
**Committee on Agriculture
Special Session**

**SUMMARY REPORT ON THE EIGHTEENTH MEETING
OF THE COMMITTEE ON AGRICULTURE SPECIAL SESSION
HELD ON 31 MARCH 2003**

Note by the Secretariat¹

1. As agreed by the Trade Negotiations Committee (TN/C/M/1) the Special Session of the Committee on Agriculture, which was established by the General Council (WT/GC/M/53), is pursuing negotiations under paragraphs 13, 14 and other relevant provisions of the Doha Ministerial Declaration. It held its eighteenth meeting on 31 March 2003. Mr. Stuart Harbinson chaired the meeting.

2. The agenda as contained in WTO/AIR/2055 was adopted.

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

3. The Chairman presented his summary report of the main features of the informal discussions on 25 and 28 March 2003 which took place on the basis of a revision of the First Draft of Modalities for the Further Commitments issued on 18 March 2003 (TN/AG/W/1/Rev.1, thereafter the Revised First Draft). A copy of the report is attached (Annex 1).

ITEM A(ii): STATEMENTS BY MEMBERS

4. The statements made by all intervening delegations are summarised below. In addition, Japan and the Philippines requested that the full text of their respective statements be annexed to the present report (Annex 2). The statement delivered by Switzerland on behalf of Bulgaria, Chinese Taipei, Korea, Iceland, Israel, Liechtenstein, Mauritius, Norway and Switzerland was circulated in documents TN/AG/GEN/2 and TN/AG/GEN/3 at the request of the Swiss delegation, and was fully endorsed by the delegation of Japan during the meeting. In the course of the discussions, the delegation of Uganda fully endorsed the statement made by Bangladesh on behalf of the LDC Group. The delegations of Mauritius and Uganda fully endorsed the statement delivered by Botswana on behalf of the ACP Group.

5. All the intervening delegations thanked the Chairman and the Secretariat for their untiring efforts in discharging their responsibilities in accordance with the agreed work programme.

Assessment of the current situation

6. In their interventions, several Members shared their own personal understanding of the current situation. Some delegations also took the floor to describe, from their perspective, the

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

underlying reasons and circumstances behind the failure to meet the deadline for establishing modalities by 31 March 2003 as set by Ministers in Doha.

7. Considering the crucial contribution of agriculture to GDP, employment, food security, poverty alleviation and development, several Members expressed deep disappointment to have missed the deadline. According to many delegations, this was perhaps the most significant deadline in the Doha Development Agenda. For many developing countries, agriculture was at the heart of the round of negotiations launched in Doha. It was also noted that progress in the area of agriculture constituted, together with special and differential treatment (S&D), TRIPS and Public Health, and implementation issues, the principal development dimension of this round, and expressed concern that yet another deadline relating to issues of interest to developing countries had lapsed.

8. Pakistan stressed that the a disappointment had been shared world-wide. The *Financial Times* had reported that the Doha Round was on the brink of collapse and that the biggest obstacle continued to be the failure of the WTO to reform agricultural trade. On 18 February 2003, international parliamentarians assembled in Geneva had expressed concern at the lack of advances on the fundamental issue of enhancing real access to markets. They had declared that it was crucial that agreement be reached on reducing barriers to trade in the fields of agriculture, textiles, and clothing; that global support to agriculture by wealthy countries amounted to four times the development assistance provided to poor nations; and that such trade-distorting practices and their social consequences were unacceptable. Finally, World Bank Chief Economist, Nicholas Stern, had bluntly compared farm subsidies to a large-scale "sin" hampering growth in poor countries. For Pakistan, the objectives set at Doha could only be achieved if protected markets were opened and all forms of export subsidies and trade-distorting domestic support phased out.

9. From the perspective of the United States, the core question remained whether countries with high tariffs, export subsidies and trade-distorting support would live up to their Doha commitments and accept meaningful reform.

10. For Australia, some Members were simply not ready to live up to the political commitments their governments had entered into in Doha. Australia felt that, for one major delegation, it seemed as though they believed that their own domestic political settings should represent the outcome of the multilateral negotiation. For another major delegation, it seemed that agricultural issues should not even be discussed. Their proposals would do little more than perpetuate the gross injustices in world agricultural markets, and disparities with the progressively freer trade regimes prevailing in the area of industrial products and services.

11. In Thailand's view, the consultations had revealed that some Members were simply not ready to seriously engage in agriculture negotiations at the ambitious level mandated in Doha, mainly due to political constraints and protectionism at home. Referring to the lack of serious and productive engagement by some major trading Members, Malaysia urged them to show leadership to further the reform process and fulfill the Doha mandate. Uruguay expressed similar concerns over the absence of full-fledged negotiations, as Members only maintained consultations between them, or even worse, waited for the Chairman to solve the problems that they could not overcome themselves.

12. Having demonstrated ample flexibility and made numerous concessions throughout the last fifty years of multilateral negotiations, Paraguay too failed to understand why some delegations were still not in a position to enter into real negotiations in order to liberalise agricultural trade. Colombia felt that substantial negotiation was being postponed on the three pillars and noted that progress seemed to depend on the will of a handful of developed countries. Ecuador underlined that this situation was a source of deep concern for developing countries whose economies and livelihoods depended to a large extent on agricultural products.

13. Costa Rica first questioned the seriousness of those Members who had tabled last minute proposals devoid of any concrete element to move the process forward in the direction specified in the Doha mandate. Secondly, Costa Rica claimed that these Members had ignored the Chairman's repeated warnings to change attitudes and begin to negotiate seriously, a point which was later also stressed by Brazil. Costa Rica also expressed concern over the insistence of some developed countries to manipulate the Doha mandate. Finally, Costa Rica believed that the poorest among the developing country Members had equally attempted to free themselves from the Doha reform objectives by laying emphasis on their legitimate needs and concerns and by supporting the type of elements that would reverse, rather than further, the reform process. In this respect, Costa Rica underscored that any attempt to include elements that would reverse the reform process to pre-Uruguay Round conditions would be in violation of the Doha mandate, the Agreement on Agriculture, and the basic GATT principles.

14. Brazil saw as unfortunate the excessive regard by some delegations for their own proposals. Having set its own level of ambition, Brazil was ready to engage and compromise, but had realised that some trading partners on the contrary, either as a result of unwillingness or lack of domestic mandate, did not have the necessary flexibility to compromise on bases that differed from their own. Brazil perceived this attitude as a method to avoid negotiations. The insistence by some Members in seeking balance within the agriculture area was another way to avoid real negotiation. An overall balance could only be achieved with balanced progress in each of the negotiating areas of the Doha mandate, taking into account offensive as well as defensive interests of each country. It was there where resided, according to Brazil, the difference between the concept of a multilateral round of negotiations and the concept of mandated negotiations.

15. While concurring with most of the Chairman's conclusions at the closing of the informal Special Session, Argentina objected to the Chairman's reference to "*shared responsibility*". While such responsibility might be shared, Argentina claimed that it was not equally distributed among Members: agreement could not be reached because a group of Members, despite verbal reassurances of their willingness to engage, had rejected the Revised First Draft as a starting point for further negotiations. Furthermore, the behaviour of these Members had led Argentina to believe that they were actually pursuing quite different objectives: first, to postpone and weaken the fundamental reform process in agricultural trade, which must rest on the three traditional pillars; second, to make use of the principles of S&D to divide developing countries; and third, to alter the rules in such a way that any agreed tariff reduction would be undermined through measures pertaining to the sanitary, technical, environmental, and intellectual property fields. Chile shared similar views: those Members who had been resisting reform were clearly responsible for the current deadlock and would have to assume the political responsibility of hampering the negotiation process.

16. Canada underlined the importance of achieving an ambitious outcome on agriculture, given the expected development impact of the Doha Development Agenda. In this context, Canada regretted that the positions held by the EC and other Members prevented them from moving beyond their own negotiating proposals. According to Canada, the deadlock was due to the fact that all the delegations were under instructions that did not allow Members to move to common ground.

17. Guatemala stressed that its adherence to the Cairns Group, while being a small and vulnerable country, was testimony to its conviction that agricultural trade liberalisation was the shortest path to development. Supporting the statements made by other Cairns Group countries, Guatemala feared that there would not be any positive results in Cancún because it was rumoured that the domestic reform of a powerful Member, announced for this summer, would not be decided until 2004 or even beyond. Guatemala found it rather arrogant that progress in the negotiation could be stalled at the preference of one Member or another.

18. Speaking on behalf of the LDC Group, Bangladesh regarded as unfortunate the absence of any significant and collective movement towards consensus in the three fundamental pillars. The

weakest group of the WTO Membership could have drawn enormous benefits had the Members agreed to establish the modalities before the deadline.

19. Hungary, Iceland, Mauritius and Switzerland stated that the failure to meet the deadline set by Ministers in Doha came as no surprise to them. Referring to the substantive agricultural issues, Hungary claimed that the Revised Draft of First Modalities was unbalanced in terms of the level of commitments to be undertaken by various countries. While expressing disappointment over the current state-of-play in agriculture negotiations, Iceland recognised that positions remained very far apart and referred to the very creative, selective, and ultimately wishful interpretation of the Doha mandate advocated by some Members. Mauritius recalled that since 2000, it had warned that the unreasonable demands by large multi-commodity exporters at the expense of all others would inevitably lead to a deadlock. Similarly, Switzerland stressed that since 2000 it had repeatedly designated the direction to be followed in order for Members to pursue the reform objectives in a realistic manner. In this regard, Switzerland regretted the dialogue of the deaf that had characterised the entire negotiation process.

20. Associating with the statement made by Switzerland, Norway viewed the current situation as reflecting the difficulty for Members to reach agreement over the most difficult negotiating area, without knowing what was going to happen in other negotiating areas. In Norway's opinion, positions were still too far apart in terms of approach taken and level of ambition amongst participants, with some harbouring an unrealistic level of ambition. The modalities had to be acceptable to all participants, including those who would shoulder the heaviest burden, and political sensitivities needed to be taken into account.

21. While sharing the Chairman's assessment, Slovenia on behalf of the CEFTA Plus Group² pointed out that the multilateral negotiations in the field of agriculture have always been complex and time-consuming. Far from minimising the importance of the current situation, the Group believed that the missed deadline should not be over-dramatised, particularly since this had also been the case under the TRIPs and Public Health, and Implementation issues. Members however needed to come to terms with the given facts, take stock of the present situation and set up a new road map for the continuation of agricultural negotiations. In the Group's view, there was ample time to carry out a lot of useful work, with goodwill and some creative inputs from Members, so that the interests of all could be met before Cancún.

22. Endorsing the statement by Slovenia on behalf of the CEFTA Plus Group, the Czech Republic regretted that Members had remained too inward-oriented, essentially focussing on their own interests and concerns, and that the level of ambition displayed by some countries continued to be unrealistically high. Some points of convergence had emerged as a certain number of Members appeared to stand ready to take further steps on the road set out in the Uruguay Round. Reaching an agreement remained possible and the Czech Republic would spare no effort to that end.

23. China considered that most Members had actively and extensively participated in the current phase of negotiations. This had placed China in a much better position to develop an understanding of the interests and concerns of all. China believed that a fair and market-oriented system for world agricultural trade, a central issue in this round, would benefit all Members and looked forward to further constructive efforts from Members in order to fulfill the overall mandate.

24. Despite the existence of marked differences on certain issues, Venezuela found that some progress had been achieved in certain areas, which augured well for the overall negotiation process. Members needed to adapt to the reality and maximise their efforts in order to accelerate the process before the Fifth Ministerial Conference. Chinese Taipei too was of the opinion that progress had been

² Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

made and that the divergences between Members were not as wide as they used to be. Chinese Taipei was optimistic that progress would continue to be registered and that the negotiations would conclude soon. Although the present setback came at a cost, Grenada shared the same view.

25. The European Communities (EC) shared the Chairman's view that despite participants' best efforts, positions had remained very far apart. The EC considered that it had already put forward a realistic and comprehensive negotiating proposal across all the areas to be addressed in these negotiations. The EC had also been in a position to put forward an active strategy on the path to reform in international trade because it had been consistently engaging in a steady path of reform applying to its own policies, unlike some other trading partners who had adopted a less consistent approach. Moreover, the EC had been successful in building bridges and common approaches with trading partners when considering the important number of countries who were now supporting the Uruguay Round formula. In spite of the general disappointment, Members should now endeavour to deliver the objectives set by Ministers in Doha while being realistic and determined to achieve substantial results.

26. For Korea, the lack of progress in establishing workable modalities did not mean that Members' efforts had been in vain. Korea stated that it had experienced difficulties in making its realities understood by other Members given the wide gap between the positions of exporting and importing countries. Korea was aware of the impact of the lapsed deadline and reaffirmed its willingness to work in a cooperative spirit. However, such cooperation should come from both ends so that a middle ground could be built.

27. Acknowledging the fundamental differences among countries on key issues, Kenya called on Members to exercise flexibility. The only way to achieve progress and fulfill the Doha mandate would be to accommodate all concerns, including those of the low income economies. A similar view was held by Jamaica who claimed that balance could only be achieved if the concerns mentioned by all participants were taken into account in a fuller and more effective manner.

Assessment of possible repercussions

28. In their interventions, all Members reaffirmed their commitment to the objectives set by Ministers in Doha as well as their readiness to play an active role in fulfilling such objectives. A number of delegations also referred to the likely consequences of the missed deadline on the negotiating agenda as a whole.

29. For Australia, the current situation was of critical concern to all members of the Cairns Group as it could constitute a serious setback for the conclusion of negotiations by 2005. This view was later reiterated by several Members, including Argentina, Canada, Chile, Colombia, Costa Rica, Kenya, Malaysia, New Zealand, Nigeria, Peru and South Africa. First, it could have implications on other agricultural deadlines agreed at Doha, such as the tabling of initial offers by the Fifth Ministerial Conference. Secondly, it would also certainly have implications for other areas of the Doha Round of negotiations. Emphasising the same concerns, New Zealand regretted that Members would not be able to engage in the next phase, i.e. the preparation of Schedules, and pointed out that the work undertaken by other WTO Committees which were seeking to maintain momentum in the lead up to the Cancún Ministerial Conference would be affected.

30. Canada also warned that the round was at risk unless appropriate decisions were forthcoming. The promise of fundamental reform in agriculture was a central element of what made the Doha Round worthwhile for Canada, to allow producers to compete on a level-playing field, free of the massive subsidies they currently faced. Over the next few months, Members would need to assess whether the political decisions will be taken to make such a deal possible.

31. Thailand recalled that the agreement to launch a comprehensive round of negotiations in Doha had been conditional upon the achievement of an ambitious outcome in the area of agriculture. Progress made in the agricultural negotiations would thus serve as a benchmark for Thailand to evaluate the progress to be made in other negotiating areas. When taking stock of the achievements, if any, under the Doha Development Agenda, Ministers gathering in Cancún should, therefore, have two options before them. The first option would be to provide political impetus to the agriculture negotiations so that progress could be registered under other areas of negotiations as well. The second option consisted of changing the mandate as well as the scope of the Doha Round as a whole, including by lowering the level of ambition in all other areas of negotiation. This latter view was echoed by South Africa.

32. For South Africa too, a comprehensive round of negotiations was launched in order to accommodate the internal political sensitivities of the EC and other agricultural protectionist countries. However, these countries had failed so far to table ambitious proposals in the agriculture area, despite the significant down-payment conceded by Members like South Africa when they accepted the inclusion of other issues in the Doha Agenda. South Africa appealed to the EC and other major protectionist countries not to allow the Doha Development Round to fail by submitting a more appropriate set of negotiating proposals as soon as possible.

33. From the perspective of Sri Lanka and Peru, the failure to meet the deadline represented a serious set-back to advancing the Doha Development Agenda, and would also have a negative impact on other areas of negotiations. Sri Lanka believed that the services area in particular would be affected.

34. Cuba saw as essential the translation of developing countries' expectations, as reflected in the Doha Ministerial Declaration, into significant economic outcomes, in order to generate sufficient confidence in the present negotiating process as a whole. It would be difficult for Cuba to accept greater commitments or further progress in negotiating areas which did not have the same level of priority.

35. Paraguay insisted that the final outcome of the Doha Development Round should be balanced and progress registered in all negotiation areas, not only agriculture. Reaffirming its adherence to that objective, Paraguay indicated that it would be shortly submitting a negotiating proposal in the services area.

36. Hungary expressed concern that the negotiating process relating to the registration of wines and spirits and the extension of geographical indications had actually come to a deadlock despite the existence of a clear negotiating mandate. Hungary pointed out that, if the major demandeurs in the agriculture area continued to block the negotiating process in a number of issues, this would have a negative effect on the core agricultural negotiations.

37. India stressed that the discussions in the Services, Implementation Issues, S&D, and TRIPS and Public Health areas remained virtually blocked. The missed deadlines with respect to these areas were as important to India, if not more, as the agriculture deadline. According to India, there could be no single undertaking or a successful outcome at Cancún without achieving positive results on these issues as well.

38. Noting that a certain number of Members were drawing links with other negotiating areas, Switzerland doubted whether this was the best recipe for success. The most important challenge, according to the Czech Republic resided in keeping the negotiating process alive, and thus Members could not afford to draw negative linkages between negotiating areas. The Czech Republic believed that linkages were important when seen in the context of a single undertaking. Members however had to use them in a positive manner rather than as a means to put the whole Round in jeopardy.

Further work

39. All intervening Members expressed readiness to engage in a genuine effort to find elements of compromise in view of the often sharp divisions that existed among negotiating positions. Delegations also reiterated their commitment to continue and intensify work under the Chairman's guidance, and in bilateral and plurilateral meetings, as well as in capitals. As far as the Chairman's Revised First Draft of Modalities was concerned, some delegations expressed their readiness to use the text as a starting point for further discussion, while others stated that they continued to have fundamental concerns with a number of aspects or proposed elements of reform.

