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**U.S. WTO Complaint on China's Domestic Support – Wheat, Corn and Rice:  
Preliminary Observations**

**Lars Brink and David Orden**

*Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2016 Annual Meeting:  
Climate Change and International Agricultural Trade in the Aftermath of COP21, December 11-13, 2016, Scottsdale, AZ.*

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The background of the slide is a photograph of a dirt path winding through a lush green forest. The path is light brown and leads from the bottom left towards the center of the frame. The trees are dense and green, with some sunlight filtering through the canopy.

# **US WTO Complaint on China's Domestic Support -- Wheat, Corn and Rice: Preliminary Observations**

**Lars Brink and David Orden**

**(Paper available on request)**

**International Agricultural Trade Research Consortium IATRC  
Annual Meeting  
Scottsdale, Arizona  
11-13 December 2016**

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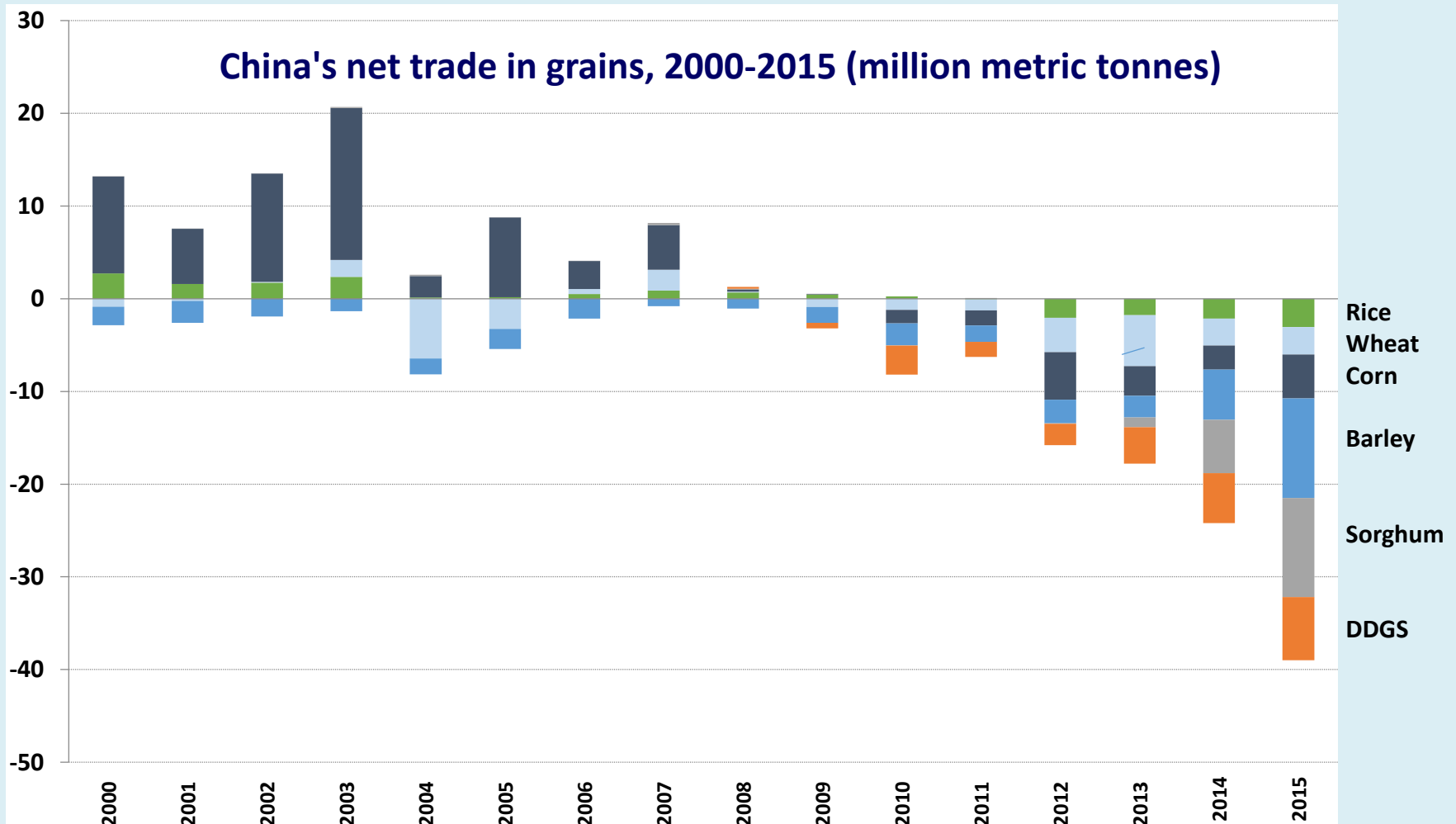
# WTO domestic support in agriculture

