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*Policy Space in Agriculture Under the
WTO Rules on Domestic Support*

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Presentation delivered at the 2013 Annual Meeting
of the International Agricultural Trade Research Consortium (IATRC)
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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

Exemptions based on policy criteria

<i>If policy conforms with ...</i> • What may be exempted from what?	Developing Countries	China	Developed countries
<i>Article 6.5 “blue box”</i> • Direct payments exempted from Current Total AMS?	Yes	Yes	Yes
<i>Article 6.2 “development box”</i> • Subsidies and support exempted from Current Total AMS?	Yes	-	-

Exemptions based on policy criteria

<i>If policy conforms with ...</i>	Developing countries	China	Developed countries
<ul style="list-style-type: none"> What may be exempted from what? 			
<i>Article 6.5 “blue box”</i>			
<ul style="list-style-type: none"> Direct payments exempted from Current Total AMS? 	Yes	Yes	Yes
<i>Article 6.2 “development box”</i>			
<ul style="list-style-type: none"> Subsidies and support exempted from Current Total AMS? 	Yes	-	-
<i>Annex 2 “green box”, para. 1 <u>and</u>:</i>			
<i>Footnote 5 (first half) and footnote 5&6 of para. 3</i>			
<i>Accumulation and holding of stocks (no administered prices)</i>			
<ul style="list-style-type: none"> Expenditures exempted from AMSs? 	Yes	Yes	-

Exemptions based on policy criteria

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<i>Footnote 5 and footnote 5&6 of para. 3</i> <i>Accumulation and holding of stocks; stocks acquired and released at administered prices</i> • Expenditures exempted from AMSs?	Yes, if price gap in AMS	Yes, if price gap in AMS	-

Exemptions based on policy criteria

<i>If policy conforms with ...</i> • What may be exempted from what?	Developing countries	China	Developed countries
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<i>Footnote 5&6 of para. 4</i> <i>Provision of foodstuffs at subsidized prices</i> • Expenditures exempted from AMSs?	Yes	Yes	-

Exemptions based on policy criteria

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<i>Footnote 5&6 of para. 4</i> <i>Provision of foodstuffs at subsidized prices</i> • Expenditures exempted from AMSs?	Yes	Yes	-
<i>Paras. 2-13 other than footnote 5 and footnote 5&6</i> <i>General services, expenditures, direct payments</i> • Support exempted from AMSs?	Yes	Yes	Yes

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

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**

Space for AMS support

<i>This article ...</i> • Stipulates that ...	Developing countries		China	Developed countries	
	<u>without</u> Bound TAMS	<u>with</u> Bound TAMS	<u>without</u> Bound TAMS	<u>without</u> Bound TAMS	<u>with</u> Bound TAMS
Number of countries =	93	17	1	4	15
<i>Article 6.4 de minimis levels</i> • Levels are a% of values of production of individual products and all of agriculture	a = 10%	a = 10%	a = 8.5%	a = 5%	a = 5%

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<i>Article 7.2(b) General discipline</i> • Any single AMS may be as large as its <i>de minimis</i> level, but no larger	Applies	-	Applies	Applies	-

Space for AMS support

<i>This article ...</i> <ul style="list-style-type: none"> Stipulates that ... 	Developing countries		China	Developed countries	
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<i>Article 6.4 de minimis exemption and Art. 7.2(a)</i> <ul style="list-style-type: none"> Any AMS exceeding its <i>de minimis</i> 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

This article ... • Stipulates that ...	Developing countries		China	Developed countries	
	<u>without</u> Bound TAMS	<u>with</u> Bound TAMS	<u>without</u> Bound TAMS	<u>without</u> Bound TAMS	<u>with</u> Bound TAMS
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Article 7.2(b) General discipline • Any single AMS may be as large as its <i>de minimis</i> level, but no larger	Applies	-	Applies	Applies	-
Article 6.4 de minimis exemption and Art. 7.2(a) • Any AMS exceeding its <i>de minimis</i> level must be included in Current Total AMS	Applies*	Applies	Applies*	Applies*	Applies
Article 6.3 Bound Total AMS • Current Total AMS may be as large as Bound Total AMS, but no larger	-	Applies	-	-	Applies

