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Acquisition for Public Stockholding: WTO Rules, Country Interests and Negotiating Pressures

Lars Brink

Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2017 Annual Meeting: Globalization Adrift, December 3-5, 2017, Washington, DC.

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Acquisition for public stockholding: WTO rules, country interests and negotiating pressures

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International Agricultural Trade Research Consortium (IATRC)
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Washington, D.C.
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Outline: Focus on acquisition

- **WTO rules for exemption**
 - Expenditures on public stockholding (PSH) vs. market price support
- **Timeline in WTO processes**
 - Where we are now
- **Input by Members and suggestions by analysts**
 - Change rules or change policy
- **Going forward – which way is forward?**
 - WTO Ministerial Conference MC 11 Buenos Aires

Glossary at end of presentation

Limit on producer price support

- **WTO MPS is not economic MPS** *market price support*
 - Two policy variables and a constant
 - Administered price, eligible production, and 1986-88 reference price
 - US-China dispute to clarify use of later years by acceded Member
 - **WTO MPS is part of AMS** *aggregate measurement of support*
 - AMS support is subject to limit
 - Effectively penalizes application of administered price
- **Expenditures on accumulation of food stocks**
 - Government buys at market price
 - Expenditures exempt from limit; no need for WTO MPS
 - Government buys at administered price
 - Expenditures exempt from limit if WTO MPS is in AMS

Punta del Este – Buenos Aires (via Delhi?)

Depart Punta on 20 September 1986



- **1986 Punta del Este, 1988 & 1989 Mid-Term, 1994 AA**
 - Variations on “substantial progressive reductions in agricultural support”; “special and differential treatment to developing countries”

- 1991 (Dunkel draft): **Exempt:** Expenditure on acquisition at market price.
- 1993 (draft final act), 1994 (AA): **Additional exemption:** developing country expenditure on acquisition at admin price if price gap (price support) is in AMS.

- **2001 Doha, 2004 Framework, 2005 Hong Kong**

- “substantial reductions in trade-distorting domestic support”; “special and differential treatment for developing countries shall be an integral part”

- 2008 (Rev.4 draft): **Goes beyond exempting expenditure:** Developing country acquires at admin price with objective of supporting LIRP producers => price gap (price support) is exempt from AMS. Also exempt from AMS if acquired from LIRP producers to fight hunger etc.

LIRP = low-income or resource-poor

Punta del Este – Buenos Aires (via Delhi?)

– 2013 Bali, 2014 (General Council), 2015 Nairobi

- Until permanent solution “agreed and adopted”: AA continues to **exempt** developing country **expenditure** on acquisition at admin price if price gap (price support) is in AMS.
- But: **no threat of dispute** when AMS exceeds limit.
- Subject to notification, transparency, anti-circumvention/safeguards, consultations.

Arrive BA on 10 December 2017



– 2017 Buenos Aires

- ???

Context for input after 2015 Nairobi

- **Bali & Nairobi**
 - If no solution, “interim” applies indefinitely; legal uncertainty
- **AA Agreement on Agriculture**
 - Treaty; stronger than ministerial decisions; legal certainty
- **Rev.4 draft modalities**
 - Draft of Annex B wished for by some, feared by some
- **“Domestic support” negotiations**
 - Limits on Total AMS and other measurements of support
- **US-China dispute on how to measure MPS**
 - Reference price, fixed years and eligible production

Reconcile input since 2015 Nairobi

- “... concerted efforts to agree and adopt” permanent solution
 - Most efforts are not public; some reported in media
 - PSH acquisition alone vs. part of larger negs (domestic support, agr, MC11)
- How would solution apply? For example:
 - Countries: LDC and in different ways to various other groups
 - Producers of what: foodstuffs, staple crops, primary agr products
 - Programs: existing at Bali or newer; supporting LIRP producers or not
- Transparency and anti-circumvention/safeguards
 - Bali rules, or less, or more? Ex ante or ex post?
- Support to be exempt from what?
 - From AMS? From any limit? From dispute challenge under AA? And ASCM?
- Revise reference price

What analysts explore

- **Measure MPS more like – or less like – economic measurement**
 - More like: Revise reference price; relate admin price to market price
 - Less like: Define eligible production as certain part of total production
- **Relatively little on**
 - Exempting MPS from AMS, or exempting AMS from limit or from challenge
 - Changing policy instead of changing rules
 - Buy at market prices and exempt expenditure: no MPS in AMS at all
- **Very little on**
 - Dual goals: Support producers and acquire government stocks
 - Incentive to claim “acquire stocks for food security” for any price support
 - Anti-circumvention, safeguards, transparency

Reflections before MC11

- Making MPS smaller by changing MPS variables is pointless if
 - MPS in AMS does not count towards limit, or
 - AMS can exceed limit without dispute challenge
- Evocative power of “food security”
 - Admin price can increase availability; less so for access, utilization, stability
- WTO limits will stop me from raising producer support prices!
 - Special and differential treatment is an integral part of Doha “substantial reductions in trade-distorting domestic support”
 - Reduction seems a quaint notion nowadays
 - Future raising of support prices constrained only by border measures?
 - Growing trade-distorting domestic support in some developing countries
 - Effect on development of agriculture in other developing countries?

Glossary

AA	Agreement on Agriculture
Admin price	Administered price; mentioned in AA but not defined
AMS	Aggregate Measurement of Support
ASCM	Agreement on Subsidies and Countervailing Measures
LDC	Least developed countries
LIRP	Low-income or resource-poor producers
MC11	11th Ministerial Conference, Buenos Aires, 10-13 December 2017
MPS	Market price support
PSH	Public stockholding
Rev.4	TN/AG/W/4/Rev.4; Revised draft modalities for agriculture
WTO	World Trade Organization

Selected analytical references

Brink (2014, 2015), Díaz-Bonilla (2013, 2014, 2017), Elliott (2015), Galtier (2014, 2017), Glauber (2016), Häberli (2014), ICTSD (2013, 2017), Josling (2015), Konandreas and Mermigkas (2014), Krivonos (2017), Matthews (2014, 2015), Montemayor (2014), Sharma (2016, 2017), South Centre (2013, 2015, 2017), Tangermann (2014)

Thank you!

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