Policy Space in Agriculture Under the WTO Rules on Domestic Support

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Policy space for domestic support

– Agreement on Agriculture defines AMS
  • Aggregate Measurement of Support
    – Price support measured differently from economic measurement

– Agreement limits only AMS support
  • Individual AMSs: limits apply for 75% of WTO members
  • Total AMS: bound non-zero limit for 25% of WTO members

– Country’s policy space defined by
  • Right to exempt support under some policies when calculating AMSs
  • Size of its limits on AMS support
Criteria-based exemptions

– Eligibility of support to be exempt depends on policy criteria
  – Blue box: Article 6.5
  – Development box: Article 6.2
  – Green box: Annex 2

– Different countries have different rights to use some exemptions
  – Developing; developed; China

– Exemptions mean some policy space is without limits
Exemptions from AMSs

– **Blue box: All members**
  - Unlimited space for support
    - Certain payments, if policies meet criteria

– **Development box: Developing countries (not China)**
  - Unlimited space for support
    - Certain investment subsidies, input subsidies, and other support, if policies meet criteria

– **Most of Green box: All members**
  - Unlimited space for support
    - Certain general services, expenditures and direct payments, if policies meet criteria
Qualified exemption from AMSs: developing countries

– Some domestic food aid
  • Policy A: fails some Green box para. 4 criterion, but policy ...
    1. Provides foodstuffs at subsidized prices etc., and
    2. Conforms with fn (footnote) 5&6 of Green box
       – Then: unlimited space for expenditures

– Some accumulation and holding of stocks
  • Policy B: fails some Green box para. 3 criterion, but its operation ...
    1. Is transparent and meets published objective criteria, and policy ...
    2. Conforms with first half of fn 5 and with fn 5&6 of Green box
       – Then: unlimited space for expenditures

• Policy C: same as Policy B, meets B.1 and B.2, but also ...
  1. Stocks are acquired and released at admin. prices*: second half of fn 5
     – Then: conditionally unlimited space for expenditures
       » Conditional on accounting for a price gap in the AMS

* Note: use of administered prices may contravene Green box paragraph 1.b
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Exemptions based on policy criteria
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Accumulation and holding of stocks (no administered prices)

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**Footnote 5 and footnote 5&6 of para. 3**

Accumulation and holding of stocks; stocks acquired and released at administered prices

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#### Annex 2 “green box”, para. 1 and:

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  - Provision of foodstuffs at subsidized prices
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Limits on AMS support

– De minimis limits on AMSs: 98 countries
  • 10% of value of production for 93 developing countries
    – 8.5% for China
  • 5% of value of production for 4 developed countries

– Bound Total AMS: 32* countries
  • 17 developing countries
  • 15 developed countries
  • Ranging from USD 0.5 million to USD 99 billion

*Count Schedules of EU and its 28 member states as one; Switzerland and Liechtenstein have one Schedule
**De minimis levels**

– One *de minimis* level for each individual AMS
  – All product-specific AMSs and the non-product-specific AMS
  – Levels are calculated from values of production
    • All members with AMSs need to calculate *de minimis* levels
    • *De minimis* levels are limits or thresholds: “allowances”

– *De minimis* limits if country has no Bound Total AMS
  • No individual AMS may exceed its *de minimis* level

– *De minimis* thresholds if country has Bound Total AMS
  • Individual AMSs may exceed their *de minimis* levels
Bound Total AMS

– Single amount in country’s WTO Schedule
  • Fixed nominal amount in a given currency, except:
    » Argentina and Mexico: fixed in currency value of a base year
  • Countries without Bound Total AMS show zero, nil or blank

– Bound Total AMS is ceiling on certain applied support
  • Current Total AMS
    – Sum of all AMSs that exceed their *de minimis* levels
    – Partial measurement of applied AMS support
  • **Current** Total AMS must not exceed **Bound** Total AMS
This article …

- Stipulates that …

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Article 6.4 de minimis levels

- Levels are a% of values of production of individual products and all of agriculture

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**Article 7.2(b) General discipline**
- Any single AMS may be as large as its de minimis level, but no larger
  - Applies
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**Article 6.4 de minimis levels**
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**Article 6.4 de minimis exemption and Art. 7.2(a)**
- Any AMS exceeding its de minimis level must be included in Current Total AMS
  - Applies*
  - Applies
  - Applies*
  - Applies*
  - Applies

* But without a Bound Total AMS, country’s Current Total AMS is limited to zero, and Art. 7.2(b) applies
**Space for AMS support**

