

3. Domestic Support

(1) Rules and disciplines on domestic support

Essence of the suggestion

WTO Members, including Japan, are currently implementing agricultural policy reform under the present basic framework of rules and disciplines on domestic support. This framework should be maintained so that agricultural policy reform can be steadily promoted.

In addition, improvements should be made with regard to the requirements to be met in the "Green Box" in order to promote agricultural policy reform by reflecting the real situation of agriculture.

★ From the viewpoint of agricultural policy reform by Members, "Decoupled income support" and "Income insurance and income safety-net programs" are essential "Green Box" measures.

The requirements of these measures are the following.

a. Decoupled income support:

*The amount of payments should be decoupled from the type or volume of production and the factors of production employed.

b. Income insurance and income safety-net programs

* Producers are eligible for payments when the income loss exceeds 30% of average income.

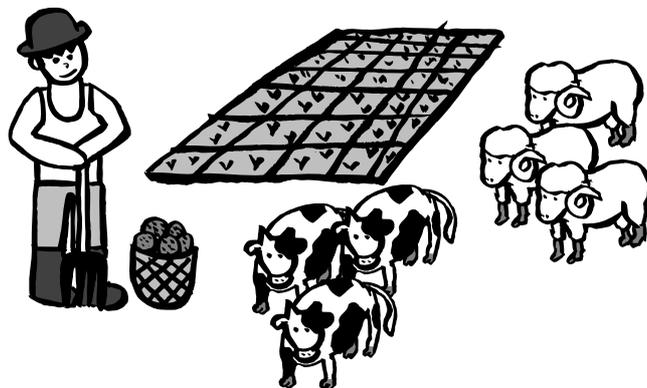
* The amount of payments should compensate for less than 70% of income loss.

These requirements, however, are inappropriate with regard to the actual situation of agriculture in the respective points as follows:

a. The requirements do not take into account aspects of multifunctionality of agriculture, which is closely linked to agricultural production. Since the amount of payment does not reflect the real situation of production, it cannot necessarily mitigate the present difficulties of the distressed producers.

b. The policy instruments to meet the requirements are insufficient for continuing farming when incomes drop drastically, as farm management is vulnerable to the fluctuation of supply and demand as well as to natural disasters

Note: Under the present framework of the agreement, domestic support is categorized into the groups of "Green", "Blue" which are exempt from the reduction commitment and "Amber" which are subject to the reduction commitment. With regard to "Amber" policies, 20% of the total amount of support during the base period that was calculated by the aggregated measurement of support (AMS) is to be reduced by the same ratio annually over the implementation period.



★ Examining the implementation of the UR agreements shows that US, which applied Production Flexibility Contract payments in compliance with these requirements and became unable to respond to the change in the production situation, have no other choice but to provide additional support to producers.

[Examples of decoupled income support]

○US : Production Flexibility Contract (PFC) payments

* The Federal Agriculture Improvement and Reform Act of 1996 (1996 FAIR Act) provides the predetermined annual PFC payments based on historical enrolled area of contract crops, replacing the deficiency payment system. The amount of payments have proved to be insufficient to assist producers suffering from economic losses caused by lower grain prices since 1998 and by natural disasters, and have been supplemented by Additional Farm Relief Programs.

* The PFC payments were notified to the WTO as "Green Box" subsidies.

○US : Additional Farm Relief Programs

* Additional Farm Relief Programmes have been introduced successively since 1998. Natural disaster assistance payments and Market loss assistance payments account for the most part of the programme.

* Market loss assistance payments are provided in proportion to the PFC payments in order to address the decline in grain prices. They are not yet notified to the WTO.

· Omnibus Consolidated Appropriations Act of 1999:	\$ 6.0 billion
· Agriculture Appropriations Act of 2000:	\$ 8.7 billion
· Agricultural Risk Protection Act:	\$ 7.1 billion
· Total:	\$21.8 billion

[Example of income insurance and income safety-net programs]

○Canada : NISA (Net Income Stabilization Account)

*NISA, introduced in 1991, is a whole-farm income stabilization program with the fund raised by contributions from producers and the federal and provincial governments. Producers can get the difference between their income and average income over five years from withdrawal of the fund with a view to stabilizing their farm management, if their income is less than their average income.

