Nations in September 2015 which include as Goal 2 “End hunger, achieve food security and improved nutrition and promote sustainable agriculture”. In support of Goal 2, Target 2.B states the need to “correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round”, while Target 2.C calls on governments to “adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility”. These
globally agreed declarations testify to the clarity and unanimity of UN members concerning the role of trade and of well-functioning international markets in the achievement of food security and sustainable agriculture and food systems. The vital importance of trade for the world's agricultural and food economy, and for global food security, was again emphasized by Ministers of Agriculture from 71 nations meeting in January 2020 at the 12th Berlin Agriculture Ministers' Conference on the occasion of the Global Forum for Food and Agriculture (GFFA).

Finally, most recently, the coronavirus pandemic has brought sharply into focus the importance of transparent and well-functioning global markets for agriculture and food products. In this context, the global community, armed with the lessons learned from the 2007/08 food price crisis, predominantly acted to keep markets open while providing direct assistance to affected producers and consumers, so that major disruptions were largely avoided (see Appendix 1).

**Potential benefits from further reforms are significant**

Research continues to find that there are significant economic benefits from deepening market integration in terms of growth and development. Benefits accrue first and foremost in the countries undertaking reforms and tend to be commensurate with the starting levels of distorting interventions. Benefits accrue inter alia because of the opportunities provided to access new technologies and innovations. Benefits are greater when market integration is both broad and deep, covering the entire economy and the largest possible number of countries. Gains arise in large part from increased participation in global (but also domestic) value chains, because as import barriers come down economies can access cheaper, high quality inputs (Greenville et al, 2019, OECD 2016). The growing integration among developing countries means that much of the benefits that potentially accrue to them arise from reform efforts in other developing countries. There are therefore compelling reasons to continue to seek progress in market opening, and to prefer multilateral solutions to bilateral or preferential agreements.

3 Essential characteristics and scope of a new or revised agreement

**An accurate picture of the policy landscape**

The AoA was based on clear economic concepts relating to the harmfulness of policy interventions in terms of production and trade distortions. It also benefitted from a body of empirical evidence that enabled the negotiating process to be reasonably well informed. With respect to the domestic support pillar, measurements of domestic support deemed to be distorting of production and trade became the benchmark from which reductions were
required. Market price support was captured by a *price gap* methodology which compared applied administered prices to external reference prices. The latter were fixed as the average of the 1986-88 period and have remained unchanged since. As a result, the data on which the AoA and the commitments accepted under it were based are now totally outdated. Moreover, many countries have fallen behind in their notifications, and some of them are now seriously out of date.

An honest and open dialogue towards progress would be facilitated by a clear reiteration that the fundamental objective is to reduce obstacles to and distortions of trade in a multilateral setting. In other words, it should be clear that there is no intent to seek to provide countries with greater scope for border protection or distorting domestic measures than is currently permitted.

Another prerequisite for open and honest dialogue is an up-to-date and accurate picture of the policies currently pursued by WTO members and their possible impacts on other members. Data gathering and analysis undertaken by the OECD in the 1980s provided valuable background to the Uruguay Round negotiations. Similar information, but for a much larger group of countries, is available from work currently undertaken regularly by OECD, FAO (MAFAP\(^2\)) and in the Consortium for Measuring the Policy Environment for Agriculture hosted by IFPRI to which the IDB and the World Bank also contribute (FAO/MAFAP, IFPRI 2020, OECD 2020b). While not all WTO members are covered, all the systemically important countries are, as well as a large number of others.

Moving the basis of the discussions from the parameters laid out in the AoA to a contemporary picture of the world presents some risk. It is essential that technical or negotiated solutions be found to ensure that what has already been achieved in the course of the Uruguay Round AoA is not undermined. In reality, many countries are well below their permitted levels of certain types of domestic support, or apply tariffs well below bound levels. For these countries new disciplines could largely involve “eliminating water”. Many countries have also already made additional concessions in regional or preferential agreements and have made the political and economic case for them to their populations. For both of these reasons it should be possible to find a way forward in the multilateral arena of the WTO.

*The appropriate scope of multilateral trade negotiations in agriculture*

Trade in general, (and agricultural and food trade specifically) is not an end in itself, neither is it the panacea for all the problems facing countries at different levels of development, nor is it the cause of all ills. What therefore is the appropriate scope of multilateral deliberations on agricultural trade (and by extension of this paper)? The intent is to encroach to the minimum extent possible on domestic prerogatives while also

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\(^2\) Monitoring and Analysing Food and Agriculture Policies
acknowledging that there are many important, broad, linked issues where the multilateral dimension is important and where the international community needs to forge agreements that are consistent and mutually supportive or reinforcing.

First and foremost the intent is to support the World Trade Organization in the fulfillment of its fundamental objective as described in the preamble to the Marrakesh Agreement as “raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development” including by “entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international trade relations” (WTO 1995).

Generating sustainable growth and development is of course a key priority for governments globally. But it is not their only preoccupation. Trade is a vehicle whereby growth can be generated and societal problems can be solved, but it may also inadvertently aggravate some problems. The societal issues which may be impacted by trade include food security and nutrition, poverty alleviation, employment, biosecurity risks, climate change mitigation, and environmental and natural resource pressures. These issues also potentially have important cross border and multilateral dimensions. Any proposals concerning agricultural and food trade therefore need to also take these broader issues into account. In this context, the following may be helpful in structuring reflections and delimiting the appropriate scope of a multilateral trade agreement on agriculture under the auspices of the WTO.

First, some measures, generally considered as unambiguously production and trade distorting, also generate negative externalities or public “bads”, some with a global dimension. Reforming such measures would constitute “win-wins” and should be prioritized as such. Disciplining policies that simultaneously distort trade and aggravate environmental and resource problems or contribute to climate change therefore come clearly under the remit of multilateral agricultural trade negotiations and should be given high priority.

Second, as was already the intention in the AoA, international agreements can be designed to nudge governments towards beneficial interventions, for example to overcome under-provision of certain public goods, and away from interventions that are harmful to growth and development. Trade-offs can be made explicit and the specific characteristics of effective policy measures that are minimally or non-production and trade distorting can be defined. In this light a thorough review of the scope of the different elements (in particular the domestic support categories) of the AoA and of the specific provisions governing them is fully warranted. The purpose is to ensure that general and specific provisions are
accommodating enough to enable a wide range of non-trade objectives to be met while minimizing production and trade distorting effects.

Research shows that there is a very strong concordance between policy effectiveness in many areas and diminishing levels of trade distortion. This is particularly the case in relation to climate, environmental services and risk management. International agreements can be designed to encourage governments to find the optimal trade-offs, prohibiting or otherwise disciplining measures which both distort trade and exacerbate environmental or climate problems, while defining the broad contours of exemptible policies that are less or non-distorting but also more effective and efficient in relation to other objectives.