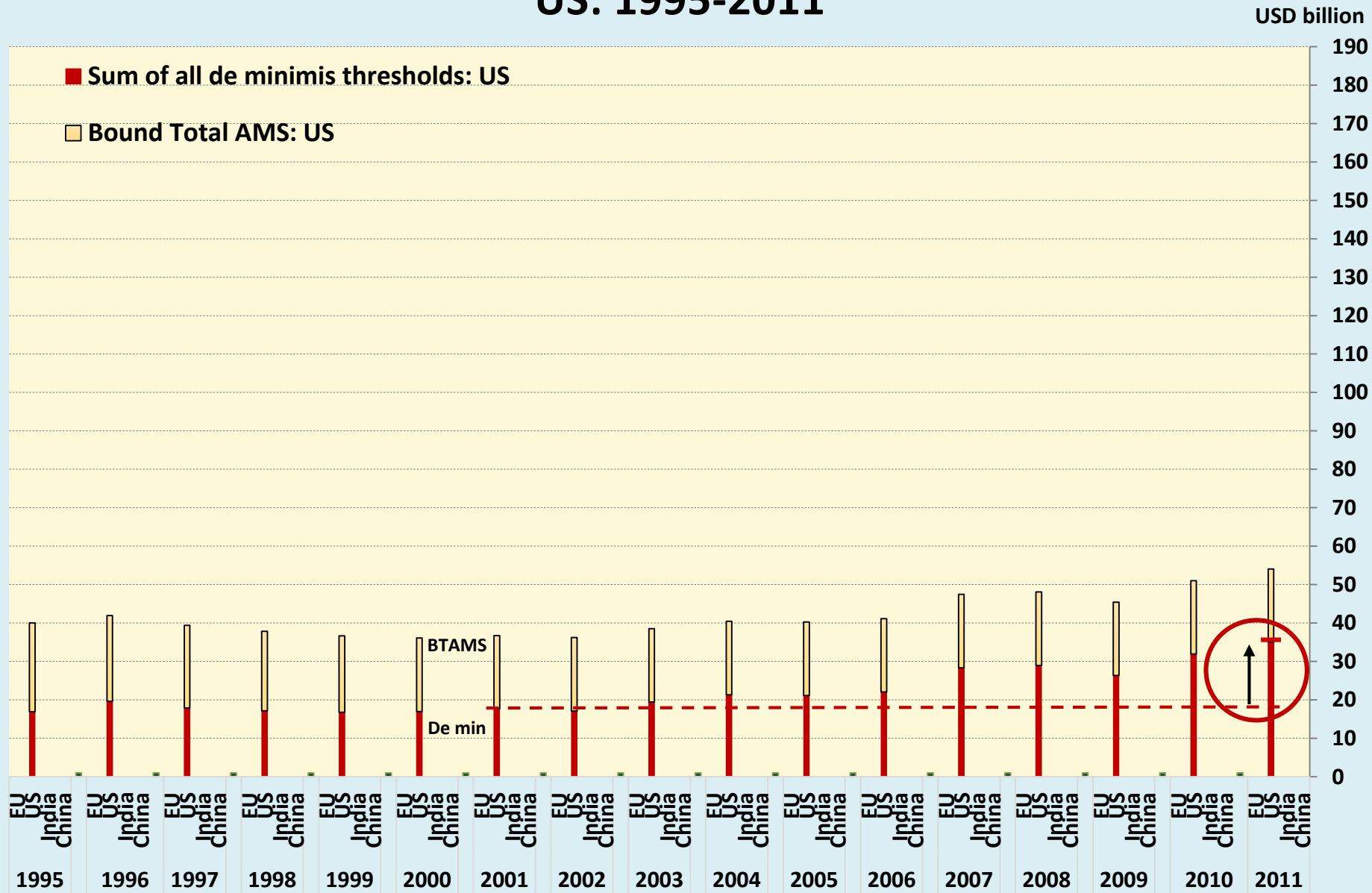
* But without a Bound Total AMS, country's Current Total AMS is limited to zero, and Art. 7.2(b) applies

