Notifications on WTO domestic support in agriculture: how to review?

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Review in COAG

• Review of implementation of commitments in domestic support
  – Review is based on Members’ notifications

• Only a small number of Members ask questions
  • For example
    ▫ Are the exemption criteria met?
    ▫ Is a policy classified correctly?
    ▫ Is the measurement of support correct?

• How to motivate a larger number of Members to participate in COAG?
Understanding domestic support

• Support through policies not applied at the border
  – Subsidy payments
  – Administered prices

• Policy space for domestic support: two kinds
  – Exemption space: unlimited support
  – Limited space: AMS space (Aggregate Measurement of Support)

• Important distinctions
  – Measures vs. support
  – Ceiling on support vs. level of applied support
The exemptions

• Exemptions: 3 kinds
  – Policy meets green box criteria
    ▫ No or at most minimal trade-distorting effects or production effects
  – Policy meets blue box criteria
    ▫ Certain direct payments to producers
  – Policy meets Art. 6.2 criteria
    ▫ Certain subsidies in developing countries

• Colored boxes – do they exist?
  – No, but it is easier to talk about colours than to cite full name of the category
… measures in favor of agricultural producers

- Non-green measures
  - Development programs
  - Blue box measures
- Non-exempt measures

Exemption space
AMS space
… measures in favor of agricultural producers

- Non-green measures
- Development programs
- Blue box measures
- Non-exempt measures

- Green box measures
  - Green box support
- Blue box payments

Exemption space

AMS space
... measures in favor of agricultural producers

- Non-green measures
- Development programs
- Blue box measures

- Green box measures
  - Green box support
  - Development support
  - Blue box payments

- Non-exempt measures
  - Calculate AMSs
    - NPS AMS: Non-product-specific AMS (agriculture sector)
    - Product 1 PS AMS: Product-specific AMS (e.g. wheat)
    - Product 2 PS AMS: Product-specific AMS (e.g. milk)
    - 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

Exemption space

AMS space

The AMS is de minimis

NPS AMS

> 10%?

Product 1 PS AMS

> 10%?

Product 2 PS AMS

> 10%?

etc.

Applies to most WTO Members

violation

violation

violation
... measures in favor of agricultural producers

Non-green measures \quad \rightarrow \quad Green box measures \quad \rightarrow \quad Green box support

Blue box measures \quad \rightarrow \quad Blue box payments

Non-exempt measures

Calculate AMSs

The AMS is de minimis

NPS AMS

Product 1 PS AMS

Product 2 PS AMS

etc.

Applies to China, Kazakhstan

Exemption space

AMS space

> 8.5%? no yes violation

> 8.5%? no yes violation

> 8.5%? no yes violation
... measures in favor of agricultural producers

- Non-green measures
- Development programs
- Blue box measures

- Green box measures
- Green box support
- Development support
- Blue box payments

- Non-exempt measures
- Calculate AMSs
- NPS AMS
- Product 1 PS AMS
- Product 2 PS AMS
- etc.

- Exemption space
- AMS space
-BOUND Total AMS
- Current Total AMS
- Applies to 32 WTO Members

- The AMS is de minimis
- Current Total AMS > Bound Total AMS?
- Compliance
- violation

- a = 5% or a = 10%
Article 18 requires notifications by Members

- **Notification requirements**
  - Established by the Committee on Agriculture (COAG)
  - Timing and formats in document G/AG/2
- **Table DS:1 annually** (most Members)
- **Table DS:2 “new or modified measure”**
  - If Member claims that measure is exempt from reduction
Table DS:2 notifications

• New or modified policies
  – Need to justify claim for exemption from limits
  – How does policy meet the particular criteria in the relevant exemption category?

• Contents
  – Full title of policy
  – Domestic legislation reference
  – *Detailed description of policy with reference to criteria*
  – Cost of policy
  – Date of entry into effect
  – Period of application
  – Products to principally benefit, as applicable
Notification Table DS:1

**Exempt support**

- Green box
  Supporting Table DS:1

- Development
  Supporting Table DS:2

- Blue box
  Supporting Table DS:3

**Non-exempt support**

- Market price support
  Supporting Table DS:5

- Non-exempt payments
  Supporting Table DS:6

- Other PS AMS support and Total PS AMS
  Supporting Table DS:7

- Non-product-specific AMS
  Supporting Table DS:9

- Current Total AMS
  Supporting Table DS:4

Not shown: Supporting Table DS:8
Classify policies and measure support

• Is the policy correctly classified?
  – E.g. green box? Or product-specific AMS? Or non-product-specific AMS?
  – Does the description of the policy justify its classification?
  – Is there information about the policy in other sources?