40. Australia was concerned that some major delegations had not only rejected the Revised First Draft as a basis for negotiation but had indicated that they were prepared to negotiate solely on the basis of their own proposals. This concern was shared by Brazil, New Zealand, Paraguay, and Uruguay. From Australia's standpoint, these proposals fell far short of the objectives that all Ministers accepted barely 16 months ago.

41. Although the present text was far from reflecting the level of ambition aimed at by the Cairns Group, several Cairns Group countries indicated that they would show flexibility and were prepared to negotiate on the basis of the Revised First Draft in order to deliver the fundamental reform agreed in Doha.

42. Argentina, Australia, Brazil, Costa Rica, Malaysia, New Zealand and Uruguay insisted however that the proposed technical consultations should be carried out on a balanced basis, with Members first discussing the central issues of the agenda. Australia in particular stressed that little progress would be achieved on exemptions and exceptions without parallel progress on the substantial elements of the three fundamental pillars of reform, in terms of the depth of tariff cuts; the increase in tariff quota volumes; the depth of reductions in subsidies; and other elements of the basic architecture. In this regard, Uruguay underlined the sensitive and political nature of certain possible elements of reform, such as the Special Safeguard Mechanism (SSM) and Special Products (SP) concepts. Argentina further indicated that no advances would be made in technical areas if none were registered in the three pillars.

43. Along the same lines, Costa Rica found it rather illogical to expect Members to engage in technical consultations on exceptions to the general tariff reduction modality (i.e. SP, SSM, compensation for the erosion of trade preferences) without first reaching an agreement on the general tariff reduction formula that would become the basis for reform. This could divert Members' attention away from the more fundamental work to be undertaken in the three pillars. According to Costa Rica, the upcoming technical discussions should address the priority areas flagged by developing countries, i.e. tariff escalation, the greatest possible liberalisation of tropical products, the conversion of all non-*ad valorem* tariffs to *ad valorem* equivalents, the establishment of a common methodology to calculate domestic consumption for the purposes of tariff quota expansion.

44. New Zealand responded positively to the Chairman's call for serious work in the months ahead, but stated that this could not be characterised as "*business as usual*". The same point was stressed by Argentina, Brazil and Canada. In recent weeks, "*business as usual*" had been perceived by New Zealand as "*refusal to engage*" on the part of a number of WTO Members who wanted to open up trade in all sectors but agriculture. New Zealand was ready to negotiate on the basis of the Revised First Draft of Modalities but Members needed first to acknowledge that positions were still far apart, and that all sides, including the Cairns Group, would have to be prepared to negotiate. New Zealand would participate actively in the technical consultations, including on the issues of *ad valorem* equivalents and tariff quota expansion.

45. While having fundamental difficulties with the Revised First Draft, Brazil also accepted the proposed text as a basis for negotiation. However, prior to embarking in any technical consultations,

Brazil needed clarification as regards the state-of-play of the major points covered by the text, as well as the status of the document in the negotiating exercise. Brazil had some reservations regarding the appropriateness of the technical consultations format because it could lead to fragmentation to the detriment of coherence. Brazil strongly believed that the proposed technical consultations could be usefully undertaken only if conditions were created for negotiations to start, simultaneously and without delay, on the three pillars of reform. This last point was equally stressed by Argentina and Malaysia.

46. According to Canada, engaging in technical work, however useful, was only a partial answer to the present situation: it was not the same as establishing modalities; it would not allow Members to table their initial offers at Cancún, as requested by Ministers in Doha; and it was unlikely to produce significant advances if Members were unsure about the context in which this was happening. In particular, Canada believed that results were required on trade-distorting subsidies that were well beyond what was contemplated in the proposals of either of the major subsidizing Members or the Revised First Draft.

47. For Thailand, progress in establishing modalities could only be achieved if all Members agreed to the Revised First Draft as a basis for further negotiations and any further technical work should be geared towards completing the proposed text. As far as Guatemala was concerned, the starting point for further negotiations should have been the First Draft.

48. South Africa commended the Chairman for the good progress made in updating the draft modalities but believed that the proposed text did not go far enough to meet the Doha mandate, mainly due to the inability of the EC and other protectionist agricultural countries to produce sufficiently robust proposals. The current modalities would not therefore create the basis for a genuine developmental outcome. Costa Rica and Ecuador echoed this assessment by stressing that the present modalities would not correct current distortions in world agricultural markets, create new market access opportunities to developed country markets, or allow developing countries to compete internationally and support economic growth. Colombia hoped that the final text would meet developing countries' expectations and called on those developed countries which opposed ambitious reform in agricultural trade to make the adoption of the Revised First Draft possible.

49. Grenada, Mexico, Peru and Sri Lanka considered that the Revised First Draft clearly provided a good basis to pursue the negotiations. The modalities undeniably contained specific and concrete elements for further reform that would meet the needs of developing countries, such as the SP and SSM concepts. This last point was shared by Turkey. In addition, Mexico expected that a greater level of ambition would be reflected under the three pillars, especially in terms of a substantial reduction of trade- and production-distorting domestic support, as well as a more rapid elimination of export subsidies. Peru stated that further work should be oriented towards achieving a balance between the three pillars and urged Members to demonstrate flexibility in future discussions.

50. Indonesia did not share the view that further work should focus on the fundamental pillars of reform. In Indonesia's opinion, for many developing countries the core issues in these agriculture negotiations were food security, rural development, and poverty alleviation.

51. The CEFTA Plus Group remained open to discuss the form of further proceedings in these negotiations but indicated that future work should be based on a new approach in order to find a more balanced and realistic base for negotiation. The Group indicated its preference for the Uruguay Round type of approach to reform in the areas of market access and domestic support. In this regard, the Czech Republic stressed the need to achieve balance in the overall result with contributions by all countries, depending on their level of development. Balance also meant that non-trade concerns had to be considered as an integral part of future work.

52. Although Switzerland was convinced that work should continue, it regretted that no new elements had been received so far to encourage some participants to carry out domestic reform. Switzerland also noted that the list of items to be addressed during the proposed technical consultations would be open-ended, which allowed participating countries to include additional topics for discussion, reflecting the sensitivities of all.

53. Norway stated that it would need a fundamentally different version of the Revised First Draft to serve as a useful basis for further negotiations since the proposed modalities did not take Norway's concerns into consideration and contained severe imbalances. Norway indicated it was ready to take part in technical consultations on concepts and issues based on an open-ended list of items for discussion. Norway was committed to continue the long term reform process as outlined in Article 20 of the Agreement on Agriculture and the Doha Ministerial Declaration, with S&D being an integral part of these negotiations and non-trade concerns duly taken into account.

54. Iceland pointed out that further work had to aim for balance and should not exacerbate divisions. Iceland was not prepared to assume commitments which would deprive it of a sustainable basis to engage in agriculture and safeguard a number of important non-trade concerns. These issues simply had to be addressed, understood, and ultimately negotiated in concrete terms if Members were to reach a fair, equitable and balanced outcome, in compliance with the provisions of the Agreement on Agriculture and the Doha mandate.

55. Hungary claimed that the text put forward by the Chairman was over-ambitious and biased against one particular set of agricultural policies, namely those predominantly used by European countries. By contrast, the proposed text appeared to be more lenient and forgiving, and thus far less ambitious, with respect to the agricultural policies that were used in other continents.

56. The ACP Group found that the Revised First Draft provided a good framework for further work in the critical area of agriculture but regretted that the amendments proposed by the Group on 24 February 2003 had not been incorporated in the revised version. According to Nigeria, the proposed modalities would only benefit the big players at the expense of small-scale farmers as the text ignored most of the crucial concerns expressed by developing countries.

57. Kenya supported the Chairman's call to continue holding technical consultations but suggested that these should not be held on an *ad hoc* basis, and that invitations should be circulated at least one week before the date of the meeting in order to enable effective preparation and participation by small delegations such as Kenya. It was also suggested that the Secretariat should prepare comprehensive and detailed summaries of such consultations in order to keep all Members informed on the progress being made.

58. Mauritius fully supported the Chairman's proposal regarding the conduct of further technical work as it considered this to be an essential element of these negotiations. Mauritius had identified the number of areas in the Revised First Draft that would be subject to such work (9) as well as the number of areas that had been identified in recent technical consultations (4), and offered specific suggestions to improve the effectiveness of participation in such work. Firstly, meetings should be grouped in order to facilitate the participation of capital-based experts. Secondly, prior notice of meetings should be given to allow have ample time and opportunity for Members to consult all stakeholders and take their views and concerns on board.

59. The Revised First Draft caused serious concern to the EC who saw many imbalances in all three pillars of reform. Moreover, a number of important non-trade concerns were not reflected. The EC too recognised the need for the considerable amount of technical work that remained to be carried out and indicated that it would actively engage in that process. Apart from the significant list of issues already flagged by the Chairman, the EC indicated that further work would be needed in the domestic support area. Regarding the format of further consultations, the EC called for themes to be

grouped and for sufficient advance notice to be given to all delegations prior to each meeting, for the sake of efficiency.

60. Moreover, the EC believed that Members had to reflect on ways in which they could engage directly with each other in order to move the process forward. In this regard, the EC expected that Members would engage in a positive and open-minded way in further work, so that an ambitious, comprehensive, and balanced package could be found. Any such package should rally the necessary consensus and support among all WTO Members, both developed and developing, and should cover the traditional areas of market access, domestic support and export competition, as well as non-trade concerns and an appropriate Peace Clause.

61. Djibouti underlined the utility of the Revised First Draft produced after one year of consultations and supported the programme of work proposed by the Chairman. Djibouti was convinced that the non-negotiable issues should be left out of the discussions and be deferred until Cancún for decision-making by Ministers. Djibouti suggested that technical work should be undertaken only in those areas where consensus already existed. Finally, Djibouti appealed to developed countries to take the necessary political decisions to reform their agricultural policies so that the negotiations in the WTO framework could progress.

62. For India, the fact that the Chairman had received no collective guidance on how to reconcile widely divergent perspectives explained the number of concerns and doubts regarding many aspects of the Revised First Draft. India was greatly appreciative of the fact that the Chairman had not been deaf to many of the concerns that developing countries had raised. India supported the idea that the proposed text could serve as a "catalyst paper", as some Ministers had called it in Tokyo, and believed that this could carry the negotiations forward in an orderly manner.

63. Korea expected that further work would be conducted in a way to effectively address the need for flexibility as well as non-trade concerns. Considering the present text, Korea found that exporting countries would not have to undertake radical concessions, face budgetary constraints in setting up a compensation package for farmers, or worry about political and social unrest. Korea was committed to further liberalisation but would have difficulty to explain at home the unbalanced nature of negotiation outcomes. Korea expressed a strong interest in participating in technical consultations, particularly on key issues such as tariff reduction, AMS reduction, and the SP concept, hoping that such consultations would be conducted in a transparent and effective manner.

64. China believed that the progress made so far in these negotiations, as well as other positive factors, constituted a basis for further negotiations. In the meantime, China hoped that the current difficulties could be overcome soon and that fast progress could be registered.

65. The United States acknowledged the availability of a framework and a specific text to work with and recognised the progress registered on a number of issues which needed to be consolidated. More importantly, the United States considered that the negotiations should be concluded on the basis of substantial reform in each pillar, in particular market access, for all countries. This was the only basis to conclude the agriculture negotiations, the Doha Development Agenda and achieve the promises of growth and development offered through a market-oriented trading system. With respect to further technical work, the United States believed that Members needed to focus on strengthening the reduction formulas, closing loopholes, and orienting S&D treatment towards facilitating market-oriented reform, not circumventing trade liberalisation.

Comments on specific areas or elements of reform

66. In the course of the discussions, a number of delegations referred to the areas of reform where additional work, including work of a technical nature, could be usefully undertaken. Some

delegations also commented on the specific sections of the Revised First Draft, sometimes making suggestions for further amendments.

Implementation time-frames

67. The LDC Group indicated its preference for the establishment of a specific time-frame within which the duty-free, quota-free commitment referred to in the Revised First Draft would be implemented.

68. Chinese Taipei pointed out that developed country Members have been in a stand-still situation since 2000 with regard to the implementation of further trade liberalising steps. According to Chinese Taipei, this situation should be remedied by granting a grace period to newly-acceded Members before they start implementing the new Agreement.

69. Argentina believed that existing trade distortions needed to be dealt with firmly, without replacing them with other types of distortions so as not to jeopardise a highly vulnerable multilateral trading system or the Doha Round. If some Members currently faced difficulties in complying with the Doha mandate, Argentina could consider concessions in terms of longer time-frames, but not in terms of substance. Such concession would be however time-limited due to the lapsing of the Peace Clause and the potential risks associated with an increase in the number of trade disputes.

70. Costa Rica and Ecuador stated that the time-frames applying to the domestic support and export competition areas should be shorter than that applying to the proposed tariff reductions. Malaysia and Thailand also noted that most developing country Members had expressed support for more substantial reduction commitments in trade-distorting domestic support and a shorter period for phasing out export subsidies.

Special and differential treatment (S&D)

71. For several Members, agriculture was indisputably one of the most important topics in the field of development as reflected in the Doha Ministerial Declaration. Many delegations intervened to share their understanding of the significance of S&D in these negotiations, including with respect to the specific modalities contained in the Revised First Draft. Turkey hoped that Members would make progress in the three pillars of negotiations in a balanced way, taking into account the concerns of developing countries.

72. The ACP Group sought the concrete realization of the objectives contained in paragraph 14 of the Declaration. Echoed by Cuba, Grenada and Kenya, the Group believed that S&D should go beyond best endeavour language and be treated comprehensively and effectively in all the pillars. In this regard, Grenada expressed appreciation of the Chairman's efforts at incorporating some S&D provisions in the substantive areas of reform.

73. The LDC Group believed that LDCs should not be subjected to "voluntary" reduction commitments, as referred to in paragraph 54, nor should LDCs be obliged to consider making commitments "in response to requests from their trading partners". Furthermore, the LDC Group expected that, similar to what was about to be concluded in another WTO negotiating forum, an exemption along the lines of Article 15.2 of the Agreement on Agriculture would be agreed.

74. Argentina, Costa Rica, Ecuador, Guatemala, and Malaysia emphasised that the long-term reform objective was trade liberalisation of *all* markets in order to guarantee fair competition in all markets and not hinder South-South trade. Costa Rica recognised the importance for developing countries to be able to protect their markets against unfair competition from the high levels of subsidisation practiced by a few countries. However, the introduction of measures that restricted trade between developing countries, under the guise of S&D treatment, was not the right response.

Costa Rica strongly believed that S&D should not become a barrier to trade between developing countries. This was echoed by Malaysia. Guatemala considered that trade preferences and enhanced S&D features were only transitory mechanisms to which developing countries should not become addicted.

75. South Africa supported the development of a flexible framework of rules to enable vulnerable developing countries to manage the process of trade liberalisation. While developing countries should be allowed to determine the agricultural sectors and products that were of critical importance to food security and rural development needs, South Africa strongly believed that they should not totally be excluded from the multilateral disciplines in order to avoid further marginalization from world trade and investment flows.

76. Nigeria and Kenya recalled their earlier demands that inter-linkages be established between the three pillars of reform and that a comprehensive approach to reform was needed to reach an overall balance of rights and obligations. Malaysia further indicated that, in the course of recent discussions, developing countries had appeared to be willing to show greater flexibility on market access issues if developed countries engaged in greater and more substantial reform in the areas of domestic support and export subsidies.

Market access

77. Australia and Brazil emphasised that market access was the foundation of the WTO and the cornerstone of the Doha Agenda. Australia believed that there was scope to work on some of the rules and disciplines as well as to address a range of genuine technical issues such as the conversion of non-*ad valorem* tariffs and the calculation of domestic consumption for the purposes of tariff quota expansion.

78. Norway underlined that 75 Members had stressed the need to base the reform of the market access pillar on the Uruguay Round approach which was more flexible. Chile questioned the alleged "majority" argument advanced by the proponents of the Uruguay Round formula and pointed out that 142 Ministers had signed the Doha Declaration. According to Chile, Members should abide by this major democratic outcome which called for "*substantial improvement in market access*" which would not be achieved by using the Uruguay Round formula.

79. Sri Lanka expressed appreciation for the tariff band approach to be applied in a differentiated manner to developed and developing countries. Such an approach provided a good basis to move the negotiation process forward. Sri Lanka also believed that extremely high tariffs should be brought down to even lower levels in order to achieve meaningful liberalisation in the agricultural sector.

80. The market access pillar being of particular importance, Kenya considered that there should be substantial improvement in market access for products of export interest to developing countries. Such an outcome, according to Kenya, would be highly supportive of the implementation of national poverty reduction initiatives in developing countries. Echoed by Ecuador and Nigeria, Kenya also supported the elimination of tariff peaks and escalation, as a matter of urgency. Both Kenya and Nigeria claimed that tariff peaks and escalation were serious obstacles to the diversification efforts undertaken by developing countries, particularly African countries.

81. The ACP Group found that the proposed tariff reduction modality for developing countries were still far too ambitious and advocated a more progressive approach. This assessment was shared by Nigeria. The ACP Group also considered that the proposed cuts on developed country tariffs were too severe, as they would adversely impact on preference margins. The Group called for the modalities to comprehensively and appropriately address this issue in the context of MFN tariff reductions. Kenya viewed the establishment of effective measures to address the adjustment costs

facing preference receiving countries as critical S&D elements in these negotiations, and in this respect, Kenya fully supported the ACP Group.