Is there a role for trade policy itself in governments’ efforts to meet specific objectives such as addressing climate change which has a clear global dimension, or in preserving or improving the nutrition status of populations? Analysts point to enormous technical and measurement difficulties in designing such measures, and in forging international agreement concerning them, particularly where the agriculture sector is involved. The risks of disguised protectionism, arbitrariness or double taxation are substantial. Border tax adjustments or equivalent instruments would need to comply with the WTO’s founding principle of non-discrimination. The Paris Agreement on climate change enshrines a bottom up approach allowing countries freedom to decide how they will achieve their targets, which seems difficult to reconcile with border measures designed to prevent emissions leakage from specific sectors or products. In addition, there are important unresolved issues around which international agreement should take precedence if contradictions arise. Similarly, even if part of a broad policy effort including nutrition education and social safety nets, designing trade measures to specifically support better nutrition outcomes is challenging.

The issues raised above go way beyond the agriculture sector and way beyond the remit of the WTO. Considerable political will is needed across a broad spectrum of countries and multilateral institutions, including the WTO, to find innovative and consensual solutions. For these reasons and notwithstanding the huge importance of the underlying issues, this paper stops short of considering the use of trade policy instruments in pursuit of global or domestic objectives that are not currently within the remit of the WTO or in the frame of the AoA. The primary intention is to support multilateral efforts to contribute to sustainable growth and development through trade, specifically through agriculture and food trade. A fundamental underlying hypothesis is that there is a very large overlap between disciplines which can contribute to that, while also being beneficial in pursuit of other objectives. This is particularly significant in relation to environment, resources and climate, all of which suffer from the kinds of policy interventions that lead to more intensive use of natural resources and of fossil fuel-based inputs in agriculture. Therefore, particular attention is paid to a) aiming for the strongest discipline on interventions that are simultaneously harmful to trade and to
other societal objectives, b) identifying policies where there are beneficial overlaps between trade and other outcomes and c) nudging governments towards those more effective and equitable interventions by continuing to define a comprehensive list of exemptible measures in the form of revisions to Annex 2 (Green Box) of the AoA.

**Rebalancing and addressing grievances**

At the time of completion of the AoA tensions in agricultural trade were an issue mainly for the OECD countries, although many developing countries suffered from the price depressing effects of policies in OECD countries and from the increased market volatility they were causing. The solutions adopted, in many respects, reflected that situation. The starting point was empirically established levels of domestic support, import barriers and export subsidies. The effect was to impose discipline and reduction commitments, but at the same time, to legalise (or legitimise) the residual, sometimes very high levels of support and protection.

The failure to continue the reform process in any comprehensive way in the intervening years has led to the emergence of a keen sense of grievance on the part of some developing countries, who, rightly or wrongly, feel that their policy choices are unfairly constrained by the terms of the AoA, while the original protagonists are perceived as having wide latitude in their policy choices, including in relation to decoupled income supports and other direct payments which can be excluded from discipline under the terms of Annex 2 of the AoA. Issues around cotton subsidies, public stockholding for food security purposes, and the adequacy or not of *de minimis* provisions have also attracted much attention in this respect. Any proposal which fails to address these issues will fall short of expectations.

It follows that any new agreement will need to move towards more equal treatment in terms of policy flexibility across the whole spectrum of levels of development. This implies efforts by WTO members commensurate with their starting levels of support and protection and an agreed long-term objective to move towards convergence. In parallel, WTO members need reassurance that they will be able to implement policies appropriate to their actual level of development, associated developmental and social needs, and capacities. Specific solutions will be needed for some of the most contentious and sensitive issues. The updating exercise which is proposed to establish the current situation of countries will be an important step in the process, shedding light on the extent to which the AoA provisions may or may not have effectively constrained countries in their policy choices to date.

**Simplification and clarification**

The AoA was innovative in many respects, but it was also onerous in terms of the technical and data capacity required to complete the schedules and fulfil the ongoing notification requirements. To the extent possible it is desirable to simplify the disciplines
which in turn would reduce the notification burden. At the same time a significant technical effort is required to clarify terms used, close loopholes and ensure consistency across the different pillars.

While the period for preparing and submitting schedules under the AoA was relatively short, a strong case can be made for proceeding slowly once agreement has been reached on the broad terms and modalities of a new agreement. Countries will need time to build technical capacity and gather and verify the data which will subsequently be used to determine compliance with commitments made. The capacity of international organisations such as the OECD, the FAO and IFPRI could be harnessed to assist in the work of clarifying, simplifying and ensuring consistency. Different modalities could be envisaged including the creation of a consultative, technical group under the auspices of the WTO’s Committee on Agriculture. A deliberative function could be created within the Committee on Agriculture itself to discuss and clarify technical and interpretation issues as they arise. In the context of wider WTO reforms a more proactive role could also be envisaged for the WTO Secretariat in the verification of notifications or in the provision of updated data where countries themselves fail to respect their notification commitments.

**Interconnectedness among the pillars**

Behind the innovations contained in the AoA (three pillars, empirical measures of interventions as the starting point) was the idea that protection at the border, distorting domestic support and direct or indirect export subsidies constitute an interlinked system. Disciplines needed to be coherent and mutually reinforcing. The ability of governments to intervene in domestic markets, for example, to raise prices to farmers, depends crucially on their ability to simultaneously control imports and, in many cases, to dispose of surplus production through export competition measures. It was therefore well understood that each element would need to be tightened. This remains the case today, although the Nairobi agreement to eliminate export subsidies has to a very large degree closed off one of the “valves” that governments previously had recourse to in the event that domestic production stimuli provided behind high tariff walls overshot the needs of the domestic market.

Nevertheless, any revised or new agreement will still need to take these interconnections into account. This means, among others, that continuing attention will have to be paid to more indirect forms of distorting export competition such as state trading, sales from government stocks destined for export, and any other measures that could constitute export subsidisation. Similarly, in any simplification of domestic support disciplines the strength of the remaining market access barriers will be a crucial determinant of the potential to ease and simplify domestic support disciplines. This cannot be an exact science but will be reflected qualitatively in the proposals to follow,
4 Proposed pathways

The following sections are organized largely along the same lines as the ongoing discussions at the WTO, covering seven themes. These reflect the original three pillars of the AOA, additional topics or sub-topics which have come to prominence in the intervening years as experience accumulated in implementation of the AoA, and new topics which emerged in light of market and policy developments. Under several of the themes, options are presented, rather than one, single proposal. These options involve increasing levels of ambition and commensurately require increasing willingness on the part of governments to contribute to the process. Even the least demanding of the options presented requires all countries, without exception, to move away from long held positions, to be open both to conceptual changes and technical fixes, and to be prepared to engage in a holistic process that will, by definition, require trade-offs and compromises across the full range of issues on the table.