• Is the support measured correctly?
  – Amounts of payment support
  – Calculation of market price support

• Values of production?
  – Not formally required
  – Necessary for claiming *de minimis* exemption
Green box exemption

• Annex 2: unlimited support

• Fundamental requirement
  – No or at most minimal trade-distorting effects or effects on production

• Basic criteria
  a) Publicly funded government program (including revenue forgone)
  b) Not have effect of providing price support to producers

• Criteria specific to types of policy
  – Does a given policy satisfy the criteria for this type of policy?
Specific criteria and conditions

• §2: General services (expenditures)
  – No direct payments to producers
  – Open-ended list of general services

<table>
<thead>
<tr>
<th>a) Research</th>
<th>e) Inspection services</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Pest and disease control</td>
<td>f) Marketing and promotion</td>
</tr>
<tr>
<td>c) Training services</td>
<td>g) Infrastructural services</td>
</tr>
<tr>
<td>d) Extension and advisory services</td>
<td></td>
</tr>
</tbody>
</table>

• §3: Public stockholding for food security (expenditures)

• §4: Domestic food aid (expenditures)
## Direct payments to producers

<table>
<thead>
<tr>
<th>Para.</th>
<th>Kind of payment</th>
<th>Some key words in criteria (Annex 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Direct payments</td>
<td>Must meet 6.b. – e. below</td>
</tr>
<tr>
<td>6.</td>
<td>Decoupled income support</td>
<td>Criteria define WTO “decoupled”</td>
</tr>
<tr>
<td>7.</td>
<td>Income safety nets</td>
<td>Income loss and payment amount</td>
</tr>
<tr>
<td>8.</td>
<td>Disaster relief, incl. crop insurance</td>
<td>Production loss and payment amount</td>
</tr>
<tr>
<td>9.</td>
<td>Producer retirement</td>
<td>Permanent retirement</td>
</tr>
<tr>
<td>10.</td>
<td>Resource retirement</td>
<td>Retire land for at least 3 years</td>
</tr>
<tr>
<td>11.</td>
<td>Investment aids</td>
<td>Similar to paragraph 6 criteria</td>
</tr>
<tr>
<td>12.</td>
<td>Environmental payments</td>
<td>How to produce; extra costs</td>
</tr>
<tr>
<td>13.</td>
<td>Regional assistance</td>
<td>Generally available; extra costs</td>
</tr>
</tbody>
</table>
Other unlimited support: Do policies meet the criteria?

• Development programs Article 6.2
  – Investment subsidies
    ▫ Generally available to agriculture
  – Input subsidies
    ▫ Generally available to low-income or resource-poor producers
  – Diversification from growing illicit narcotic crops

• Blue box
  – Direct payments under production-limiting programs
    ▫ Fixed area and yields
    ▫ Paid on 85% or less of base level of production
    ▫ Fixed number of heads for livestock payments
Several product-specific AMSs: PS AMSs
- One PS AMS for each basic agricultural product
  - AMS = market price support (MPS) + Payments + Revenue forgone

MPS is calculated from:
- Administered price
- Fixed external reference price (FERP\textsuperscript{1986-88})
- Eligible production ("production eligible to receive ...")

Non-product-specific AMS: NPS AMS
- Subsidized credit
- Fertilizer, irrigation, electricity, fuel, etc.

Calculations of MPS and Current Total AMS
- Are they correct?
## Calculation of the Current Total Aggregate Measurement of Support

<table>
<thead>
<tr>
<th>Description of basic products (including non-product specific AMS)</th>
<th>Product specific AMS (from Supporting Tables DS:5 to DS:7 below) ($ million)</th>
<th>Current Total AMS (aggregate) ($ million)</th>
<th>Value of production 2013 ($ million)</th>
<th>Current AMS as a Percentage of Value of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3 (=2)</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Oats</td>
<td>9.2</td>
<td>9.2</td>
<td>754.6</td>
<td>1.2%</td>
</tr>
<tr>
<td>Corn</td>
<td>27.8</td>
<td>27.8</td>
<td>2,655.6</td>
<td>1.0%</td>
</tr>
<tr>
<td>Milk</td>
<td>14.1</td>
<td>14.1</td>
<td>121.4</td>
<td>11.6%</td>
</tr>
<tr>
<td>Total Product-Specific AMS (sum of all above)</td>
<td>51.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less, <em>de minimis</em> Product-Specific AMS</td>
<td></td>
<td>37.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Product Specific AMS (from Supporting Table DS:9)</td>
<td>1,993.9</td>
<td>56,916.6</td>
<td>3.5%</td>
<td>de minimis</td>
</tr>
<tr>
<td>Equals, Current Total AMS (749.9 – 250.4)</td>
<td></td>
<td>14.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Selected resources

• WTO
  – Agreement on Agriculture [www.wto.org/english/res_e/booksp_e/agrmntseries3_ag_2008_e.pdf]
  – Transparency toolkit [www.wto.org/english/tratop_e/agric_e/transparency_toolkit_e.htm]
  – Agriculture Information Management System [agims.wto.org/]
  – Agriculture notifications workshop [www.wto.org/english/tratop_e/agric_e/wkshop_sep12_e/wkshop_e.htm]
  – What to look for in notifications (Cairns Group) [www.wto.org/english/tratop_e/agric_e/cairns_group_paper.pdf]
  – WTO Documents Online [docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx]
  – Agricultural Market Information System AMIS [www.amis-outlook.org/]

• Other sources for analysis of agricultural policies
  – International Agricultural Trade Research Consortium IATRC [http://iatrcweb.org/]
Thank you!

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