Domestic Support to Agriculture in the WTO

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Support to agriculture in the WTO

- WTO Agreement on Agriculture
  - Legally binding rules and commitments
    - Rules are in the Agreement itself
    - Commitments in Schedule of concessions and commitments
      - Each member has a schedule
        » Market access
        » Export subsidies
        » Domestic support
  - What is “domestic” about domestic support?
    - Support from instruments not applied at the border
      - Not tariffs, not export subsidies
      - Payments, administered prices, government services, etc.
Important distinctions

• Economic “support” vs. “Support” in Agreement
  • Different meanings

• Measures vs. Support
  • Government policies vs. the amount of benefit

• Ceiling on support vs. Level of applied support
  • Allowed amount of support vs. actual benefit

• WTO accession vs. Yearly notification to WTO
  • Support in accession base period is the base for the ceiling that applies to support after accession
Colored boxes – do they exist?

- Green box, blue box, development box
  - Shorthand for exempting support from WTO ceiling

- Criteria are the key for exemption

- Classify policies according to criteria in the Agreement
  - Green box criteria in Annex 2
    - Used by almost all members
  - Blue box criteria in Article 6.5
    - Not used very much
  - Development box criteria in Article 6.2
    - Used by many developing countries, including China, India, Brazil
Green box criteria in Annex 2

• No ceiling on support under green box policies

• Policy must meet requirements and basic criteria
  – No or little effect on production or trade; no price support

• Each policy type must also meet several other criteria
  – General services (para. 2)
    • No payments to producers or processors; specially worded criteria
  – Payments of many types to producers (paras. 5 - 13)
    • Each type must meet its own set of specially worded criteria
      – E.g., “decoupled income support” must meet five criteria (para. 6)
      – E.g., “investment aids” must meet six other criteria (para. 11)
Calculate applied support

• Classify all domestic support policies
  – Use criteria of green box, blue box, development box

• Support from all policies that don’t meet criteria
  • Calculate AMSs: Aggregate Measurements of Support
    • Product-specific AMSs
      – One AMS for support to producers of each product
    • Non-product-specific AMS
      – One single AMS for support to producers in general

• Add all AMSs together into Current Total AMS
But ... some AMSs do not count

- When adding AMSs together
  - Leave out relatively small AMSs: *de minimis*

- *De minimis* threshold
  - 5% of product’s value of production VOP
    - 5% of VOP in all agriculture for non-product-specific AMS
    - 10% for developing countries

- When an AMS is greater than 5% of VOP ...
  - ... the whole AMS goes into Current Total AMS
  - Not just the excess above 5% of VOP
WTO Agreement is a **legal** construct

- **Rules of Agreement**
  - Prescribe how to classify policies and measure support
    - Different from economic analysis

- **Member’s Schedule**
  - Bound Total AMS
    - Maximum allowed Current Total AMS

- **Current Total AMS ≤ Bound Total AMS?**
  - Every year
Review in WTO Committee on Agriculture

• Notifications
  – Report Current Total AMS calculation to CoAg

• Review in CoAg
  – How did country **classify** its measures and policies?
  – How did country **measure** its support?

• Outcomes of CoAg review
  – Give more info, submit more data, revise notifications
  – Take action if Current Total AMS ≥ Bound Total AMS
... measures in favor of agricultural producers

- Non-green measures
  - Development programs
  - Blue box measures
  - Non-exempt measures

- Green box measures
... measures in favor of agricultural producers

Non-green measures

Development programs

Blue box measures

Non-exempt measures

Green box measures

Green box support

Development support

Blue box payments

Current Total AMS

must not exceed

Bound Total AMS
… measures in favor of agricultural producers

Non-green measures

Development programs

Blue box measures

Non-exempt measures

Calculate AMSs

Green box measures

Green box support

Development support

Blue box payments

Current Total AMS

Bound Total AMS

must not exceed

NPS AMS

Product 1 PS AMS

Product 2 PS AMS

etc.
... measures in favor of agricultural producers

- Non-green measures
- Development programs
- Blue box measures
- Non-exempt measures

Calculate AMSs

**de minimis AMSs**

NPS AMS
- > 5% VOP?
  - no
  - yes

Product 1 PS AMS
- > 5% VOP?
  - no
  - yes

Product 2 PS AMS
- > 5% VOP?
  - no
  - yes

etc.

