

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

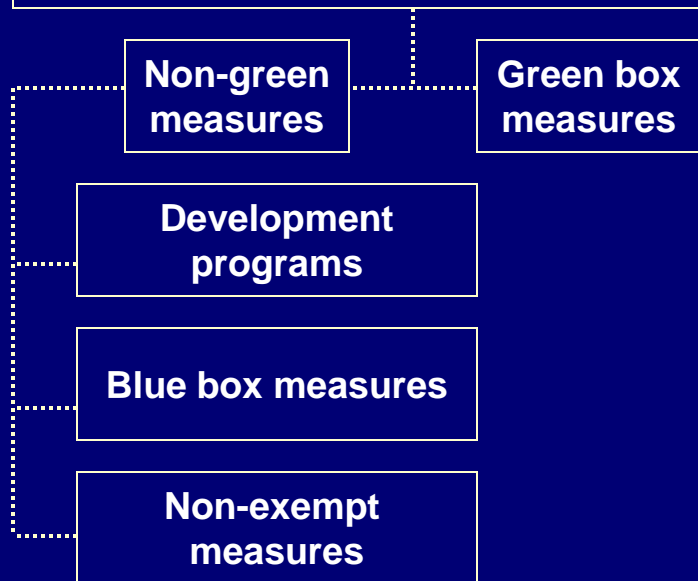
WTO Agreement is a legal construct

- **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 \leq Bound Total AMS?**
 - Every year

