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

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Presentation delivered at the 2013 Annual Meeting
of the International Agricultural Trade Research Consortium (IATRC)
Clearwater Beach, FL, December 15-17, 2013

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

Lars Brink

**International Agricultural Trade Research Consortium (IATRC)
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Look at two accessions to the WTO

2008	2012
Ukraine	Russia

- **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

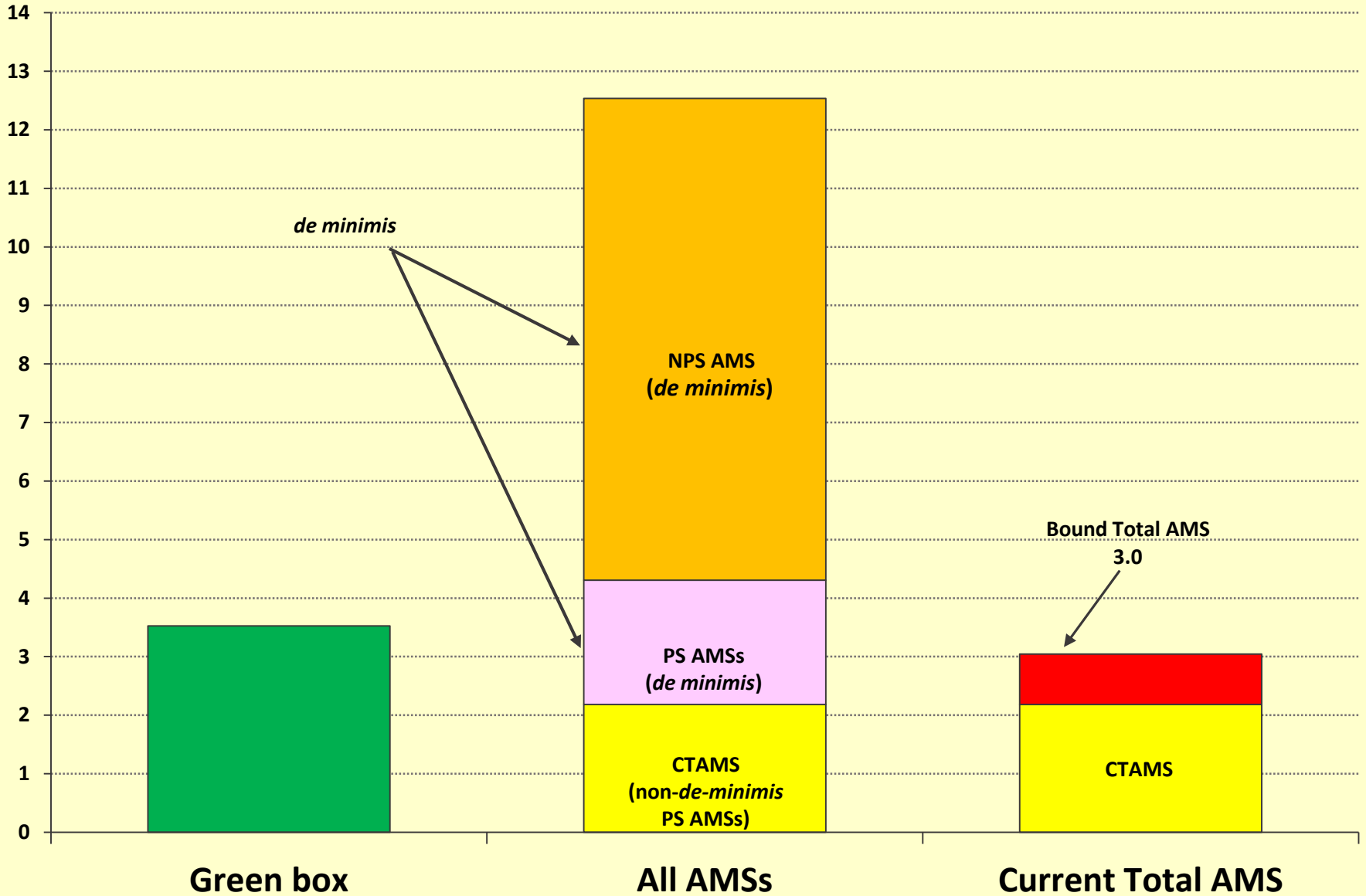
	Ukraine	Russia
	<u>Bound Total AMS</u>	
2008-11	UAH 3 billion*	-
2012	UAH 3 billion	USD 9 billion
2013	UAH 3 billion*	USD 9 billion
2014-18	UAH 3 billion	From 8.1 to 4.4
Beyond 2018	UAH 3 billion	USD 4.4 billion
	* Corresponds to about USD 600 million in 2008; USD 385 million in 2013	
	<u>Rule on product-specific AMSs</u>	
2012-2017	Not applicable	Sum of PS AMSs ≤ 30% of NPS AMS
	<u>De minimis percentage</u>	
	5%	5%