Considerable thought has been given as to how to incorporate in the proposals the essential characteristics of any potential new deal, as outlined in the previous section. The starting point is a current picture of the world. The proposals if implemented would constitute progress in terms of removing obstacles to trade, they allow sufficient scope for governments to pursue a wide range of economic, social, environmental and climate objectives, they address grievances and imbalances arising from the AoA, they require contributions from governments commensurate with their actual situation in development, market and policy terms, and they are mutually consistent and reinforcing across the three pillars. A simultaneous implementation of the most ambitious options would lead to a significant narrowing of the difference in treatment between agriculture and other goods sectors at the WTO, opening up the possibility that in the long term, trade in agriculture need no longer be disciplined by a specific, complex agreement and instead could be subject to general market access provisions and the general provisions of a revised SCM Agreement.

In the proposals presented here, only the broad framework for an agreement is specified, specific modalities - that is the scale and speed of implementation of required concessions – being a matter for negotiation among countries.

4.1 Market access

The proposals presented here cover tariff simplification, tariff reductions, the AoA’s special safeguard (SSG), a new special safeguard measure (SSM) and tariff rate quotas (TRQs). Exemptions and carve-outs are kept to a minimum in order to ensure that any agreement actually results in improved market access. The options presented vary from technical amendments to existing disciplines to approaches that are conceptually different.
4.1.1 Option 1

**Tariff simplification**

WTO members agree not to create additional compound or other complex tariffs, nor to transform existing tariffs into more complex forms.

**Tariff reduction**

Tariffs are reduced over an agreed period of years in a tiered fashion, with required reductions higher and reduction periods longer the higher the tier of the base tariff. Base tariffs from which reductions are to be made are currently bound tariffs.

**Special Agricultural Safeguard (SSG)**

The number of tariff lines eligible for the SSG is reduced to zero over a six year period.

**Special Safeguard Mechanism (SSM)**

Developing countries may invoke a price-based SSM. The SSM can be invoked if the cif price declines to less than an agreed per cent of its recent average. The additional duty must not exceed an agreed per cent of the price drop. The additional duty cannot be charged for more than an agreed, limited number of months.

**Tariff rate quotas**

Tariff quota volumes remain unchanged. TRQ fill rates are to be notified, along with above-quota imports of the same product.

4.1.2 Option 2

**Tariff simplification**

In addition to the ban on creation of new non-ad-valorem tariffs, all bound and applied non-ad valorem tariffs are converted to ad valorem tariffs, based on AVEs calculated for the most recent available data base (either WTO data or any other agreed data base).

**Tariff reduction**

The Swiss Formula is used for calculating final bound tariffs for all tariff lines, starting from base tariffs. Higher bound tariffs are thus reduced by more than lower tariffs. Tariffs are

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3 By whatever definition is applied across the WTO

4 Under the Swiss Formula, used in the Tokyo Round for reducing non-agricultural tariffs, the final tariff TF (in per cent) is calculated from the base tariff TB (in per cent) and an agreed parameter A as follows: 

\[ TF = \frac{A \times TB}{A + TB} \]

Under this formula, tariffs with TB=A are reduced by one half, while tariffs above (below) A are reduced by more (less) than one half.
reduced to that final level over a period of \( x \) years. For tariffs that have to be reduced by more than one half, the reduction period can be longer.

**Special agricultural safeguard (SSG)**
The number of tariff lines eligible for the SSG is reduced to zero over a three year period.

**Special Safeguard Mechanism (SSM)**
As in Option 1, but with the additional provision that the additional duty must not raise the total duty charged to more than the pre-agreement bound tariff.

**Tariff rate quotas**
As in Option 1

4.1.3 **Option 3**
As in Option 2 with the addition of the following provisions covering the Special Safeguard Mechanism:

For a transition period of five years, countries may invoke a price-based SSM for a product whose final bound tariff level is below \( y \) percent. The SSM can be invoked if the cif price declines to less than an agreed per cent of its recent average. The additional duty must not exceed an agreed per cent of the price drop or an agreed per cent of the difference between the base tariff and the final bound tariff, whatever is lowest. The additional duty cannot be charged for more than an agreed, limited number of months.

4.1.4 **Countries at different levels of development**
LDCs may implement these market access disciplines on a best endeavours basis. Other developing countries may be accorded longer time periods to implement the disciplines resulting under the various provisions and formulae. The proposed SSM is available only to developing countries. (The determination of the basis on which countries are defined as developing is a systemic issue going beyond any agriculture agreement and therefore beyond the scope of this paper).

4.2 **Domestic support**

This section deals with domestic support as covered by Article 6 of the AoA. Proposals covering Annex 2 (Green Box) measures are covered in the next section. Three options are proposed in respect of Article 6, (“domestic support measures in favour of agricultural producers”), which includes AMS support, blue box support and Article 6.2 support) and are presented in a graduated sequence. The first option is based on the framework adopted in the
Agreement on Agriculture (AoA) concluded in the Uruguay Round, the two subsequent options are derived from that first option but propose an increasingly simplified approach. Where possible generic provisions and conditions are proposed rather than attempting to define specific parameters and design features of policies.

Under all of these three options the possibility to exempt measures considered non or only minimally production and trade distorting under Annex 2 (Green Box) is retained.

4.2.1 Option 1

This option retains major elements of the conceptual framework developed for the AoA, updates all parameters, clarifies technical and legal issues that have arisen to date and closes loopholes. It proposes that new limits be designed from a revised base.

Reduction commitments

A prerequisite for Option 1 (and all others) is for all domestic support notifications (as specified in the Committee on Agriculture’s document G/AG/2 of 1995) to be submitted for all years including the notification year (calendar, marketing, crop year etc.) that ended in the calendar year preceding the agreement. Moreover, all notifications are also to be verified in the Committee on Agriculture.

The second step is to replicate the notifications for the notification years ending in three recent years to be agreed (e.g. 2018 to 2020), using parameters reflecting fully the new rules defined below. This means, among others, that members operating market price support programmes involving an applied administered price will use updated external reference prices.

The three-year average of each year’s data as required under the new rules then forms the basis for the new commitments (as did the "offers" in the verification part of the process of establishing Schedules in the UR). This means that future commitments on domestic support start from a 'clean sheet', much like was the case in the UR.

The AoA Total AMS (support subject to discipline and reduction commitments) is redefined so as not to exempt previous Blue Box payments (Article 6.5 in AoA) and the input subsidies component of the Development Box (Article 6.2 of the AoA). The aggregate of this redefined Total AMS and all de minimis AMSs would be denoted “Domestic Support” (DS) and expressed as a % of the member’s value of total agricultural production, yielding the "%DS".

5 These notification requirements follow from a decision of the Committee on Agriculture, in contrast to the legal obligation to notify seen in some of the other WTO agreements.
Values of total agricultural production used in these calculations are to be included in notifications. Development Box (i.e., Article 6.2) support other than input subsidies would continue to be exempted for developing countries.

Instead of the Bound Total AMS under the AoA, new disciplines would be agreed requiring tiered reductions in the %DS, progressing over an agreed number of years, such that a significant degree of convergence is achieved across the WTO membership. Tiered refers to identifying groups of members whose initial %DS are within a particular range, or tier, and applying the same relative reduction for all members in a given tier, with high-range tiers requiring larger reduction than lower tiers. Alternatively a Swiss formula approach, as used for tariff reductions in the Tokyo Round, could be agreed (see the proposal on Market Access).