82. In the same context, the LDC Group called for the development of compensatory mechanisms in order to assist LDC to increase their exports even after the erosion of preferential margins had actually taken place. Mauritius stated that significant changes would have to be introduced in paragraph 16 in this regard. Mauritius first recommended the use of the moderate Uruguay Round approach. Secondly, compensation should be envisaged only after all avenues to avoid damage have been exhausted, keeping in mind that trade was always better than aid, and that the funding promises made to NFIDCs had ultimately proven to be illusory.

83. South Africa thanked the Chairman for taking on board the need for a creative set of modalities with respect to trade preferences and stated that the current formulation of paragraph 16 was a step in the right direction. South Africa requested the incorporation of additional guidelines. First, developing countries that did not presently enjoy preferences should not have their current positions exacerbated by the modalities contained in paragraph 16. Secondly, capacity-building initiatives in support of countries' diversification efforts should be tailored to meet the specific needs and situations of the developing countries concerned. Finally, the dismantling of the protective regimes in developed countries should not be delayed as a result of the modalities relating to trade preferences, nor should developing countries be held hostage by the complexity of rules.

84. Also pointing to paragraph 16, Ecuador believed that a reference to the commitment relating to the fullest possible liberalisation of tropical products and to the diversification of production away from illicit narcotic crops should be incorporated.

85. Several intervening delegations, including representatives of the ACP Group, Cuba, Ecuador, Grenada, Indonesia, Jamaica, Kenya, Nigeria, Peru, the Philippines, Sri Lanka and Turkey welcomed the inclusion of the SP and SSM concepts in the Revised First Draft. While recognising that the corresponding modalities remained under discussion and needed fine-tuning, according to these Members, both concepts were regarded as fundamental and indispensable S&D elements of the reform package. Access to such mechanisms should be available to all developing countries in order to address concerns of food security, rural development and livelihood security.

86. A number of intervening delegations declared that they were prepared to support one, or both concepts, provided that adequate and carefully circumscribed criteria were developed, the main concerns cited being: definitional issues, conditions of application, the potential of such instruments to impede South-South trade, as well as the necessity to link the SP and SSM concepts to the general tariff reduction modality.

87. Hungary was prepared to support the new SP and SSM concepts for developing countries. However, it found the current proposal far too open-ended and disregarded the various levels of food security concerns faced by different developing countries. Hungary was especially concerned by the demands, put forward by a number of developing countries, that SP products be self-declared; and that the SP category be used in parallel for the purpose of applying special safeguard measures; that SP products be exempted from further tariff reductions. In general, Hungary found that the proposed market access modalities suffered from a fundamental lack of balance.

88. Malaysia believed that the self-declaration procedure advocated by some developing countries with respect to the SP concept could negatively impact on other developing countries' exports. This could negate all the efforts undertaken by WTO Members in reforming agricultural trade and could well represent a step backwards in the reform process. Malaysia could not therefore support what it called a *"free for all, self-declared modality"* and reiterated its support for the establishment of multilaterally agreed criteria with respect to SP products. Such criteria might include the setting up a tariff threshold, for example 45 to 50 per cent, to determine eligibility to these

instruments; requiring that the product in question be a net-import item; that the number of eligible SP products be limited; specification at the 6-digit level of the Harmonized System nomenclature; and a requirement that the SSM be only accorded to products that will be subjected to deep tariffs cuts.

89. The ACP Group supported the introduction of SP-related flexibilities under all the three pillars of agricultural reform but did not agree to the establishment of linkages between the SSM concept and the level of tariff reduction to be applied to eligible products, as proposed in the current text. Peru stated that the SP and SSM concepts responded to the need expressed by developing countries to count on operational S&D provisions consistently with the Ministerial mandate. For Ecuador, SP products should be designated on the basis of indicative criteria so as not to affect South-South trade. Indonesia called on those Members who believed that the SP concept would impede trade among developing countries to stop sacrificing the legitimate pressing concerns of many developing countries in order to legitimize inequitable liberalisation.

90. Both the ACP and the LDC Groups called for binding language and a mandatory provision relating to duty-free and quota-free access to developed country markets for imports from LDCs, and requested the inclusion of additional flexibilities in favour of the Net-Food-Importing Developing Countries (NFIDC) category in the Revised First Draft.

Domestic support

91. Several delegations intervened to comment on the domestic support framework in general terms. Colombia stated that reform should result in substantive cuts in all forms of domestic support, as mandated in Doha, and that stricter disciplines in this area would ultimately improve market access conditions for all Members. Peru expected that further work would be principally geared towards a real and substantial reduction of domestic support which negatively impacted on food security and rural development. Venezuela expected to see serious commitments towards the elimination of the distorting instruments contained in the Agreement on Agriculture.

92. More specifically, Hungary expressed concern that the current framework of domestic support categories would be entirely upset as a result of the proposed modalities. For example, the treatment of the Blue Box in the same manner as the much more trade-distorting Amber Box was unacceptable to Hungary. Additionally, tying the scheduling of commitments to a historical reference period would hinder the ability of countries which had not previously applied such measures to re-orient their policies towards a less trade-distorting Blue Box form of assistance.

93. Nigeria sought the elimination of the Blue Box, the application of a more drastic reduction for the Amber Box, and a capping of the Green Box, but welcomed the retention of Article 6.2 and Attachment 10 of the Draft Modalities.

Export competition

94. Hungary claimed that the Revised First Draft foresaw the elimination of only one particular form of export support, i.e. price support. In fact, Hungary generally found that the proposed disciplines for all other forms of export subsidies, i.e. export credits and food aid, were rather leaky and less stringent than in the previous version. Hungary also expressed concern over the position recently adopted by some major users of importing and exporting state trading enterprises who had even started to question whether the WTO had a negotiating mandate to deal with the restrictions and distortions resulting from the activities of these entities.

95. In the event that export subsidies were not removed across the board, the LDC Group advocated their removal, on a priority basis, on the commodities of export interest to LDCs. Nigeria

sought the elimination of export subsidies and trade-distorting export credits, without any product differentiation.

96. Colombia, Ecuador, Malaysia, and Peru considered that export subsidies should be eliminated within the shortest possible time-frame. Colombia in particular regarded the elimination of all forms of distortions in agricultural trade as the right response to the high expectations expressed by developing countries.

97. Ecuador indicated that it would not be able to commit to the radical tariff reductions envisaged in the Revised First Draft while some developed countries would continue to create trade distortions for another 9 years through disproportionate amounts of export subsidies and domestic support, and without accepting effective disciplines. Ecuador also noted that the text was silent on the Peace Clause and believed that it was important to establish a countervailing duty mechanism against subsidised exports.

98. As concerns export credits, Sri Lanka fully endorsed paragraphs 9(b) to (e) of Attachment 5 relating to the exemption of NFIDCs from cash payments, interest payments, re-payment of principal, and risk-sharing requirements. On minimum re-payment terms, Sri Lanka reiterated that NFIDCs and LDCs should be granted a 30-month re-payment period under S&D provisions. Sri Lanka claimed that this modality would effectively address the short-term financial difficulties faced by NFIDCs, a topic which had been the subject of lengthy, though inconclusive, discussions between Members during the last two years.

99. The LDC Group supported the continuation of bilateral food aid, to be provided by governments in support of emergency situations, humanitarian and development objectives, and to address chronic food deficit situations. The LDC Group called on Members' goodwill to devise ways and means to ensure that bilateral food aid was not trade distorting. Nigeria supported the establishment of disciplines to ensure that food aid would be provided in fully grant form and on a demand-driven basis. For Sri Lanka, food aid should be defined as a broader concept, taking into account the important role paid by concessional food aid.

100. The following delegations requested that the statements they delivered at the informal Special Session held on 25 and 28 March 2003 be annexed to the present summary report (Annex 3): Bangladesh; Brazil; Chile; Croatia (one statement delivered on behalf of seven recently-acceded Members, and one statement by Croatia); Cyprus; Czech Republic; Dominican Republic and Honduras; India; Indonesia; Jamaica; Kenya; Kyrgyz Republic; Malaysia; Moldova; Nigeria; Peru; Philippines; Slovak Republic; Sri Lanka; Switzerland; Turkey; Venezuela (two statements). At the request of the delegation of China, the statement delivered during the informal Special Session was circulated as Job 03/79.

101. The Committee took note of the statements made by Members.

ITEM A(iii): CONCLUSION IN THE LIGHT OF ITEMS (i) AND (ii) ABOVE

102. The conclusions by the Chairman are reflected in the attachment to Annex 4.

103. Brazil reiterated its readiness to engage in all negotiating fronts with a view to pursuing the mandated reform objectives. However, Brazil strongly believed that, while Members should continue to participate in technical consultations, the core issues of these negotiations should be simultaneously addressed. Brazil sought confirmation to that effect. The Chairman confirmed that technical and other consultations would be conducted in order to facilitate progress on all fronts, taking into account the need for a balanced programme of work. The consultations could be rather wide-ranging, as in the past, and not exclusively confined to technical work. Moreover, the Chairman intended to consult as broadly as necessary in order to make progress in the negotiations.

104. Stressing that the agreed programme of work only related to the establishment of modalities, Bulgaria raised a procedural issue. In Bulgaria's view, the Chairman's proposal to continue work on the basis of consultations constituted, in fact, an extension of the mandate. The Doha Declaration clearly stipulated "*no later than 31 March*" as being the deadline. In Bulgaria's opinion, a decision relating to the extension of the Doha mandate needed to be taken and the most appropriate forum was the TNC.

105. Bulgaria stated that it had been consistent practice in the past to seek a new mandate from the TNC. To illustrate this point, Bulgaria claimed that the same question had arisen after the deadline on implementation issues in the TRIPS Council had expired. In the ensuing debate, the Secretariat had indicated that implementation issues in the TRIPS context were not part of the agenda of the TRIPS Council, the reason being that, after the expiration of the deadline, the mandate needed to be renewed and a decision taken at the level of the TNC. Bulgaria saw the present situation in analogous terms. The fact that the Special Session had adopted its own work programme was because it had a mandate to do so. The mandate having expired, Bulgaria's interpretation was that a new work programme could not be adopted for the next period without first seeking a new mandate from the TNC.

106. The second reservation placed by Bulgaria related to a substantive matter: a decision by the TNC on the topics to be covered in the forthcoming consultations was equally required. Bulgaria reaffirmed its readiness to participate actively and constructively in further work as proposed by the Chairman. However, the proposed technical and other consultations appeared to be too open-ended and, in Bulgaria's view, did not constitute a full-fledged work programme. Bulgaria claimed that the Chairman had in fact proposed an open-ended mandate to resume the negotiations. Bulgaria's concern also stemmed from the fact that, at the present meeting, some Members had placed some unknown conditions on the continuation of further work. This rendered the work programme quite ambiguous. Members therefore needed to reflect, in the TNC, on the most efficient method to pursue these negotiations because basing the Draft Modalities on ambitions and wishful ideas rather than on what the majority of the membership felt was necessary had not been productive.

107. Bulgaria's final reservation concerned the lack of procedural consistency in treating different negotiating issues and areas. Citing the TRIPS implementation issues, Bulgaria failed to understand why some issues of critical interest to many Members, like Bulgaria, had been treated differently. All the issues for which the deadlines had expired needed to be taken up together on an equal footing in the TNC, including with respect to a decision to extend the respective mandates, so that an appropriate balance be restored. The sequencing of these mandates was equally important. Bulgaria suggested that the debate be pursued in the TNC.

108. On the basis of the advice taken on this matter with the Legal Affairs Division of the Secretariat, the Chairman pointed out that the end of the negotiations as a whole had been fixed for 1 January 2005. Moreover, paragraph 14 of the Doha Declaration clearly envisaged the continuation of the negotiations on agriculture beyond 31 March 2003.

109. Secondly, the Special Session of the Committee on Agriculture had been established by the TNC as the body responsible for conducting the agriculture negotiations until the end of the round, without any limitation in terms of its mandate, and beyond the term of the TNC itself. Therefore, this was a completely different situation from the TRIPS implementation issues. If Ministers had intended for Members to stop the negotiations, having failed to establish the modalities on 31 March 2003, this would have been made much clearer in the Declaration.

110. The Chairman also recalled that the work programme that had been followed by the Special Session of the Committee on Agriculture had been approved by the Special Session itself, not the TNC. The fact that the Special Session had not sought approval from the TNC for its own work programme supported the approach he had suggested. Bulgaria could not argue that the Special Session did not have the authority to decide on its own work programme and that, consequently, the

matter had to be referred to the TNC. In any case, the Chairman would be unwilling to report to the TNC in those terms. Nevertheless, it was Bulgaria's right to raise these procedural and substantive matters in the TNC, if it wished to do so. It was also Bulgaria's right to object to the proposed work programme at the present meeting.

111. Supported by Djibouti, Chile shared the Chairman's evaluation of the situation and strongly objected to the view that the Special Session no longer had a mandate. Members had just missed a deadline. Both Chile and Djibouti supported the course of action proposed by the Chairman as it was based on the recently-held consultations as well as the statements made by the majority of Members present. Chile was convinced that, in deciding when, how, and in what order meetings should be organised, and what issues to consider, the Chairman would consult with Members, as usual. Chile failed to understand the reasons behind Bulgaria's observations and wondered whether this was an attempt to obstruct further work.

112. Referring to paragraph 46 of the Doha Ministerial Declaration, India recalled that the TNC had to "*establish appropriate negotiating mechanisms as required and supervise the progress of the negotiations*". India doubted whether "*supervision*" implied that the TNC could also extend a given mandate. Furthermore, as pointed out by the Chairman, paragraph 14 of the Declaration went beyond the 31 March 2003 deadline since it provided that "*the negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole*". Clearly, the negotiations were to continue. The deadlines that had been fixed were part of the overall direction given by the Ministers, but it was doubtful that missing them would bring the negotiations to an end.

113. Argentina's recollection was that, when a deadline had been missed in the past, the negotiating groups had continued their work, and no explicit decision by the TNC had been required. Argentina sought confirmation from the Secretariat to that effect. This was confirmed by the Chairman, on the basis of the advice received from the legal services of the Secretariat.

114. Uruguay expressed support for the approach adopted by the Chairman. Uruguay stated that the negotiating mandate had not lapsed, the time-frames and deadlines given by Ministers being indicative. Drawing an analogy with the Services area, Uruguay indicated that to date only three initial offers had been submitted despite the Doha deadline of 31 March 2003. According to Uruguay, adopting Bulgaria's rationale would simply mean that the Services negotiations were over and that another negotiating mandate would have to be sought in order to accommodate those delegations which had been unable, for a number of reasons, to present their Services offers. Uruguay therefore appealed to Members to bring an end to a sterile discussion, and to proceed as outlined by the Chairman in his final conclusions.

115. Taking into account the clearly-expressed wish of virtually all Members to continue working on the establishment of modalities, the Chairman indicated that his report to the TNC would mention that there was one delegation which did not feel that this course of action was appropriate.

ITEM B: OTHER BUSINESS

116. As reflected in the statement it made during the last Formal Special Session (TN/AG/R/7, page 22 refers), Bulgaria recalled that it could not accept the text of the First Draft (TN/AG/W/1 refers) as a basis for further commitments. Having noted that some delegations had stated at the present meeting that they proposed the revised version as a basis for further work, Bulgaria was concerned about the implications of such statements for the status of the Revised First Draft. In these circumstances, Bulgaria wished to make it clear that it continued to reject that text, even in its revised form.

117. The Chairman indicated that concerns relating to the status of the Revised First Draft were substantive matters which could not be raised under "Other Business" according to the Rules of Procedure.

Date of the next Special Session

118. The Chairman informed the Committee of the following work programme :

- 26 and 27 June and 1 July (regular Committee on Agriculture meeting on 30 June); and
- 16 to 18 July.

Chairman's Report to the Trade Negotiations Committee

The Chairman outlined his report to the Trade Negotiations Committee (TN/AG/9). A copy of the report is attached (Annex 4).

Annex 1

Chairman's Report of the Special Session of the Committee on Agriculture 31 March 2003

Under the programme of work agreed in March last year an informal Special Session was held on 25 and 28 March (TN/AG/1 refers). In advance of this meeting I circulated a revision of the first draft of modalities (TN/AG/W/1/Rev.1 of 18 March).

In the interval between last week's informal plenary Sessions, participants were encouraged to pursue negotiations among themselves. For my part, I held a series of consultations on a number of specific issues with different groups of participants.

At the informal Special Session on Tuesday 25 March a number of participants indicated that the revised draft did not correspond in various way with their vision of the modalities that they considered should be established. Others found the paper useful or expressed interest in various ideas presented. Although some suggestions were made on some specific matters that attracted support, overall participants remained far apart on key issues.

As I already reported to you last Friday the intention of the consultations I held last week had been to try to find some pointers as to where bases for possible compromise might be found. The consultations covered the following issues:

- the concept of SP products and the Special Safeguard Mechanism for developing countries;
- food aid;
- tariff quota administration;
- tariff reductions and tariff quotas expansion;
- state trading enterprises;
- long-standing preferences;
- geographical indications; and
- export credits.

I do not intend now to repeat the summary I gave to the informal Special Session which outlined some of the main issues that were discussed at these consultations. However, I and the Secretariat will be happy to give anyone who missed that summary the flavour of it at a later time. Suffice to say that there was an interesting exchange of views, some clarifications were made and some progress was achieved on some of the issues. On the other hand, it has to be noted that it was not possible to advance the discussion on tariff reductions and tariff quota expansion. Thus the position remains that in this critical area there was no sign of movement.

On several occasions over the past year I stressed the need for delegates to engage in serious negotiations aimed at finding solutions that could attract broad-based support. There has been general engagement by participants but it is clear that at this stage delegations find it difficult to move from their long-standing positions towards convergence with others. This lack of movement reflects the fact that, despite major efforts by all concerned, particularly over the past three months, and despite the very high level of participation, broadly acceptable compromises in the key areas remain elusive.

