

## G10 Ministerial Communiqué

Paris, 2 May 2005

### ***Towards successful DDA Negotiations***

1. Ministers of G10, a group of major food importing WTO Members, accounting for 13% of world agricultural imports, reaffirmed their **solidarity** and determination to make every effort with a view to reaching mutually acceptable modalities for **further agricultural reform** at the Hong Kong Ministerial Conference.
  
2. In this respect, Ministers reaffirmed their readiness to make significant contributions in all three pillars and their willingness to cooperate closely with all other WTO Members, especially with food-importing developing countries. They also stressed that this endeavour should be seen as an integral part of the Doha Development Agenda (DDA) and that work on agriculture should proceed hand in hand with negotiations on other subjects in order to achieve a balanced overall result for all Members.
  
3. **On process**, Ministers underscored the necessity to ensure the inclusiveness and transparency of the negotiations. Political ownership of the process and outcome of the negotiations is prerequisite to the successful conclusion of the DDA. In this connection, they expressed their very serious concerns about ongoing consultations carried out by a few Members, where major stakeholders such as G10 Members are not represented. Ministers noted that the latest developments have also clearly demonstrated that a one-size-fits-all solution cannot generate consensus across the whole membership. Ministers underlined the central role of the Chairman in involving and integrating all interests and sensitivities in the negotiating process.
  
4. Ministers stressed that, at any stage in the elaboration of modalities for agriculture (including in the first approximation expected in July), the most important components of the negotiations shall be treated with a **similar level of specificity** in all three pillars.
  
5. Ministers recalled the vital importance of **non-trade concerns (NTCs)**, for both developing and developed countries, which are an integral element of the Doha mandate and of the Framework. They are relevant to many aspects of the negotiations on Agriculture, including market access, with a view to reaching a fair and equitable result. In this regard, Ministers endorsed G10 contribution entitled as "TAKING NON-TRADE CONCERNS INTO ACCOUNT IN THE MARKET ACCESS PILLAR" (see Annex).

### **Domestic Support**

6. Ministers reaffirmed their strong commitments to their domestic agricultural policy reform. They acknowledged that the biggest reform efforts will result in the elimination of all forms of export subsidies and in significant reductions of trade-distorting domestic support. In this respect, they held that the overall reduction of trade-distorting domestic support should be larger than the sum of cuts brought about by the separate commitments taken with respect to *de minimis* support as well as the Amber and Blue Boxes. In particular, developed country Members with an extremely high level of trade-distorting domestic support in absolute terms, including one of G10 Members, should commit themselves to taking the lead in the reduction effort.

7. While recalling the role of Blue Box measures in fostering agricultural policy reforms, Ministers agreed that the criteria for the new Blue Box should be equally strict as those for the existing Blue Box. They also insisted on the necessity to preserve the integrity of the Green Box as an essential tool to address non-trade concerns and facilitate the ongoing reform process.

8. Ministers recognised that *de minimis* and the provision of Article 6.2 of the Agreement on Agriculture are important for developing country Members.

### **Export Competition**

9. Ministers acknowledged that the decision to eliminate all forms of export subsidies was an epoch-making achievement. The implementation of the elimination of export subsidies and of disciplines on export credits, exporting state trading enterprises and food aid must ensure equivalent and parallel commitments by Members.

10. Ministers stressed that effective special and differential treatment (S&D) should be provided to developing countries, especially least-developed countries (LDCs) and net food-importing developing countries (NFIDCs), to ensure food security.

### **Market Access**

#### **(Tiered Formula)**

11. Ministers pointed out that the Framework objectives to take into account the different tariff structures of Members and to achieve progressivity in tariff reductions can only be met by applying **average linear cuts in each band** of the tiered formula with deeper cuts in higher bands. This approach combines the appropriate level of ambition (substantial improvements in market access) with the necessary flexibility required by NTCs. Applying a harmonizing non-linear reduction formula to any band of the tiered formula means a *twofold* and consequently excessive progressivity. Such an approach would alter the balance of the Framework, and therefore cannot be accepted. Sensitive products should be put in one separate box, regardless of their tariff level.

*(Sensitive Products)*

12. Ministers stressed that the treatment of sensitive products is an integral part of the market access pillar and must be negotiated and decided upon *in tandem* with the reduction formula for other products.

13. The **number** of sensitive products cannot be arbitrarily set, but must reflect the situations of each Member. Within this number, a Member must be given full discretion to select its own sensitive products.