A benchmark level of %DS would be agreed (akin to the present de minimis allowance). Members already below this level would agree not to exceed it. As a confidence building measure, developed countries in this group (i.e. with a %DS below the benchmark on average in three recent years to be agreed) would be asked to observe a standstill, that is not to take measures to increase their applied %DS, or not to increase it by more than a defined margin.

The exact level of the benchmark can only be determined when the full up-to-date information on countries’ current levels is available, The value it would take should be ambitious and incentivise some further reform, particularly for members providing the highest levels of trade distorting support.

%DS would include both product-specific and non-product specific support. To avoid unbalanced profiles of support for individual products, an anti-concentration provision would be added, based on measurement of product-specific %DS. The provision could take the form of product-specific limits expressed as a share of value of production of that product, steeper cuts for more highly supported products, or limits on the share of the permitted %DS that could be granted to any one product. In order to make this provision effective, agreement needs to be reached on how ‘products’ (or product groups) are precisely defined.

Under this option, external reference prices would be agreed to be either a) a moving average, or b) a moving Olympic average, of the most recent five years. To make sure that price data are actually available, a one-year lag could be introduced. This means that in any year t, for which the %DS commitment has to be honoured, the external reference prices on which calculation of the current (i.e., applied) %DS is based are calculated from actual prices prevailing in years t-2 to t-6. In other words, the external reference prices to be considered in setting policies for year t are already known when policy decisions are made. The external reference prices used in calculating the %DS, along with data sources used, are to be included in notifications.
**Technical and legal clarifications**

Loopholes, from an economic perspective, which emerged in implementation of the AoA need to be closed. A new agreement would clarify that market price support (MPS) calculations are to be undertaken for all products that are subject to an administered or procurement price underpinned by government purchases. Where a government enforces price controls by requiring private agents to buy at government-determined prices, the respective controlled prices are used as administered prices. For products with administered or procurement prices, measured price gaps are to be applied to the total production and not procured or pre-announced quantities only. Non-exempt direct payments based on a price gap between an administered price and a reference price are accounted for using budgetary outlays.

An additional important clarification is that if the administered price is set below the comparable international reference price, MPS is not calculated, i.e. it is set to zero.

Any other technical aspects which have created loopholes or errors from an economic or practical perspective in the application of the AoA would need to be clarified in defining the new rules.

It is proposed to strengthen the role of the WTO Committee on Agriculture in reviewing members’ progress in the implementation of commitments by laying down more formal procedures for discussing and clarifying issues of interpretation along the model of specific trade concerns in the SPS and TBT Committees.

### 4.2.2 Option 2

This variant is derived from Option 1 by proposing a much simplified and stylized approach to capturing price support, no longer needing international reference prices. Price support and budgetary outlays would be captured in two different indicators which are not comparable and therefore not additive, though each indicator would be comparable across members.

A new indicator of price support is proposed to capture the support associated with administered prices underpinned by government purchases. It consists of multiplying the amount actually purchased by governments (or agencies acting on their behalf, or by private agents buying at government-determined prices) by the relevant administered or procurement price (rather than by the difference between the administered price and a reference price), summing across all commodities covered by such schemes. This new variant of measuring price support could be called "Procurement Expenditure" or PE. The indicator would be kept current, with both administered prices and value of production updated as and when the data are available.
While this indicator is, strictly speaking, less economically meaningful than those proposed under Option 1, this approach is motivated by an effort to avoid, in most cases, the difficulties of defining appropriate reference prices, and by the argument advanced by governments, with a certain justification, that they cannot enter into legally binding commitments under which compliance depends on a parameter (fluctuating world market prices) they cannot control.

Limits would then apply to the percentage share of PE in the total value of agricultural production covered by such measures, "%PE". A new de minimis percentage for %PE would be defined. Progressive, tiered cuts would be required by members above this de minimis percentage. Developed countries with a base period %PE below the benchmark would be asked to observe a standstill, that is not to take measures to increase their applied %PE, or not to increase it by more than a defined margin.

As in Option 1 no accounting would be necessary if the administered price is below the pertinent international reference price although governments using this provision would be required to provide the data supporting its use.

Alongside this new indicator of price support, a separate indicator of trade distorting budgetary outlays would be established, including all non-price support covered above in Option 1: the AoA AMS support (net of market price support) including Blue Box payments and the input subsidies component of Article 6.2. The total of these budgetary outlays could be dubbed "Support through Budgets" (SB). Expressed as a % of value of total agricultural production it yields the "%SB". New disciplines are agreed with progressive tiered reductions in the %SB, such that a significant degree of convergence is achieved across the WTO membership. Members below a de minimis or benchmark level (to be defined) would not be required to make any reductions. Development Box (i.e., Article 6.2) support other than input subsidies would continue to be exempted for developing countries. Developed countries with a base period %SB below the benchmark would be asked to observe a standstill, that is not to take measures to increase their applied %SB, or not to increase it by more than a defined margin.

As under Option 1, anti-concentration provisions would be added. Under Option 2 they would apply separately to the product-specific %PE and the product-specific %SB

**4.2.3 Option 3**

This option is a further step towards simplification and is proposed only if significant progress has been made in the market access and export competition pillars. It would entail giving up on AoA-type disciplines regarding administered prices and thus not requiring the measurement of MPS. Limits would apply only to budgetary outlays. Stringent rules regarding the types of measures considered as generating harmful trade effects would
underpin this option. Discussions are ongoing at the WTO about how to better capture and discipline the full range of direct and indirect subsidies currently affecting markets for steel, aluminium, semi-conductors and other products (OECD 2019c, 2019d). In this context, a revised ASCM also involving quantification of subsidies and a system of permitted “green light” measures would allow for significant convergence between subsidy rules applying generally and those applying only to agriculture.

Under this option, a new indicator of budgetary expenditure would be calculated, consisting of two components. Its first component is the SB as suggested under Option 2. Its second component is budgetary outlays involved in government procurement (or subsidized private intervention buying) to underpin administered prices (this latter type of budgetary outlays is not included in the AMS under the AoA). This second component would, for example, include budgetary outlays which arise if the price at which the government (or an agent) buys the produce from agricultural producers is above the price at which the government (or an agent) sells that produce. This more comprehensive indicator of budgetary outlays could be denoted "Support Expenditure" (SE). Expressed as % of the value of total agricultural production it yields the "%SE".

Budgetary outlays arising from domestic food aid (to be defined as under the current Annex 2 (Green Box), paragraph 4) would not however be included. That is, where food is sold to clearly defined sections of the population in need, below the prevailing domestic market price, the outlay resulting from the gap between the prevailing domestic market price and the price charged to those sections of the population would not be included in the %SE.