In these circumstances, it is my impression that we will not be able to establish the modalities today. Nor am I, at this juncture, in a position to produce a second draft of modalities. Thus, we would not meet the deadline established by Ministers at Doha. This is certainly a setback. We must be disappointed that our efforts have not come to fruition.

The situation we are now in is very serious. But, having said that, in my view it is not without some positive aspects. Looking back on the negotiations over the past year and taking a broad perspective, I think it is fair to say we have made considerable progress in some areas - more it must be said in the areas of possible disciplines than on possible modalities for reduction. Indeed, one thing I have noted is the considerable progress that has been made on a number of technical issues. Not only are there some areas where common ground is being developed, but there is much greater clarity about many matters and the linkages between issues. In addition, we are now also working at the necessary level of detail in the negotiations.

More importantly, I get a strong sense from all sides of a continuing commitment to the Doha mandate. I have also been told by many delegates that they are committed to continue working on the issues before us and the view is widely shared that modalities for further reform should be established as soon as possible. We should not gloss over the difficulties but we must also look to the future.

I would now like to give you an opportunity to express your views on the situation. Subsequently, in my concluding remarks I will indicate how I see the organisation of our future work.

Annex 2

Statements by Members at the Formal Special Session of the Committee on Agriculture held on 31 March 2003

Statement by Japan

I would like to begin my intervention today by supporting the joint statement made by Ambassador Wasescha of Switzerland, on behalf of those Members who rightly recognize the critical importance of achieving a proper balance between trade and non-trade concerns in the modalities. We fully share their views that the legitimate interests of civil society need to be duly respected.

As the Chairman clearly states in the preface of the revised draft modalities, it is evident that results in such key areas as reduction formula for tariff and trade distorting domestic support as well as the level of ambition in these areas can only be reached through negotiations between Members. We would like to reiterate in this regard that the only possible way for establishing meaningful consensus is for overly ambitious Members to become realistic and to fully respect the views of those Members who primarily have to deliver in the end of the negotiations. This is all the more the case in light of the collective guidance from the majority of WTO Members calling for the adoption of UR formula for tariff reduction. We can only move the negotiation process forward if all Members rightly accept this sheer fact.

We would like also to underline the importance of properly addressing the concerns from developing country Members in this Round of negotiations as a whole and the significance of agriculture for the economic development of those Members in particular. To this end, we will constructively engage in, and contribute to, the discussion on development issues, while facilitating their efforts for further reform.

We are also willing to participate positively in additional technical work foreseen after April in order to move the process forward.

Japan remains fully committed to the Doha mandate and will continue to keep its active engagement in the negotiations on agriculture after April, with a view to successfully making well balanced and realistic consensus among Members.

Statement by the Philippines

This delegation would like to thank you for your patient stewardship of these negotiations. That we have not arrived at the desired consensus does not in any way reflect on your leadership, which was steadfast, transparent and accommodating. Rather, it is the universe of national interests and sensitivities, and their currently apparent irreconcilable differences that have delivered us today's result.

As far back as two years ago, the Philippines and many developing countries had actively engaged and participated, coming forth with concrete and specific proposals to bring about real reforms and address the issue of equity: mechanisms that interlink commitments in the three pillars to address balance and equity; the eventual and expeditious elimination of trade distortions that prejudice us all; the improvement of market access and special safeguard; mechanisms on meaningful, rather than mendicant, S&D; and concrete proposals on food security and rural development.

We have done the seminal technical work, in preparation for these current proceedings, but other major parties, particularly those who primarily view these negotiations as instrumental only to address their market access insecurities, have not been willing to engage or debate details and technical work. To accommodate the political difficulties of these so-called major parties, we have proposed the interlinking of commitments in the pillars, which would have provided us a second best solution of allowing the major providers of trade distortions the flexibility to reform at their own politically palatable pace provided they do not export such distortions to continue polluting our markets and jeopardizing the viability of our agricultural sectors. But unfortunately, this fixation with market access alone, accompanied by cosmeticism in the other two pillars, seem to be compelling political objectives to these same parties to the negotiations.

We are not going to belabour our difficulties with your current draft as they have been advanced in detail in the course of last week's sessions. We would like to mention and appreciate two particular elements in your draft that provide some window of opportunity to attain the much sought for balance and equity, and the flexibility for developing countries to make the necessary adjustments to liberalization while pursuing our basic development goals. We refer to the provisions for "Strategic Products" and an improved Special Safeguard Mechanism.

The determination of "Strategic Products" can only be a political flexibility that cannot be the subject of a mosaic of criteria that is supposed to cover all the heterogeneity of developing countries. We know as much that our political leaders cannot accept so detailed terms and conditions dictated by this Organization in pursuing our development and adjustment programs. The only negotiable item is the proportion of tariff lines of domestic products, not the blueprint of how we pursue our development goals for that is the proper province of our government.

The issue of equity, particularly in providing developing countries access to temporary trade remedy measures to deal with cases of adverse international trade perturbations, could additionally be addressed by an improved Special Safeguard Mechanism. It is patent injustice for recourse to special safeguard measures to be the exclusive domain of a few Members, many of them developed, when the other developing countries have to undertake the difficulties of adjustment arising from the implementation of the subsisting Agreement. Given the availability of the array of powerful measures, some trade-distorting, at the control of the developed, special safeguards must be exclusively available to developing countries.

Some parties argue that we are in effect reneging on our commitment to reform. That these flexibilities will induce more distortions on top of those that continue to wreak havoc on our markets, bring tears to our eyes on the dire consequences to South-South trade. But can developing countries,

even with these flexibilities, ever exceed even an iota of the billions that the major contributors of distortions continue to pour into the cesspool of market and production distortions? What South-South trade can we talk about in the future when the North would have eaten up the entire South under these conditions?

Developing countries have in effect delivered their sizable down-payment in the reform program in Uruguay, the developed countries delivered more distortions. For us developing countries to deliver our second tranche, those distortions should significantly approach elimination.

You have delivered us a draft that perhaps all of us are not happy with, having made us share the difficulties all over. If anything, you have captured, and successfully elicited, all our discontent with the subsisting Agreement. But the Philippines and other developing countries have shown willingness to engage on the basis of the structure that you have proposed. You could have forwarded us a different draft and structure and we still would have positively engaged, pointing to you where balance and equity can or cannot be attained. And we are even more willing to do so, as we miss today's deadline.

The Philippines has not lost the implications of losing the present opportunity to rid the multilateral trading system of the gross inequity that feeds on the very livelihood and welfare of our people. We are therefore committed to further labours to advance reform, towards Cancún and even beyond, if necessary. We laud you for your perseverance, and join you in your exhortations that while we have yet to resolve the contentious issues, we should all be in harmony, as we end this Session and head back to Capitals, in our collective determination to arrive at a just, equitable and timely resolution.

Annex 3

Statements by Members at the Informal Special Session of the Committee on Agriculture held on 25-28 March 2003

Statement by Bangladesh

We appreciate your efforts in bridging the differences among delegations in the difficult negotiations. We also thank you for submitting the revised first draft Modalities for the further commitments.

We would like to express our concern that despite a general consensus that LDCs shall not be required to undertake reduction commitment in this round of negotiations, the reference to voluntary reduction commitment is still retained in paragraph 54 of your revised draft Modalities. Moreover, we find a new element being added to the text. The reference to making commitments in response to requests from our trading partners, introduced for the first time in the text, is beyond the existing commitments at WTO. The LDCs feel that this is not reflective of LDCs positions as well as the general desire of the Membership. On behalf of LDCs, we would like to reiterate that LDCs shall be exempted from any kind of reduction commitment in this round of negotiations and the language that appears in your revised text, in para 54, within square brackets should be deleted.

We appreciate the inclusion of the concept of duty free and quota free market access for all imports from LDCs in paragraph 55 of your draft. The expression "shall" in square brackets should be taken to give meaningful effect to the preferential market access scheme. We request you to delete the phrase "should" from paragraph 55 which would only weaken the binding nature of the market access commitment. Moreover, the current paragraph does not refer to how this commitment will be implemented. It requires a specification of (i) the actual modality, and (ii) the time-frame.

Statement by Brazil

We thank you for the effort you put in preparing the revised version of your Modalities paper. The second version of your draft is not much different from the first one. Positions are indeed far apart and you were not given sufficient collective guidance to modify significantly the first draft. In answer to your question, I do not have any "progress" to report you. And I ask your indulgence if I repeat myself. A modicum of repetition is important when one deals with a complex and interlinked negotiation.

Despite your efforts, we believe that your revised paper is still lacking in ambition. Market access for one is an area in which the tariff cuts are still modest, allowing tariffs that are equivalent to bans on trade to be kept. We are yet to assess the impact of your newest proposal on tariff escalation. Furthermore, the rates of expansion of tariff-rate quotas are too modest.

The time-frame for the elimination of export subsidies is, for its part, too long. We cannot agree on the positions of the two majors on trade distorting domestic support. We favour the levelling of the playing field between those with access to these subsidies and those that are not in a position to afford billionaire schemes to support their farmers. Any result falling short of this ambition would represent the continuation of a very unfair situation.

As to the informal technical consultations you have been conducting, they do tackle important issues and generate a positive negotiating environment. Special and differential treatment, in particular, hinges on important and legitimate concerns raised by developing countries and deserve our full consideration. We commend your efforts in addressing the concerns of developing countries, both exporters and importers. The Doha Development Round requires us to take development concerns into full account. The mandate was meant to bring developing countries together by means of a concerted emphasis on development. It should not be used to divide us. It is particularly important not to lose sight of the many economic integration initiatives between developing countries that should be further supported and enhanced. These technical negotiations will certainly benefit from a satisfactory evolution of all other market access issues relating to developed countries.

An often-repeated quotation is that we reached this state of affairs in agricultural negotiations in view of "unrealistic expectations prevailing in Geneva". I do not want to engage in an exercise of blame shifting. But let me say that, actually, it is those seeking ambitious results in keeping with the Doha mandate that are having their legitimate expectations frustrated by an "unrealistic twisting of the Doha Declaration". Not the other way around. We cannot reinterpret the Doha mandate in a way that would promote limited rather than substantial improvement in market access and perfunctory cuts in trade distorting domestic support.

Entrenched positions on these critical issues will eventually result in one more missed deadline. This would entail negative consequences for the Round. We confront this possibility with apprehension. Brazil remains totally committed to this Round and is ready to engage actively in all negotiating fronts. Negotiations cannot be scuttled for the sake of perpetuating an unfair and unbalanced agricultural trade. Agriculture is one major area in which developing countries are in a position to enjoy comparative advantages and, therefore, speed up their rates of growth. That is why agriculture is different, and that is why opening up agricultural markets would make an enormous difference for development. That is why Ministers opted in Doha for an ambitious mandate as a means to overcome the backlog accumulated during the many decades in which, for all practical purposes, agriculture was kept aside from the multilateral rules-based trading system. We stand by that mandate.

The single undertaking should allow us to aim for the highest possible level of ambition in each of the different components of the package. It is therefore disheartening to see that some still

insist on trying to arrive at a balance within the scope of agricultural negotiations. This is precisely the reason why mandated negotiations have not been able to generate results. Why insist on that?

We, for our part, insist on results – meaningful results – and we remain ready, you can be sure of that, to carry forward the necessary negotiations in the coming days to arrive at a modalities text that fully respects the Doha mandate within the agreed time-frame. We hope the other side can respond accordingly.

Statement by Chile

A small step has been taken along what is a very long road. Our established objective is still a long way off. We note that, as a result of insufficient collective guidance, your paper is an initial, limited revision of the first draft. In this respect, I should like to point out to the 75 countries which believe that the guidance which they have provided is sufficient for them to be taken into consideration that this is not a question of figures, but of a mandate. Proposals which are not in accordance with this mandate cannot be taken into consideration. We recognize that many issues remain pending owing to the limited flexibility of some Members as regards continuing to modify their agricultural policies. I would summarize some such pending issues as follows:

Market Access: We must learn how to gauge the advantages of and identify the problems related to market access liberalization. Let us conduct an exercise which will allow us to draw our own conclusions. Let us make a comparison of where the advantages lie and where problems arise and how the latter should be solved.

Preferential Schemes: Let us stop talking in abstract terms. Let us identify the products, quantities and markets involved. There is a lack of background material which prevents solutions from being found for countries dependent upon these preferential schemes. Preference-giving countries must furnish such information to the WTO Secretariat and embark upon technical work to address this issue comprehensively.

Special Safeguard: This instrument must be inextricably linked to low bound tariff levels and designed to facilitate liberalization, not create even greater obstacles to trade.

Special Products: The change of name is satisfactory. It is, however, essential for criteria which are both clear in relation to the description of such products and time-bound to be established.

Special and Differential Treatment: Attempting to give us special and differential treatment in the form of the very same instruments as we are endeavouring to remove for developed countries is the wrong approach. The best special and differential treatment developing countries can be granted is improved market access and elimination of the production and trade distortions caused by export subsidies and domestic support.

By way of conclusion, we echo the words of Egypt. We advocate longer time-frames insofar as they generate more ambitious results. We recognize that those who have to make the greatest adjustments to their agricultural policies require a longer time-frame in which to do so."

Statement given by Croatia on behalf of Recently Acceded Members (Albania, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman)

Speaking on behalf of Albania, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman, I would also like to thank you for the revised First Draft of Modalities for the Further Commitments.

Having said that, the countries on behalf of whom I have the honour to speak are once again reiterating the fact that we have consistently raised in the course of the ongoing DDA negotiations the issue of the specific situation of the recently acceded countries in respect of agriculture. We believe that Members are by now aware that countries who recently acceded to the WTO made very extensive market access and domestic support commitments, often going far beyond those that had been made during the Uruguay round. Ministers in Doha have apparently recognized the significance of these commitments in paragraph 9 of the Doha Ministerial Declaration.

Our countries stated, on all occasions, that we had very limited possibilities to make further reduction commitments. We have made a very strong case and presented several proposals on the necessity to include meaningful specific flexibility provisions for recently acceded Members in the modalities for future commitments in the agricultural area. We have continuously expressed our strong expectations that proposals and concerns of recently acceded Members would be adequately reflected in the text of modalities.

May I remind you that, during the informal session of the Committee held in February, we already expressed our great disappointment with the first Draft Modalities for further commitments. We have clearly stated that the proposals for recently acceded countries in that first draft of the modalities text were falling short of anything that we were expecting or hoping for. In fact, the proposals are such that their acceptance would definitely impede the reform process and in many aspects the functioning of our countries respective agriculture sectors.

Having seen the revised draft our disappointment and frustration have only amplified.

We have not until now heard any constructive opposition to our proposals. In fact, we have heard only one comment made by one delegation. On the other hand, our proposals have been made on behalf of several WTO Members and not by a single Member. We are, therefore, even more disappointed that they have not been included in your revised document.

We already stated in February that, in order for us to join the consensus, modalities should contain a text which will have real and meaningful specific flexibility provisions for recently acceded Members with respect to market access and domestic support. Let me reiterate that we have no other option than to firmly maintain this position after the reading of the revised first draft. The modalities should contain provisions taking on board the concerns of all WTO Members. At present, this is not the case for the specific situation and grounded concerns of recently acceded countries.

As we have already stated, our countries have been fully and seriously engaged in the ongoing negotiations. We are still committed to continue participating actively and constructively in the further process, of course, on the basis of a text which will fully reflect the legitimate concerns and proposals of recently acceded Members.

Statement by Croatia

Let us first express our sincere appreciation to you and also thank other previous speakers for the information on meetings and consultations held outside of this plenary room. This is important in terms of transparency, especially for those delegations that are obviously not able to be present and involved as much as they would have liked to be.

Judging from what has been said today, but also earlier this week, it is obvious that the current state of the negotiating process and the situation we face, despite our collective commitment and engagement, reflects today's reality and shows the utmost importance and sensitiveness of agriculture for virtually all WTO Members.

As for Croatia, our main concerns are by now well known. We have expressed them on many occasions alone or together with other Members that share same or similar views. In a joint statement earlier this week, we have repeated our disappointment with proposals for recently acceded Members (RAMs) in the revised Draft Modalities that are clearly falling short of anything that we were expecting or hoping for.

We have also stressed the fact that we basically did not hear any constructive opposition to our proposals and, for that reason, we were even more disappointed that they were not included in the first or in the revised text. Actually, one may say that our proposals were not properly discussed and, at least for our part, we could report very little about this week's discussions on this issue.

There is another element, which has been of concern to us. We have informally learned that two meetings including a significant number of Members were scheduled and held on two very important issues for Croatia and other recently acceded countries, where none of us was, at least to our knowledge, present. This relates particularly to the consultations on tariffs and tariff rate quotas

Notwithstanding the outcome of these meetings, the stakes in these issues, as in the agriculture dossier as a whole, are for us extremely high. We have expressed our views on tariffs on many occasions, these are well known and we will continue do so. In respect of the special safeguard, we would like to restate that we have major concerns with the proposal in the Draft Modalities on this instrument, where only a small number of WTO Members, mostly RAMs, would be prevented to use any SSG or SSM, because they either have no right to use this mechanism now nor, according to the proposal on the table, temporarily or permanently in the future.

In our Joint Statement last Tuesday, we clearly stated that for us to join consensus, modalities should contain a text with real and meaningful specific flexibility provisions for recently acceded Members with respect to market access and domestic support recognizing the extensive commitments made in the accession process, which is currently not the case.

We also added that the modalities should contain provisions that reflect concerns of all WTO Members. We have been, together with others, fully and seriously engaged in these negotiations. Let us confirm Croatia's commitment to continue participating actively and constructively in the further negotiation process and work hard with other delegations to achieve the objectives of the Doha mandate. In order to be able to do so, our and other RAMs' legitimate concerns and proposals should be fully taken on board and our delegations be present in the process, including in its main informal part.

