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## **The Domestic Support Landscape in Agriculture: Policy Trends and Emerging Patterns**

**Lars Brink**

*Invited Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2018 Annual Meeting: Interlinkages among Global Value Chains, Trade, and Transformation of the AgriFood Industry, July 25-27, 2018, Whistler, BC, Canada.*

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A gravel path leads through a lush green forest, with sunlight filtering through the trees. The path is the central focus, winding through the dense foliage.

# **The domestic support landscape in agriculture: policy trends and emerging patterns**

**Lars Brink**

**International Agricultural Trade Research Consortium (IATRC)  
Annual Meeting  
25-27 July 2018, Whistler, British Columbia, Canada**

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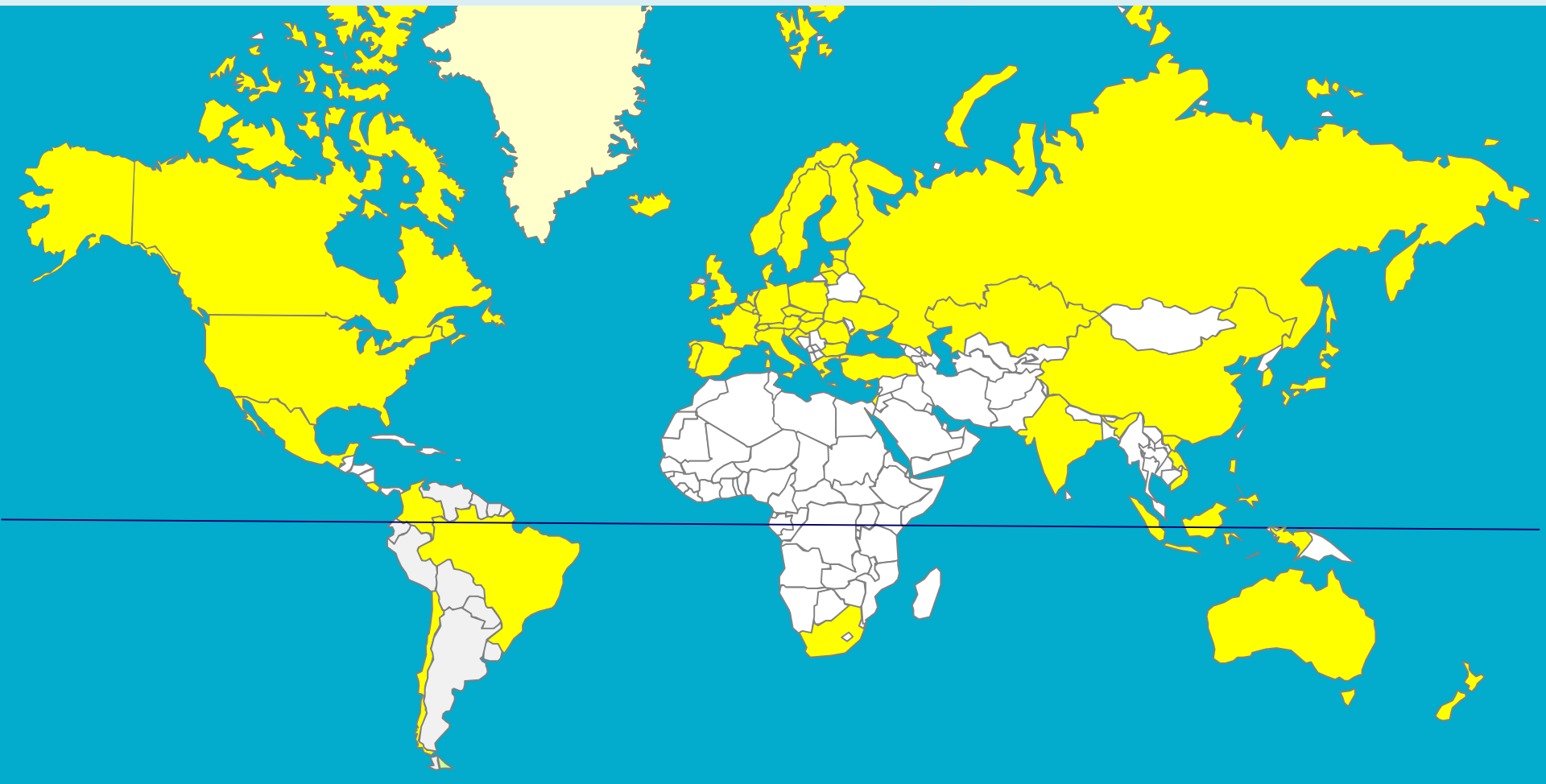
# Overview: long-term trends