Green box measures
- Green box support
- Development support
- Blue box payments

Current Total AMS

Bound Total AMS

must not exceed

...
**Schedule CLXII - Ukraine**

**PART IV - AGRICULTURAL PRODUCTS: COMMITMENTS LIMITING SUBSIDIZATION**

(Article 3 of the Agreement on Agriculture)

**SECTION I - Domestic Support: Total AMS Commitments**

<table>
<thead>
<tr>
<th>BASE TOTAL AMS</th>
<th>Annual and final bound commitment levels</th>
<th>Relevant Support Tables and document reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2006</td>
<td></td>
<td>WT/ACC/SPEC/UKR/1/Rev.12</td>
</tr>
<tr>
<td>3,043.4</td>
<td>3,043.4</td>
<td></td>
</tr>
</tbody>
</table>
Current Total AMS was UAH 2.2 and ceiling is UAH 3.0 billion

- 83% of all AMS support was exempt as *de minimis*
  - 8 out of 12 non-zero product-specific AMSs were *de minimis*

- Ukraine calculates WTO “price support” only for sugar
  - Sugar calculation faces objection by members in CoAg

- OECD calculates price support also for beef, pork, poultry, eggs
  - OECD not restricted to calculating price support only from “administered prices”
Green Box notification: Exempt measures
Ukraine 2010 example

<table>
<thead>
<tr>
<th>Measure type: General services</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paragraph 2(c)</td>
<td>Training, re-training and advanced training of experts</td>
</tr>
<tr>
<td>Paragraph 2(e)</td>
<td>Inspection services for health, safety, grading and standardization</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure type: Payments under environmental programs</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paragraph 12</td>
<td>Nothing specified</td>
</tr>
<tr>
<td>Support shown under all other Annex 2 paragraphs</td>
<td>74</td>
</tr>
</tbody>
</table>

**Green box:** Grand total

444

Notes:
- Converted to US$ million for this presentation; XR=7.94 UAH/USD
- Notification must follow WTO document G/AG/2 format.
- Source: G/AG/N/UKR/13; includes required “Data sources”.
- Placement of a program under a particular paragraph of Annex 2 (Green Box) depends on the program meeting the specific criteria of the paragraph, not the program name
<table>
<thead>
<tr>
<th>Measure type</th>
<th>Support</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special value-added tax regimes</td>
<td></td>
<td>895</td>
</tr>
<tr>
<td>Financial support through easing of credit mechanism</td>
<td></td>
<td>78</td>
</tr>
<tr>
<td>Partial reimbursement of cost of constructing livestock farms etc.</td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>Three other measure types, reported individually</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td><strong>Sum of support from all non-product-specific measure types</strong></td>
<td></td>
<td><strong>1,037</strong></td>
</tr>
</tbody>
</table>

Notes:
- Converted to US$ million for this presentation; XR=7.94 UAH/USD
- Notification must follow WTO document G/AG/2 format; Non-Product-Specific AMS in Supporting Table DS:9; Supporting Table DS:9 feeds into Supporting Table DS:4
- Source: G/AG/N/UKR/13
Calculating Current Total AMS
Ukraine 2010 example: US$ million

<table>
<thead>
<tr>
<th>Basic product</th>
<th>Product-specific AMSs</th>
<th>Value of prod’n (VOP)</th>
<th>AMS/VOP</th>
<th>De minimis if less than 5%</th>
<th>In CTAMS if more than 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar beets</td>
<td>258</td>
<td>796</td>
<td>32%</td>
<td>--</td>
<td>258</td>
</tr>
<tr>
<td>Hops</td>
<td>3</td>
<td>3</td>
<td>95%</td>
<td>--</td>
<td>3</td>
</tr>
<tr>
<td>Grape</td>
<td>13</td>
<td>161</td>
<td>8%</td>
<td>--</td>
<td>13</td>
</tr>
<tr>
<td>Milk</td>
<td>183</td>
<td>4,166</td>
<td>4.4%</td>
<td>De minimis</td>
<td>0</td>
</tr>
<tr>
<td>Eight other products, reported individually</td>
<td>85</td>
<td>4,777</td>
<td>ave. 1.7%</td>
<td>Seven of eight are de minimis, incl. cattle &amp; pigs</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**Non-product-specific AMS**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,037</td>
<td>24,289</td>
<td>4.3%</td>
<td>De minimis</td>
<td>0</td>
</tr>
</tbody>
</table>

Sum of all AMSs that are **not de minimis** = **Current Total AMS** 274

- Bound Total AMS: UAH 3,043 million = 2010 USD 383 million
- Converted to US$ million for this presentation; XR=7.94 UAH/USD
- Notification must follow WTO document G/AG/2 format; Current Total AMS in Supporting Table DS:4; ST DS:4 uses data from ST DS:7 and DS:9
- Source: G/AG/N/UKR/13
WTO and OECD: major differences

– Different policy coverage
  • WTO green box different from OECD GSSE General Services Support Estimate
  • WTO sum of AMSs different from OECD PSE Producer Support Estimate
  • Still, there is good correspondence for some countries

– Different measurement methods
  • Market price support MPS
    – WTO calculates MPS only if there is an ”administered price”
      • Russia: no market price support in AMS; very large in PSE
    – Price gap in WTO MPS is very different from OECD MPS
  • WTO Current Total AMS exempts de minimis AMSs
WTO and OECD: different purposes

– OECD
  • Monitor policy reform over time and compare among countries
  • Economics-based measurements
  • Consistent methods for all countries
  • Informative up-to-date data base

– WTO
  • Review implementation of commitment: legal rules matter
  • Comparability not a key consideration
  • Long time lags in reporting
  • Quality of data base depends on what countries report
Thank you for your attention!

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References