Statement by Cyprus

Being one of those capital-based officials who cannot afford to be present in Geneva on a continuous basis, let me first say it is nice to see you again.

By reading through the documents produced by you and the Secretariat over the span of a few days and weeks, I cannot but express my sincere appreciation for the hard work done. I regret however to say that Rev.1 continues to be as unacceptable to my country as your first draft had been.

As we are approaching the 31 March deadline without any real prospect of success, we need to remind ourselves that each and every one of the WTO Member countries participating in these negotiations, has legitimate hopes and the right to get something from this process.

We need to remind ourselves that it is about trade that we are talking here and not about ethics or political theories. Since the beginning of civilisation, trade has always been a down to earth business based on mutual benefit..

We need to further remind ourselves that changes which affect the livelihood of millions of people, require time. It is one thing to talk about a commitment in the long term and another to be able to implement deep going reforms in the time span of a few years.

Above all, we need to remind ourselves that in a situation where there are more or less visible and clear boundaries between those countries who are obvious winners of the reform process, those who are obvious losers and those who are in between, it is simply unproductive to try to strike a deal by proposing something halfway between the positions of the two opposing factions. Winners are obviously trying to get the most they can but they need to keep in mind that they may get nothing if they are over-ambitious.

Meanwhile, it is important to stay on the ground and try to work constructively towards a compromise that would be acceptable also to those who are on the losers' side.

Let me put some ideas on the table:

- (a) If you cannot lower the level of ambition, think about a longer implementation period; in this way, you keep the process on track and you have the certainty of the same outcome, even though that may mean a few years delay.
- (b) As far as the Blue Box is concerned, you may find it useful to distinguish between existing and new production-limiting programmes. By keeping the status quo for new measures, you facilitate the reform of the Amber Box and reduce the level of trade distortion.
- (c) NTCs are as important for developed countries as they are for developing ones. It is unproductive to insist that they do not exist. Try to accommodate the most important of them in the Green Box, for example by allowing payments up to a certain level to maintain traditional production in disadvantaged regions, say up to 15 per cent of a country's utilised agricultural land. And by allowing the payment of an incentive to farmers to participate in agro-environmental programmes, up to the level of income an average farmer in non-disadvantaged regions would normally expect to have.
- (d) Think about alternative trade routes for present beneficiaries of preferential schemes, for example, by accommodating them, to the extent possible, under the new expanded

TQs. It may be over-ambitious to require far-reaching tariff reductions and MFN TQs at the same time.

- (e) Finally, try to avoid a situation whereby the world is divided into two; those who enjoy exemptions on almost everything and those who have to reform almost everything. If we believe in the benefits of free trade, let us keep together, if not as regards the level of commitment, at least by having the same implementation period, a feasible and realistic one.

Statement by Czech Republic

Let me begin by expressing my gratitude to you for all you have done since the last Special Session to bring Members closer and for the efforts you have deployed to meet the key dates and deadlines established under the Doha Declaration and the Programme for the period March 2002 to March 2003.

You will recall that at the February meeting, my delegation placed on record its serious discomfort with the first Draft Modalities for further commitments in agriculture. We took time to explain why the draft was unrealistically ambitious, unbalanced in many respects and therefore not acceptable for us. We went on to say that a second draft was needed which should be substantially different from its predecessor.

Now, what we have in front of us is almost identical to the prior proposal. Apparently, this is not a second draft. As the Chairman pointed himself, both in his paper and earlier today, this is as an initial, limited revision of certain elements of the first draft of modalities. In the circumstances, it will come to no surprise to anyone to hear that our concerns and objections of with regard to what we have now on the table remain substantially unchanged.

We appreciate the magnitude of your task to bridge diametrically opposed views on a large number of issues. We recognize the difficulties you must have faced when performing your duties. We can also understand what you mean by saying that there is insufficient collective guidance to enable you significantly to modify the first draft.

Obviously, we are still a long way apart on most of the sensitive issues. But this does not necessarily imply that we do not have some significant movement towards convergence with regard to one particular way of proceeding, at least in some areas. I am now referring to market access where the level of support for a Uruguay Round type formula for tariff cuts is extensive.

Only a little would give me more satisfaction than to quote a figure of those being supportive of this approach. But I take what the Ambassador of Chile said earlier in morning. He is right in arguing that this is not an exercise of a mechanical nature. This is a policy negotiation. The objective here is to produce consensus and we all know what the principle of consensus is about. However, the fact that such a strong preference of such a large number of Members of this house has continued to fail to be reflected in the revised guidelines, in one or the other way, is a source of particular concern to my authorities.

Let me turn now to what seems to be a generally prevailing mode of disappointment and frustration, given a heavy criticism both the original and the revised drafts have been receiving from every possible corner. Some criticize it for not going far enough. Some find it faults with going too far. However, we see the situation to be more complex as it may appear at the first glance. On one hand, we do have Members who are not happy with the level of ambition but can build on what is presently contained in the draft. As compared with these Members, there are others who have to take rather important strides to ensure that their fundamental concerns and interests are incorporated into the text. And these are two significantly different situations. This is something which will have to be changed. If not, it will be difficult to move on to deal with most problematical issues.

This brings me to the question on how to proceed further to improve the draft modalities with a view to building a consensus in key areas. We believe that what we should focus on at this point is that relating to more balanced approach. It may sound like a cliché. It is a cliché. However, the reality is such that merits repeating it. We all have to accept that this is about a give and take process. It is about a search for a mutually acceptable level of accommodation and the need to strike a functional balance between trade and non-trade interests, while aiming at meaningful results and a

high quality and ambitious agreement. And when talking about non-trade concerns I should remind you that these are far from just being about something some Members tend to consider as irrational, inefficient or trade distortive. The truth of the matter is that these concerns are primarily about certain important societal objectives in such areas as rural development, protection of environment and food safety.

Before concluding I would like to reassure you and other colleagues in the room about our continued determination to engage in good faith. We stand ready to come any time between now and the expiry of the March deadline and be available for a series of consultations you or others may be willing to conduct. We will be doing so on clear understanding that all issues debated elsewhere will have to come back to this body. I am a bit concerned about the idea of making distinction amongst various issues. What some may treat as a technical issue others could consider to be important policy matter.

If, for various reasons, we cannot meet the deadline, this will not be the end of the day. Obviously, it would be very unfortunate development and we should make all we can to avoid it. However, if we stand on Monday where we are today it will not mean that the Round is dead. It will not be the time for recrimination or finger pointing. This will be the time for reflection, collective assessment of the situation and renewed commitment to the Doha mandate and continuation of our work here.

In conclusion, I would like to seize this opportunity to request you to reflect the text of Article 20 of the Agreement on Agriculture in your preface to the modalities. I have good reasons to ask you for that and I am confident that we can all benefit a lot if we have the full picture, in terms of the elements to be taken into account. Moreover, this inclusion is likely to help the outside world to get a better sense of the context in which these negotiations are taking place.

Honduras and the Dominican Republic

We should once again like to thank you and the Secretariat for the efforts made to improve the first draft of modalities for the negotiations. We continue to believe that this text provides a basis for achieving further progress in the current negotiations. We also believe that if a document on modalities is to be approved, there must first exist agreement on the whole text, including its attachments. We cannot agree that one part of the document should be approved, without consensus being reached on the content of the attachments, which are an integral part of the commitments which we shall have to reach in these negotiations.

We continue to be concerned at the imbalance between market access and domestic support, since the new text continues to focus on the pillar of market access and proposes very half-hearted reform of the pillar of domestic support, which is where the greatest distortions in agricultural trade lie. It is important to emphasize that any tariff reductions that our delegations might undertake will depend on substantial reform in the pillars of domestic support and export competition.

With regard to the pillar of market access we do not understand why the term "strategic products" has been replaced by "special products". We consider that the term "strategic products" better reflects the spirit of the Doha Declaration, which is directed towards providing a proper response to the developing countries' legitimate concerns regarding rural development and food security.

In this connection, we wish to stress that strategic products must not be subject to additional tariff reductions, since the reason for introducing this concept is to safeguard those products which are very sensitive in terms of food security, rural development and the livelihood security concerns of small-scale producers. It should be emphasized that there are many developing countries whose entire agricultural sectors have very lowbound tariff levels. Accordingly, we believe that strategic products should not be subject to any additional reduction while export subsidies and trade-distorting domestic support continue to exist, since it is by means of tariffs that we are able to counter such distortions.

With regard to the criteria for defining strategic products, we, as part of a group of developing countries, have presented a document in which we propose that each country should have the freedom to choose its strategic products, on the basis of a percentage of all the tariff lines of domestically produced goods. We believe that this is the most suitable criterion, since any other that might be used would not take into account the diversity of economic and social conditions prevailing in the developing countries' agricultural sectors.

We should also like to call your attention to some other aspects of the document. We consider that special and differential treatment has been weakened at a particularly sensitive point, as compared with the first draft, and we cannot accept the change that has been introduced in the section on the in-quota tariffs of the developing countries. In your first draft such tariffs were not subject to reduction, which is a very important aspect for our delegations, since they are bound at very low levels. Consequently we urge you to go back to your original proposal.

With regard to the special safeguard mechanism for the developing countries, we regard it as a very positive step forward that you have removed the link that existed between the level of tariff reduction for strategic products and the right to use that mechanism. We urge you to pursue the technical consultations in order to define as soon as possible the way in which it might be used, so that it can be adopted together with the general negotiating modalities.

With regard to the section on domestic support, we continue to stress that it should be more ambitious. The Blue Box and the Amber Box should be eliminated and the Green Box should be

substantially limited, if we really wish to fulfil the mandate given by the Ministers in Doha to carry out a fundamental reform of world agricultural trade.

Statement by India

I thank you for your Revised Version of the Draft Modalities for Agriculture. We welcome certain changes made in your first revision of the Draft Modalities paper, such as de-linking the strategic products, now re-named Special Products from the Safeguard Mechanism for developing countries. From the perspective of our delegation, we would like flexibility in determining the range of "special products" and the ability to use special safeguards swiftly to prevent surge of imports, before we can make a considered assessment of the entire package of proposals. We are co-sponsors of a proposal seeking meaningful application of this concept. We support the presentation made by Indonesia of the proposal contained in the Document Job(03)/59. An early political understanding of this issue will immensely facilitate us in framing our responses to the remaining elements of the package.

During the last Special Session and in the intervening period we have had the occasion to informally meet several delegations. We note that considerable divergence still exists in the approach to further disciplines in all three pillars of negotiations on Agriculture as also the level of ambition of the commitments.

We have also discussed with other delegations our own concerns in these negotiations. We hope that these concerns will be appropriately addressed to our satisfaction. A purely mercantilist perspective taken by some delegations on these issues will not help in moving this process forward. We have all along stated quite categorically that these concerns arise out of the imperatives of preserving the livelihood of our vast population engaged in agriculture. Therefore, we can only accept an outcome of these negotiations, which would not require a fundamental or revolutionary change to this sector. This is a socio-economic and political reality for us.

Having said that, we feel that the level of ambition in the market access pillar seems to be too high and disproportionate to the level of ambition in other two pillars.

Many developing countries have since the beginning of the negotiations extended support to the reform process in agriculture sector on the presumption that substantial reduction in domestic support and export subsidies would level the playing field for them. Instead, the Draft Modalities paper contains illusory changes specially in the domestic support pillar which would only result in shuffling the support across "Boxes". On the other hand developing countries are expected to make overly large concessions in market access.

In the process, we feel the support extended by developing countries for a fundamental reform of trade distortions in agricultural sector, is being taken for granted for an overly ambitious opening even of their own domestic markets. Extensive participation of developing countries in the debate in the last session as well as in this session is a reflection of such apprehensions on the part of many of these countries. An imbalance in the process of liberalization, characterized by unilateral opening of markets by developing countries while major developed countries retain trade distortive domestic support and export subsidies, export credits, etc., would not be in the interest of a large number of developing countries as they would be deprived of the only method of protecting their farmers from unfair competition even in their domestic markets.

We assure you of our constructive participation in any future work that you plan to bring about agreement among Members.

Statement by Indonesia

My delegation expresses its appreciation to you for conducting the technical consultations during the last couple of days. We believe, the informal consultations, gave delegations a useful opportunity to further articulate their thoughts on issues in the negotiations in a transparent manner.

My delegation responded positively to your call to conduct consultations among ourselves to try and find areas in which compromises could be struck on the revision of the your first Draft Modalities. Whilst, on our part, we have found the series of bilateral and plurilateral meetings we were involved in to be very useful for us to reflect on we, however, at this juncture are unable to inform you of any positive development, except for the issue of SP.

In the informal session on the 25 March, as well as in the technical consultation you held on the 26 March on SP, we found there was increasing and considerable support given to the concept of providing special treatment to SP. This support was further highlighted during the consultation meeting held by the 12 co-sponsors of Job(03)/59 on Strategic Product.

During that meeting we had a great number of developing countries joining the meeting and expressing their support for our paper, which they are considering to join as co-sponsors. We believe this is a positive development for SP, which may help you in effort to further develop the current draft modalities.

If you would allow me, at this point I would like to raise three issues on SP, which some SP sceptics raised in Tuesday informal meeting as well as in the technical consultation meeting. These issues are relationship between SP and SSM, effect of SP on intra developing countries trade, and criteria for SP.

On the issue of SP and SSM, we believe that these are two different concepts, to address two different issues. As you rightly stated in your draft modalities, the purpose of SP is to allow developing countries address food security, rural development, and poverty alleviation. This is why Indonesia believes that SP should be given a comprehensive tool, so as to enable developing countries to implement development programs to achieve their development objectives, including the elimination of food insecurity, rural development, as well as the alleviation of poverty. In this regard we do not believe that merely exempting SP from further tariff reduction, where in some cases SP already have very low tariffs, would be adequate to address the problem of food security, rural development and poverty alleviation in developing countries.

As for SSM, we view this as more of a defense mechanism adjustment or trade remedies against import surges for developing countries, which mostly arise from persistent of trade distortions or trade distorting subsidies in developed countries. Whilst we are of the position that as part of a comprehensive tool SP should have automatic access to SSM, we do not share the view that the main purpose of SSM is to enable developing countries take account of their development needs relating to food security, rural development, and poverty alleviation.

With regard to South-South trade and on the concerns raised by some net exporting developing countries, that SP would impede intra developing country trade, Indonesia simply does not share their views. Indonesia does not believe that SP would impede or distort intra developing countries trade, but rather in the long term may increase South-South trade. We see two main reasons for this:

- First, many of the countries requesting SP are net importers of the SP product itself. Thus just because developing countries are allowed to designate certain products with

an SP symbol, it does not mean that all of the sudden imports or trade on this product does not take place. To our mind import or trade will continue to take place, because of the simple fact that these countries are net importers of the product anyway.

- Second, the purpose of SP to enable developing countries to address food security, rural development, and alleviate poverty. In other words, the purpose of SP is to increase the standard of living and income of the hundred of million poor farmers across developing countries. With my understanding of economics, an increase in income and standard of living, would in fact increase demand for goods and services, this in turn would increase South-South trade rather than impede like some net exporting developing countries have suggested.

On the issue of criteria for selecting SP, we again would like to reiterate that we understand the need that there should be some kind of boundaries in the selection of SP. However, as we have stated on various occasions, our Ministers in the Doha Declaration have already given these boundaries, and you have repeated them in your draft modalities. It is clear that SP should be products, which relates to food security, rural development, and poverty alleviation.

Thus, apart from the technical matter of lack of data and statistics, we believe that a combined approach of a number based-self-declaration is the best method for the selection of SP. Allow me to reiterate the reasons for this:

1. With the general boundaries or criteria given by Ministers and you, we believe that individual developing countries are the best judge on which of their agricultural products contribute most to food security, rural development, and poverty alleviation, as well as to political and social stability and other development objectives. Moreover, conditions and situations relating to food security vary from one country to another. We do not see how a limited number of criteria set by the WTO could accommodate the differing conditions and situation across all developing countries.
2. A limit placed on the number of SP developing countries can declare would ensure that they only declare agricultural products as SP, which is most important to food security, as well as to political and social stability and other development objectives. This we believe should be adequate security to ensure that only products within the boundaries are declared as SP.
3. Even if criteria method were used, many developing countries would insist that criteria chosen would have to take account of their specific needs relating to their food security, so as to ensure that agriculture products important to them could be included as SP. Thus we view that the end result or the products being declared as SP by developing countries, whether using of a number based self-declaration approach or a criteria based approach, as being no different. However, if the purpose to enter into negotiation to formulate criteria for SP is to delay or to prolong the whole agricultural negotiation process, then it would probably be best that I end my intervention here.

Statement by Jamaica

Jamaica wishes to commend your efforts to develop and circulate this Revision of your First Draft of Methods and Modalities for the further commitments on Agriculture.

My delegation wishes to assist you in filling in the blanks which were left in your paragraph 57 entitled "Others".

We are concerned that the Revised Draft fails to be specific on a few issues of interest to us and in some ways falls short of our expectations.

As a small developing country Jamaica is faced with the vulnerabilities and limitations of small size. As we have mentioned on several previous occasions, Jamaica has already undertaken significant liberalization in its agricultural sector and therefore does not utilize the full range of measures which many countries are now attempting to address. Specifically these measures are export subsidies, export credits and export guarantees, tariff quotas, Amber and Blue Box measures. We note that in your revised draft a good portion of Blue and Amber Box measures, export credits and export guarantees could remain intact for some time and that the use of Green Box measures could be expanded by some countries.