- Geographical centre of support moving south and east
- Producer-oriented domestic support has been rising
  - Sum of AMSs, Art. 6.2, Blue box, Direct paym'ts in green box
- Shift from AMSs to Art. 6.2 and Direct payments
  - Change in policies or change in notification practices?
  - Lack of notifications for many years
- Context for interpretation
  - Policy space for domestic support is large and increasing
  - Distorting support distorts no matter where it is given

# Geographical centre of support is moving south and east

- **Producer Support Estimates in 1995-97 and in 2014-16 (PSE)**
  - 26 countries with 78% of world's value of production in agriculture
  - South-east shift follows from changes in countries' PSE amounts:
    - Large increase in China (south; east) dominates all other changes
    - Indonesia (south; east) increased more than USA & Brazil together (west)
    - Decline in EU, Korea, and Japan (north)
- **WTO: 1995-97 and latest support notified to Cttee on Agr.**
  - All producer-oriented domestic support (PODS) of 26 countries
  - Essentially same kinds of policies as in PSE
    - Different concept of “market price support”
  - Shift to south-east not as large as in PSE
    - China's WTO MPS is much smaller => much smaller weight for China in calculating location of centre

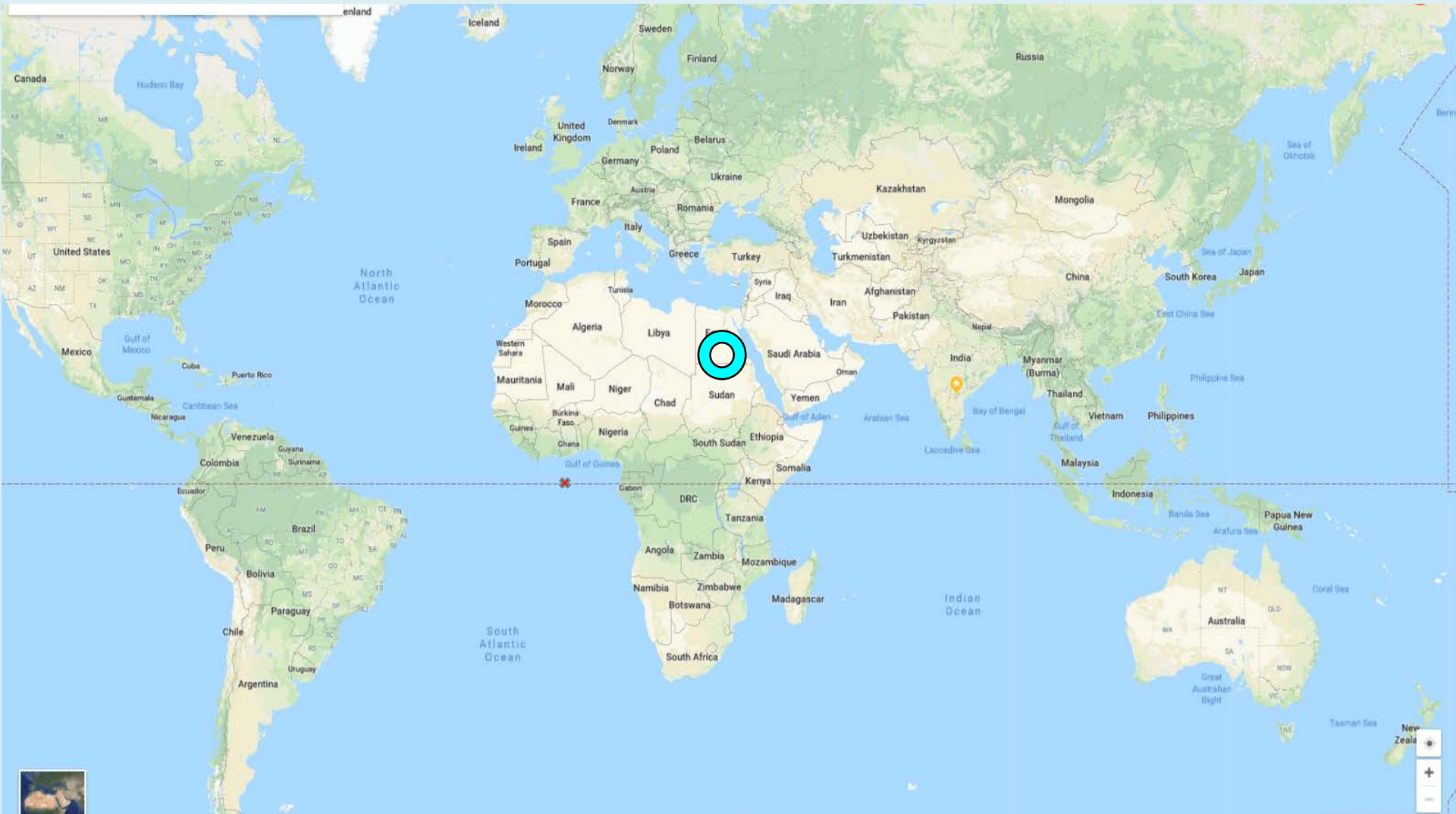
# OECD PSE and GSSE estimates 26 countries