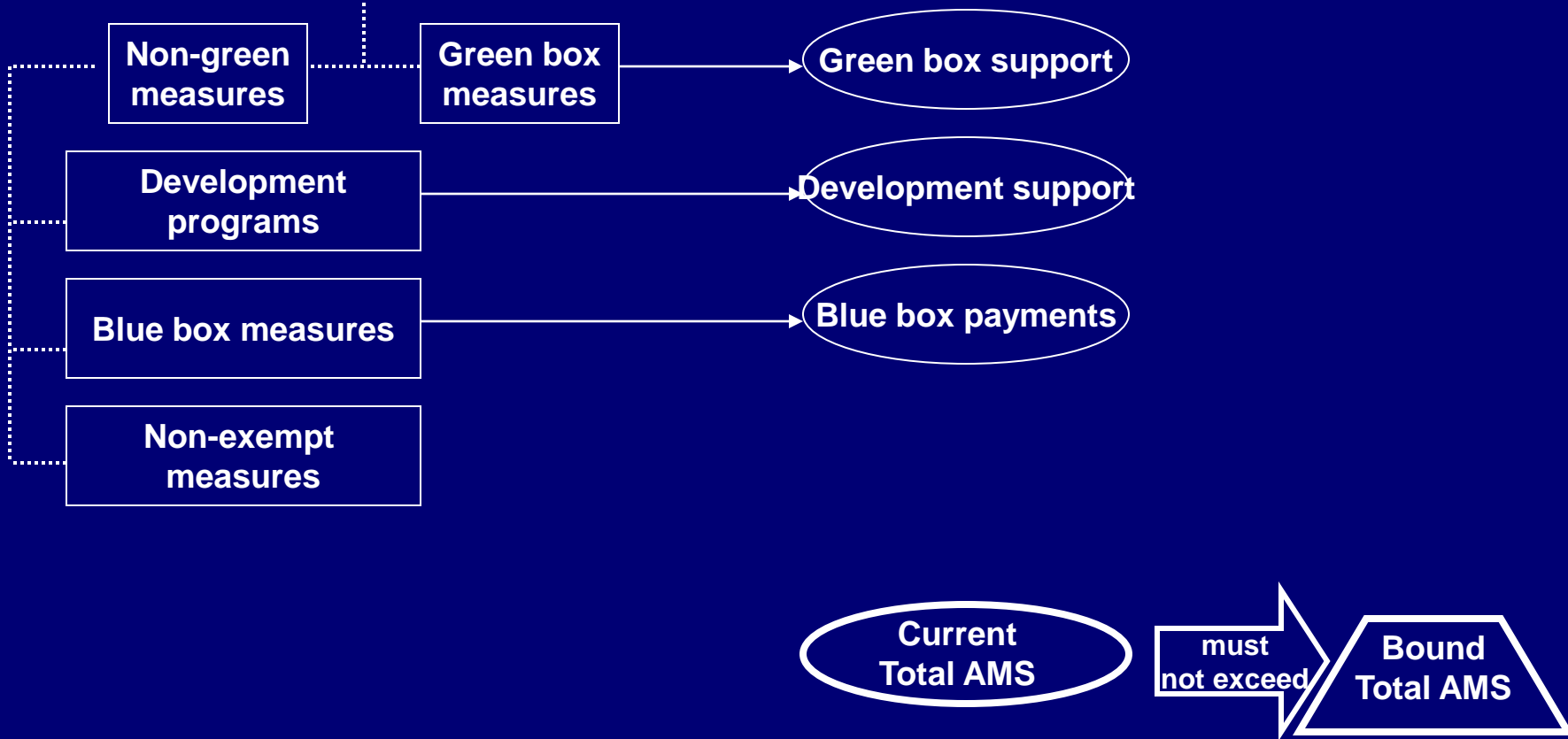
Review in WTO Committee on Agriculture

- **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 \geq Bound Total AMS

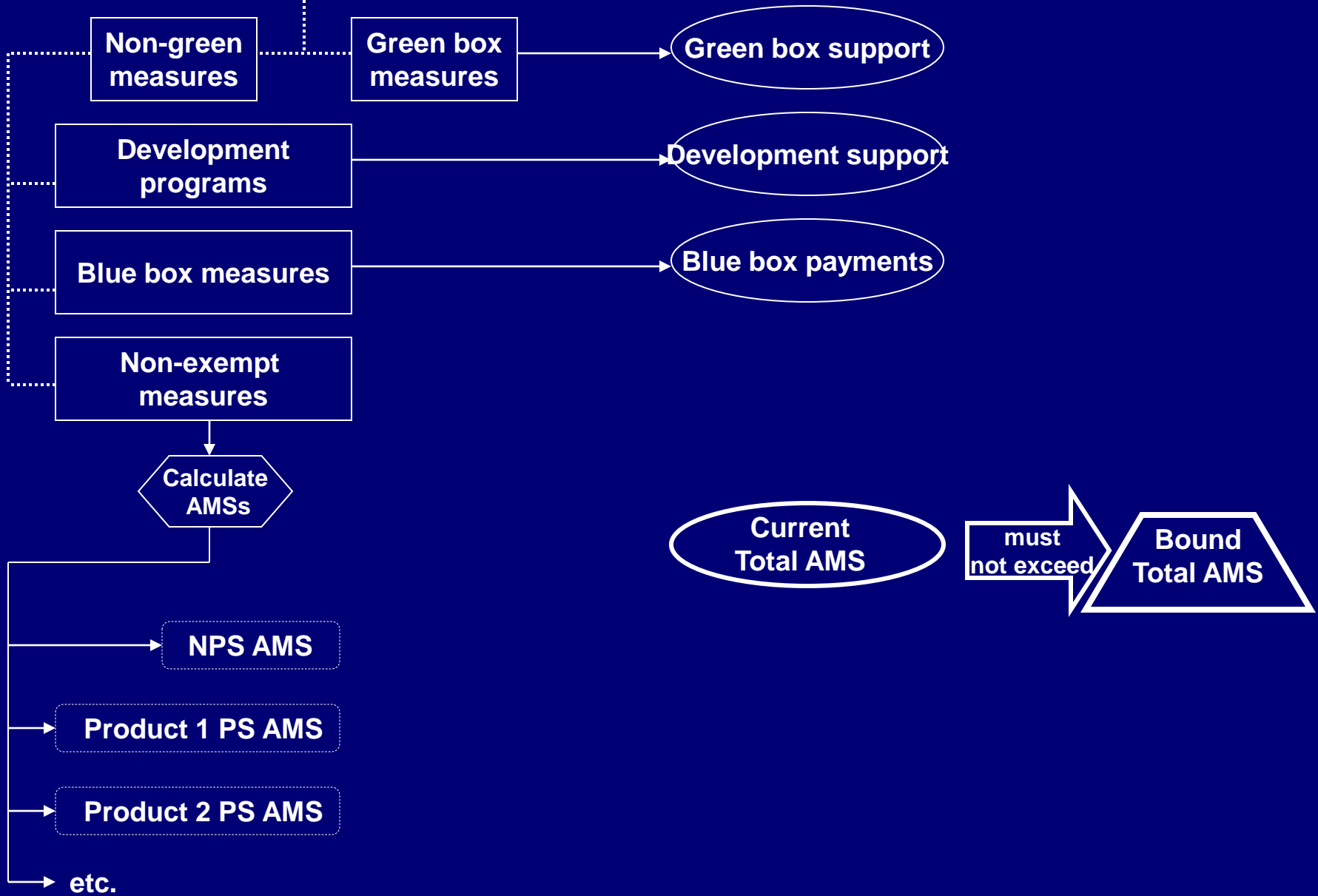
... measures in favor of agricultural producers