*The program is classified as an "Amber Box", since the guaranteed income level is 100% of their average income. However, it is exempt from the reduction commitment with the de-minimis clause.

★ In light of the experiences to date from implementing the UR agreements, the improvements, such as the following, should be made with regard to the requirements to be met in the "Green Box" in order to promote agricultural policy reform by reflecting the real situation of agriculture.

- ① From the viewpoint of narrowing the gap between the trend of each Members' agricultural policy reform and the current agreement, the requirements for decoupled income support should be improved, in order to reflect the real situation of production, including the factors of production employed.
- ② In view of introducing safety-net programs, which are necessary when promoting market-oriented policy conversion, it is appropriate to ease the requirements on measures, such as for income insurance and income safety-net programs as well as the restriction on the rate of compensation concerning those measures.

(2) Levels of domestic support

Essence of the suggestion

In order to avoid the deterioration of the multifunctionality of agriculture in each country and to promote agricultural policy reform, the total AMS commitment levels should be determined in a realistic manner.

The base level of the total AMS should be equivalent to the final commitment level in the year 2000, which was decided as a result of the Uruguay Round, in order to secure the continuity of agricultural policy reform.

★ In order to secure the benefits of the multifunctionality of agriculture, a certain level of policy intervention (domestic support) is indispensable. From the viewpoint of not undermining the multifunctionality of agriculture, the total AMS commitment levels should be determined in a realistic manner, in order to keep pace with the progress of agricultural policy reform.

★ The levels of AMS in each country was decided by the difference in the conditions of production and the gap in productivity between agriculture and other industrial sectors, for the purpose of sustaining agricultural production in each Member. It is, therefore, unreasonable to set the level of AMS as a fixed percentage of each Member's total agricultural production.

*Paddy fields developed
by clearing mountainous areas in Asia



〈Philippines〉

* Highly mechanized rich grain fields
on a vast plain



〈The United States〉

〈Since conditions on agricultural production differ in all countries and regions, variety of farming and agricultural policies is needed in accordance with the diversity in natural conditions and historical background.〉

★ Members continue to implement the reform process in accordance with the annual reduction commitments of the total AMS. However, we should keep in mind that inevitably the disparity in the condition of production and the gap in productivity between agriculture and other industrial sectors result in the different level of adequate domestic support among Members.

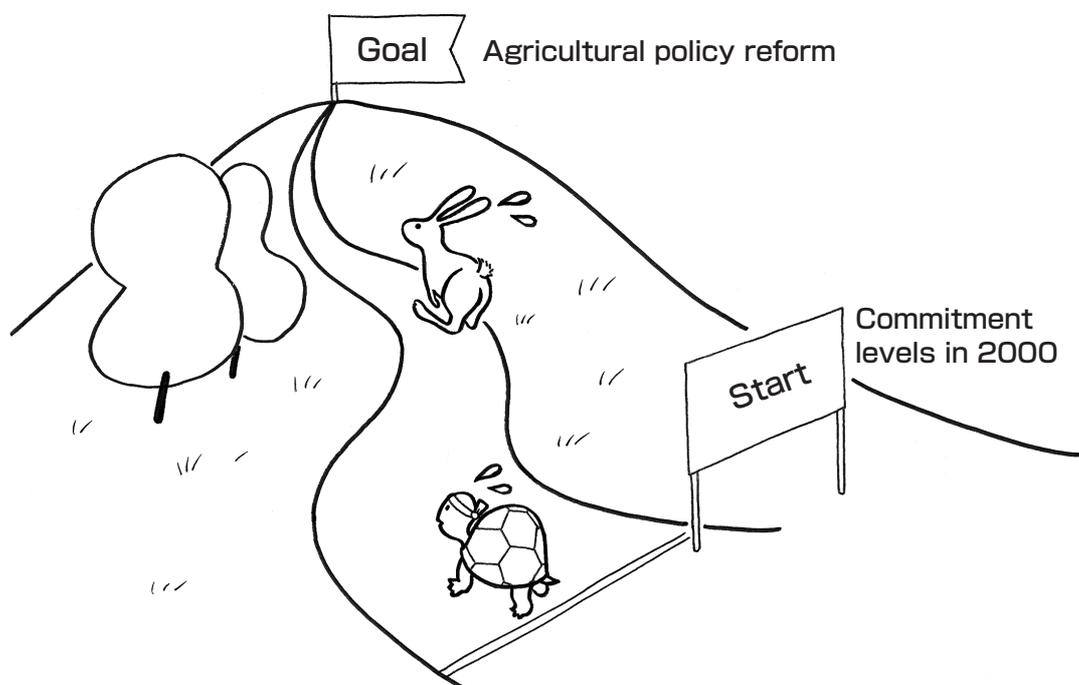
Table4. The total AMS by country and their ratio to commitment levels