The %SE would be subject to progressive and tiered reductions over an agreed period until an agreed benchmark level is reached.

The rationale behind this option is that administered prices cannot, in the absence of budgetary outlays, provide longer-term effective support to domestic production in a situation where export subsidies are eliminated and border protection is constrained through appropriately low tariff bindings. Thus, Option 3 is relevant only in a situation where significant progress has been made on market access and with full compliance with the provisions prohibiting export subsidies and disciplining other export competition measures. Countries with low market access barriers (to be defined) and fully in compliance with all export competition provisions could be allowed to opt for this approach immediately.

6 Cases in which produce is sold below the price at which it was procured and where such produce is then exported have to be covered by disciplines regarding export subsidization.
4.3 Annex 2 (Green Box)

Regarding Annex 2, two options are proposed with different levels of ambition. A first option envisages some adjustments to the current provisions while keeping the basic framework. A second more radical proposal involves a conceptually and practically different approach.

In formulating these options the idea is retained that the Green Box seeks to be a list of policy measures under which support is not subject to limit (in other words any policies not meeting the criteria defined in the Green Box are subject to the limits on domestic support set elsewhere in the agreement, as it is proposed that the Blue Box disappears). The sole exception to this concerns a constraint on decoupled income support under Option 2. In addition, conditions or provisions which cannot reasonably be measured or verified in a multilateral setting are avoided. As for article 6 domestic support, generic provisions and conditions are proposed rather than attempting to define specific parameters and design features of policies.

4.3.1 Option 1

This option retains the original framework but seeks to alter and clarify specific provisions.

Paragraph 1
The overarching conditions for claiming exemption from reduction commitments would be expanded to include

"shall not have properties that incentivise the production of any individual agricultural product or group of products."

Paragraph 2 (f), General Services – marketing and promotion services.
It is proposed to narrow the range of this provision to cover market information only or to delete it in its totality.

Incorporate the Bali decision on “land reforms and rural livelihood security”

Paragraphs 3 (Public stockholding for food security purposes) and 4 (Domestic food aid)
It is proposed to clarify that the sales from food security stocks referred to in paragraph 3 relate to sales other than those to targeted recipients of domestic food aid – urban and rural poor in developing countries as in the footnote. This could be done by merging the text and

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7 Paragraphs are those of Annex 2 (Green Box) of the AoA
footnote 6. [Like other elements of the Green Box, budgetary outlays for domestic food aid are exempted from constraints on domestic support.]

It would also be specified that, as in Options 1 and 2 on domestic support, there is no requirement to measure market price support if applied administered prices are below international reference prices as defined under rules for measuring market price support.

**Paragraph 6, Decoupled income support**

The following text amendments are proposed

*sub-para (d)* to read: "The amount of such payments in any given year shall not be related to, or based on, the quantity or use of the factors of production employed in any year after the base period."

*sub-para (e)* to read: "Eligibility for such payments shall not be determined by a requirement to produce any agricultural product nor by a requirement not to produce any given agricultural product."

The remaining paragraphs of Annex 2 would also benefit from a number of specific amendments. An illustrative example of what could be done is provided in Appendix 2.

### 4.3.2 Option 2

Under this option distinctions would be drawn among different types of measures, essentially between direct payments on the one hand and social, developmental and public good programmes on the other, with different levels of specificity concerning programme design features, and differentiated notification and scrutiny provisions. Additional provisions and quantitative constraints are added to decoupled direct payments to underscore their desired transitional characteristic, based on the results of multiple empirical studies showing that large direct payments, even if 'decoupled' in the sense of paragraph 6, are not entirely production-neutral.

**Part A** of the Green Box under this option would cover all direct payments currently exemptible under paragraphs 5 and 7 to 13 (with the exception of paragraph 12), and as amended above under Option 1.

**Part B** of the Green Box would include a wide range of social, environmental, climate and developmental measures as described in paragraphs 2 to 4 and paragraph 12, as amended in Option 1. Notification of expenditures would be waived for these measures (for all members) and replaced by a periodic reporting and review in a process within the CoAg to be defined. Alternatively, Green Box notification requirements for the proposed Part B could be waived for LDCs.
Part C would cover decoupled income support as currently governed by paragraph 6 of the Green Box. This Part C could be considered as a separate, intermediate category between the strictly limited domestic support (DS) and the Green Box. It would be governed by the following rules.

Paragraph 6, Decoupled Income Support

Pre-existing programmes meeting the general and specific criteria applicable to this category will continue to be exemptible, provided they are capped at their percentage of the total value of production in the most recent period and scheduled to be reduced. The rate of reduction from the base period could be the same as that decided for the %DS of the country in question, but the time period for implementation longer. Alternatively it could be decided to continue the annual reductions of exempted decoupled income support until it reaches zero.

New schemes under this heading are exempted on condition that they meet the general and specific criteria applicable and are designed as compensatory payments in the context of reforms resulting in an elimination or reduction of other programmes previously classified as non-green box support. The level of these new compensatory payments must not exceed the reduction in other forms of support resulting from the policy reform.

The percentage share of such new compensatory payments in total value of production introduced in year t may be denoted %NDIS(t) (new decoupled income support). The actual level of %DS to be notified in year t is denoted %DS(t). The maximum level of new compensatory payments that can be exempted is then defined by %NDIS(t) = %DS(t-1) - %DS(t).\(^8\)

As required for pre-existing schemes, compensatory payments under new schemes are required to be reduced. The rate of reduction from the level at which the new payments are introduced and the time period for implementation would be the same as those applying to pre-existing programmes.

In addition to Table DS:2 notifications (“new or modified”) as presently required under G/AG/2, more complete details of direct payment programmes falling into categories A and C, both characteristics of programme implementation and expenditures, are to be notified annually through the usual notification processes by all members claiming exemption for payments under such programmes.

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\(^8\) This formula relates to Option 1 as specified in the section on domestic support. Under Option 2, %DS would be replaced by the sum of %PE and %SB, while under Option 3 it would be replaced by %SE.
4.4 Public stockholding and domestic food aid

Proposals made above on Domestic Support and the Green Box have implications for public stockholding for food security purposes and provide several elements of a long-term solution to this issue.

In particular, the use of recent reference prices for the calculation of AMS (instead of the fixed external reference price, average 1986-88, or later periods used by countries acceding to the WTO) and the explicit provision that no price gap is calculated when the domestic administered price is lower than the pertinent external reference price virtually eliminates the probability that public stockholding programmes for food security give rise to market price support which would be included as AMS. A country operating a programme with procurement prices above international reference prices would nevertheless be obliged to calculate the related AMS (as implied in option 1 for domestic support above) and to ensure that the new domestic support provisions are respected.

In addition, a clarification is proposed whereby domestic food aid in the form of cash transfers to needy households or programmes providing vouchers or coupons to the same group of needy households are not considered as relevant to the measurement of support to agricultural producers and need not be notified, under the condition that they do not impose any specific obligations on recipient households to purchase domestically produced food or any other restrictions other than for health purposes (such as no alcohol, soda etc). It would also be made clear that the constraint under paragraph 3 of the green Box whereby sales from food security stocks cannot not be made at less than current domestic market prices does not apply to domestic food aid in the sense of paragraph 4.

