



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

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

Lars Brink  
Independent Advisor, Canada

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)  
Annual Meeting  
15-17 December 2013, Clearwater, Florida**

***Lars.Brink@hotmail.com***

# 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

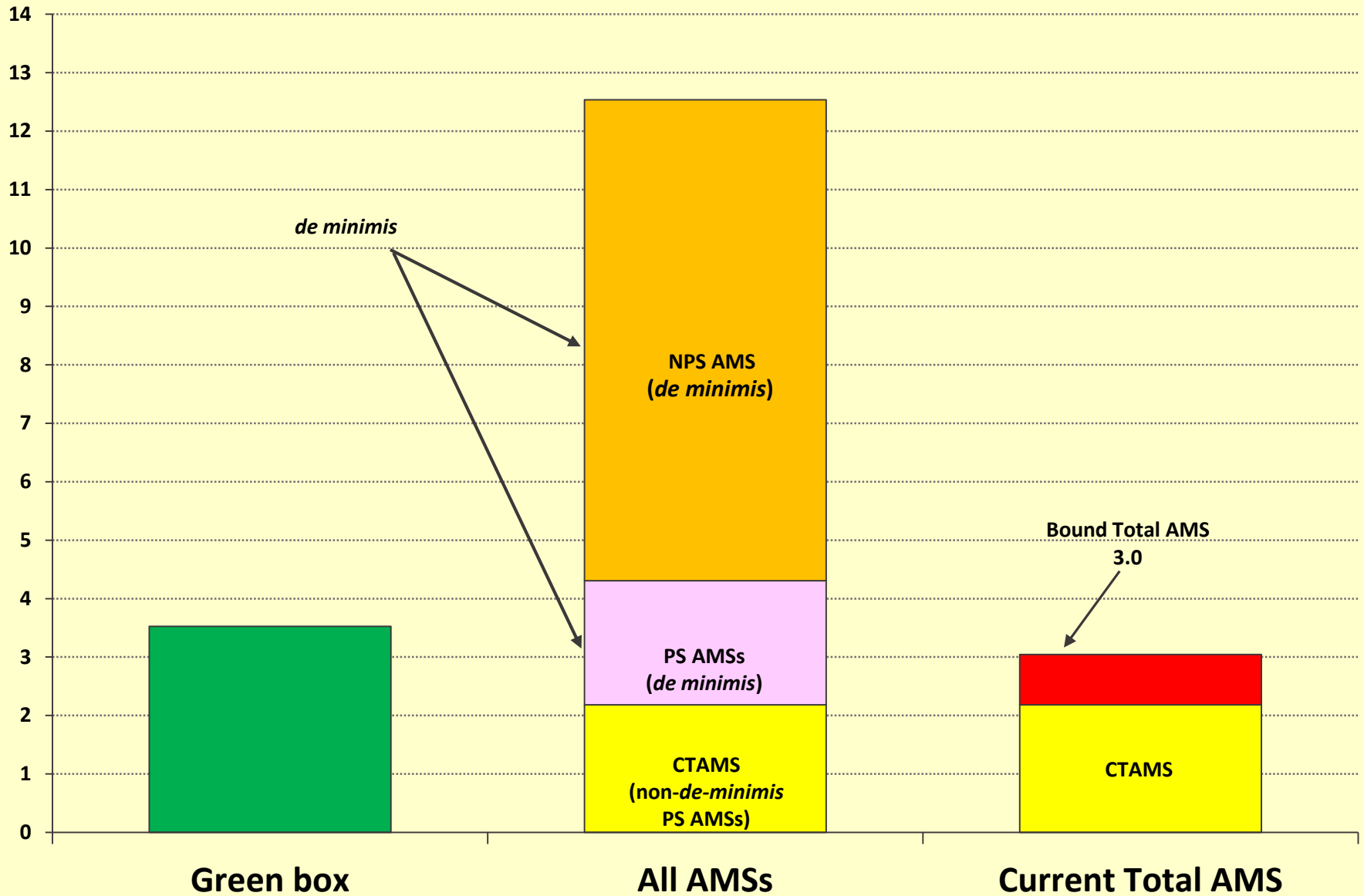
Ukraine		Russia
<b><u>Bound Total AMS</u></b>		
2008-11	UAH 3 billion*	-
2012	UAH 3 billion	USD 9 billion
2013	UAH 3 billion*	USD 9 billion
2014-18	UAH 3 billion	From 8.1 to 4.4
Beyond 2018	UAH 3 billion	USD 4.4 billion
* Corresponds to about USD 600 million in 2008; USD 385 million in 2013		
<b><u>Rule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