- Not through border measures
  - Some DS subject to limits
  - Other DS exempt from limits
    - » Green box, blue box, some input & investment subsidies
- $AMS = MPS + \text{Payments}$ 
  - Aggregate Measurement of Support
    - = WTO Market Price Support + Non-exempt payments +  
+ Revenue forgone
- WTO MPS
  - Administered price
  - Fixed external reference price FERP
  - “Eligible production”
- Different from economic MPS

# WTO limits and dispute

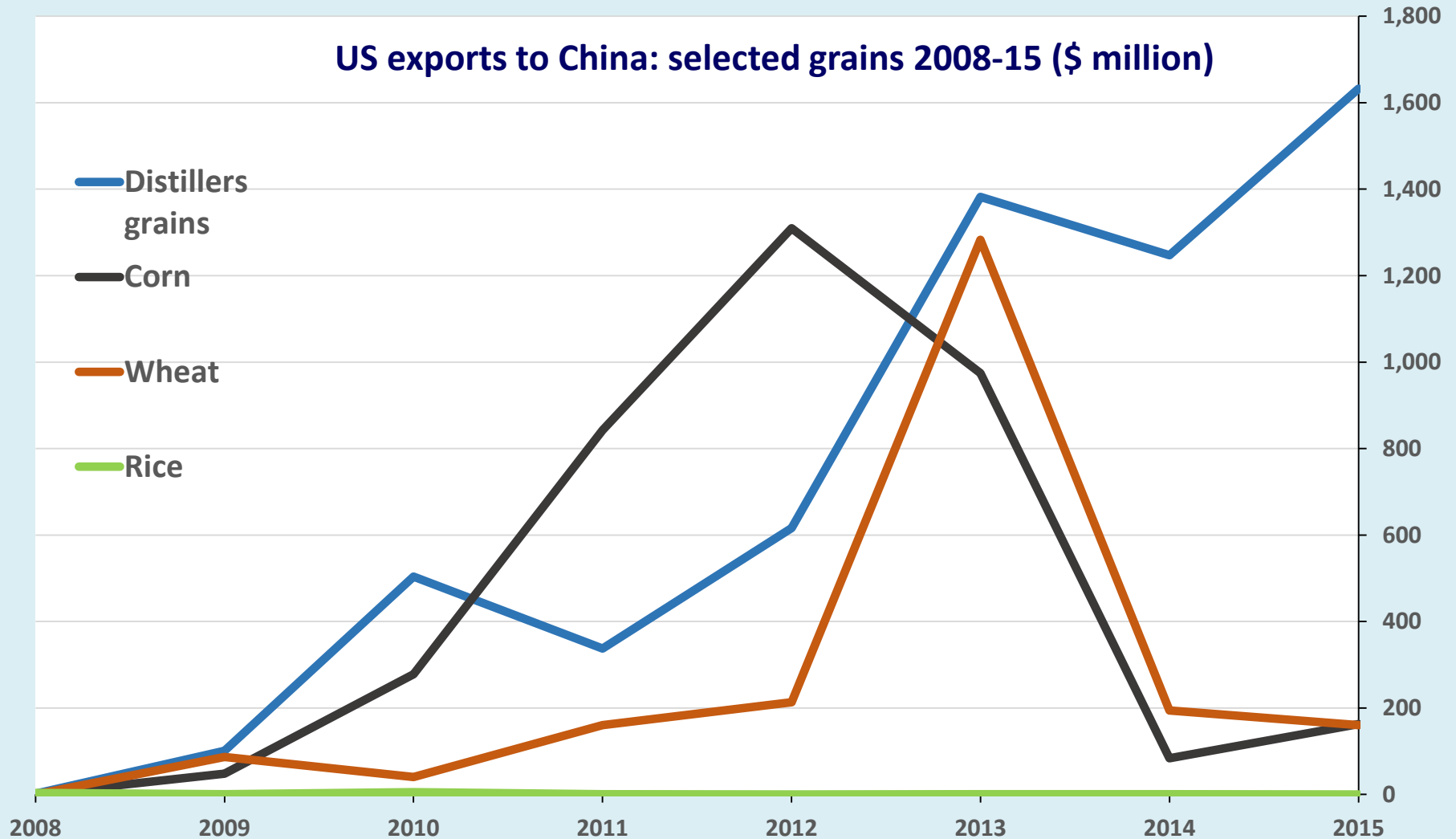
- **China: Limit on each product's AMS**
  - 8.5% of product's value of production in each year
- **US claims:**
  - AMSs for wheat, corn and rice exceeded ...
  - ... limits in 2012, 2013, 2014, 2015
- **WTO dispute settlement**
  - Dispute initiated in September 2016
  - Process now underway to establish a Panel
    - » Can take a year or more to settle
  - One of very few agriculture domestic support disputes

