WTO Rules on Domestic Support and Agricultural Policies in Russia

Lars Brink

Workshop on Support to Russian Agriculture in the Context of WTO Membership: Issues and Possible Solutions
Food and Agriculture Organization of the United Nations (FAO)
Ministry of Agriculture of the Russian Federation
20-21 November 2013, Belgorod, Russia

Lars.Brink@hotmail.com
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 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
... measures in favor of agricultural producers

- Non-green measures
- Green box measures
- Development programs

- Blue box measures
- Non-exempt 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

must not exceed

Bound Total AMS

NPS AMS

Product 1 PS AMS

Product 2 PS AMS

etc.
... measures in favor of agricultural producers

Non-green measures

Green box measures

Development programs

Blue box measures

Non-exempt measures

Calculate AMSs

Green box support

Development support

Blue box payments

Green box measures

Current Total AMS

NPS AMS

Product 1 PS AMS

Product 2 PS AMS

etc.

de minimis AMSs

must not exceed

Bound Total AMS

> 5% VOP?

> 5% VOP?
Russia’s commitments and rules

- Bound Total AMS goes from $9 billion to $4.4 billion in 2018
  - $8.1 billion in 2014
- 5% *de minimis* percentage
- Sum of all product-specific AMSs must not exceed 30% of the non-product-specific AMS
Example of reporting domestic support

– Russia in 2008
  – One of three years in base period for WTO accession
– Green box support $2.4 billion, mainly federal
– AMS support
  • Dominated by non-product-specific AMS
    – $5.60 billion; slightly above *de minimis* threshold of $4.96 billion
    – Was *not* *de minimis*
  • Sum of product-specific AMSs was only $0.5 billion
    – All were *de minimis* except $0.058 billion
– 2008 Current Total AMS was $5.7 billion
  • Consisted almost entirely of non-product-specific AMS
2009 to 2012: large increases in support

- Some non-product-specific support saw large increases
  - Subsidized credit, fuel, chemicals, machinery

- Most other budgetary policies also increased support
  - Many kinds of ongoing budgetary support policies
  - Large new regional subsidies for costs in crops and livestock

- Adds to non-product-specific or product-specific AMSs?

- 2012 non-product-specific AMS possibly not *de minimis*
  - Value of production also increased from 2008 to 2012
    - But “only” 40% increase from 2008 to 2011 (FSSS; no data for 2012)
2013 to 2020: State Program

- Increasing federal budgetary support every year
- Also more regional support and regional co-financing
- Green box support to increase more than AMS support
- Larger *de minimis* thresholds for non-product-specific AMS

![Projected support categories graph]

Source: Ministry of Agriculture (MoA) presentation, 2012. Assume federal 66% and regional 34% shares. PS AMS Method 1: interpolated from all sums in MoA page 16; Method 2: all support calculated from MoA page 15, less green less NPS (page16); Method 3: MoA page 20.
2013 to 2020 scenarios

– Less emphasis on credit and input subsidies?
  • Non-product-specific AMS grows slowly or declines

– More producer payments?
  • Product-specific AMSs grow
    – Payment per hectare of sown area
    – Payment per liter of milk

– Sum of all product-specific AMSs: limit until 2018
  – Must not exceed 30% of non-product-specific AMS
    » No de minimis exemption from this limit
  – May come into play if large increases in product-specific AMSs
Managing 2013 to 2020 support

- Green box allows many kinds of support policies
  - No limit
  - General services and many kinds of payments
  - Must comply with policy-specific green box criteria

- Non-product-specific AMS declines from policy shifts?
  - May go below *de minimis* threshold, which was RUB 173 billion in 2011
  - If so, Bound Total AMS allows very large product-specific AMSs

- Crucial roles of *de minimis* and values of production
  - Often overlooked when assessing WTO Total AMS compliance
Thank you for your attention!

Lars.Brink@hotmail.com

References


