



***WTO Disciplines on Agricultural
Support:
Seeking a Fair Basis for Trade***

**David Orden, David Blandford and Tim Josling, editors
Cambridge University Press, April 2011**

**Presented at:
IATRC Annual Meeting, December 2011**

The WTO Agreement on Agriculture

- **The Long-term Objective:**
 - “substantial progressive reductions in agricultural support and protection”
 - **The Legal Disciplines:**
 - Rules for categorizing policy measures
 - “specific binding commitments on ... market access, domestic support, and export competition”
 - **Our analysis focuses on assessing the utility of the domestic support rules and commitments in contributing to the Agreement’s long-term objective**
-

WTO Disciplines on Agricultural Support

- **We examine compliance (legal) and evaluation (institutional and economic) issues related to WTO disciplines on domestic support over a 14-year period (1995 – 2008) since the Agreement on Agriculture came into effect**
 - **Projects the analysis forward under the Agreement or a possible Doha outcome**
 - **14 authors provide the analysis focused on 8 countries**
 - **L. Brink (WTO structure, negotiations, rules and disputes); T. Josling and A. Swinbank (EU); D. Blandford and D. Orden (US); Y. Godo and D. Takahashi (Japan); I. Gaasland. R. Garcia and E. Vardal (Norway); A. Nassar (Brazil); M. Gopinath (India); F. Cheng (China); and C. Cororaton (Philippines)**
-

Key Issues in the Analysis

- **Have the notifications:**
 - Shown compliance with countries' commitments
 - Contributed to greater international transparency about support policies and levels of support
 - Tracked accurately changes in the nature of domestic support policies
 - Provided accurate and meaningful measurements of the support given to farmers
- **Have the WTO disciplines:**
 - Contributed to reform of agricultural policies and reduction of distortions to trade
 - Contributed to policy convergence among countries
- **To what extent would the proposed (2008) Doha disciplines:**
 - Provide tighter constraints on trade-distorting domestic support and more substantial incentives for policy reform
- **Relevance today: still “disarray” in world agriculture**

Subsidy Debates Heating Up

- **Recent paper by DTB Associates for five U.S. commodity groups examines support in Brazil, India, Thailand and Turkey and reports “...we believe we can conclude that all of the countries examined are in clear violation of their WTO commitments.”**
- **For example, for India this paper asserts support should be notified as at least “\$37.3 billion”**
- **The DTB paper lacks perspective. Given the issues we address, one can ask:**
 - **Under the WTO rules, is it unambiguous that India is in clear violation?**
 - **How accurately does the support that DTB assert should be notified reflect economic support to agriculture?**
 - **If these countries were found in violation of their commitments on the grounds DTB argue, how difficult would it be for them to modify their policies to avoid being out of compliance?**

The Domestic Support Disciplines

- **Ceiling on the level of support provided by various trade-distorting policy measures to basic agricultural products and through a non-product-specific category**
 - **The single nominal commitment for a country applies to the sum of such support and is based on 1986-88 levels**
 - **Exempt from the ceiling are:**
 - **Green box measures**
 - **Blue box measures**
 - **Development programs in developing countries**
 - ***De minimis* levels of support**
-

Components of the Total

(“Current Total Aggregate Measurement of Support”)

- **Non-exempt Direct Payments and Other Subsidies**
- **Market Price Support (MPS) measured a particular way**

