Three problems with the US proposal to cut domestic farm supports in the DDA. Fact Sheet – Brussels, 24 July 2006

Problem one: The current US offer does not sufficiently cut into the maximum amount of money the US would be permitted to spend on trade-distorting farm subsidies

- The current US offer would leave US total trade-distorting farm spending limits higher (22.7 billion $) than the last US notification in Geneva in 2001 (21.5 billion $). The US offer would therefore raise the bar on US farm spending, not lower it. This is politically impossible to sell to the wider WTO membership, and contrasts especially with the heavy demands the US is making for steep farm tariff cuts from both developed and developing countries.

Problem two: WTO rules identify different forms of trade distorting farm spending which all together are grouped under the so-called Overall Trade-Distorting Support (OTDS): AMS (or Amber box), de minimis and Blue box. By shifting payments from box to box it is possible to lower AMS levels but maintain trade-distorting payments in the other two boxes. This appears to be what the US is proposing to do

- In the WTO, non-trade distorting farm payments are classified in the **Green box**. Trade distorting farm support falls into three categories or 'boxes' in WTO jargon. The **Amber box** contains support payments that are the most trade distorting and scheduled to be reduced under the terms of the Doha Round Framework Agreement.

- **Blue box** payments are less trade-distorting- they have reduced effects on production and prices. The Doha Framework Agreement foresees **Blue box** payments being capped at 5% of the total value of agricultural production of the country in question.

- The **De Minimis** box is a minimum farm support allowance to all WTO members. Payments in the De Minimis box must be less than 5% of the value of production of product for which the payments are allocated, OR below 5% for the total value of agricultural production for the WTO member in question.

- The US is proposing cuts to its AMS – **'Amber box'** – spending. But because of the lack of disciplines for the new **Blue box** spending, the US will be able to preserve highly- trade-distorting Counter Cyclical Payments (which compensate US farmers when product prices fall below pre-determined levels and therefore shield them from market price signals) by moving them to this new **Blue box** without having to change their heavily trade-distorting nature. Because these payments rightfully belong in the **Amber box** – the US AMS reductions are not as serious as they may look. The EU is asking for real disciplines to Blue box payments so that these sorts of shifts are not possible.

Problem Three: The US is asking for far bigger concessions than it is willing to offer

The US is demanding farm tariff cuts of up to 90% - sweeping cuts that would reshape the markets of Europe and the developing world overnight. Yet there are serious problems with what it is offering in return. US needs to try and find a way to move towards what the EU and the developing countries of the G20 are asking on domestic support: real reductions in spending ceilings and commitments to discipline blue as well as amber box spending so that reductions are real. If the US does this it will force the G20 to reciprocate on NAMA (non-agricultural market access) and Europe will be in a position to employ the flexibility we have offered.