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

Bound Total AMS and Sum of all *de minimis* thresholds

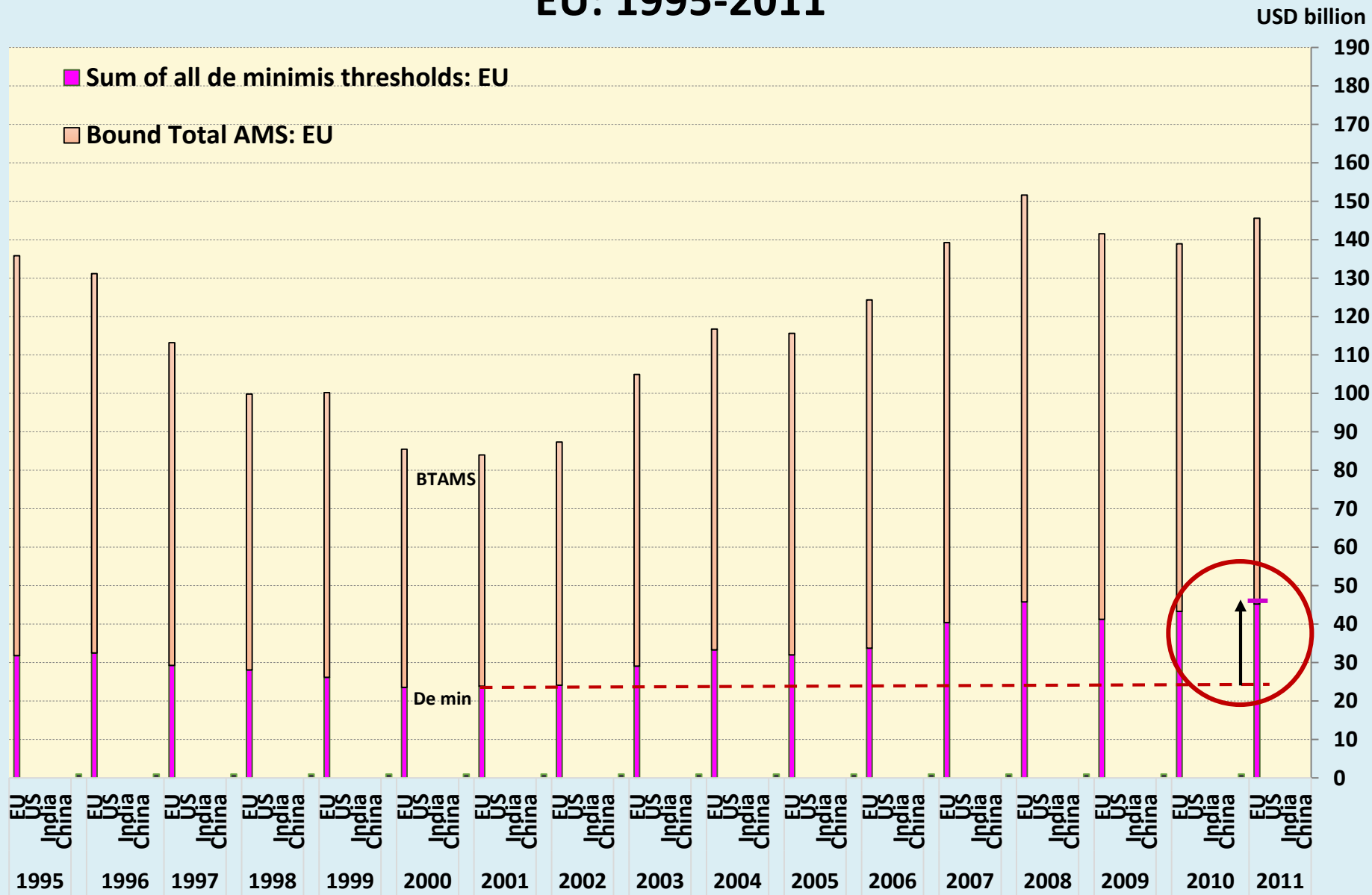
US: 1995-2011



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