WTO MPS =

**[Administered Price – 1986-88 External Reference Price]
x [Eligible Quantity]**

Economic MPS =

**[Domestic Price – Current External Reference Price]
x [Domestic Production]**

Agreement and Proposed Doha Commitments

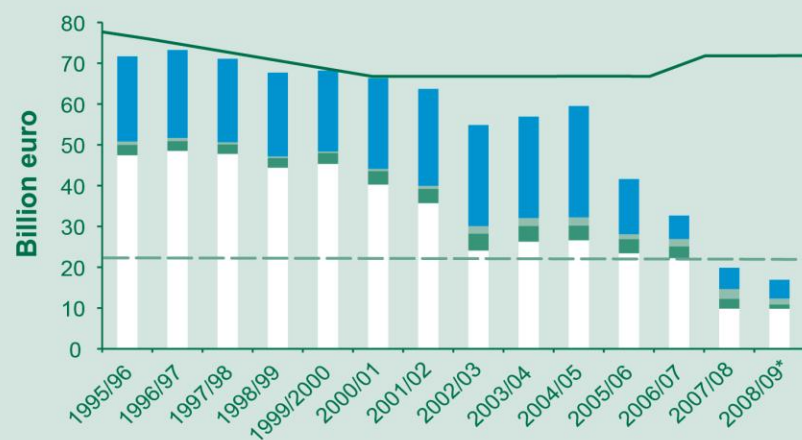
Member	Currency of Notification	Agreement → Doha Commitments		Additional Proposed Constraints		
		Ceiling	<i>De minimis</i>	OTDS	Blue Box	Product-specific Limits
		<i>Nominal Limit</i>	<i>% of Production Value</i>	<i>Nominal Limit</i>	<i>Nominal Limit</i>	<i>Rules</i>
United States	<i>US\$ billion</i>	19.1 → 7.6	5 → 2.5%	14.5	4.9	Yes
European Union	<i>€ billion</i>	72.2 → 21.7	5 → 2.5%	23.8	6.5	Yes
Japan	<i>¥ billion</i>	3,973 → 1,192	5 → 2.5%	1,363	246	Yes
Norway	<i>NOK billion</i>	11.4 → 5.4	5 → 2.5%	9.5	3.6	Yes
Brazil	<i>US\$ billion</i>	0.9 → 0.6	10 → 6.7%	8.3	2.4	Looser
China	<i>RMB billion</i>	—	8.5%	584.4	116.9	Looser
India	<i>US\$ billion</i>	—	10%	25.6	5.1	Looser
Philippines	<i>PHP billion</i>	—	10%	117.2	23.4	Looser

Notified Trade-distorting Support of Developed Countries

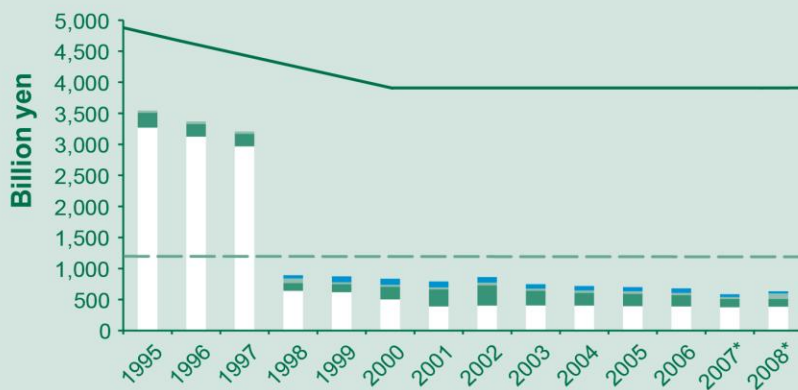
US



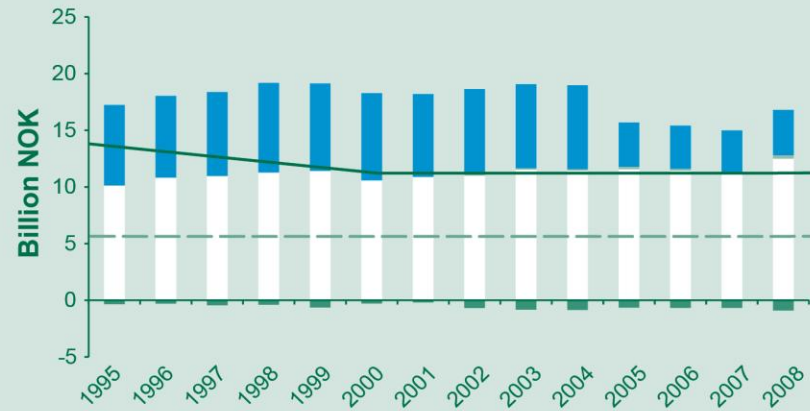
EU



Japan



Norway



CTAMS: MPS De minimis Blue Box Agreement Bound Total AMS Doha Proposed FBTAMS Other

Note: Agreement Bound Total AMS and Doha Proposed FBTAMS are constraints on CTAMS. * Estimated (shadow) notification.