We believe that the proposals on tariffs and all these other measures are linked to each other. The tariff is the main measure which Jamaica can rely on to support its agricultural sector, while we undertake a difficult transition to operating in a more liberalized trading environment. Furthermore, Jamaica is committed to the further reduction of its bound tariffs. However, we believe that a more balanced and equitable approach would be to allow small developing countries like Jamaica to incorporate a reasonable percentage of those strategic or special commodities which it produces in the category of "SPs" and the tariff reduction requirement for the other products should be considerably lower than those suggested in your draft. We agree with the co-sponsors of Job(03)/59 that the determination of "SP" must be self-declared and be based on several important criteria which take account of, *inter alia*, contribution to job creation and employment and contribution to diet of the majority of the population. There also should be no reduction of tariffs for these products. This, we believe would represent a more meaningful integration of Special and Differential Treatment in the modalities.

We would also urge that the proposal on the SSM be finalised along with the complete package on modalities. We welcome the indication that developing countries could use the SSM for strategic and other products and look forward to participating in its development.

We favour an SSM that would be user-friendly for small developing countries; one that is not too complex and difficult to implement.

With respect to preferences, we have a difficulty in understanding why some countries are not more sympathetic to this issue. We recognize that traditional, non-reciprocal preferences have been eroded constantly by successive multilateral, regional and bilateral arrangements and this has eroded the competitive position of the agricultural sector in a small vulnerable economy such as Jamaica.

At this point, Jamaica is particularly interested in two specific products which, in the year 2000, contributed to approximately 50 per cent of the total value of export earnings. I must mention that the total value of export earnings for Jamaica of primary agricultural commodities was US\$225 million - an amount which can hardly be considered to be trade-distorting to global agricultural trade of US\$47 billion (2001 WTO figures). These exports, however, are linked to vital employment, food security, rural development and social stability interests.

We are, therefore, proposing that specific and binding commitments on preferences be made as was proposed by our fellow CARICOM country, St. Lucia.

Finally, Jamaica is still a Net Food-Importing Developing Country (NFIDC). The proposals presented in the revised draft regarding the reduction of export subsidies would suggest that the Marrakesh Decision on NFIDCs is still relevant and needs to be effectively and immediately operationalized.

Giving effect to the concerns raised above would go a long way in responding to your paragraph 57. It is for this reason that we are particularly concerned that although very little is concretely provided in the preceding paragraphs, paragraph 57 is vague about the additional flexibility for SIDS, vulnerable developing countries, transition economies and leaves the nature of that flexibility to be elaborated. Jamaica would wish to continue to be involved in this process of elaboration.

Statement by Kenya

This delegation would like to thank you for submitting your revised Draft Modalities paper which is aimed at moving the process forward. However, the lack of convergence and flexibility in positions taken by Members is a sign of the difficult task ahead in turning into reality the development agenda envisaged by Ministers at Doha. We note with concern that the overall structure of the revised text as well as the level of ambition in all the three pillars of the negotiations remains the same despite the constructive engagement by Members particularly developing country Members in the last special session.

In this regard, we note that the revised paper as was the case with earlier draft, contains imbalances between the proposed reductions in tariffs and the proposed reforms in domestic support and export competition particularly for developing countries due to lack of interlinkages between the three pillars of the negotiations.

I. MARKET ACCESS

On market access we note that the middle band for tariff reductions have been split into two with an aim of responding to the concerns of some developing countries. The recognition that tariffs within a wide range as 20 per cent and 120 per cent could not be treated the same constitutes a positive development. This, notwithstanding the level of ambition of tariff reduction, is still too high at 30 per cent and 35 per cent on average respectively.

Tariff Escalation

For Kenya, it is of extreme urgency that tariff escalation and tariff peaks are addressed since these are serious obstacles for diversification of production and processing of primary agricultural products. Although the new draft has specified that tariff reduction shall be higher than that of the primary product by 30 per cent, we maintain the view that there is need to harmonize the tariffs on primary and processed products.

Paragraph 10 of the revised draft (which is supposed to be S&D for developing countries) continues to be a best endeavour clause encouraging developed countries to fully take into account the needs of developing countries by providing improved market access. It is important to clarify how this paragraph will be made operational and the time-frame for the envisaged market access improvement. Furthermore, there is need to specify that the tropical products referred to are those originating from developing countries.

"Special Products"

The text incorporates the concept of "special products". In our view this seems to be a narrower denomination than strategic products and therefore we would prefer to retain the Strategic Products concept. Let me re-emphasize that, for low income developing countries such as Kenya, our economic development is largely determined by whether the agricultural sector evolves into a sector that is economically and commercially viable. The products that are to be declared as strategic/special products therefore should not only include key products that are produced by low-income resource poor farmers (i.e. for food security and rural development) but also those that are linked to the future growth of the viability of the agricultural sector such as products that bear significant export potential. This links to the development objectives of developing countries by incorporating subsistence non-commercial farmers into domestic as well as global agricultural products.

In our view, each developing country should be able to self-declare products that are considered "strategically important for their development" according to their own development objectives and strategies declared for instance under their national development plans. Given the strategic importance of the products selected they should automatically be eligible to the new a special safeguard mechanism for developing countries and in addition they should be exempted from tariff reduction. We still maintain that a meaningful designation of products would be at the 4 digit level.

Trade Preferences

On trade preferences, we note that the text has been modified in several aspects. We note in particular the new provisions on technical assistance which we believe are positive. However, it is important to recognize that technical assistance aimed at supporting the diversification of production would have an impact in the medium- to long-term. The problem of the short-term transition costs continues to be unresolved. We are of the view that some form of international compensation scheme should be put in place to ease the transition process of preference-receiving countries towards a new regime less dependent on preferential arrangements.

Tariff Quota Volumes

Regarding tariff quota volumes we maintain that any new tariff quota volumes should give special consideration to developing countries, particularly those in Africa, by providing preferential allocation of new volumes.

Special Safeguard Mechanism (SSM)

We welcome the outline of a new special safeguard mechanism for developing countries included as attachment 2 in your revised text and we note that this is still subject to technical work. We still maintain that the proposed SSG should not be based on the current Article 5 and that this Article should cease to apply for developed countries at the beginning of the implementation period. This SSG should apply to imports from all sources and it should be both price and volume triggered. We re-emphasize that the new SSG should be included in the final modalities to enable developing countries draft their schedules of commitments.

Non-Trade Concerns

On non-trade concerns we propose that your draft modalities take on board paragraph 28(d) of document number TN/AG/6.

II. EXPORT COMPETITION

Export Subsidies

It is our view that export subsidies should be eliminated within the first year of implementation and no distinction should be made among categories of products. While appreciating that your revised draft still recognizes the need to maintain the exemption for developing countries in Article 9.4, we propose that an extension of this provision beyond the implementation period of the further export subsidy commitments to be undertaken by developing countries should be negotiated during the continuation of the reform process.

Export Credits

We welcome the special provisions for export financing support programmes destined to developing countries and financing of basic foodstuffs imports by least developing countries and Net Food-Importing Developing Countries.

III. DOMESTIC SUPPORT

Green Box

We note that attachment 8 of the revised modalities paper does not include an option to cap trade distorting elements of the Green Box as well as tighten the policy specific criteria for Green Box support as called for by a number of developing countries including Kenya. Although the paper suggests some modification to the Green Box we are of the view that the level of support for the Green Box measures should be addressed. In addition paragraphs 5, 6 and 7 should be subjected to reduction commitments.

We welcome attachment 9 of the revised text since in our view this is an attempt to address the concerns raised by developing countries in the usage of Green Box measures. In our view, attachment 9 provides greater flexibility to developing countries in respect to the measures existing in the current Annex II.

Blue and Amber Boxes

We reiterate that in our view all trade distorting domestic support should be eliminated in order to create a level playing field in international trade in agriculture.

De Minimis

On *de minimis*, we are concerned about the limitation introduced in paragraph 53. In our view, credit to non-specific support should fully compensate the impact of negative product specific support. In this regard, we propose that the current paragraph 53 should be replaced by paragraph 52 of the first Draft Modalities paper.

IV. S&D TREATMENT FOR DEVELOPMENT COUNTRIES

We expect all S&D provisions to be practical and operationally effective to enable developing countries to effectively take account of their development needs including food security, rural development and livelihoods for subsistence farmers.

Indeed, paragraph 14 of the Doha Declaration states that modalities for further commitments, including provisions for S&D treatment, shall be established no later than 31 March 2003. In this regard, modalities cannot be established without a clear understanding of the S&D component on each of the elements of the negotiations.

Statement by the Kyrgyz Republic

Since our last meeting this week all delegations including mine have been engaged in intensive negotiations following your recommendations. It seems that we have to continue our discussions to overcome the deadlock within forthcoming months.

But before we undertake the subsequent attempts to find a solution let me briefly formulate our primary and probably sole concern over the present text of modalities.

As it has already been stated by this delegation the revised draft does not reflect our expectations though our ambitions are not too high comparing to some other delegations.

Be it clear to all, the Kyrgyz Republic does not intend to move away from its commitment towards a fair and market-oriented world trade in agricultural products. On the contrary, after joining the multilateral trading system the government have made a significant (I repeat a significant) contribution to strengthen the WTO through binding of its import tariffs at a very low level and, thus dramatically improved the access for imported goods to the domestic market.

In order to confirm this fact I am going to present some figures contained in the schedule of the Kyrgyz Republic's commitments in agriculture. Out of the total tariff lines scheduled during the accession some 52 per cent are bound at 10 per cent. Only 1 tariff position has so-called tariff peak and this tariff peak is 30 per cent (only one position). The Kyrgyz Republic does not maintain any tariff quotas, other restricting non-tariff measures, nor it provides export subsidies, trade distorting subsidies. The schedule of commitments as well as its entire agricultural policy of this country is one of the most transparent among all Members.

In the preamble of the AoA, there is a clear indication that reform programme should be made in an equitable way among all Members. The spirit of the agreement entered into force before the Kyrgyz Republic became a WTO Member is fully reflected in the Doha Declaration when it dealt in its paragraph 49 maintaining that "the negotiations shall be conducted with a view to ensuring benefits to all participants and to achieving an overall balance in the outcome of the negotiations". It is clear that if this balance stemming from setting extra conditions on such countries as the Kyrgyz Republic falls short as far as agriculture negotiations are concerned, the overall balance would be jeopardized. Yet it has been clearly mentioned in Article 20 of the AoA that the reform process should be implemented taking into account the experience of reduction commitments.

At Doha Ministers agreed to have an overall balance as the outcome of negotiations. The overall balance for us is the benefits to all. Indeed, we will have positive result if we see equal or let say affordable playing field to our producers. According to your new draft Chairman we do not see such an outcome. And, therefore, we clear declare our disappointment over this text.

Our disagreement, let me repeat, lies in the treatment over those recently acceded countries who made their significant contribution in market access commitments during their recent accession processes. Our disagreement is on paragraph 51 of the revised draft as well.

Therefore, my delegation recommends you in your next draft of modalities to take into account specific needs low-income vulnerable transition economies whose Membership in the WTO became effective recently.

For us, be it clear, further reduction commitments requested from vulnerable, transition economy such as the Kyrgyz Republic would cause serious limitation on domestic policy instruments available and thus hampering diversification its agricultural production and improvement rural development.

Agriculture represents the real and potential sector of economy in the Kyrgyz Republic where more than a half of its population is employed.

At present, the programme of micro and medium range loans provided from different international financial institutions is being implemented. The objective of this programme can and will be achieved only if sufficient level of domestic production is maintained.

The Kyrgyz Republic calls on all WTO Members – developed and developing ones - to further reduce their tariffs and domestic support measures as it did during the accession process in order to create truly fair and beneficial trade.

I request that my statement will be put on record of the minutes of the next formal meeting.

Statement by Malaysia

We have studied your first revision of the Draft Modalities paper and we must express our deep disappointment that our concerns expressed on your Draft Modalities paper of February have not been taken on board.

While we will not belabour on all areas in which we have concerns, we wish to reiterate that the current revision equally lacks the ambition that the first draft also suffered from. It falls short of the Ministerial Mandate provided to us in Doha.

And we are already in the "crisis zone". With a looming deadline, and an ambition that is far from being fulfilled, we urge all our trading partners to understand the central role of agriculture in the WTO's current work programme.

Quite apart from our concerns expressed on the other aspects of the Modalities paper, the market access pillar still needs to be modified to address the issue of prohibitively high bound tariffs. We have repeatedly asked for deep cuts that would lead to substantial and meaningful reform. We have yet to see this in your modalities.

Similarly, we have also repeatedly stated our position that we would only be willing to extend the SSG (or SSM as indicated in your Modalities paper) to other developing countries if there are deep tariff cuts.

Our position remains intact.

In this first revision, you have chosen to allow the SSM to be used for all commodities, irrespective of the depth of tariff cuts. This simply means that a product that is also sheltered from the liberalization process by virtue of being self-declared as a "Special Product" or SP will further benefit from the SSM.

- In this regard, we wish to reiterate the implications of this approach on multilateral trade, apart from the implications on South-South trade.
- We note, however, that you have, in a paper on the SSM (which is the subject of on-going technical consultations) provided that the new SSM will not be used between developing countries. This, at the least, provides us with some measure of optimism that intra South-South trade will not be negatively affected by this new mechanism.
- In the same breath, we also reiterate our hope that you will include the SCVM proposal co-sponsored by Argentina, and a number of other Members including Malaysia in technical consultations as well.
- Similarly, we stand-by our position that the SP which will be the subject of further technical consultations shall be based on multilaterally agreed criteria. The list of products must be limited to the 6-digit HS level and be multilaterally agreed.

You have heard repeated calls from many Members, particularly developing country Members, on the interlinkages between the three pillars. A greater degree of reform in the domestic support pillar on the part of developed country Members will, we believe, lend greater support on the part of developing country Members to move in the area of market access. It is simply a question of equity.

- Thus, developed country Members must show the political will to do more on domestic support as well.

Our concerns with respect to the Attachment on Article 6.2 needs to be addressed too.

We also wish to state that the current text of preferential trading schemes causes concern to us. We will elaborate on this further in any technical discussion that you arrange.

Last but not least, we also wish to restate our concerns with respect to S&D treatment for exporting developing countries in the area of export credit.

We do hope that we do not sound more apocalyptic than necessary. We will continue to work with our colleagues and with you in the hope of finding the right level of ambition and acceptance in line with the Doha mandate. In so doing, we also wish to remind ourselves of the agricultural trade rules that we all agreed to establish, as per the Doha mandate, that will set the parameters for the next 10-15 years. It is thus, all the more important that we get it right.

Statement by Moldova

I would like to thank you for your work in elaborating the first Draft of the Modalities on agriculture negotiations. I would like briefly to touch on the issue of "recently acceding Members" already raised in the common statement made during this week by Croatia on behalf of these countries.

We took note that, like the previous document, the revised version contains a distinctive proposal concerning the "recently acceded Members". In general terms, we have acquired recognition that the group shall have flexibility to defer the general disciplines which will be imposed by the future modalities. We appreciate very much this approach and find it encouraging.

We appreciate also the understanding expressed by the Members regarding this issue as we had not encountered express oppositions.

In the meantime, I would like to state that, according to the instructions of my Government, we cannot accept the present Draft as a starting point for negotiations. Actually, the present wording of paragraph 56 of the Draft does not meet our expectations.

We would like to emphasise that before accepting the negotiations on any Draft, we call for a very clear recognition of our need to exempt the low tariffs from further reduction commitments. We believe that by encountering a bound simple average of 18 per cent in agriculture, a nil under the export subsidies, complemented by a modest level of domestic support, Moldova has already undertaken extensive trade liberalization commitments.

Moreover, we require elaboration of the specific proposals submitted by some "recently acceded Members" regarding the domestic support, and longer implementation period that is proposed by the paragraph 56 of the Draft.

At present, the agriculture in Moldova encounters for 35 per cent of the GDP, which is approximately US\$350 per capita, where 60 per cent of its population works within this sector. Considering the recent accession of Moldova, as well as the incomparable low bound tariff level among the greatest majority of the Members, we feel that it is unjust to seek additional significant commitments on our behalf. This may have serious social repercussion on our country, impeding the reform process and in many aspects, the functioning of our agriculture sector.

Last but not least, I appeal to the Members to take note of the economical impossibility of the Republic of Moldova to undertake further liberalization steps in this sector in the absence of an appropriate level of eliminating the current unbalances within the existing agricultural trading system.

We are looking forward to working together in order to contribute to the progress of our work.

I would like to put the present statement in the record of this meeting.

Statement by Nigeria

General

The overall structure of the revised first Draft Modalities, as well as the level of ambition in all the pillars of the Agreement on Agriculture remains the same. It has minor modifications compared to the February draft. The revised draft still does not address some of the crucial concerns expressed by developing countries. It does not tackle the structural imbalances and deficiencies in the Agreement on Agriculture and it does not address the distortions in the agriculture markets. Developing countries have been demanding for interlinkages among the three pillars of market access, domestic support and export competition. That being the case, the negotiating modalities in the revised draft will only benefit the big players at the expense of small-scale farmers in developing countries.

2. Nigeria welcomes the slight improvement of a possible new Special Safeguard mechanism to enable developing countries to take account of their development needs, including food security, rural development and livelihood security concerns. However, we notice that this new safeguard mechanism for developing countries is still subject to technical work. According to the present draft, the current Special Safeguard designed for use by the developed countries will continue for another five or seven years. We demand that the Special Safeguard provisions of Article 5 shall cease to apply for developed countries immediately.

3. We note that the original concept of "Strategic Products" has been substituted by the concept of "Special Products". The term "special" could be interpreted more narrowly than "strategic" and could be the basis for narrowing down the scope of products to be covered by the concept and the flexibility attached to it. Our position is that strategic/special products shall be exempted from tariff reduction and that the identification of the products shall be at 4-digit level. Developing countries must be allowed to declare their strategic/special products themselves, without a limiting set of criteria, with respect to food security, rural development and livelihood security.

