Farm Support in Russia and Ukraine under the Rules of the WTO

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Farm support in Russia and Ukraine under the rules of the WTO

Lars Brink
Look at two accessions to the WTO

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2012</th>
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<tbody>
<tr>
<td>Ukraine</td>
<td></td>
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<tr>
<td>Russia</td>
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- WTO constraints on domestic agricultural support
  - Constrains support from domestic policies only
    - Not support from border policies

- Are they meeting their constraints?

- What about the future?
## Domestic support constraints

<table>
<thead>
<tr>
<th></th>
<th>Ukraine</th>
<th>Russia</th>
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<tbody>
<tr>
<td><strong>Bound Total AMS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-11</td>
<td>UAH 3 billion*</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>UAH 3 billion</td>
<td>USD 9 billion</td>
</tr>
<tr>
<td>2013</td>
<td>UAH 3 billion*</td>
<td>USD 9 billion</td>
</tr>
<tr>
<td>2014-18</td>
<td>UAH 3 billion</td>
<td>From 8.1 to 4.4</td>
</tr>
<tr>
<td>Beyond 2018</td>
<td>UAH 3 billion</td>
<td>USD 4.4 billion</td>
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*Corresponds to about USD 600 million in 2008; USD 385 million in 2013

**Rule on product-specific AMSs**

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<thead>
<tr>
<th></th>
<th>Ukraine</th>
<th>Russia</th>
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<tbody>
<tr>
<td>2012-2017</td>
<td>Not applicable</td>
<td>Sum of PS AMSs ≤ 30% of NPS AMS</td>
</tr>
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**De minimis percentage**

<table>
<thead>
<tr>
<th></th>
<th>Ukraine</th>
<th>Russia</th>
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<tbody>
<tr>
<td>5%</td>
<td></td>
<td>5%</td>
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</table>
Ukraine as notified for 2010

— Green box was 22% of all domestic support
  • General services: training and inspection

— NPS AMS was 51% of all domestic support
  • NPS AMS exempted as de minimis: “only” 4.3% of VOP
    — Mainly special value-added tax accumulation scheme
    — Subsidizes input purchases and other production costs

— PS AMSs dominated by one single AMS: sugar beets
  • Includes WTO Market Price Support for sugar
  • Sugar policy uses administered price, hence WTO MPS
Ukraine 2010 notification

- **Green box**
  - NPS AMSs \( (de\ minimis) \)
  - PS AMSs \( (de\ minimis) \)
  - CTAMS \( (non-de-minimis\ PS\ AMSs) \)

- **All AMSs**
  - Bound Total AMS: 3.0

- **Current Total AMS**
Adjustment of reference price

– Agreement on Agriculture
  – Use Fixed External Reference Price
  – Accession convention: FERP from base period, i.e., Ukraine 2004-06

– Ukraine increases sugar ERP by all 2006-2010 inflation
  – Makes price gap very small
  – Sugar beet AMS much smaller than without adjustment
  – Violation of Bound Total AMS in 2010 if no adjustment

– Is adjustment legitimate?
  – Ukraine invokes Article 18.4 for adjustment
  – But 18.4 does not give right to unilateral adjustment

– Some CoAg members object strongly to adjustment
Ukraine 2011 and 2012

– Sugar MPS by itself larger than Bound Total AMS?

– Input subsidy using VAT accumulation
  • OECD data shows large increase in 2011 and 2012
    – Expect large increase in NPS AMS in 2011 and 2012
    – NPS AMS may go from 4.3% of VOP to more than 5%
  • NPS AMS by itself much larger than Bound Total AMS?

– Violations of Bound Total AMS to be notified for 2011 and 2012?
Ukraine 2013 and 2014

— Possibly no administered price for sugar in 2013
  • Proposal to eliminate admin price before Ukraine parliament
  • If passed, no need to calculate WTO MPS
  • Will it pass? Would it extend to later years?