Potential ACRE Payments vs. Doha Product-Specific Constraints

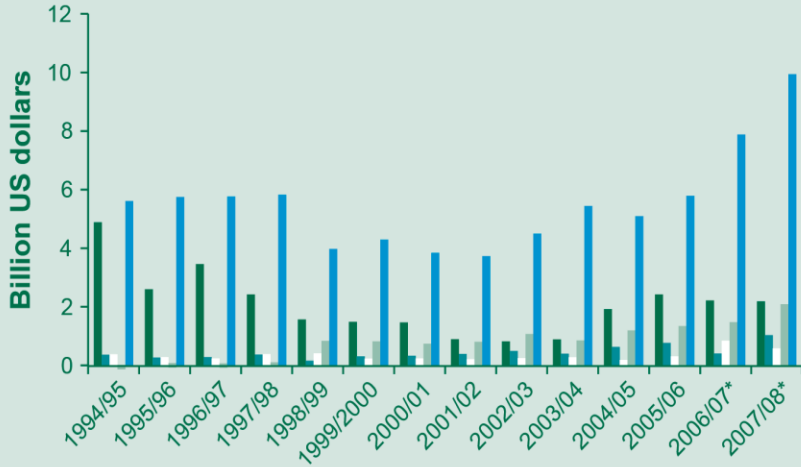
The optional ACRE program adopted in 2008:
Offers moving-average revenue guarantee with no fixed support triggers
Sign up is about 15-20 percent of corn, soybean and wheat base acreage
Using historical national price and and state yield/acreage variability (percentage basis), payouts under ACRE can exceed product-specific Doha caps with 100% sign up

Crop	2009	2010	2011	2012
	----- Billion \$ -----			
Corn				
Average Revenue Payments	\$1.40	\$1.25	\$1.35	\$1.37
Maximum Revenue Payments over Forecast Cases	\$6.05	\$5.64	\$5.89	\$5.99
Number of Forecast Cases Exceeding Proposed Doha WTO Product-Specific Cap	3	3	3	3
Soybeans				
Average Revenue Payments	\$2.10	\$1.64	\$1.03	\$1.03
Maximum Revenue Payments over Forecast Cases	\$6.25	\$5.43	\$3.89	\$3.92
Number of Forecast Cases Exceeding Proposed Doha WTO Product-Specific Cap	4	4	4	4
Wheat				
Average Revenue Payments	\$0.79	\$0.66	\$0.41	\$0.44
Maximum Revenue Payments over Forecast Cases	\$1.93	\$1.71	\$1.15	\$1.23
Number of Forecast Cases Exceeding Proposed Doha WTOI Product-Specific Cap	7	7	5	5
Total Average Revenue Payments	\$4.29	\$3.56	\$2.78	\$2.84

Source: Zulauf and Orden (2010)