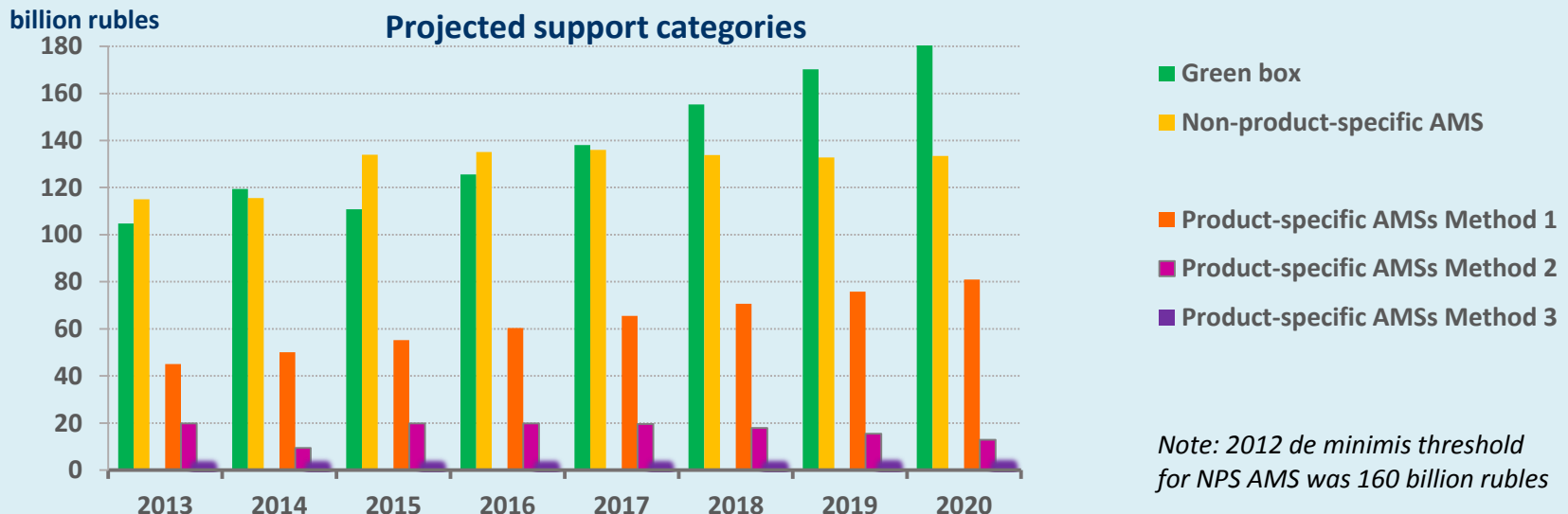
- Possibly no administered price for sugar in 2013
  - Proposal to eliminate admin price before Ukraine parliament
  - If passed, no need to calculate WTO MPS
  - Will it pass? Would it extend to later years?
- What about large non-product-specific AMS?
  - NPS AMS larger than *de minimis* and larger 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!

Lars.Brink@hotmail.com

Grateful for support from the Global Issues Initiative, Virginia Tech

## References

Brink, L. 2011. The WTO disciplines on domestic support. In *WTO Disciplines on Agricultural Support: Seeking a Fair Basis for Trade*, ed. D. Orden, D. Blandford and T. Josling. Cambridge: Cambridge University Press.

Brink, L., D. Orden and G. Datz. 2013. BRIC agricultural policies through a WTO lens. *Journal of Agricultural Economics* 64(1): 197-216.

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.

Orden, D., D. Blandford, T. Josling, and L. Brink. 2011. WTO disciplines on agricultural support: Experience to date and assessment of Doha proposals. IFPRI Research Brief 16. [www.ifpri.org/publications/wto-disciplines-agricultural-support](http://www.ifpri.org/publications/wto-disciplines-agricultural-support)