# Support prices were raised, production grew and grain imports increased



Source: Gale et al. (2015) (kindly updated by Gale in 2016)

# But corn and wheat imports from the US dropped drastically in recent years



Source: USDSA/FAS Global Agricultural Trade System

# Possible issues to be resolved

- Guessing at issues – no info in US documentation so far
  - What is “eligible production” in WTO MPS?
    - » Total production as in economic MPS
    - » Total production in states where support prices apply
    - » Some implied limit on how much is to be procured
    - » Actual procurement quantity
  - Adjust reference price from milled to unmilled rice?
    - » Domestic support price is for unmilled rice
  - Other issues?
- Resolve by interpreting Agreement on Agr, not economics
  - E.g, “taking into account” or “in accordance with”
    - » Some guidance from *Korea-Beef* on eligible production



# Stakes are high

- US says excess MPS in 2015 nearly \$100 billion
- Implications
  - Many countries with price support
    - » Will more of them be in danger of being challenged?
    - » Doha domestic support revival?
  - “Public stockholding” negotiations (i.e., *stock acquisition*)
    - » Stronger push to shelter excess MPS from legal challenge?
  - Legal or economic meaning of “eligible production”
    - » Affirmation of narrow legal reading?
      - => Erode WTO power to curb trade-distorting support

# China's Market Price Support for Wheat, Corn and Rice, Percent of Value of Production, 2008-2015

$$\text{WTO MPS}_t = [\text{Admin Price}_t - \text{FERP}] \times [\text{Eligible Production}_t]$$

	Year							
	2008	2009	2010	2011	2012	2013	2014	2015
WTO MPS	percent				percent			
Wheat	-12.6	0.1	3.1	12.6	15.8	23.0	27.4	27.7
Corn	21.5	19.9	33.9	37.1	40.6	48.1	47.9	49.6
Rice (unmilled FERP)	-15.1	1.4	3.3	13.1	24.3	32.9	35.6	34.1
Rice (milled FERP)	-57.1	-41.7	-30.4	-16.6	4.6	3.7	6.2	6.1

# Comparison to Economic Market Price Support

$$\text{Economic MPS}_t = [\text{Domestic Price}_t - \text{Border Price}_t] \times [\text{Total Production}_t]$$

	Year							
	2008	2009	2010	2011	2012	2013	2014	2015
WTO MPS	percent				percent			
Wheat	-12.6	0.1	3.1	12.6	15.8	23.0	27.4	27.7
Corn	21.5	19.9	33.9	37.1	40.6	48.1	47.9	49.6
Rice (unmilled FERP)	-15.1	1.4	3.3	13.1	24.3	32.9	35.6	34.1
Rice (milled FERP)	-57.1	-41.7	-30.4	-16.6	4.6	3.7	6.2	6.1
OECD MPS								
Wheat	34.7	30.6	28.2	12.3	28.0	26.7	31.9	35.6
Corn	-15.5	16.3	15.9	1.6	13.8	23.3	26.5	36.2
Rice (unmilled)	-65.8	-43.6	-0.5	-9.4	29.7	32.6	32.8	39.1

# Thank you!

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