Moreover it is proposed to specify that public stockholding only for food security purposes is included under these provisions, which excludes public stocks used to “buffer” prices in the domestic market. Additionally, a total ban on sales from food security stocks at below market prices to any actor other than those administering domestic food aid should be made explicit.

The provisions governing public stockholding and domestic food aid are available to all WTO members whether they already operate such schemes or not.

4.5 Export competition

The Nairobi Ministerial decisions eliminated export subsidies and exhorted members not to take measures that would circumvent that decision. They also contained new disciplines in relation to export financing, food aid and exporting agricultural state trading enterprises.
Consequently, more progress has been made in the export competition pillar than in either of the other two pillars of the original AoA.

To strengthen and consolidate achievements on export competition a first step would be for all countries that have not yet done so to submit updated schedules of commitments to the WTO, reflecting the implementation of the Nairobi Ministerial decision. A second step would be for all members deploying any export competition measures to agree to comply in a timely and comprehensive manner with the reporting requirements already in place in principle since Bali, but largely not respected in practice. Improved monitoring in the CoAg on the basis of thorough and up-to-date information would enable members to judge the effectiveness of the current disciplines and to consider whether further tightening would be beneficial.

Another useful step would be to agree additional commitments on the monetisation of food aid and on export credits and export credit guarantees.

New disciplines proposed elsewhere in this document, notably on domestic support and on public stockholding, highlight the need to ensure that market operations carried out by governments in the name of food security do not lead to indirect export subsidisation. It is proposed that reporting requirements on government agencies involved in the management of public stocks be sufficiently detailed and explicit to allow the detection of sales at below market prices for subsequent export, and that specific provision be made for discussion of these issues during meetings of the CoAg.

Enhanced monitoring of the activities of state trading enterprises would also be important in this respect. In addition, agricultural state trading enterprises should be subject to whatever enhanced disciplines and transparency provisions that might be agreed for such entities in general at the level of the WTO.

It should be remembered that all export competition provisions are potentially subject to challenge under the Agreement on Subsidies and Countervailing Measures.

4.6 Export restrictions

Existing WTO rules forbid quantitative export restrictions except where a critical food shortage threatens. Export taxes are generally permitted and are not bound. During the 2007-2009 period, export restrictions caused or exacerbated problems in global food markets (G20, 2011).

It is therefore proposed that, in a first step, WTO members agree immediately to exempt purchases for humanitarian purposes by recognised international agencies such as the WFP from any export restrictions whether in the form of export taxes or quantitative restrictions.
It is also proposed that Members agree to bind export taxes (e.g. at the highest level imposed in the most recent five year period) and to embark on a process akin to tariffication by calculating the ad valorem equivalent (AVE) of quantitative restrictions and to begin a process of gradual reduction, leading over an agreed number of years to an elimination of all export taxes. Tiered reductions as for trade distorting domestic support could be used, or alternatively a Swiss formula, as is proposed for import tariffs under option 2 in the section on market access. A safeguard measure could be devised that makes more explicit the terms under which exceptions or exemptions from the agreed reduction of export taxes would be allowed.

Members agree to notify other members likely to be affected by the imposition of an export restriction in as timely a manner as possible, on a best endeavours basis. The rationale for this approach is that governments may be reluctant to provide prior notification in relation to foodstuffs because of the risk of provoking the shortages they are hoping to avoid.

4.7 Cotton

There is a longstanding ministerial commitment to address “ambitiously, expeditiously and specifically” the issue of trade distorting domestic support for cotton. Reflecting the importance granted to this issue, progress has already been made, including in the form of strengthened monitoring processes piloted by the WTO Secretariat, the granting of duty free and quota free market access by developed countries (and developing countries on a best endeavours basis) to least developed countries, and the Nairobi agreement for the immediate elimination of export subsidies, compared to the more gradual elimination for other products. These measures together with domestic reforms in some key countries have already contributed to improving the international market environment for cotton.

General proposals made in the context of the current project under the headings of domestic support, green box and market access would contribute to a further significant improvement of the situation regarding cotton. To deepen and accelerate this process, it is proposed that under a new agreement on agriculture, all limited domestic support which is specific to cotton, should be reduced at the rate applicable to the highest tier, irrespective of the observed level of cotton specific support (%DSCotton) at the outset. Agreed reductions on cotton could be applied immediately or at an accelerated pace relative to the generally agreed reductions.

In addition, it is proposed that remaining import tariffs (applying to other than LDCs) also be subject to larger reductions than tariffs on other agricultural products and that these reductions be applied immediately or at an accelerated pace. If a new agreement on market access foresees tiered reductions of tariffs, then import tariffs for cotton and cotton products are reduced by the highest level of reduction. If the new market access agreement is based on
the Swiss formula, a smaller value of the parameter A in that formula than applied to other agricultural products is used to calculate final bound tariffs on cotton and cotton products (such as half the value of A used for other agricultural products). In addition, it is proposed that all tariff rate quotas be abolished and the within-quota tariffs are applied.

4.8 Overarching issues

4.8.1 Special and differential treatment

Earlier sections have drawn attention to the extent to which economic and trade weights and patterns have been altered fundamentally by the sustained growth achieved during the past 3 to 4 decades, and the contribution that deeper economic integration, facilitated to a large degree by the WTO itself, has made to that process. As a result, interdependencies among countries are deeper and wider than before, and policy actions taken in one country may spill over to a large number of other countries. While linkages between the most advanced and the emerging economies have deepened, so also have those between and among emerging and developing countries, with so-called south-south trade increasing dramatically in importance. These developments are mirrored in the agriculture and food sector.

The effort required from countries in the context of multilateral trade negotiations needs to reflect their economic heft and the attendant responsibilities. In the specific context of agriculture and food, this translates into a guiding principle which has permeated this document, namely that participation in the effort to reduce obstacles to trade in agriculture should be commensurate with a country’s role in global agricultural markets and with the extent to which it engages in market and trade distorting polices with the potential to disrupt markets and impose costs on other WTO members.

No attempt is made here to propose a classification of members as an alternative to the current system of self-nomination. Thus, when reference is made to specific provisions for developing countries in the preceding texts, the intention is neither to reflect the status quo, nor to propose any specific alternative. This is a difficult and sensitive issue which can only be resolved at the level of the WTO more generally and not in the specific context of the sectoral discussion on agriculture. Nevertheless, and pending agreement among the WTO membership, a new agriculture agreement could incorporate helpful advances. Systemically important countries in the global agriculture and food system which currently enjoy developing country status could voluntarily opt not to claim SDT, recognising in this way that they are important players whose actions can drive world market developments. Along the lines of the respective decisions at the Hong Kong and Bali Ministerials of the WTO, LDCs should be offered duty-free and quota-free access to all other members’ markets, while being invited to contribute to market opening and domestic support reforms in their own countries.
on a best endeavours basis. LDCs could also be offered technical assistance to design programmes that are Green Box compatible and to avoid programmes that are not. In addition, longer time periods could be allowed for members required to implement the most onerous levels of disciplines, irrespective of their development status now or resulting from a new agreement on that issue.