14. The **magnitude** of market access improvement for sensitive products should be substantial while, by definition, less than that for other products. Market access improvement for these products will be achieved through combinations of tariff reductions and tariff quota commitments such as tariff quota expansion, improvement of tariff quota administration and reduction of in-quota tariff rates, etc. This treatment will be designed in such a way to reflect various elements of sensitivities, including present situation together with perspective of supply and demand, including consumption patterns, and consideration of NTCs.

*(Special SafeGuard Clause)*

15. The Special Safeguard Clause (SSG) shall be maintained to facilitate a smooth agricultural reform process. Building on their experience, G10 is ready to discuss *proposals* to improve the existing SSG, and to design the Special Safeguard Mechanism (SSM) for developing countries.

*(Special & Differential Treatment)*

16. Ministers confirmed that the S&D for developing Members is an integral part of the negotiation. In this regards, G10 is ready to discuss specific proposals on special and differential treatment for developing countries in, among others, special products (SPs) in addition to sensitive products, SSM, reduction rates and implementation periods.

*(Preference Erosion)*

17. Ministers confirmed that the importance of longstanding preferences is fully recognised in the Framework and it is essential that para 16 and other relevant parts of TN/AG/W/1/Rev.1 be used as reference in the establishment of modalities for addressing the issue of preference erosion.

## Annex

*The Doha Work Programme on Agriculture***TAKING NON-TRADE CONCERNS INTO ACCOUNT  
IN THE MARKET ACCESS PILLAR***Contribution by the G10***INTRODUCTION**

1. This contribution aims at clarifying certain concepts and providing a basis for how non-trade concerns (NTCs) should be taken into account in the negotiations, focusing on the market access pillar. The paper starts by briefly reviewing certain key issues relating to NTCs. On the basis of this review, the paper suggests some implications for the modalities negotiations in the market access pillar, explaining *why* market access is crucial and *how* the market access modalities should reflect NTCs. The intention is not to table a proposal for fully-fledged modalities in the market access pillar, but to focus on the *linkage* between NTCs and market access provisions and flag a certain number of issues that should be addressed in the negotiations. This contribution will then be followed by more specific and detailed inputs at later stages.

**NON-TRADE CONCERNS: THE KEY ISSUES**

2. **We are mandated to take non-trade concerns into account:** G10 is fully committed to all the elements of the Doha Declaration and the Decision adopted by the General Council on 1 August 2004 (hereinafter referred to as the *Framework Agreement*). We are prepared to continue the reform process as a result of the Doha negotiations. At the same time, a balance is needed between trade and non-trade concerns. The Framework makes clear in its Paragraph 2 of Annex A that "*Non-trade concerns, as referred to in Paragraph 13 of the Doha Declaration, will be taken into account.*" The Doha Declaration reads that "*We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.*"<sup>1</sup> NTCs are of vital importance to many Members, and the emphasis on NTCs is crucial to the overall balance of the mandate and to a successful conclusion of the negotiations.

3. **Most non-trade concerns depend on domestic agriculture:** During the negotiations, many Members have referred to a number of non-trade concerns of relevance to their reform process. These include food security, rural development and the viability of rural areas, various environmental concerns such as biological diversity, agricultural landscapes and land conservation (which includes flood control, landslide prevention and combating soil erosion

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<sup>1</sup> The Agreement on Agriculture refers to non-trade concerns in its Article 20 and the Preamble to the Agreement, which reads that "...commitments under the reform programme should be made in an equitable way among all Members, having regard to non-trade concerns, including food security and the need to protect the environment, ...".

and desertification), and cultural heritage and identity. An essential commonality of these NTCs is that their safeguarding to a large extent is dependent on domestic production.

4. Food security is a typical example. The relationship between domestic agriculture and national food security is well established. It is a fundamental objective of every country to ensure stable supplies of food, and most governments have opted for a certain degree of domestic agricultural production, in conjunction with imports and stockholding, to ensure such supplies. In order to reduce the risks that are often associated with an excessive reliance on world markets, many countries with a low self-sufficiency in agricultural products judge as essential a certain degree of domestic agricultural food production.

5. **Domestic production conditions matter:** Sustaining domestic production is particularly challenging in countries with disadvantaged production conditions. Disadvantaged production conditions, such as small-scale farming, difficult climate or topography, often limit the scope for diversification and call for government interventions to sustain the production. The *diversity* of production conditions in different countries therefore needs to be recognised.

6. The NTCs referred to above is a non-exhaustive list. Other important NTCs *not* dealt with in this paper include various consumer concerns, such as food safety or information relating to different product and production characteristics, or animal welfare concerns.

#### ***SOME IMPLICATIONS FOR MODALITIES ON MARKET ACCESS***

7. How can the DDA modalities in agriculture ensure sufficient room for manoeuvre to sustain sufficient domestic production necessary to safeguard NTCs, including in countries with disadvantaged production conditions? This contribution focuses on the *market access pillar*, it being understood that domestic support instruments are also relevant to the safeguarding of NTCs. Moreover, we note that for some Members geographical indications are a matter of NTCs.

