

WORKING DOCUMENT No. 5

OVERALL REDUCTION OF TRADE-DISTORTING DOMESTIC SUPPORT: A TIERED FORMULA

Base Level

1. The base level for reductions in Overall Trade-Distorting Domestic Support (OTDS) shall be the sum of: (i) the Final Bound Total AMS specified in Part IV of a Member's Schedule; plus (ii) for developed country Members, 10 per cent of the average value of production in the 1995-2000 base period (this being composed of 5 per cent of the average value of production for product-specific and non-product-specific AMS respectively) and, for developing country Members, 20 per cent of the average value of production in the 1995-2000 base period (this being composed of 10 per cent of the average value of production for product-specific and non-product-specific AMS respectively); plus (iii) [the higher of existing average Blue Box payments, or] 5 per cent of the average total value of agricultural production, in the 1995-2000 base period.

Tiered Reduction Formula

2. The base level of OTDS shall be reduced in accordance with the following tiered formula:
- (a) where the base level of OTDS is greater than US\$60 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be [75][85] per cent;
 - (b) where the base level of OTDS is greater than US\$10 billion and less than or equal to US\$60 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be [66][73] per cent;
 - (c) where the base level of OTDS is less than or equal to US\$10 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be [50][60] per cent.
3. Developed country Members with high relative levels of Base OTDS in the second tier (at least 40 per cent of the average total value of agricultural production) shall undertake an additional effort. The additional reduction to be undertaken shall be equal to one half of the difference in the reduction rate between the second tier and the top tier.

Implementation Period and Staging

4. For Members in the first two bands, the Base OTDS shall be reduced by one third at the commencement of the implementation period. The remaining reductions shall be implemented in equal annual steps over five years. For developed country Members in the third band, the Base OTDS shall be reduced by 25 per cent on the first day of implementation. The remaining reductions shall be implemented in equal annual steps over five years.

Special and Differential Treatment

5. Developing country Members with no AMS commitments shall not be required to make commitments on reductions in the Base OTDS.
6. For developing country Members with AMS commitments, the applicable reduction in the Base OTDS shall be two thirds of the relevant rate specified in paragraph 2 above. However, NFIDCs listed in document G/AG/5/Rev.8 shall not be required to make commitments on reductions in the Base OTDS.

7. As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support shall not exceed 80 per cent of the Base level of OTDS. The remaining reductions shall be implemented in equal instalments over eight years.

Other

8. Commitments relating to reductions in the Base OTDS shall apply as a minimum overall commitment, which shall be bound in Part IV of each Member's Schedule of domestic support commitments. A Member shall be required to make commitments on reductions or limits in Final Bound Total AMS, *de minimis* and/or Blue Box additional to those specifically provided elsewhere in these modalities where this is necessary in order to achieve the appropriate reduction in OTDS.

9. Saudi Arabia, the Former Yugoslav Republic of Macedonia and Vietnam, as very recently-acceded Members shall not be required to undertake reductions in OTDS. Small low-income recently-acceded Members with economies in transition¹ shall not be required to undertake reductions in OTDS. Reduction commitments for other RAMs with AMS commitments shall be two thirds of the relevant rate specified in paragraph 2 above and shall be implemented in accordance with the provisions in paragraph 7 above.

¹ This shall be applicable to Albania, Armenia, Georgia, Kyrgyz Republic and Moldova.