Tariff Reductions

4. The level of ambition of tariff reductions proposed in the new draft for developing countries is not acceptable to my delegation. For Nigeria and most developing countries, particularly African countries, it is of extreme urgency that tariff escalation and tariff peaks are addressed, since these are serious obstacles for diversification of production and processing of primary agricultural products. For most developing countries, including Nigeria, tariffs are the only form of protection available in the agricultural sector and they are also an important source of revenue for the government. Therefore, the approach to tariff reductions must take this into consideration.

Trade Preferences

5. We are encouraged to see that the revised draft provides some additional leeway for developing countries' preferential trade arrangements with developed country Members. We welcome the new text that requires preference-providing countries to "undertake targeted technical assistance programmes and other measures, as appropriate, to support preference-receiving countries in efforts to diversify their economies and exports".

Special and Differential Treatment

6. We notice that Special and Differential Treatment for developing countries are scattered through all the three pillars in the draft paper, mainly in the form of longer implementation periods and lower reduction commitments. There is an urgent need to find operational and practical S&D provisions that would enable developing countries to address their various needs, including agricultural and rural development, food security and livelihoods for subsistence farmers.

Export Competition

7. The revised draft introduces no changes to the disciplines in the areas of export subsidies, export credits and state trading enterprises as compared to the draft of 17 February 2003. We insist on the immediate elimination of export subsidies, with no product distinctions. Trade distorting export credits should be treated as export subsidies and they should be eliminated immediately.

Domestic Support

8. We insist on the elimination of all Blue Box measures. The reduction commitments for the Amber Box measures are not enough. There should be a capping of the Green Box measures and there is a need for a substantial reduction of trade distorting domestic support.

Conclusion

9. I would like to conclude by stating that my delegation will not undertake any further liberalization commitments until the trade distorting measures in the agricultural markets have been eliminated and all outstanding implementation issues have been addressed.

Statement by Peru

We should like to thank you for your strenuous efforts over the past few weeks with a view to bringing positions closer together and making progress in elaborating the document on modalities for the negotiations on agriculture. We regret, however, the lack of flexibility shown by some countries which maintain their position of not moving ahead with a substantial reform of agricultural trade pursuant to the Doha mandate and we must express our disappointment and concern at the lack of commitment to making practical progress in eliminating the serious distortions in agricultural trade.

The Doha Round can only be called the Development Round to the extent that countries undertake to assume substantial commitments on export subsidies and domestic support, and some countries have not yet given any indication that they are prepared to adopt a more flexible position so as to achieve this objective, on which the success of the Round depends because this is the only way in which the concerns and interests of developing countries can be taken into account properly. I should like to state that my country is not prepared to move forward on other issues in the Doha work programme unless we see a sincere and real commitment to move forward on agriculture as soon as possible.

We should like to take this opportunity to reiterate some general comments and to support some new elements which we hope will assist in this task. Firstly, we regret that this second version regresses somewhat in comparison with the first draft in relation to points that are particularly important for my country.

As we have mentioned, we cannot detect the presence of a proper balance between the modalities proposed in your draft. We consider that the level of ambition leaves much to be desired as regards export subsidies and domestic support, although it is ambitious as regards market access.

As we have commented on previous occasions, Peru attaches importance to provisions on special and differential treatment that are viable, operational and useful for the development process. The modalities proposed in paragraphs 11, 25 and 26 are therefore essential for obtaining more commitment on the part of developing countries and a balance in line with the objectives of a Development Round, as established in the Doha Ministerial Declaration.

I should like to endorse the comments made by India and other countries to the effect that the interests of developing countries must be taken into account through special and differential treatment.

Paragraph 11 of your document indicates that developing countries shall have the flexibility to declare a certain number of agricultural products for the purpose of meeting concerns of food security, rural development and livelihood security. We should like to thank you once again for this paragraph, which is of the greatest importance for my country.

As we have already heard in this forum on previous occasions, the concepts of food security and rural development respond to the practical needs of countries, which differ in developed and developing countries and even among developing countries. It is essential to deal with and resolve these problems satisfactorily if it is seriously hoped to reform trade policy and achieve the economic and social development of developing countries.

In response to these concerns and in accordance with the guidelines you proposed with a view to submitting constructive ideas in order to move ahead with the modalities, Peru has co-sponsored document Job (03)/59 because it is our view that each country is better acquainted with its own food insecurity and rural poverty problems than any other, as well as the difficulties facing its agricultural sector. This is why our document states that each country should indicate the list of its agricultural

products deemed strategic. The number of strategic products should correspond to a percentage to be determined of all tariff lines for domestically-produced agricultural products. These strategic products should be maintained until there is fair competition, export subsidies are removed, and market distortions in general have been eliminated.

With regard to paragraph 25 of your document, we consider that, in order to achieve a balance between the reforms proposed in the three pillars, the provisions of Article 5 of the Agreement on Agriculture should cease to apply to developed countries with immediate effect, because the latter have other means at their disposal to compensate farmers facing instability. This is a very different situation to that existing in developing countries, which need a new special safeguard mechanism to apply exclusively to all developing countries as a condition for moving ahead with the liberalization process. The concrete modalities for this mechanism should form an integral part of the document and we are ready to support technical meetings for the purpose of making progress in this respect. The mechanism should include both price and volume as trigger mechanisms and should apply to imports of any product irrespective of its origin so as not to create further trade distortions.

As far as export subsidies are concerned, they should be eliminated as soon as possible. The time-limits and formulas for reduction proposed in the document are far too lax and it is essential to speed up the elimination of measures that are so harmful to developing countries. The vast majority of export subsidies have exacerbated the problems of food dependence, stagnation in the rural sector and an increase in levels of rural poverty in our countries. In Peru, rural poverty levels are around 70 per cent and the distortions in agricultural trade have undermined rural development possibilities. Likewise, unfair competition and the fall in international agricultural prices as a result of such measures have meant that our farmers are turning to more profitable crops such as drugs, leading to serious social problems in our countries.

We must also emphasize that it is essential seriously to tighten up other types of measure such as export credits and State-trading enterprises in order to prevent them becoming mechanisms to elude commitments on reduction and in this connection we are ready to discuss in detail the proposals you have presented.

Regarding domestic support, we must express our concern at the continuation of the current structure. It is vital to move towards a simpler and more transparent classification because this is the only way of facilitating real discipline and a substantial reduction rather than a transfer of measures from one box to another. We should only have two boxes, on the one hand, distortionary measures subject to reductions on commitment and, on the other, non-distortionary measures.

With regard to paragraphs 41 and 42, green box measures, we support the proposal made by several countries on capping these measures so as to prevent their distortionary effects. One aspect that has drawn our attention and is of concern is the inclusion in this second draft of the question of protection of animals in the amendment to paragraph 12 of Annex 2 to the Agreement. We must repeat what many other countries have stated in recent informal meetings that it is totally unacceptable to support the inclusion of this type of measure without being clearly aware of the purpose and what it means in practice. In this respect, we call on those who put forward this issue to explain and to be transparent so that the measures' effect on agricultural trade can be examined. Lastly, we wish to repeat what has already been stated on several occasions concerning the need for discipline in paragraphs 5, 6 and 7 of the current Annex 2 to the Agreement, measures which undoubtedly have distortionary effects that have been extensively examined in many studies by the OECD and other institutions.

Lastly, we should like to reaffirm our determination to move ahead with this process of establishing modalities for negotiation, but such modalities should respond to the fundamental needs of developing countries through appropriate instruments if we really wish this to be a development round.

Statement by the Philippines

The Philippines would like to thank you for your revised first draft – yet another initiative to motivate this assembly towards what appears to be an elusive consensus by the end of this month.

The Philippines, together with other developing countries, have positively responded by exhaustively consulting among ourselves in the immediate past interregnum, given the limited time and resources, to tackle your first revision and come up with what you refer to in your injunction to Members as "constructive ideas on how to improve the draft modalities ..., particularly market access".

This representation would not apologize for not letting you off so easily on the phrase "*particularly market access*" because it reinforces our earliest fears about the gross bias of the subsisting Agreement surviving into these negotiations and perhaps the successor Agreement. You will recall that as early as the Article 20 negotiations, developing countries have argued for a negotiating structure that would effectively and meaningfully address the issue of the gross imbalance of the subsisting Agreement.

With the so-called Doha Development Round mandate as parameter, developing countries have come forward with a harvest of ideas in the course of the negotiations last year. Early on, the Philippines has concluded that those gross imbalances can only be effectively addressed by a more logical approach as embodied in an automatic balancing mechanism that interlinks commitments (and even non-commitments) in the three pillars – a position the Philippines still holds. We have not been encouraged that the traditional architecture you have put before us preserves the subsisting autonomous nature of commitments in the three pillars – fertile ground for levelling the developing country competition rather than the playing field.

That is not to say that balance and equity cannot be achieved under the structure you propose, although in this representation's opinion, attaining such objective has become much more difficult as we now see.

The labours and positions taken by the Philippines in the previous sessions are known. Let us then oblige you in your injunction and even as we reserve the right to speak again on other specific issues, by tackling "Strategic Products", or as you referred to in the revised draft, "Special Products".

We take it that paragraph 11 on SP is a genuine attempt, under most difficult circumstances given the architecture of the draft, to address the developmental concerns of developing countries. Thus, we also view it as core to the issue of balance and equity, as are a few others that address specific concerns such as the possible expansion of special safeguards. How this provision develops and matures, hopefully within this Session, is also crucial to the Philippines' consideration of helping put a closure to this phase of the negotiations.

A group of developing country Members have converged to put out yet another concrete and constructive proposal introduced by Indonesia for this assembly's consideration in JOB(03)/59 entitled "Strategic Products".

First, we prefer a reversion to the term "Strategic Products" as in paragraph 10 of the first draft. We view the term "Special" as inappropriate and ambiguous. "Strategic" emphatically captures the spirit with which this provision is forwarded – in respect to strategic national developmental goals of food and livelihood security and rural development. Our stakeholders in the Philippines are of the view that "Special" reeks of a charitable concession seminal from a sense of altruism that, as we all know, does not exist in these negotiations. Our ambition only goes as far as justice and fairness, not charity. So, Strategic Products.

Second, as outlined unambiguously in JOB(03)/59, attempts at technical elaboration in defining a viable and implementable set of criteria appear headed toward indeterminacy, even if we had the luxury of time, given the diverse nature and importance to food and livelihood security and rural development of SPs to developing countries. As obviously diverse and heterogeneous as the developing country Members that sponsored this proposal.

It thus appears then that under these circumstances, the only viable and effective basis for SPs is a "self-declaration" on the part of developing countries, to be bound at a negotiated [x] percent of domestically produced products based on tariff lines in a Member's schedule. This makes the provision simple yet allowing developing country governments with the political flexibility, within the bounds of institutionalized multilateral trade rules, to pursue developmental initiatives and appropriate adjustment programs indigenously designed for growth in an increasingly globalized world.

Statement by the Slovak Republic

Allow me to briefly contribute to the discussion regarding your revised first draft of modalities. At the outset I would like to thank you for the preparation of this revised first draft. It is not my intention to repeat my statement from February, but my delegation is concerned that only few and minor changes occurred in this revised version.

Today we had possibility to hear only re-modified interventions with the same substance, with the lack of new or convergent ideas. We can go along with the proposal of the distinguished Ambassador of Chile, that at this stage more analytical work is vital and there is a real need to know what we have to lose and what we can get.

At this time, we have problems accepting this draft as a basis for further discussions in agriculture and we are aware that this draft need fundamental changes in order to provide a basis for further negotiations in agriculture. Our greatest concern is connected with the unwillingness to hear the voice of 75 Members, including the Slovak Republic, which are in favour of the Uruguay Round formula and we think that this could be a collective guidance for you on how to move forward.

It was not possible in three weeks to dramatically change our position and forget all the arguments provided for the general and detailed position on different elements of your paper. But being so close to the 31 March deadline and so far from a consensus, we believe that we need to stand firmly by the Doha mandate and work in a determined way towards our goal of finding a compromise.

Statement by Slovenia

Let me state right at the outset that I do not envy you at all for the difficult task you have to perform in bringing together the vast array of different positions and opinions that are as a rule very wide apart. Slovenia had a series of meetings with other delegations in order to find the smallest common denominator as it were, with other countries as a solid basis on which negotiations can proceed.

From the very fact that the document is called »revised first draft« on modalities, rather than a "second draft", one can see that there are only minor changes as far as substance is concerned. We still think that the document should go further in bridging the differences and that the present document contains relatively small changes in comparison to the first version of February this year. In short, we would like to see a new document, a new draft of yours, showing more understanding for the positions of the "defensive proponents" in this area of negotiations of the Doha Development Agenda.

Nevertheless, we do welcome your statements as to the need for further technical consultations on some essential areas for us like: non-trade concerns, Green Box rules for domestic support, tariff quota allocation systems, special safeguard provisions, export credits, state trading enterprises and food aid. Obviously some more time is needed in order to clarify and address all mentioned topics in a proper manner.

We also welcome a new wording on Blue Box ceilings to be set at the "most recent notified level", rather than on a basis of the average of the years 1999–2001 as we were rather late in adopting the direct payments that qualify for the Blue Box measures.

On market access, let me stress that Slovenia subscribed to the Uruguay formula approach, which is supported by some 75 countries, which represents a simple majority of WTO Membership. This is a fact that cannot be played down and that needs to be reflected in your subsequent paper on modalities. We consider this common position of 75 WTO Members as one of most visible results within the previous Special Session.

Slovenia is a relatively small and mountainous country with rather unfavourable natural conditions for agriculture and we cannot but emphasise our great expectations as far as non-trade concerns are concerned. We feel a strong need that your document should accommodate issues such as: food security, viability of rural areas, labelling, environmental aspects and animal welfare. If we fail to do this, we cannot imagine selling the agreement to our public at large.

There is also nothing mentioned in your text about the expiry of the so-called peace clause. We think that it is very important issue and it needs to be included in your paper.

Finally, we must not forget that the outcome in agricultural negotiations is closely related to the results achieved in other areas such as geographical indications and the like. Here we would like to have the whole package and to follow the well-established rule that nothing is agreed until everything is agreed.

If we do not meet the deadline set up in Doha Development Agenda, we need not be overly upset as agriculture is not the only culprit. It happens also to be a case in other areas like TRIPs and Public Health or Implementation issues.

It goes without saying that some more work is needed, new ideas to be found and more effort shown to narrow down the circle of differences. We are prepared to stand firmly by the mandate laid down in Doha Ministerial Declaration and we shall try to assist you to the best of our capabilities.

Statement by Sri Lanka

My delegation join with others to thank you, for your revised draft. I take the floor to express three specific points.

First, in your revised draft, a new band has been created for tariff reduction by splitting the middle band into two (with a different reduction rate for tariffs). This is a positive step forward. My delegation wishes to express our appreciation for this proposal (inclusion) which we advocated to address the concerns of many developing countries, who have bound their tariffs applicable for agricultural products below 60 per cent. This 4-band approach, we believe with lower reduction rate to the lower middle band, will now be acceptable to many developing countries.

However, Mr. Chairman, having recognized the necessity for creating an additional band the reduction rate for the lower-middle band that you have created i.e. tariff between 20 per cent and 60 per cent, with an average reduction of 30 per cent is still too high. The percentage point difference for reduction commitment from the next upper level is only five per cent. Thus, our delegation is of the view that reduction rate for the new band should be further reduced.

Second, another positive element that has been introduced in your revised draft, which we welcome, is the step to de-link SP products from special safeguard mechanism. This will provide flexibility to address the issue of import surges of agricultural products for which bound tariffs rates are low.

Third, on export credits, we thank you for making further amendments to attachment on your revised draft. We endorse, as proposed in paragraphs 9(b), (c), (d) & (e), to exempt NFIDCs and LDCs from certain requirements, namely, minimum cash payment from six monthly interest payments and other exemption. These will address some of the NFIDCs' concerns on short term financing difficulties. However, we would like to reiterate as stated earlier that maximum repayment period in paragraph 9(a) of your revised draft should be 30 months for LDCs and NFIDCs.

On food aid, we repeat that it should be a broader concept that concession food aid also plays an important role. We believe that these will be taken into consideration.

At last but not least, our delegation wish to associate with some useful ideas stated by distinguished Ambassador from Indonesia in relation to SP product.

- The terms "strategic" should be retained
- No tariff reduction commitment for strategic product.

Statement by Switzerland

You have asked us to report on what happened since our last meeting. I would like to mention three elements.

First I would like to pay tribute, through the Korean delegation, to the representative of the Korean farmers who has demonstrated its uneasiness throughout this month. It is a demonstration of much more courage than one thousand people put together and it should convince us that these negotiations are serious.

Secondly, I have here a horse shoe, that is not a weapon but a luck provider for NTCs and I hope it will work.

Thirdly, I would like to thank the Canadian delegation which expressed this morning the idea of modulation. We are ready to explore it further if this could move the process forward.

I would like to thank you for the efforts you have undertaken to prepare a revised draft of modalities for the ongoing negotiations on agriculture. You are the only one to deliver on time. We are aware that this is an unrewarding task due to the wide divergences prevailing between the positions of Members.

Unfortunately the revised version of the modalities is falling short of meeting my country's concerns. I believe that this should come as no surprise to you since we have already stated our position clearly when we discussed the first version. Indeed, since the second version does not significantly depart from the previous one, our reaction is basically the same. Nevertheless, Switzerland remains committed to a successful outcome of the negotiations and we will continue to actively seek a compromise acceptable to all.