(Units: 100 million yen, 1 million dollars, 1 million ECU,
1 million Australian dollars, 1 million Canadian dollars, and 100 million won)

	Total AMS in the base period	Commitment levels in 2000 (A)	Total AMS in the latest notice (B)	(B/A)
Japan	49,661	39,729	31,708	79.8%
US	23,879 (27,000)	19,103 (22,000)	6,238 (7,100)	32.7%
EU	80,975 (98,000)	67,159 (82,000)	50,194 (61,000)	74.7%
Australia	590 (430)	472 (350)	120 (90)	25.4%
Canada	5,376 (4,100)	4,301 (3,300)	619 (470)	14.4%
Korea	22,595 (2,200)	17,978 (1,700)	15,628 (1,500)	86.9%

Note1: In the column(B), Australian and Korean figures are for 1998, Japanese, US, and EU figures are for 1997, and Canadian figure is for 1996

Note2: Figures in parentheses are calculated on average exchange rates in 1999 (IMF).
1 dollar = 113.91 yen, 1 ECU(EURO) = 121.51 yen, 1 Australian dollar = 73.49 yen, 1 Canadian dollar = 76.67 yen, 1 won = 0.096 yen



4. Rules and Disciplines on Exports

Essence of the suggestion

In view of redressing the imbalances of the rights and obligations between importing and exporting countries, and of maintaining the food security of food-importing countries, it is important to strengthen rules and disciplines on export-promoting measures, including further reduction of export subsidies, and to establish rules and disciplines on export-restricting measures, including tariffing all export prohibitions and restrictions.

★ In the UR agreements, it was decided that, all non-tariff border measures were to be replaced by tariffs in principle and then reduced. In contrast, the current rules and disciplines concerning exports, including export-promoting measures (i.e., export subsidies) and export prohibitions/restrictions remain less strict than the rules on import.

Mindful of such background, the rules and disciplines on exports need to be strengthened much further in order to redress the imbalances of rights and obligations between importing and exporting countries.

★ Rules and disciplines to increase stability and predictability on trade are required in order to ensure that the measures taken by exporting countries will not threaten the food security of importing countries.

★ The followings are specific examples of strengthening the rules and disciplines on exports:

① Export subsidies

- To reduce further the amount of export subsidies
- To strengthen disciplines on measures, such as rollovers
- To bind the level of the unit value of the export subsidy and their progressive reduction
- To strengthen disciplines on the export subsidy on the products and the markets in which developing countries are interested
- To strengthen disciplines on the export credit, bearing in mind the discussions held in the OECD
- To strengthen disciplines on the domestic support that has a similar effect as that of export subsidies, thus putting them under the export disciplines

② Export prohibitions/restrictions, export taxes

- To tariff all export prohibitions and restrictions (by replacing them with export taxes)
- To bind all export taxes, and for products subject to the export tax, to establish quotas in which a certain amount of exports will be exempt from the export tax
- In the case where temporary and short-term measures to restrict exports become necessary before export taxes are introduced, to clarify the disciplines applied on such emergency measures, including application requirements, introduction procedures, specific details of applied measures, and the duration of such emergency measures