4.8.2 Links to broad WTO reform issues

Recent years have brought recognition that the functioning and effectiveness of the WTO needs to be improved, and members are actively engaged in driving the process. Issues have been raised concerning all three major functions of the organisation: negotiating new trade agreements, monitoring existing agreements, and the dispute settlement processes. The Doha Round, launched in 2001, has not been completed, and countries disagree on its current status (while remaining committed to addressing the outstanding issues). The WTO has therefore not been able to reach closure on a number of traditional issues, among them agriculture. Neither has it been able to advance on important “modern” issues such as e-commerce, or investment facilitation. Criticisms have been levelled also that the organisation is not able to deal with non-market-oriented policies and practices, that definitions of subsidies incorporated in current agreements are inadequate, that self-designation of developing country status is inappropriate, and that the activities of state-owned enterprises cannot be adequately disciplined. Civil society and some governments call for regime coherence to ensure that sustainable development goals and climate change are properly taken into account.

Myriad solutions have been put forward. Specific proposals aim to speed up the dispute settlement system and to define more carefully the appropriate scope of its activities. There are ongoing discussions about strengthening the deliberative and monitoring functions of WTO Committees and bodies, as a way to avoid litigation. There are calls for an evidence-based method of identifying the level of development of member countries, in place of the current self-determined method. The need for much improved transparency, including through full compliance with notification requirements is acknowledged. Faced with the immense difficulty (or even impossibility) of achieving consensus among the WTO’s 164 members, some are exploring the possibility of forging plurilateral agreements.

Clearly these issues are closely intertwined with the agriculture negotiations, but they also go much beyond them. Undoubtedly, the difficulties besetting the agriculture negotiations have contributed to the general paralysis. It is also clear that the implications of resolving the issues mentioned here go way beyond the agriculture and food sector. In the preceding text therefore, to the extent possible, we have refrained from encroaching on these broader issues. Nevertheless, the pathways group understands that the proposals made here
are unlikely to achieve any traction other than in a situation where there is a political willingness among the member countries to advance on the systemic issues currently besetting the WTO, as well as a political willingness to advance on agriculture. It will also be important for agreement to be reached quickly on a functioning Dispute Settlement body after a long hiatus. Members would be more inclined to embrace reform commitments in food and agriculture and other areas if they have confidence that enforcement provisions are effective.

4.8.3 Confidence building measures

Implementation of the market access provisions of the AoA was completed in six years for developed countries and ten years for developing countries. Nevertheless, further market opening and tariff reductions have continued, partly as a result of unilateral initiatives, partly in the context of bilateral or other preferential agreements. As a result, applied tariffs across a wide range of agricultural products and a large number of countries are lower than at the time of completion of implementation of the AoA (although domestic support has almost always been omitted from preferential agreements). Preferential agreements more broadly may show the way to resolution of some of the issues that are slowing down the multilateral process. Countries participating in deep preferential arrangements have already experienced the adjustments required as well as the benefits of deeper integration. An indication of their willingness to implement similar concessions multilaterally (on a voluntary and possibly time-limited basis) would also help towards rebuilding trust and confidence in the multilateral system.

5 The evidence base is key

The Uruguay Round AoA was, to a significant degree, made possible by the existence of a body of policy data which enabled the main protagonists to have a clear understanding of where they stood relative to their trading partners. The data currently being generated by the monitoring processes built into the agreement no longer, for reasons explained above, provide that snapshot of current patterns of trade distorting domestic support. It will be difficult to make progress without a comparable, accurate and up-to-date quantification of current policy settings. Several international organisations which are active in gathering data and generating relevant indicators have recently come together with a view to harmonising definitions and methods9. This work could inform early-stage discussions, and give countries a more accurate and economically meaningful view of where they are situated relative to their

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9 These are the OECD, the FAO (the Mafap project) and IFPRI which hosts the International Organisations Consortium for Measuring the Policy Environment for Agriculture (http://www.ag-incentives.org/) of which IDB and the World Bank are also members.
negotiating partners. The data and analysis needed to do this are already in the public domain (IFPRI 2020, FAO-MAFAP, OECD 2020b)

6 The overall package

The ideas and options presented here constitute a “whole”. They have been designed to point the way to achieving significant improvement in the functioning of global markets for agriculture and food products, while allowing ample scope for win-win policy solutions supportive of social, developmental, environmental, and climate goals as well. The overall package is balanced, allowing grievances to be addressed, but also aiming to persuade countries to concede on long held positions on some issues in order to gain significantly from the overall package. A holistic approach going forward on all the issues under negotiation is therefore to be preferred over piecemeal efforts.

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Appendix 1 : Lessons from the coronavirus pandemic

The spread of COVID 19 from early 2020, into a pandemic, has severely tested the robustness and resilience of food systems generally and of global value chains and international trade specifically. Impacts on the system were multiple and varied, all creating
significant risks, including the risk of hoarding and inappropriate policy measures, but, overall, the food system has shown strong adaptability and resilience.

As countries across the globe moved to confine their populations in the attempt to contain the spread of the virus, there were immediate impacts on logistics and transport. Most heavily affected was air freight, generally used for high value, perishable and seasonal products. Air freight of food products is closely linked to passenger traffic, which essentially collapsed and which has, so far, recovered to only a small fraction of its previous volume. Road transport was also affected to some degree, although less so for agricultural and food products than for other types of merchandise. Movement of bulk commodities, which generally occurs by ship, was the least affected, although there were some disruptions.

On the production side, the most immediate effects have been felt in terms of shortages of seasonal, often migrant labour, which is important in many sectors but notably in fruit and vegetables. Issues also arose in abattoirs and meat processing plants, also often staffed by migrant workers and where the conditions are particularly favourable to the propagation of the virus. Significant falls in production of meat have been reported in some countries, although they seem to have been shortlived. Fears of shortages of inputs such as fertilizers, agricultural chemicals and seeds seem to have abated and again, disruptions have been relatively short in duration when they occurred.

The coronavirus pandemic has led to very significant shifts in consumption patterns around the world. Confinement orders led to some initial hoarding and panic buying on the part of consumers, heavily favouring staples, and frozen or other long-life foodstuffs. Driven by cautious behaviour or by closure orders, the volume of food consumed away from home fell significantly, leaving large amounts of fresh produce – meat, fish, fruits and vegetables – which could not immediately be redirected to retail outlets. However, commentators generally agree that the system adjusted rather rapidly to the new circumstances, notwithstanding disruptions leading to losses and waste in some areas.

