Domestic Support in Russia’s WTO Accession

Lars Brink

Annual Meeting of the International Agricultural Trade Research Consortium (IATRC)
St. Pete Beach, Florida, 11 - 13 December 2011

The views expressed are those of the author alone and not those of Agriculture and Agri-Food Canada
Outline

• Agriculture and agr policy evolution in Russia

• Domestic support in WTO accession process

• Russia: domestic support rules and commitments

• Accession: next steps and implications
## Indicator data on agriculture in Russia

<table>
<thead>
<tr>
<th></th>
<th>Russia 1995</th>
<th>Russia 2009</th>
<th>USA 2009</th>
<th>Canada 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>148 million</td>
<td>142 million</td>
<td>307</td>
<td>34</td>
</tr>
<tr>
<td>Agricultural area</td>
<td>210 ha million</td>
<td>191 ha million</td>
<td>411</td>
<td>68</td>
</tr>
<tr>
<td>Wheat yield</td>
<td>1.3 tonne/ha</td>
<td>2.2 tonne/ha</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Agr. GDP in GDP</td>
<td>7.6 %</td>
<td>4.9 %</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>VOP in agriculture</td>
<td>44 USD billion</td>
<td>79 USD billion</td>
<td>285</td>
<td>36</td>
</tr>
</tbody>
</table>

### Sources:
- b. USDA, Foreign Agricultural Service, PSD database.
- c. VOP = Value of Production. Russia: Federal Statistics Service, converted at IMF exchange rate; USA: notification G/AG/N/USA/80; Canada: Total Market Receipts (crops and livestock), Statistics Canada.
Russia’s Agro-Food Trade, 1996-2009

Source: OECD http://dx.doi.org/10.1787/888932451737
Agriculture policy evolution

- Late Soviet decades (1970s, 1980s)
  - Policy to expand livestock production; large feed imports
- 1990s
  - Frequent farm policy change; livestock output plunges, crops drop less
- 2000s
  - Farm support rising; improved yields and farm structure boost crop output
- 2005
  - Declare agriculture a national priority, like health, education, and housing
- 2006
  - National Priority Project on agriculture: increase spending, esp. on livestock
- 2008-12
  - State Program for Development of Agriculture: increase federal and regional spending
  - Major items: credit concessions and other input subsidies
  - Along with border measures
PSE data for Russia 1992-2010

WTO accession process

• USSR seeks observership in GATT in 1982 and in 1986
  • 1990: becomes observer in GATT UR; role is retained by Russia
• Russia seeks GATT accession in 1993
  • Converted to WTO accession process in 1995

• Bilateral neg’s on market access in goods and services
• Parallel plurilateral neg’s in Working Party on accession
  • WP Report
  • draft Protocol of Accession
  • draft Schedule of commitments (goods, services)

• Domestic support in agriculture
  • Part of agriculture chapter in WP Report
  • Part IV, Section I, of draft Schedule: Total AMS binding
Accession – what happens next?

- Submit “Accession package” to Ministerial
  - Geneva 15-17 December 2011
  - For approval
    - Once approved, contents is public

- Approval lets applicant accept Protocol of Acc’n
  - Subject to ratification by applicant’s parliament in given period
    - Russia within 220 days of Ministerial (about 25 July 2012)
    - E.g.: China had up to 52 days, Ukraine had up to 150 days

- Become Member 30 days after WTO is informed of ratification
Total AMS binding

• Look at domestic support in recent 3 years
  • Classify as AMS, blue box, green box etc.
  • Prepare Supporting Tables in notification format
  • Program names and descriptions; data sources
  • 3-year average Current Total AMS becomes Base Total AMS

• Final Bound TAMS equals Base TAMS if no red’n
  • Some accessions reduced from Base TAMS by UR 13% or 20%

• Enter bound Total AMS in Part IV, Section I
  • Reference to Supporting Tables
AMS provisions in Russia’s accession

• **WTO reporting**
  - Bound Total AMS is USD 9 billion in 2012 and 2013
  - Declines to Final Bound Total AMS of USD 4.4 billion in 2018
  - Sum of product-specific AMSs must not exceed 30% of non-product-specific AMS (until end 2017)