Notified Support among Developing Countries

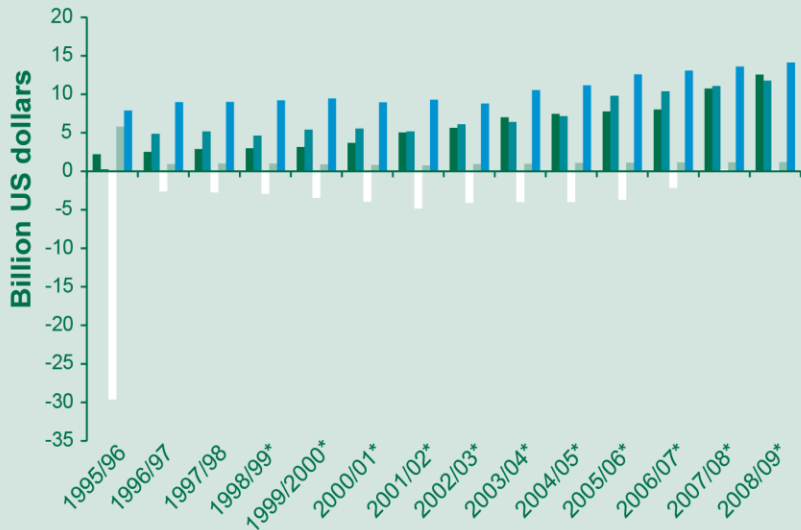
Brazil



China



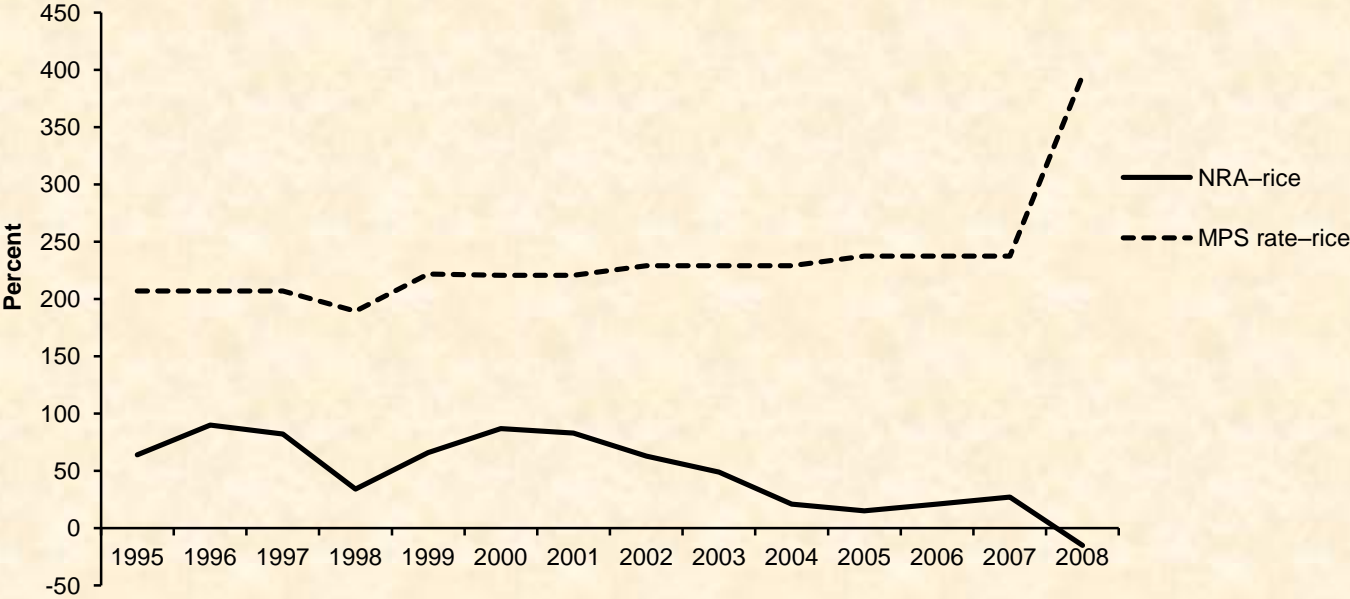
India



Philippines



Philippines MPS rate versus Nominal Protection



Conclusions “in Brief”

- **The domestic support disciplines provide an imperfect (porous) architecture for monitoring support and achieving the objectives of the Agreement**
 - **Despite drawbacks, the notifications reflect key policy changes and the WTO provides a structured discussion forum**
 - **Doha would tighten commitments and extend the rules, but make them more complex and heterogeneous among countries**
 - **Additional clarification and disciplines needed beyond Doha**
 - **Seeking “array” in world agriculture remain a valuable guiding principle. It should not disappear from the discussion of seeking food security**
-

Further Information

WTO Disciplines on Agricultural Support: Seeking a Fair Basis for Trade

David Orden, David Blandford and Tim Josling, editors

Cambridge University Press, April 2011

www.cambridge.org/9781107005440

WTO Disciplines on Agricultural Support: Experience to Date and Assessment of Doha Proposals

David Orden, David Blandford, Tim Josling, Lars Brink

IFPRI Research Brief 16, May 2011

<http://www.ifpri.org/sites/default/files/publications/rb16.pdf>