— What about large non-product-specific AMS?
  • NPS AMS larger than \textit{de minimis} and larger than Bound Total AMS?
    — If so, continued violation of Bound Total AMS
  • Can NPS AMS be reduced to less than Bound Total AMS?
  • Stable NPS AMS – growing VOP makes it less than 5% of VOP?
Russia 2009-2012

– Large increases in non-product-specific support
  – Subsidized credit, fuel, machinery
  – Expect adding to non-product-specific AMS

– Most other budgetary policies also increased support
  – Many kinds of ongoing budgetary support policies

– Large new regional subsidies for crops and livestock
  – Adding to non-product-specific AMS or product-specific AMSs?

– 2012 non-product-specific AMS above de minimis?
  – Value of production also increased from 2008 to 2012
  – Did NPS AMS increase more?
Russia 2013-2020

– 2013 to 2020: State Program for Agr Development
  – Increasing federal budgetary support every year
  – Increasing regional support and regional co-financing
  – Green box support to increase more than AMS support
  – Also: growing *de minimis* threshold for non-product-specific AMS

![Projected support categories](image)

*Green box  Non-product-specific AMS  Product-specific AMSs Method 1  Product-specific AMSs Method 2  Product-specific AMSs Method 3*

*Note: 2012 *de minimis* threshold for NPS AMS was 160 billion rubles*

Source: Ministry of Agriculture (MoA) presentation, 2012. Assume federal 66% and regional 34% shares. PS AMS Method 1: interpolated from all sums in MoA page 16; Method 2: all support calculated from MoA page 15, less green less NPS (page16); Method 3: MoA page 20.
Russia 2013-2020 scenarios

– Less emphasis on credit and input subsidies
  • Non-product-specific AMS would grow slowly or decline

– More producer payments
  – Payment per hectare of sown area
  – Payment per liter of milk
  • Product-specific AMSs grow

– Sum of all product-specific AMSs: limit through 2017
  • Must not exceed 30% of non-product-specific AMS
  • Constrains large increases in product-specific AMSs
Russia managing 2013 to 2020 support

– Green box allows many kinds of services and payments
  • No limit but must comply with policy-specific criteria

– Non-product-specific AMS declines from policy shifts?
  • May go below de minimis threshold
  • If so, Bound Total AMS allows large product-specific AMSs
    – Especially after 2017

– Crucial roles of de minimis and values of production
  • Often overlooked when assessing WTO Total AMS compliance
AMS comfort & AMS problems

– **Russia**: may stay well below Bound Total AMS in 2013
  - Also below declining Bound Total AMS from 2014 to 2018
  - Manage product-specific AMSs under rule through 2017

– **Ukraine**: two large AMS problems in 2011 and 2012
  - Sugar MPS may by itself exceed Bound Total AMS
  - Input subsidy by VAT may by itself exceed Bound Total AMS

– If no admin. price from 2013, sugar MPS not a problem
  - But Ukraine’s non-product-specific AMS problem remains
Ukraine and the rules of the WTO

— Ukraine is competitive exporter of grains & oilseeds
  • Competes with producers in importing and other exporting countries
  • Ukraine’s readiness to allow competing producers to enjoy much larger future AMS support is inexplicable

— Article 18.4 of Agreement on Agriculture
  • Requires the Committee on Agriculture to give
    — “due consideration to ... excessive rates of inflation”
  • Does not entitle member to change AMS calculation rule
  • Ukraine’s increase of reference price seems infeasible
Huge systemic issue

– If unilateral inflation adjustment was legitimate
  • All countries would reduce their calculated AMS support
    – Payments, AMSs and Current Total AMS
      » Also reduce measured WTO market price support by much more than mere inflation adjustment
  • *De minimis* levels based on nominal values of production

– Would allow large additional AMS support worldwide
  • Extra room for AMS support below *de minimis* levels
  • Inflation-proof Bound Total AMS commitment levels
    – Inflation adjustment from 1988 for many countries
Thank you for your attention!

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References


Brink, L. 2014 (forthcoming). Farm support in Ukraine and Russia under the rules of the WTO. In Transition to Agricultural Market Economies: The Future of Kazakhstan, Russia, and Ukraine, ed. A. Schmitz and W. Meyers. Cambridge, USA and Wallingford, UK: CABI.