• **Media reporting**
  - Similar to earlier proposal for 2011-17
  - PS vs. NPS ratio seen as trade-off for initial large USD 9 bill.
  - Current Total AMS in 2007, 2008 and 2009 is USD 3.8, 5.8 and 5.4 bill.
  - Average: USD 5 billion
Technical points

• Binding expressed in US dollars, not rubles
  • Similar to, e.g., Brazil’s schedule
  • Reduces bite of domestic inflation on size of real binding

• No mention of *de minimis* percentage
  • All the other eight FSU accessions use 5%

• No mention of development programs
  • No FSU accession has Art. 6.2 entitlement
## Domestic support calculations

<table>
<thead>
<tr>
<th></th>
<th>Russia</th>
<th>Brazil</th>
<th>India</th>
<th>China</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Bound Total AMS (USD bill.)</td>
<td>4.4</td>
<td>0.9</td>
<td>0</td>
<td>0</td>
<td>19.1</td>
</tr>
<tr>
<td><strong>Final Bound (FB) Total AMS / VOP</strong></td>
<td>5.6%</td>
<td>0.7%</td>
<td>0</td>
<td>0</td>
<td>6.7%</td>
</tr>
<tr>
<td>Reduce in Doha by</td>
<td>30%</td>
<td>0%</td>
<td>30%</td>
<td>0</td>
<td>60%</td>
</tr>
<tr>
<td>= Doha Final Bound TAMS (USD bill.)</td>
<td>3.1</td>
<td>4.4</td>
<td>0.6</td>
<td>0</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Doha FB Total AMS / VOP</strong></td>
<td>3.9%</td>
<td>5.6%</td>
<td>0.4%</td>
<td>0</td>
<td>2.7%</td>
</tr>
<tr>
<td>Base OTDS (USD bill.)</td>
<td>10.2</td>
<td>13.1</td>
<td>22.8</td>
<td>85.6</td>
<td>48.5</td>
</tr>
<tr>
<td>Reduce in Doha by</td>
<td>36.7%</td>
<td>0%</td>
<td>36.7%</td>
<td>0</td>
<td>70%</td>
</tr>
<tr>
<td>= Doha Final Bound OTDS (USD bill.)</td>
<td>6.5</td>
<td>10.2</td>
<td>8.3</td>
<td>22.8</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Doha FB OTDS / VOP</strong></td>
<td>8.1%</td>
<td>12.9%</td>
<td>6.4%</td>
<td>13.0%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Russia</th>
<th>Brazil</th>
<th>India</th>
<th>China</th>
<th>USA</th>
</tr>
</thead>
</table>
| a: VOP (Value of Production) is for 2009 (Russia: Federal Statistics Service; Brazil and China: OECD PSE database; India: extrapolated from 1995-2006 VOP; USA: G/AG/N/USA/80).
| b: Base OTDS calculated in USD for Russia (USD 4.4 billion plus 15% of 1995-2000 VOP, converted to USD at yearly rates), Brazil (Total AMS bound in USD), and USA; in INR for India (INR 1,102 billion converted at 2009 rate of 48.4 INR/USD); in CNY for China (CNY 584.4 billion converted at 2009 rate of 6.83 CNY/USD). VOP for 1995-2004 from TN/AG/S/24/Rev.5 (India: 1995-97 USD VOP from notifications converted to INR) and Russia’s Federal Statistics Service.
Total AMS binding and future policy

• **Policy direction:**
  – Successor State Program proposed for 2013-2020
    • Ministry of Agriculture plans very large budget increases
    • Shift towards supporting infrastructure (incl. grain handling)
    • Ministry of Finance may have different view

• **Compliance with declining Total AMS binding**
  – Requires reducing Current Total AMS
    • Simply reduce AMS support
    • Manage AMS support actively to use *de minimis* exemptions
    • Change policy to reduce AMS support and increase green box support
What next?

• Looking forward to WTO’s Ministerial approval and Russia’s ratification

• Russia’s accession reinforces model of all former USSR republics acceding as developed countries

• Agriculture: membership reassures exporters that Russia faces limit on future distorting support
Thank you!

Lars.Brink@agr.gc.ca