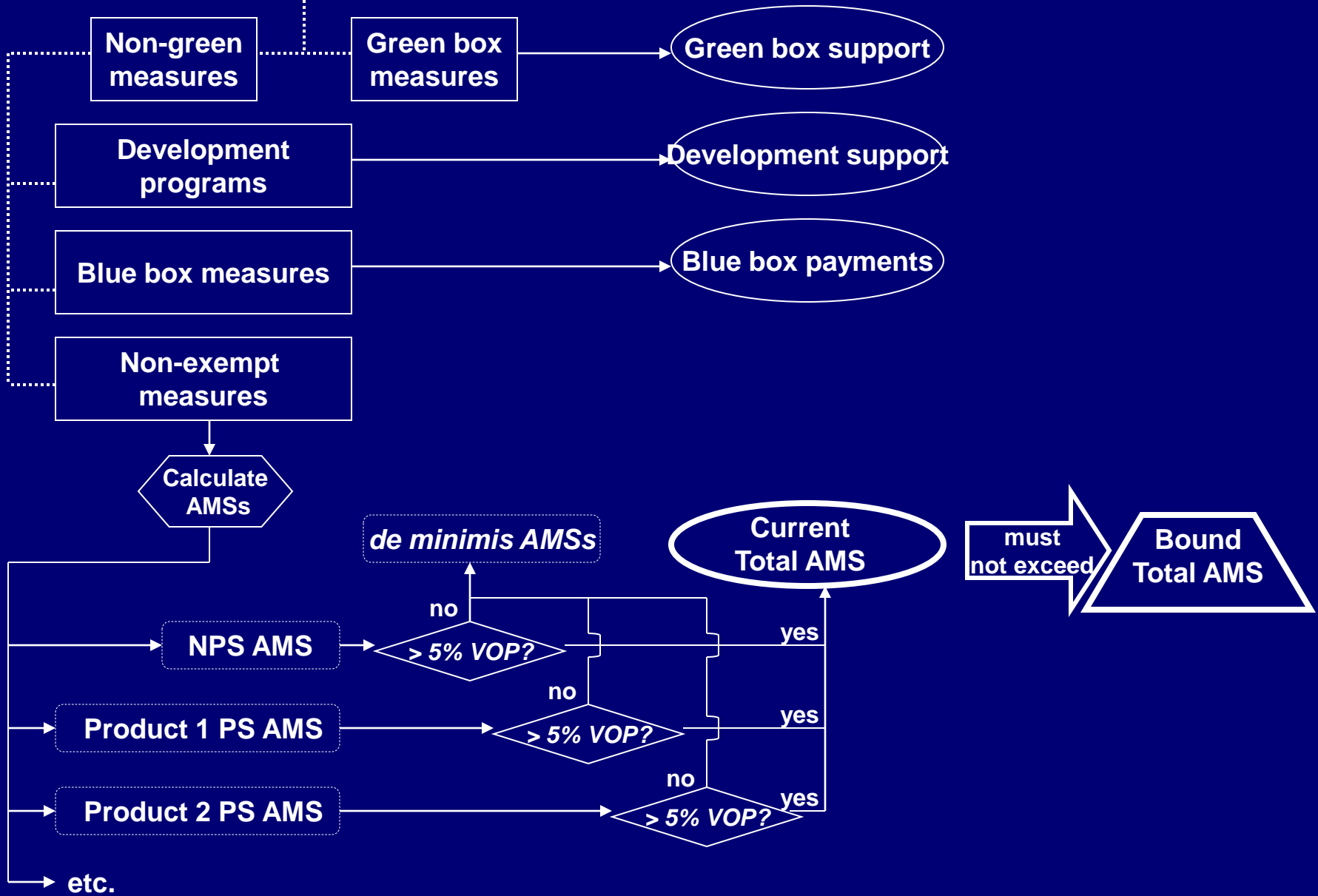
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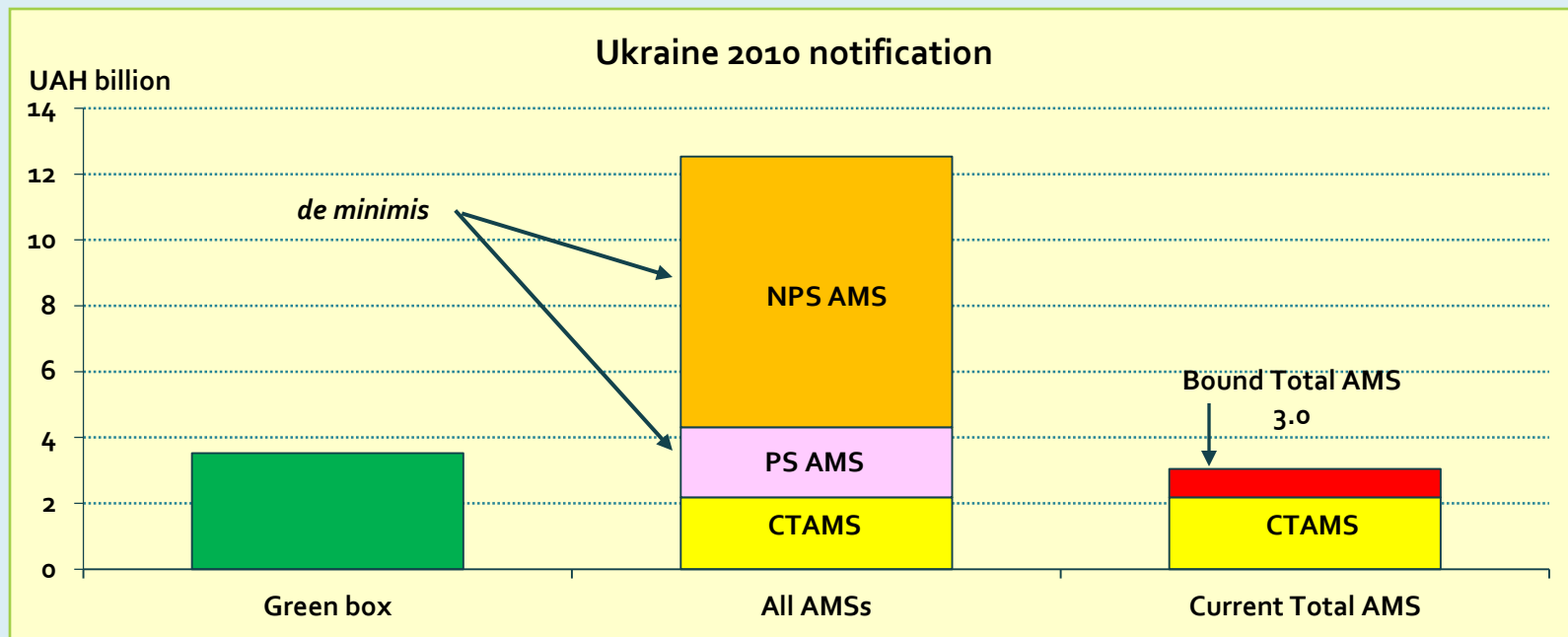
Schedule CLXII - Ukraine