Bound Total AMS and Sum of all *de minimis* thresholds

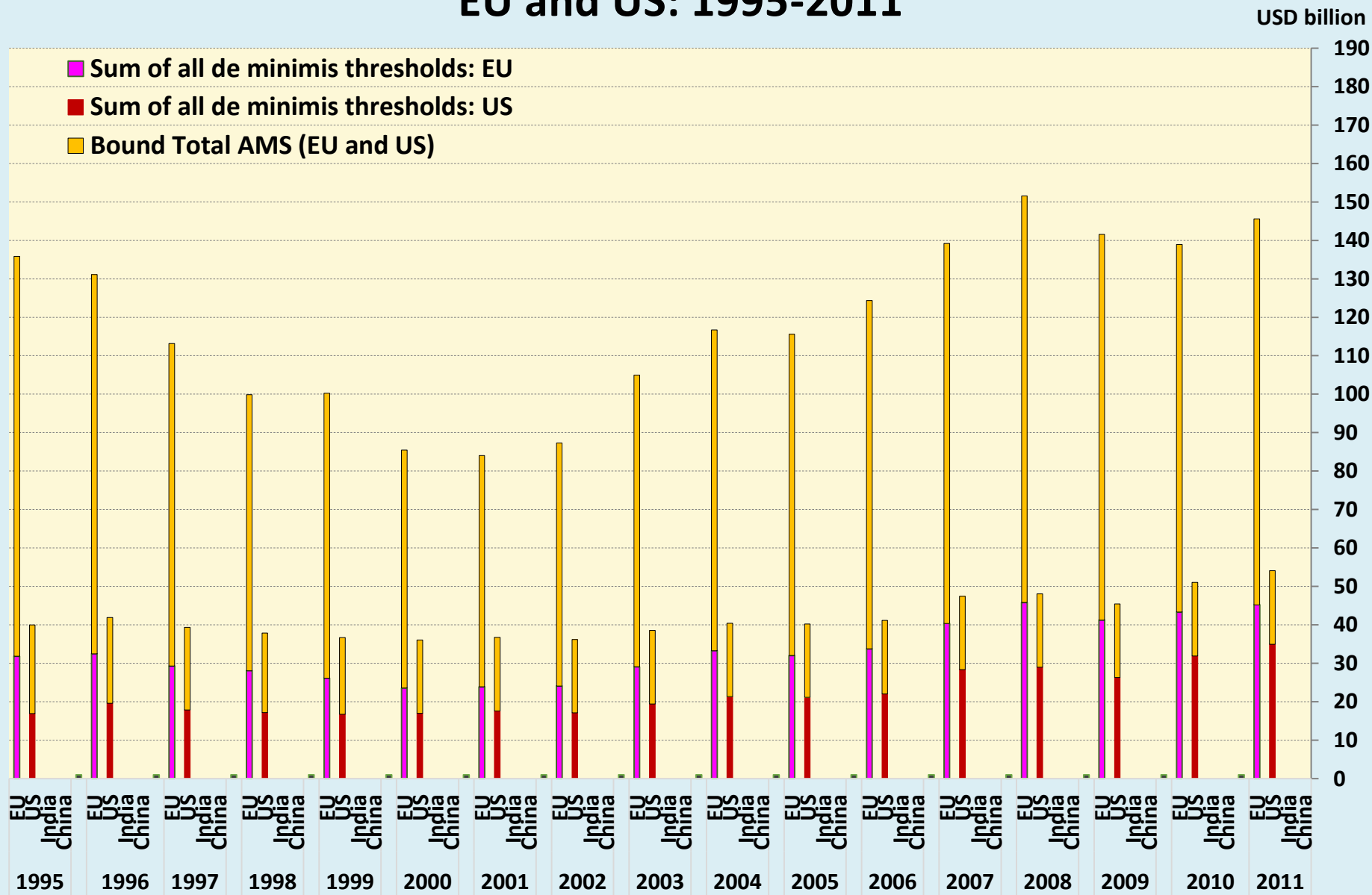
EU: 1995-2011



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

Bound Total AMS and Sum of all *de minimis* thresholds