Coronavirus is having dramatic impacts on employment and incomes, particularly among populations already suffering from poverty and precarity. This is the channel whereby the most dramatic effects have been seen, although rising prices which began to emerge later are adding to the problem. Across the world, charities and food banks report large increases in the number of people needing food assistance. The ranks of the unemployed have swelled alarmingly. The degree of suffering has varied according to the willingness and capacity of governments to deploy emergency assistance whether in kind or in the form of augmented cash transfers or unemployment benefits. The World Food Program estimated that 270 million people would experience severe food stress as a result of the pandemic by the end of 2020, an 82% increase compared to the pre-pandemic situation. While not restricted to emerging and developing countries, these developments have hit this group of countries particularly hard, in
part because of the high degree of informality in the labour markets. Also, as outlined by IFPRI, countries where the food system is transitional in nature have experienced particular difficulties because of the large number of relatively small actors in the chain, whose activities have been restricted. These transitional food systems have fared less well than subsistence models where production and consumption are largely local, and less well than large integrated modern systems which have been able to continue operations without being overly disrupted. Overall, impacts on access to food related to loss of employment and income are likely much more severe in developing countries. The WFP has warned that “The COVID-19 pandemic and related containment measures are expected to continue exacerbating economic crises and acute food insecurity, particularly in fragile economies. … . Even if COVID-19 can be contained in some parts of the world, slow vaccine roll-out in countries with poor health services could prolong restrictions, dimming the prospects for swift economic recovery.” (WFP 2021).

**Trade and trade policy responses**

Because governments moved quickly to classify agricultural and food production, processing and distribution as essential activities, agricultural and food trade seems to have fared better than many other sectors, exports actually increasing through the early months of 2020, before declining in May. (Later data are not yet available). As communicated regularly to governments and to the general public by AMIS, production and stocks of the major food staples it covers are at or near all-time highs and market fundamentals are considered comfortable. But international prices of most agricultural commodities have risen sharply and food inflation is observed in some countries. These developments will require careful monitoring. AMIS underlines the importance of an effective and well-functioning trade environment in order to safeguard market stability and prevent excessive levels of price volatility (AMIS Market Monitor, May 2021). Therefore, as long as continuity in trade, trade policy, transport and logistics is assured, there is no fundamental, underlying issue in relation to basic food availability. This international effort, launched by the G20 in 2011 to provide real-time information and transparency about the state of world markets for key staple food commodities in the wake of the 2007-08 food price crisis, has proved its worth.

Governments did nevertheless undertake a certain number of policy initiatives, some trade restrictive, and some trade enabling. A number of domestic measures were also taken aimed at ensuring that the food system could continue to function or providing assistance to those impacted by virus related restrictive measures or by the associated economic downturn.

New SPS measures were initially restrictive as governments sought to ensure that food trade was not a vector for transmission of the virus. Subsequently measures to facilitate trade such as permitting electronic certification became more common. Other trade enabling
measures included tariff reductions, postponements of payment of VAT or import duties, and increases in tariff rate quotas.

Similarly to 2007/08 a number of governments put export restrictive measures in place with a view to ensuring supplies to their own populations and avoiding price hikes domestically. Measures included export bans, quotas or licensing arrangements and affected mainly but not exclusively food staples or related products. While about 20 countries had implemented such measures some have already expired or been eased after some time. Among the WTO membership, a relatively small number of countries notified the measures as required by the Agreement on Agriculture. Overall however, there have been fewer measures and their impacts have been less damaging than during the 2007-08 crisis when the proliferation of measures considerably exacerbated the evolving crisis.

In addition to activating safety nets, many governments have taken measures directly impacting the agriculture or food sectors. Some stepped up food purchasing and distribution schemes with the dual intent of supporting farmers and poor consumers. Others stepped in to help farmers by easing credit etc.

The coronavirus pandemic is ongoing with a strong resurgence of the disease in many parts of the world. Nevertheless, where newly developed vaccines are being deployed there is some hope of containing the situation and of a return to normality in the not too distant future. Global value chains and international trade have demonstrated considerable resilience as governments moved to ensure that the sector receive priority support as an essential activity. Governments have also, for the most part, not hampered the operation of international trade, and in some cases have taken liberalising measures. These outcomes bear witness to the key role played by transparency (e.g. in the form of AMIS) and to the importance of multilateral institutions and legal frameworks within which governments have largely operated, and which have enabled continuity in the smooth operation of international trade in food. As the pandemic persists and provided that governments continue to exercise restraint, trade will continue to be an important element in ensuring food security across the world, including the food security of the most vulnerable groups. In the context of this paper, recent events are a reminder of the importance of a well functioning, transparent and predictable world trading system in agriculture and food products and underline the urgency of further consolidating and building on reforms already undertaken. (FAO/AMIS 2021, FAO 2020, OECD 2020a).
Appendix 2: Illustrative Example of Further Amendments to Green Box Provisions

Proposed amendments to paragraphs 1 to 6 of Annex 2 are detailed above in Section 4.3 of this paper. In what follows, an illustrative example is provided of amendments that could be made to the remaining paragraphs of Annex 2.

Paragraph 7, Government financial participation in income insurance and income safety-net programmes.

Amend such that government contributions can be exempted from reduction commitments only up to the level where they cover an agreed percentage (e.g. 50%) of total expenditure on such schemes.

Require that programmes must be triggered by a defined level of loss compared to a moving average of total farm income and must not compensate for the entire loss. If it is considered necessary to define the specific triggers, lower the income loss threshold to 25%, and raise the maximum share of income loss which can be compensated for to 75%. [A lower trigger and a larger share of income loss are proposed to nudge governments to make use of such programmes rather than of other forms of support.]

Clarify the wording in (c) to ensure that it is understood that the income insured is the producer’s total farm income, defined as the farm’s gross margin, and not the price, volume or revenue of a specific product, nor the price of any specific input or factor of production.

Paragraph 8, Payments (made either directly) for relief of natural disasters.

Exclude crop insurance from this provision (and hence from Green Box shelter). [subsidised crop insurance will always be specific and hence trade distorting.]

Amend the level of loss which triggers a payment to 25%, and specify the frequency of disaster payments shall not exceed X in any Y years.

Amend sub-para (b) so as to read: "Payments made under this paragraph shall be applied only in respect of losses of income, crops, livestock (including payments in connection with the veterinary treatment of animals), land or other production factors due to the natural disaster or destruction of animals or crops to control or prevent pests, diseases, disease-carrying organisms or disease-causing organisms named in national legislation or international standards."

Paragraph 11, Structural adjustment assistance provided through investment aids.

Simplify and clarify that this provision relates to one-off investments and not to recurring or regular payments.
Paragraph 12, Payments under environmental programmes
Complete (a) with the addition of the following

……"or be based on achievement of specific environmental or conservation results."

Add a new category 12 bis

Paragraph 12 bis, Payments rewarding farmers for specific climate change mitigation outcomes repeating the same provisions as for environmental programmes

Appendix 3: Members of the expert group*

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