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**Article 6.4 de minimis levels**
- Levels are $a\%$ of values of production of individual products and all of agriculture
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  - $a = 8.5\%$ for China without Bound TAMS
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**Article 7.2(b) General discipline**
- Any single AMS may be as large as its de minimis level, but no larger
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**Article 6.4 de minimis exemption and Art. 7.2(a)**
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**Article 6.3 Bound Total AMS**
- Current Total AMS may be as large as Bound Total AMS, but no larger
  - - for Developing countries without Bound TAMS
  - Applies for Developing countries with Bound TAMS
  - - for China without Bound TAMS
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* But without a Bound Total AMS, country’s Current Total AMS is limited to zero, and Art. 7.2(b) applies
Values of production VOP are growing

– Declining relative importance of Bound Total AMS

  • Relative to *de minimis* thresholds, Bound Total AMS declined
    – Increased VOP from 2001: US +98% and EU +89%
      » *De minimis* thresholds increased by same proportion
    – Bound Total AMS is fixed from 2001
      » EU Bound Total AMS increased in US$ because euro appreciated

– VOP grew faster in India and China than in US and EU

  – Increased VOP in from 2001: India +156% in INR and China +210% in CNY
  – *De minimis* limits increased by same proportion
  – VOP grew faster in China than in India
    » Currency depreciation (India) and currency appreciation (China) amplify the difference in VOP growth in USD terms
Note: 'Sum of all de minimis thresholds is potential': de minimis percentage times 2 times FAOSTAT gross production value in agriculture.
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Bound Total AMS and Sum of all *de minimis* thresholds
EU and US: 1995-2011

- **Sum of all de minimis thresholds: EU**
- **Sum of all de minimis thresholds: US**
- **Bound Total AMS (EU and US)**

**Note:** Sum of all *de minimis* thresholds is potential: *de minimis* percentage times 2 times FAOSTAT gross production value in agriculture.
Values of production VOP are growing

– Declining relative importance of Bound Total AMS
  • Relative to de minimis allowances, Bound Total AMS declined
    – Increased VOP from 2001: US +98% and EU +89%
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Sum of all *de minimis* limits

India: 1995-2011

\[\text{Sum of all de minimis limits: India}\]

Note: *Sum of all de minimis limits is potential:* de minimis percentage times 2 times FAOSTAT gross production value in agriculture.

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23
Sum of all *de minimis* limits
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*Note: Sum of all de minimis limits is potential: de minimis percentage times 2 times FAOSTAT gross production value in agriculture.*
Sum of all *de minimis* limits
India, China: 1995-2011

*Note: Sum of all de minimis limits is potential: de minimis percentage times 2 times FAOSTAT gross production value in agriculture.*
Changing relative space for AMS support

– China has space for more AMS support than EU
  – China: *de minimis* limits only
  – EU: *de minimis* thresholds *and* Bound Total AMS

– India has space for almost same AMS support as US
  – India: *de minimis* limits only
  – US: *de minimis* thresholds *and* Bound Total AMS

– What is practical AMS space? Usable AMS space?
  – Sum of all *de minimis* limits is fully usable space, but only in theory
    » Assume all products are supported & support is perfectly managed
  – Sum of all *de minimis* thresholds *and* Bound Total AMS is *not* fully usable
    » Not even in theory, assuming all products are supported and perfect management
    » An AMS cannot be below and above its *de minimis* threshold at the same time
Bound Total AMS and Sum of all *de minimis* allowances
EU, US, India, China: 1995-2011

**Note:** Sum of all *de minimis* allowances is *potential*: *de minimis* percentage times 2 times FAOSTAT gross production value in agriculture.
Bali 2013 text on public stockholding

– AMS limits or Bound Total AMS may be exceeded
  • Without being challenged through dispute settlement

– Effect: unlimited space for some kinds of price support

– Circumscribed in several ways, e.g.,
  • Only pre-existing programs in developing countries
  • Excess related to programs under footnote 5 in Green box
    – Includes acquisition and release at administered prices
    – “Price gap in AMS” condition in footnote 5 can make AMS very large
  • Requirements to provide timely and specified information
  • Must ensure that acquired stocks do not distort trade
Conclusion: the AMS world is changing

– Criteria-based exemptions from limits on AMS support
  • Some are clear-cut, some require very careful scrutiny

– Share of Bound Total AMS in policy space is declining
  • *De minimis* levels increase; Bound Total AMS is fixed

– Relative policy space among countries is shifting
  • Value of production growing faster in some countries
    – Result - not in practice but in theoretical numbers:
      » China now has more space for AMS support than the EU
      » India now has about same space for AMS support as the US
    – Bound Total AMS plus *de minimis* thresholds gives more flexibility
      » But not all such space is usable - not even in theory
Thank you!

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References