EU and US: 1995-2011



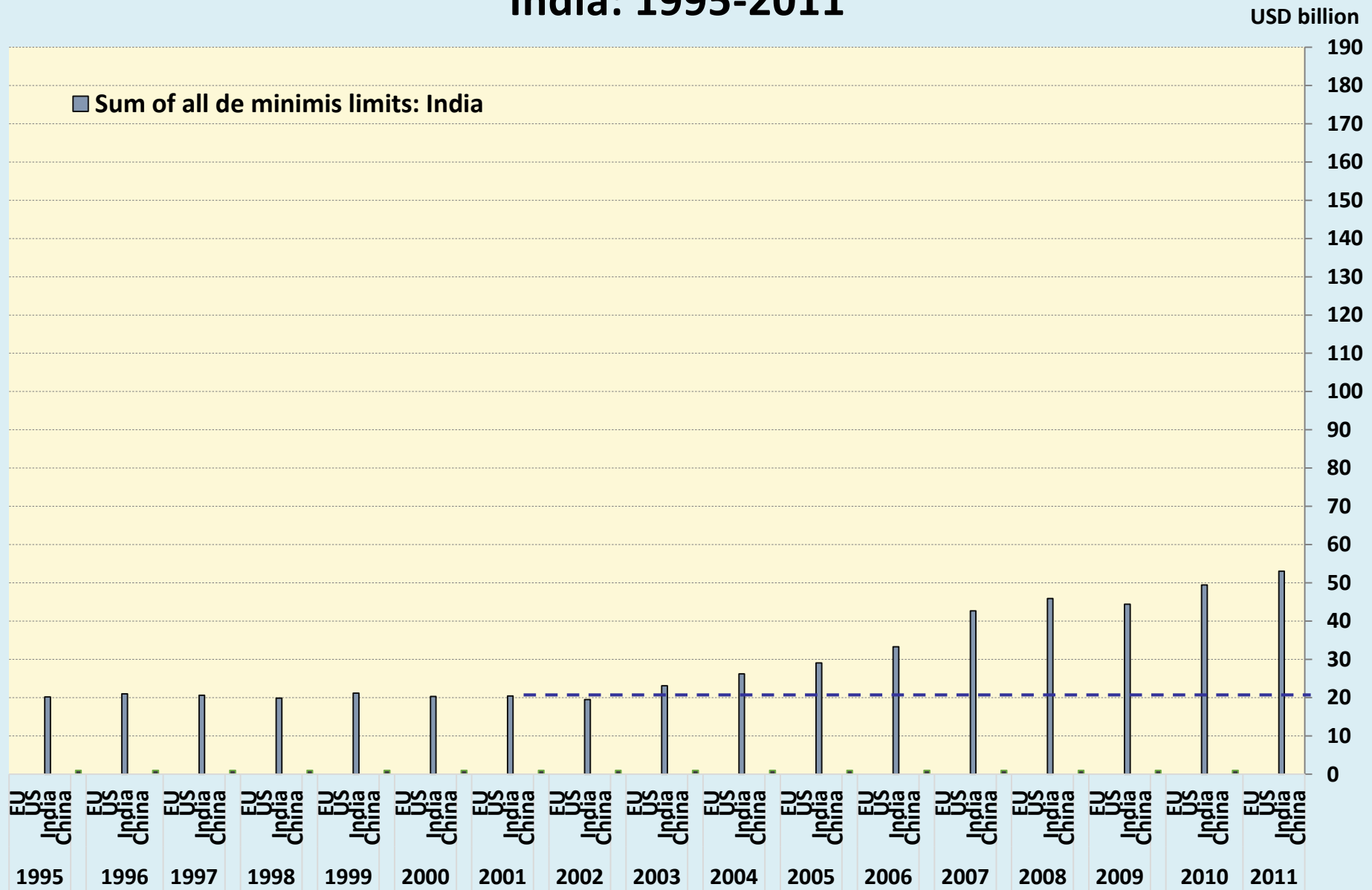
Note: Sum of all de minimis thresholds is potential: de minimis percentage times 2 times FAOSTAT gross production value in agriculture.