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

UAH billion



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?

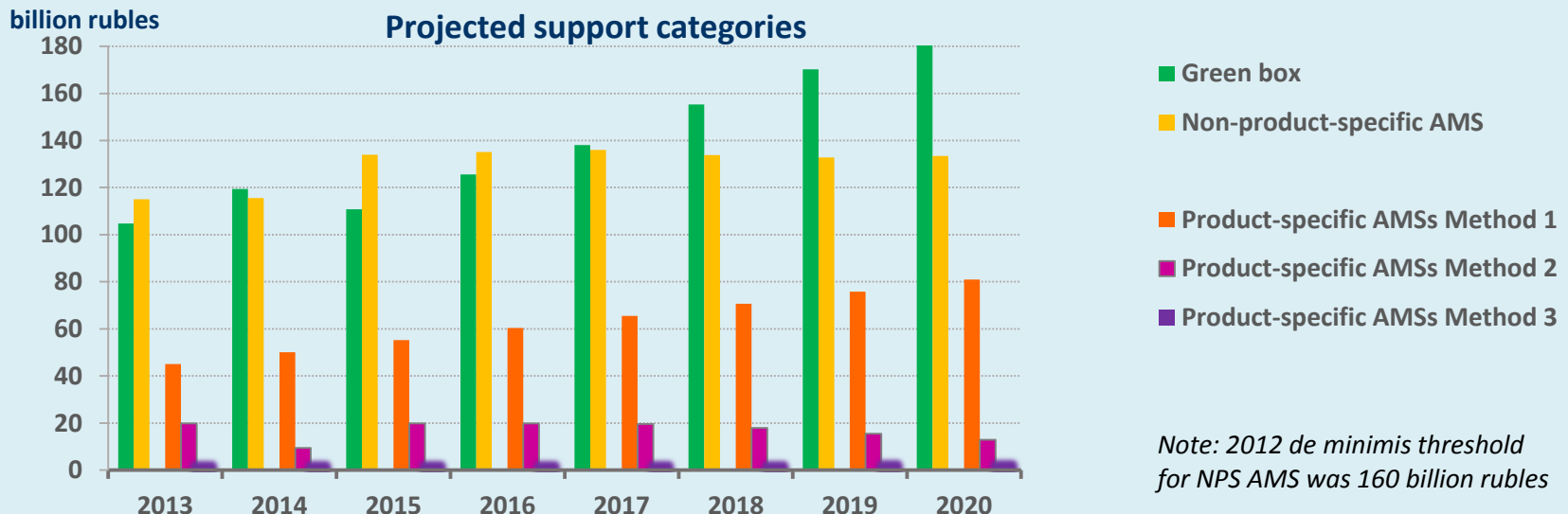
- **What about large non-product-specific AMS?**
 - NPS AMS larger than *de minimis* and larger than Bound Total AMS?
 - If so, continued violation of Bound Total AMS
 - Can NPS AMS be reduced to less than Bound Total AMS?
 - Stable NPS AMS – growing VOP makes it less than 5% of VOP?

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



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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