PART IV - AGRICULTURAL PRODUCTS: COMMITMENTS LIMITING SUBSIDIZATION

(Article 3 of the Agreement on Agriculture)

SECTION I - Domestic Support: Total AMS Commitments

BASE TOTAL AMS	Annual and final bound commitment levels	Relevant Support Tables and document reference	<i>UAH million</i>
2004-2006			
3,043.4	3,043.4	WT/ACC/SPEC/UKR/1/Rev.12	



- **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*
 - Non-product-specific AMS: UAH 8.2 bill.; *de minimis* threshold: UAH 9.6 bill.
 - **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		USD million
Measure type: General services		
Paragraph 2(c)	Training, re-training and advanced training of experts	197
Paragraph 2(e)	Inspection services for health, safety, grading and standardization	152
Measure type: Payments under environmental programs		
Paragraph 12	Nothing specified	22
Support shown under all other Annex 2 paragraphs		74
Green box: Grand total		444
Notes:		
<ul style="list-style-type: none"> • 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 		

Non-Product-Specific AMS notification Ukraine 2010 example	USD million
<i>Measure type</i>	<i>Support</i>
Special value-added tax regimes	895
Financial support through easing of credit mechanism	78
Partial reimbursement of cost of constructing livestock farms etc.	47
Three other measure types, reported individually	17
Sum of support from all non-product-specific measure types = <u>Non-product-specific AMS</u>	1,037

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

<i>Basic product</i>	<i>Product-specific AMSs</i>	<i>Value of prod'n (VOP)</i>	<i>AMS/VOP</i>	<i>De minimis if less than 5%</i>	<i>In CTAMS if more than 5%</i>
Sugar beets	258	796	32%	--	258
Hops	3	3	95%	--	3
Grape	13	161	8%	--	13
Milk	183	4,166	4.4%	<i>De minimis</i>	0
Eight other products, reported individually	85	4,777	ave. 1.7%	Seven of eight are <i>de minimis</i> , incl. cattle & pigs	0.1
<i>Non-product-specific AMS</i>					
	1,037	24,289	4.3%	<i>De minimis</i>	0
Sum of all AMSs that are <u>not</u> <i>de minimis</i> = <u>Current Total AMS</u>					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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