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%
 - » *De minimis* allowances increased by same proportion
 - Bound Total AMS is fixed from 2001
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Sum of all *de minimis* limits

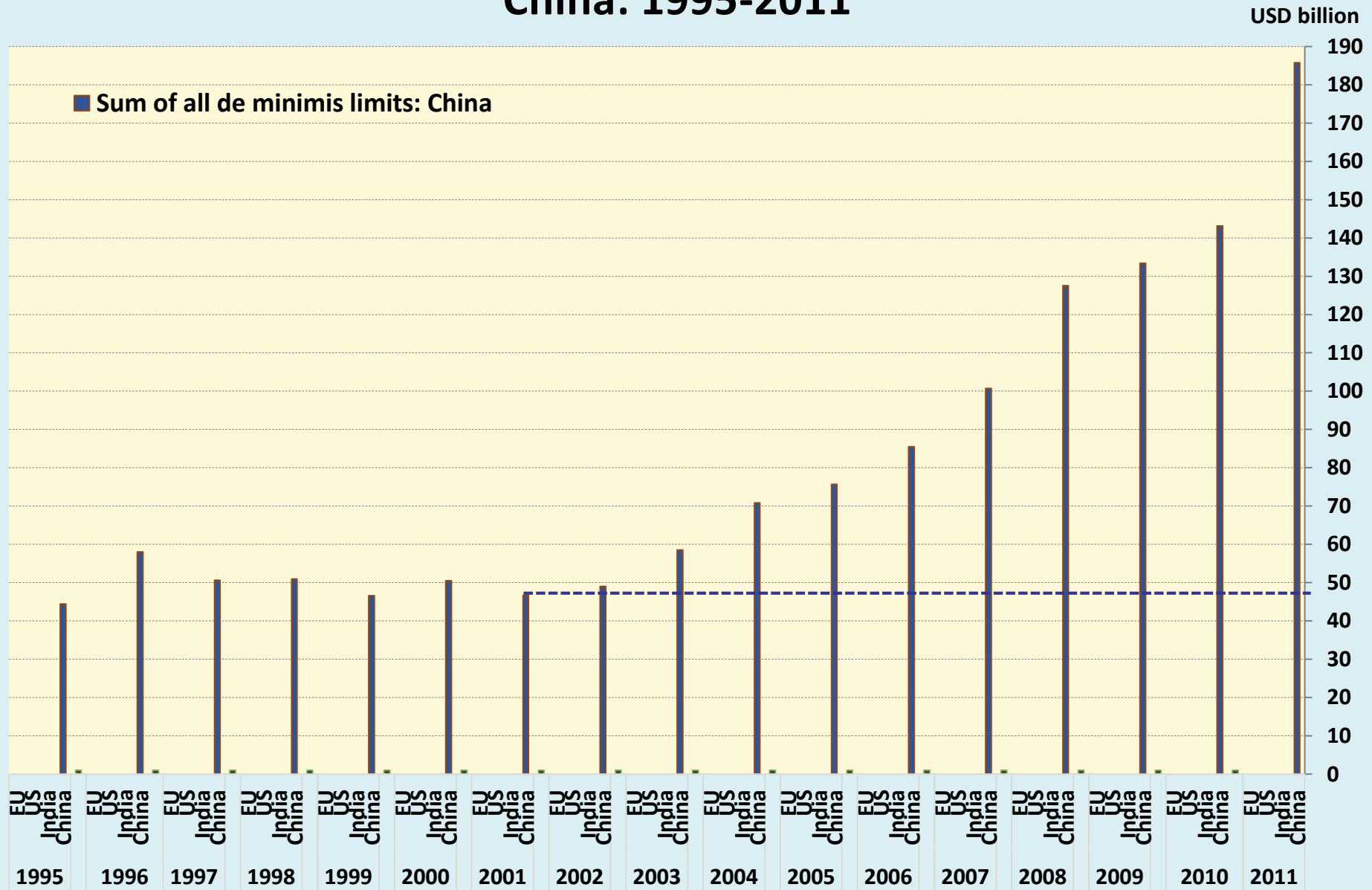
India: 1995-2011



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

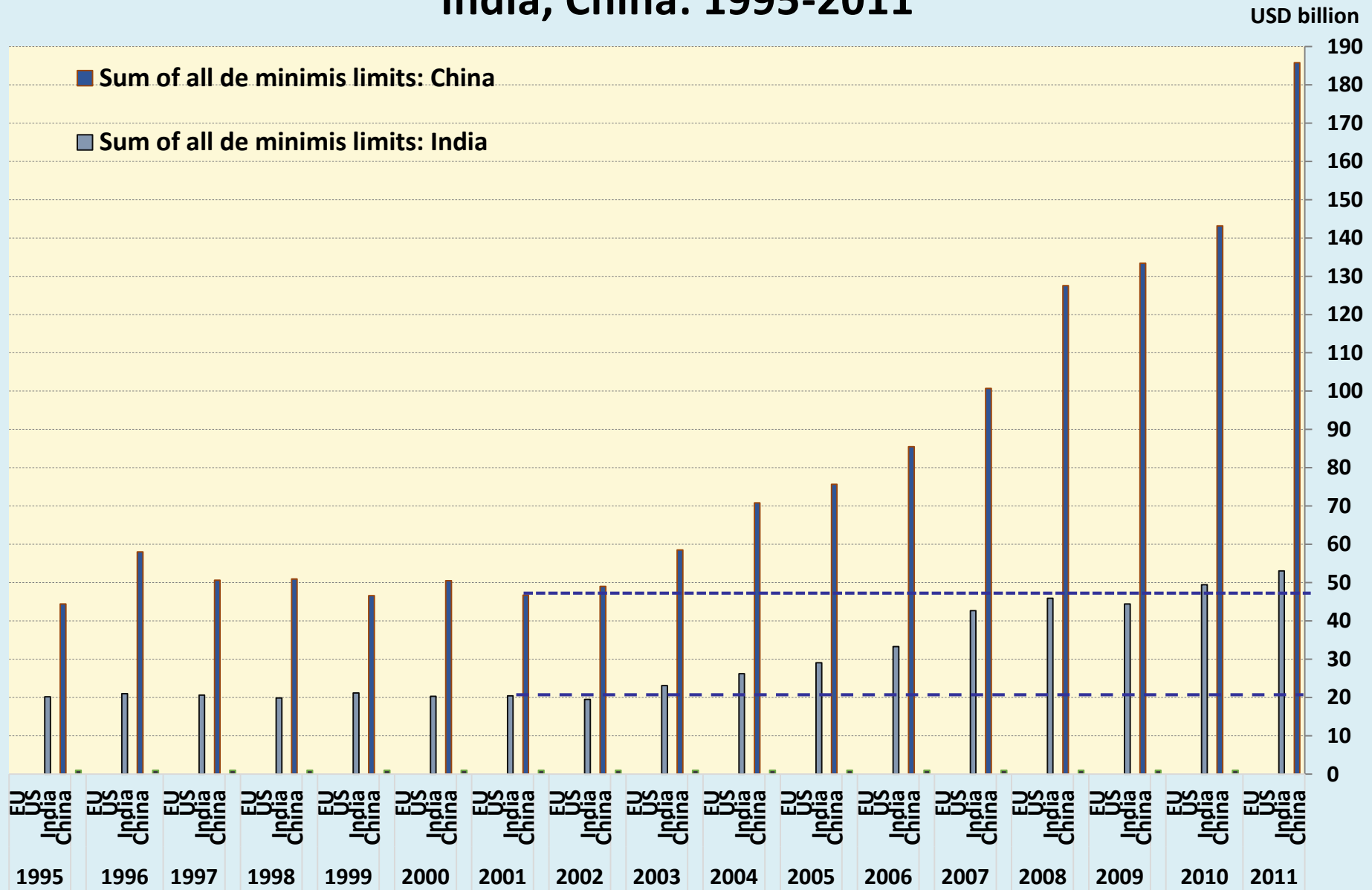
China: 1995-2011



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



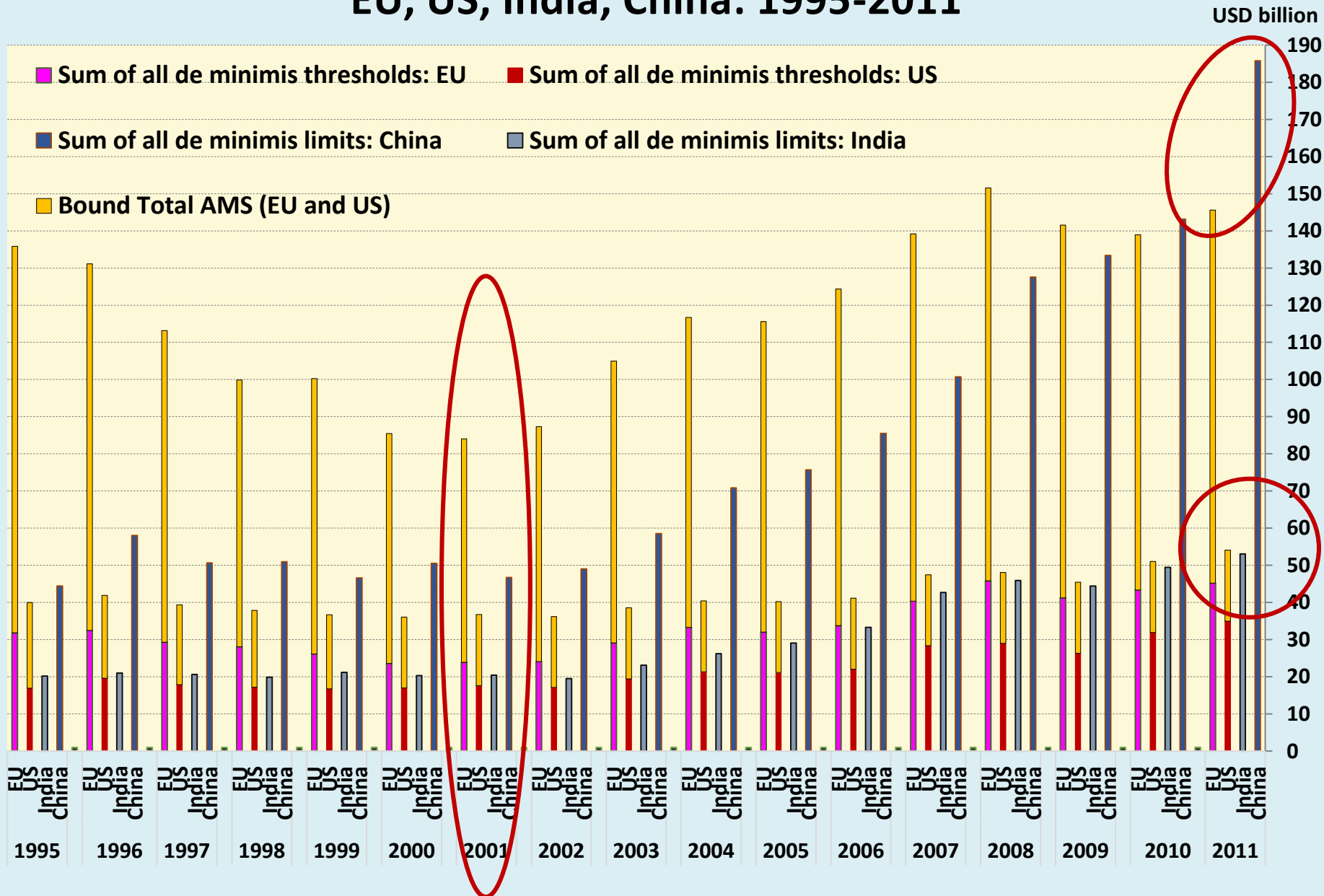
Note: Sum of all *de minimis* limits is potential: *de minimis* percentage times 2 times FAOSTAT gross production value in agriculture.

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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