Note: PSE: Producer Support Estimate; GSSE: General Services Support Estimate. EU and 28 member states counted as one country. OECD indicators do not measure WTO domestic support.

# Geographical centre of 26 countries

## Unweighted (geographical benchmark only)



26 countries comprise those with historical OECD PSE estimates plus India.

Note: Latitude of centre is unweighted average (arithmetic mean) of latitudes of countries' centroids. Same for longitude of centre. Data from <https://community.periscopedata.com/t/63fy7m/country-centroids>

# Geographical centre of support of 26 countries

## Weights: countries' PSE amounts



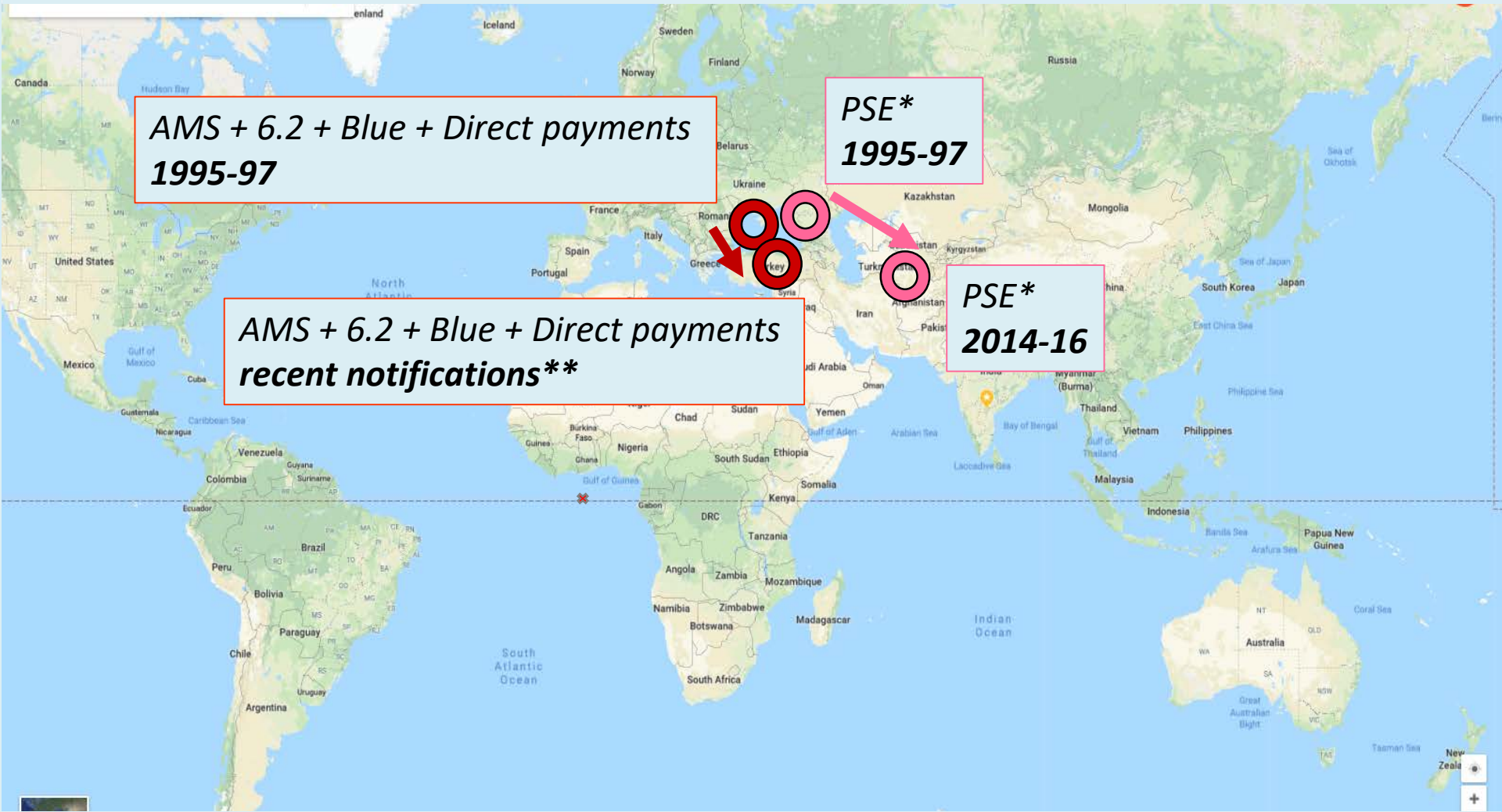
\* For India, the Philippines and Viet Nam, 1995-97 refers to 2000-02.

Note: Latitude of centre is weighted average of latitudes of countries' centroids; weights are countries' PSEs (USD). Same for longitude of centre.



# Geographical centre of support of 26 countries

## Alternative weights a) WTO support; b) PSE amounts



\* For India, the Philippines and Viet Nam, 1995-97 refers to 2000-02. \*\* Years for recent notifications of WTO measurements vary widely among members. "AMS" is sum of AMSs and EMSs in supporting tables of 26 members' notifications.