I wish to recall once again that WTO Members agreed in the Uruguay Round (Article 20) as well as in Doha to make one more substantial step of progressive agricultural trade liberalization, taking into account the non-trade concerns of agricultural policies and special and differential treatment. In your paragraph 28 you mention that NTCs have been taken into account in various parts of the text. I would be interested to hear more on your understanding of this reference. We are not now discussing about the last step of the reform in the form of an elimination of instruments available to governments, but about a new step in the process of liberalization, a step which will have to fully take into account the interests of vulnerable agricultures, be they of developed or developing Members.

For Switzerland, the Uruguay Round Agreement on Agriculture was the starting point of successive internal reform steps. We want these to go on consistently with the negotiating mandate. We are afraid that the Draft Modalities we are presented with today will not allow us to achieve this goal. On the contrary, they risk to slow down or even stop any reform process in our country.

In fact, NTCs can only be taken into account in the context of the progressive reform if a certain level of agricultural activity can be sustained. For my country, the implementation of the proposed reduction commitments with regard to border protection or domestic support would not allow the maintenance of the level of agricultural activity necessary to give effect to the non-trade concerns acknowledged in Article 20 and the Doha Declaration. These elements therefore represent the crucial concern of ours.

In addition, I regret that you did not take into account the request of a majority of WTO Members, that is 75 countries, to apply the Uruguay Round Formula for tariff reductions (-36 per cent

average, -10 per cent or -15 per cent minimal). This list is a photograph of the situation on the day it was prepared and it represents more than an individual guidance.

I was surprised by the fact that the second draft still does not include modalities about rules on some additional instruments to address non-trade concerns (NTCs) such as geographical indications or consumer concerns. Let me be a little more specific: we are concerned that such disciplines are presently missing in this paper simply because otherwise ambitious Members refused to consider specific rules for NTCs, whether inside or outside the 3 pillars. For us, addressing collectively such issues shall be part and parcel of the negotiations on agriculture. This shall also be reflected in the modalities for further commitments. We have, by the way, always resolutely opposed a two-tier approach. In other words, without knowing the rules of the game both within and outside the three pillars, we cannot and we will not be able to seriously talk figures.

We recognize that a few specific improvements in the area of Article 12 Green Box payments (animal welfare and environment) have been included in the text. We also recognize the fact that in paragraph 28 you have acknowledged the need for further consideration to be given to NTCs and the efforts made in trying to put different kinds of export competition instruments on an equal footing. However, the loopholes in the proposed disciplines on export credits and to some extent also food aid which we criticised in February remain and there is no proposal on a reduction of existing export prohibitions, restrictions and taxes.

Reduction figures in the first draft have largely missed the target and it remains so with the new draft. Another much less ambitious proposal could have reached the target of progressive liberalization, taking into account S&D in the sense of different development situations as well as all NTCs today.

For the last three years we have made our position clear with regard to the level and the staging of reduction commitments and to NTCs. We cannot and shall not agree to a radical and unsustainable reform that will not allow our agricultural sector to fulfil the goals set by our society. How can we be brought to say yes? There is a need for a balance between further liberalization for the benefit of the competitive agricultures and a minimum border protection and domestic support for the vulnerable agricultures. But for the moment we fail to detect a spirit of burden sharing and the situation can therefore hardly be called a negotiating mode. In order to change this situation we should be guided by those ready to pay an equitable burden.

Although positions remain far apart, we will work with you and the other Members with a view to overcoming the fundamental differences which unfortunately still exist today. In what kind of a transparent multilateral process can we address these fundamental differences? We are willing to participate constructively in any fair and equitable process with such an objective in mind.

Statement by Turkey

25 March 2003

We are very much aware of the heavy task you are carrying out. In this respect, although we could not acknowledge any major changes, we would like to express our appreciation to you for the timely submission of revised draft of modalities and for your consultations in order to move forward the negotiation process.

Establishment of a fair agricultural trade environment is the most important element of the Doha Round's success. However discussions up to now reveal that vast differences persist on all three pillars of the negotiations.

Taking into account that we are so close to 31 March, we recognize the importance of our work during this week. It is our belief that every Member will do its best at this juncture to improve the future parameters for negotiations to find a common ground.

Let me touch upon two major points as a general remark.

Firstly, we are still seriously concerned about the tariff band approach. We think that it is too ambitious for developing countries and we unfortunately do not see the similar ambitious approach in export subsidies and domestic supports.

From our perspective, this imbalance creates an obstacle to achieve a fair agricultural environment.

Secondly, we recognize that the text leaves some of the important component of the S&D to a future technical work. We hereby would like to underline that further commitments with regard to special and differential treatment should also be established within the time-frame of Doha mandate. In other words there must be a clear understanding on the S&D provisions in the three pillars before we agree on the modalities of the negotiations.

We are of the view that the concept of SPs together with the possibility of a new Special Safeguard Mechanism for developing countries are two positive instruments incorporated in the draft to respond to the needs and concerns of developing countries.

We think that "self-declaration" is the best approach to determine what agricultural products are special.

Turkey attaches great importance to the SSM as an element of the Special and Differential Treatment provisions of the market access, which would be incorporated to the text later.

We are already engaged in consultations process with a group of country on SPs and we are ready to fully participate with a constructive manner in any work in this respect.

Statement by Venezuela

25 March 2003

Once again I want to thank you for presenting at an appropriate time your revision of the first draft, which for us is still a sound basis for the negotiations, as from our point of view it includes certain changes and improvements that respond to the requests made by the developing countries at the last session. We also hope that we can make the most of this week to discuss those issues that still stand in need of further technical work and, above all, that our ideas and proposals will be taken into proper consideration.

Since the last session my delegation has had the opportunity to work together with other delegations and with both you and the Secretariat in various technical consultations, focusing our efforts on those issues that are of great importance to my delegation and also certain areas where extensive technical work or a *rapprochement* of positions has become essential yet difficult to achieve.

The results of these consultations have so far been quite positive and many interesting ideas and proposals have emerged, particularly from the meetings with several developing country Members, who have done everything they can to ensure that the development dimension is not sidelined in negotiations. However, this has not been the case with other trading partners.

Again, it is worth emphasizing that the consultation meeting with both you and the Secretariat regarding a possible special safeguard mechanism for developing countries was positive, and the discussions have certainly laid the foundations for devising a mechanism that can be easily applied and become an effective special and differential treatment provision.

As I mentioned at the outset, my delegation has had the opportunity to take part in a series of consultation meetings with other Members in order to prepare a paper on what were until recently known as strategic products, and are now called special products. We must stress that we fail to understand this unexpected change of name. For us, these products continue to be strategic in nature, as they are the ones bound up with our development concerns.

As you are aware, this issue is one that we, the developing countries, have raised for some time and once again we sincerely thank you for including it in the draft. However, we, the main parties interested in this issue, now need to work on defining the concept so as to produce an instrument that meets our objectives and interests.

You recommended that this session also be used to provide guidance on improving the paper. In this regard the specific proposal on strategic products just put forward by Indonesia on behalf of several Members responds to your invitation and endeavours to improve the concept of such products, which you rightly included in the first draft. As indicated in Job(03)/59, it has been proposed that these products account for a percentage of domestically produced agricultural products based on the tariff lines in a country's schedule. This mechanism is flexible and straightforward enough to be implemented by our countries and, along these lines, may be considered an effective and genuine special and differential treatment provision.

In addition, we believe that the modalities paper to be agreed upon must include all the Attachments and no element that affords a clear and comprehensive view of the process can be left aside, undefined or postponed to later discussions, since this would create an impediment to drafting the schedules we are committed to submitting in Cancun.

With specific reference to the recommendations my delegation can make to improve the draft, it is no coincidence that we focus, as you recommended, on market access, practically the only pillar that countries such as mine have to develop agriculture in this multilateral scenario. Nevertheless, we have not forgotten and continue to highlight the importance for us of linking the pillars of the Agreement so as to attain results that meet the commitments established at Doha. We have yet to see any effective linkage in your paper.

In this regard, as far as market access is concerned, we support the changes made to the second draft to establish a further band. However, the reduction levels for developing countries need to be far less ambitious compared with those asked of the developed countries.

With regard to strategic or special products, I would remind you once again of our proposal that they should be selected unilaterally, taking a percentage X of the tariff schedules, but above all we consider it necessary for those products classed as strategic to have a certain flexibility in the three pillars and for them not to be subject to any tariff reduction whatever where we wish to protect them as products of special concern in terms of food security, rural development, livelihood security or the special conditions of our agriculture. Indeed, many of these products already enjoy very low tariffs and it would be unfair if they were subject to a greater reduction if we wish to grant them treatment which is truly special and differential. Moreover, in our view this draft, unlike the first one, does not rule out the possibility that such products can have access to the special safeguard mechanism, and this is something we support.

As far as tariff escalation is concerned we would like some clarification as to whether the methodology suggested in paragraph 8 is applicable only to developed countries and whether developing countries are exempt from greater reductions for processed products. This exemption should be taken to be an effective special and differential treatment provision for developing countries and clearly consistent with the agreement reached by our Ministers.

With regard to the special safeguard mechanism, as I have already said, we commend the fruitful discussion that has taken place so far and, for reasons of time, I do not believe it opportune to put forward our recommendations again. However, we do believe it opportune to reiterate that this mechanism must be presented together with the modalities so as to provide a general overview for drawing up our schedules. Furthermore, we prefer access to a new mechanism that is the same for all agricultural products, rather than access for only some products under the current Article 5, which the developing countries have failed to use very positively. It should be stressed that developed countries must put an end to the use of Article 5 as soon as possible, with a clear deadline specified.

Regarding tariff rate quotas, the reference period of 1999-2000 you proposed does not seem appropriate, as it is not suitable on account of the exceptional international agricultural market conditions at that time. Nor do we see any clear special and differential treatment provision in Attachment 1 with regard to the tariff quota administration. It is our view that paragraph 2(b) and (c) of the Attachment should not be applicable to developing countries.

I should now like to make a few comments about the other two pillars. As we said at the last session we endorse your proposal to phase out export subsidies. However, we thought that the proposed reference period in the reduction methodology with a view to removing them was very long and disproportionate and prejudicial to countries like mine, since developing countries have to keep reducing tariffs without enough tools to offset such a sacrifice, whereas the most developed countries will have the support of these subsidies which will be available over and above their tariff reductions.

We therefore proposed that there should be no distinctions between products and time-frames in the methodology put forward to phase out export subsidies, and in particular that the programme for removing them could not be more than five years for developed countries. The deadline would thus coincide with that for other areas of implementation, such as market access. In our view, this

would reflect a true and fair linkage between the pillars of the Agreement. We do not find that this link has materialized in your second draft.

Lastly, as to domestic support, we consider consultations have indeed been held and attempts have been made to reconcile positions and to discuss more effective methodologies to respond to the mandate from our Ministers. Nevertheless, in our opinion the parties are still very far apart, and your proposal as it stands in the second draft does not tackle the issues that must be settled through negotiations. More room is being opened up for the green box, with no precise limit, to bear the whole weight of the other two boxes, which are not being eliminated, without properly confronting the distorting effect of these measures, leaving developed partners, which have more instruments and advantages than us, with more room for manoeuvre. In this regard, we suggest that a ceiling be fixed for the Green Box, and although we support the reductions you have proposed for both the Amber and the Blue Box, we believe that this gradual reduction entails removing them, including the *de minimis*, in order to respond properly to what was agreed by the Ministers at Doha.

Thank you again for your great determination and dedication throughout these negotiations, and particularly in the preparation of the second draft.

Statement by Venezuela

28 March 2003

Firstly I want to thank you for your initiative in convening these consultations throughout the week to discuss those issues where many divergences still exist between positions and where further work is necessary. However, we would have been interested in attending a series of other consultations that you called for, which many delegations could not take part in due to questions of methodology, especially those consultations addressing issues of great interest to my country.

These consultation meetings with you have shown that although differences do exist there are still elements for a possible *rapprochement* (reconciliation). This is apparent in the ideas, criticisms and observations that have emerged to improve your modalities paper. Strategic products are a case in point and the consultation meeting last Wednesday allowed us to see the reaction to our proposal which is co-sponsored by several countries and is commanding more and more support from other delegations. We have therefore had the opportunity to meet again and consider the constructive criticism expressed at the that meeting.

Reviewing our proposal again and taking into account the various discussions that have taken place this week, we can only report that we have found no mechanism to be more effective than a voluntary self-statement, which truly responds to our needs and the flexibility that developing countries need in order to meet the concerns of food security, rural development, and the reduction of poverty. It is we, the developing countries, that are best placed to identify these products, which vary from one country to another, depending on the special characteristics of our agriculture. Hence, they cannot be designated by using barely operational, or less still negotiated, criteria. In our view, establishing criteria would create a barrier to special and differential treatment intended for a range of products, and we do not wish to end these negotiations by having to make sacrifices not balanced by the developed countries, when we do not have the appropriate instruments to ensure that our agriculture is viable within the international agricultural liberalization process. In this regard, we still consider that strategic products must be able to count on a methodology that is flexible enough for allocation, and no further reduction commitments should be required.

With regard to other issues, regrettably we have not had the opportunity to take part in fruitful discussions with other Members and for that reason we are here today, as interested as you in discovering whether there has been any *rapprochement* between the parties, or new ideas that can help to improve the draft you have submitted. We are all aware of the comments on it and the criticisms levelled against it.

In conclusion, we believe that we must step up our work to establish a modalities paper that clearly responds to the Doha mandate, and therefore takes proper account of the development levels and possibilities of each Member, requesting commitments that are both fair and meet the objectives laid down. This will undoubtedly depend on deadlines being met. It should also be emphasized that modalities must be established without leaving any issue unresolved, as this would jeopardize subsequent phases of the process.

Annex 4

TN/AG/9

EIGHTEENTH SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE

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

II. STATUS OF WORK

119. The Special Session of the Committee on Agriculture, which is conducting negotiations under paragraphs 13, 14 and other relevant provisions of the Doha Ministerial Declaration (TN/C/M/1 refers), held its eighteenth formal meeting on 31 March 2003 on the basis of the agenda set out in WTO/AIR/2055. This meeting was preceded by an informal Special Session on 25 and 28 March, in advance of which a revision of the First Draft of Modalities for Further Commitments had been circulated for consideration (TN/AG/W/1/Rev.1, dated 18 March 2003, refers).

120. In reporting to the formal meeting on 31 March 2003 on the main features of the previous week's informal Special Session and related technical consultations, the Chairman noted that considerable progress has been made in some areas. However, overall, participants remained far apart on key issues and, in the absence of collective guidance from participants on possible bases for compromise, there was no scope for producing a second draft modalities at this juncture. In these circumstances it was accordingly not possible to establish modalities within the time-limit foreseen by Ministers. A number of statements were made by participants regarding the stage reached in the negotiations, the seriousness of the situation resulting from the failure to establish modalities by the deadline designated by Ministers, and regarding the need for the Special Session to continue and intensify its work in order to establish modalities for further reform as soon as possible. Participants' statements and contributions will be reflected in the Secretariat summary report on the meeting (to be issued as TN/AG/R/8).

II. OUTSTANDING ISSUES

121. At the informal and formal Special Sessions participants engaged in intensive and detailed discussion on a broad range of issues on the basis, *inter alia*, of the revision of the First Draft of Modalities. In addition, many delegations held bilateral and plurilateral meetings in the course of the informal Special Session and I, as Chairman, held consultations with many delegations. While useful progress continues to be made in my informal technical and other consultations on a lengthening list of issues, the basic position remains that, for the time being, convergence on key issues remains elusive.

III. FURTHER WORK

4. The general conclusions which I presented in the light of the comments and suggestions made by participants, including with respect to future work, are set out in the attachment hereto.

5. My conclusions as to how the further negotiations on agriculture are to be organized in the period ahead received general endorsement. However, one delegation indicated that, in the light of the failure to meet the 31 March deadline for the establishment of modalities, it needed to reflect carefully on the proposed method of work before it would be in a position to decide whether it could agree to working along the lines suggested.

Eighteenth Special Session of the Committee on Agriculture

Conclusions by the Chairman in the light of the discussion under Agenda Items A (i) and (ii)

- I would like to thank you all for your very focussed and sincere statements today, and for your continuing strong engagement in our various meetings and consultations. I believe that you have, as I foreshadowed in my earlier report, reaffirmed very much your commitment to the negotiations and your willingness to keep working.
 - In the situation we are now in, our primary objective must be the establishment of modalities for further reform as soon as possible and I call on all participants to continue to work together with that objective firmly in mind. Compromises simply must be found on the many issues which are before us.
 - Indeed it is clear that we will have to work even harder in the coming period, both here in Geneva and in and between capitals, to develop the bases and frameworks for the necessary compromises. Achieving this will require a greater appreciation on all sides of the sensitivities and expectations of others. All of us therefore need to reflect on our respective positions and approaches.
 - For my part, I will continue to organize technical and other consultations in order to facilitate progress on all fronts, taking into account also the need for a balanced work programme. In carrying out this work we should bear in mind that consultations on specific issues have to be seen as part of the package as a whole, that is, they have to be seen in their proper context. I would hope, in the near future, to receive clear signals of possible movement on key issues.
 - Further consultations would start after the Easter break and you would be informed as much in advance as possible of the likely dates and subjects. I have noticed also the interest in grouping consultations and I am certainly sympathetic to that but have to enter the caveat that we have many practical constraints both in terms of the scheduling of meetings and the availability of the necessary logistical support. So I cannot make any commitments on that but of course I will be trying to do what I can.
 - Looking a little further ahead, as I think you know from previous announcements at the last Special Session, our next Special Sessions will be held in June and July. I will report to these Sessions on progress made in the forthcoming consultations and I hope also on those occasions that I will hear from you on the work that you have undertaken. Given our failure today to establish the modalities, these meetings clearly now have added significance.
 - In conclusion, the task ahead and our common responsibility, is, I would say, simple and clear. We must continue working together towards completing the job given to us by our Ministers in Doha as soon as possible.
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