8. The focus of this paper on market access is due to the following reasons: During the GATT history, tariffs have always been a legitimate tool to safeguard domestic agricultural production in countries with less competitive production conditions. Since the Framework Agreement will result in substantial reductions in trade-distorting domestic support and the elimination of all forms of export subsidies, tariffs will become all the more important in the future. The need for using market access instruments is even more acute for Members with budgetary constraints.

9. Also, agricultural export earnings secured through long-standing preferences contribute to address NTCs in many vulnerable developing countries.

10. *How* should the market access modalities take account of NTCs? Properly addressing NTCs is both a matter of flexibility and an appropriate level of ambitions. Without prejudging the outcome of the negotiations, the following is a non-exhaustive list of issues that are directly linked to the safeguarding of non-trade concerns, focusing on the tariff reduction formula and the selection and treatment of sensitive products:

#### **The design of the tariff reduction formula**

11. In order to meet all the objectives of the Doha mandate the Framework calls for a single approach for developed and developing countries through a tiered formula that takes into account Members' *different tariff structures*. On this basis, in order to ensure that also non-trade objectives of the Doha mandate are being met, tariffs should be subject to average linear

cuts, with deeper average cuts in higher bands. An average linear approach would allow for a certain degree of flexibility and may enable each Member to sustain sufficient agricultural production to address its NTCs.

#### The formula for sensitive products

12. To take account of NTCs, Paragraph 29 of the Framework states that there will be "flexibilities for sensitive products". Sensitive products will not be subject to a tiered formula, but should be put in one separate box for sensitive products, regardless of their tariff level. On the issue of selection of sensitive products, Para 31 of the Framework reads as follows:

*Without undermining the overall objective of the tiered approach, Members may designate an appropriate number, to be negotiated, of tariff lines to be treated as sensitive, taking account of existing commitments for these products.*

13. Given that sensitivities and NTCs vary across countries, it goes without saying that each Member must be given full discretion to select its specific sensitive products. According to Para 31, the number should be *appropriate*, not necessarily limited. Moreover, the Framework clearly foresees that the number should vary from one Member to another, since Para 31 stipulates that the sensitive products will be designated by the Members, and that the number should be appropriate and take account of existing commitments for these products.

14. As to the treatment of sensitive products, the Framework envisages some TRQ expansion for sensitive products. However, Paragraph 33 of the Framework reads that "*balance in this negotiation will be found only if the final negotiated result also reflects the sensitivity of the product concerned.*" G10 recognises that improved tariff quota commitments will be required for all sensitive products. G10 believes a multidimensional approach will need to be designed to ensure a flexible treatment of sensitive products in which substantial market access improvement is achieved without undermining the sensitivity of the product concerned. Various dimensions of such an approach could be:

15. First, in accordance with the first sentence of Para 33, different combinations of TRQ commitments and tariff reductions will be allowed.

16. Second, Paragraphs 33 and 35 list several elements that will give the flexibility required to reach a final balanced result. These elements include TRQ expansion, improvements in TRQ administration and reduction or elimination of in-quota tariff rates. Additional options could also be envisaged.

17. Third, to properly take account of NTCs, additional criteria should be considered to allow Members to better reflect individual sensitivities, as foreseen in Paragraph 33. Several options could be foreseen. For instance, TRQ commitments could be differentiated according to the overall agricultural import performance of the Member concerned.

18. Fourth, the TRQ expansion, as well as the tariff cut applying to sensitive products, could be expressed in terms of an average commitment.

19. Incorporating special and differential treatment (S&D) for developing countries is an essential element. In this regard, Paragraph 35 of the Framework and Paragraph 6 of Attachment 1 of TN/AG/W/1.Rev 1 provide effective S&D and enable developing country Members to fully benefit from the existing market access opportunities under TRQs.

20. The specific design of the approach to be taken to the treatment of sensitive products will be subject to negotiations. In the discussion above, alternative options to improved TRQ commitments are explored. These options are not mutually exclusive. To G10, flexible

treatment of sensitive products is essential, and G10 therefore invites the Membership to reflect on the approaches presented above to ensure that NTCs are being properly taken into account. G10 reserves its right to table more specific proposals in this area at later stages.

21. Agreeing to modalities will involve a series of difficult trade-offs. A successful outcome of the negotiations will only be reached when the legitimate interests of all Members are duly taken into account. The challenge lies in designing compromises that are sufficiently balanced to attract the support of all.