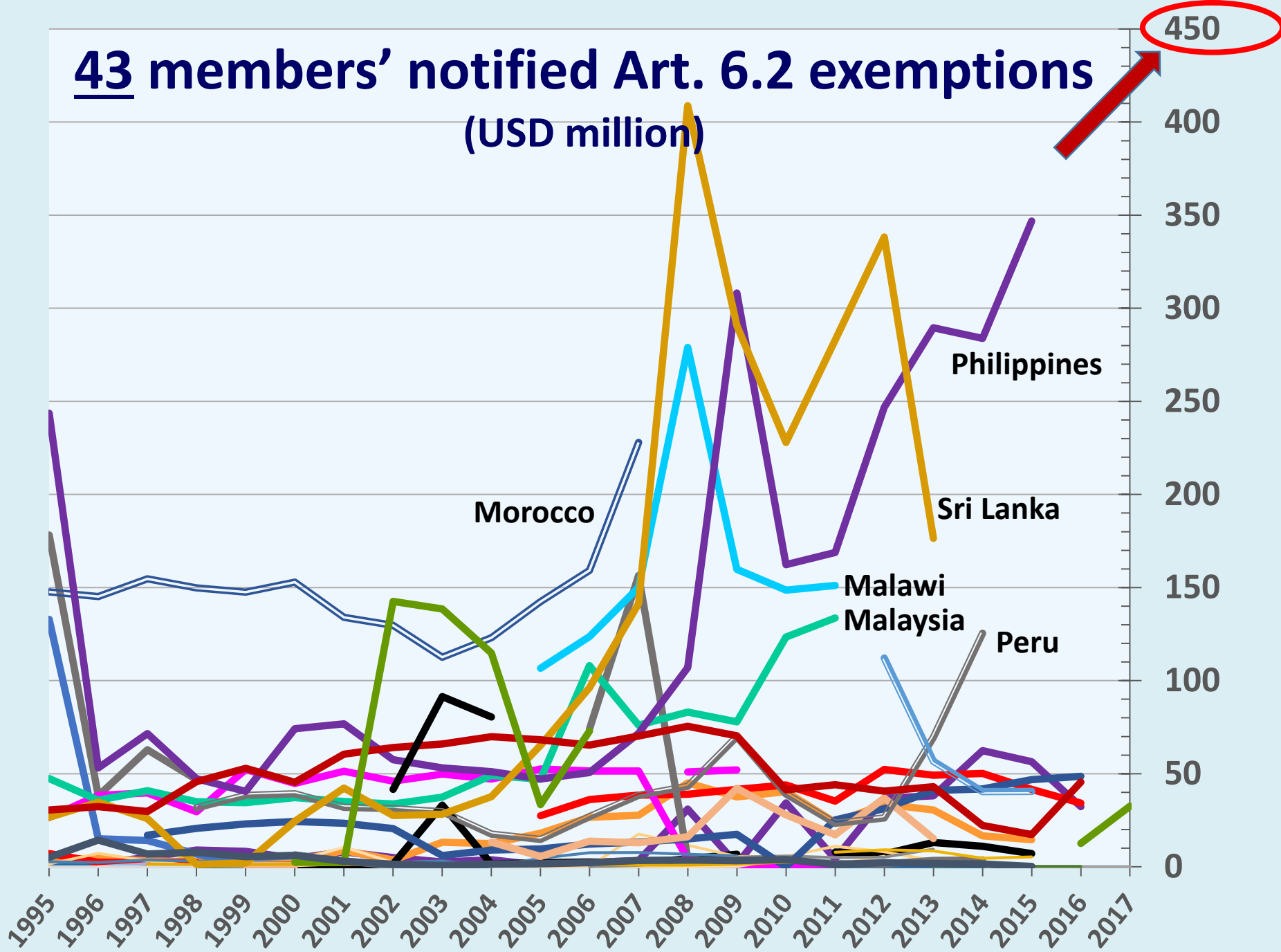
Note: Latitude of centre is weighted average of latitudes of countries' centroids; weights are, respectively, countries' PSEs (USD) and their WTO support levels (USD) (excluding expenditures under paras. 2, 3 and 4 of Annex 2, Agreement on Agriculture). Same for longitude of centre.

# Increasing use of Art. 6.2 exemption

- **Mainly input subsidies**
  - Also some investment subsidies and diversification subsidies
  - Economics: input subsidies distort more than price support
- **More and more members exempt support by Art. 6.2**
  - 44 members had used exemption by 2015; 50 by early 2018
- **Major amounts exempted only by a few members**
  - E.g., Mexico, Brazil, Indonesia, Thailand
    - Turkey? Unknown; latest notification from 2004
  - India is outlier: 88% of all WTO Art. 6.2 exemption in 2010
    - USD 24 billion notified for 2015-16; less than in peak years

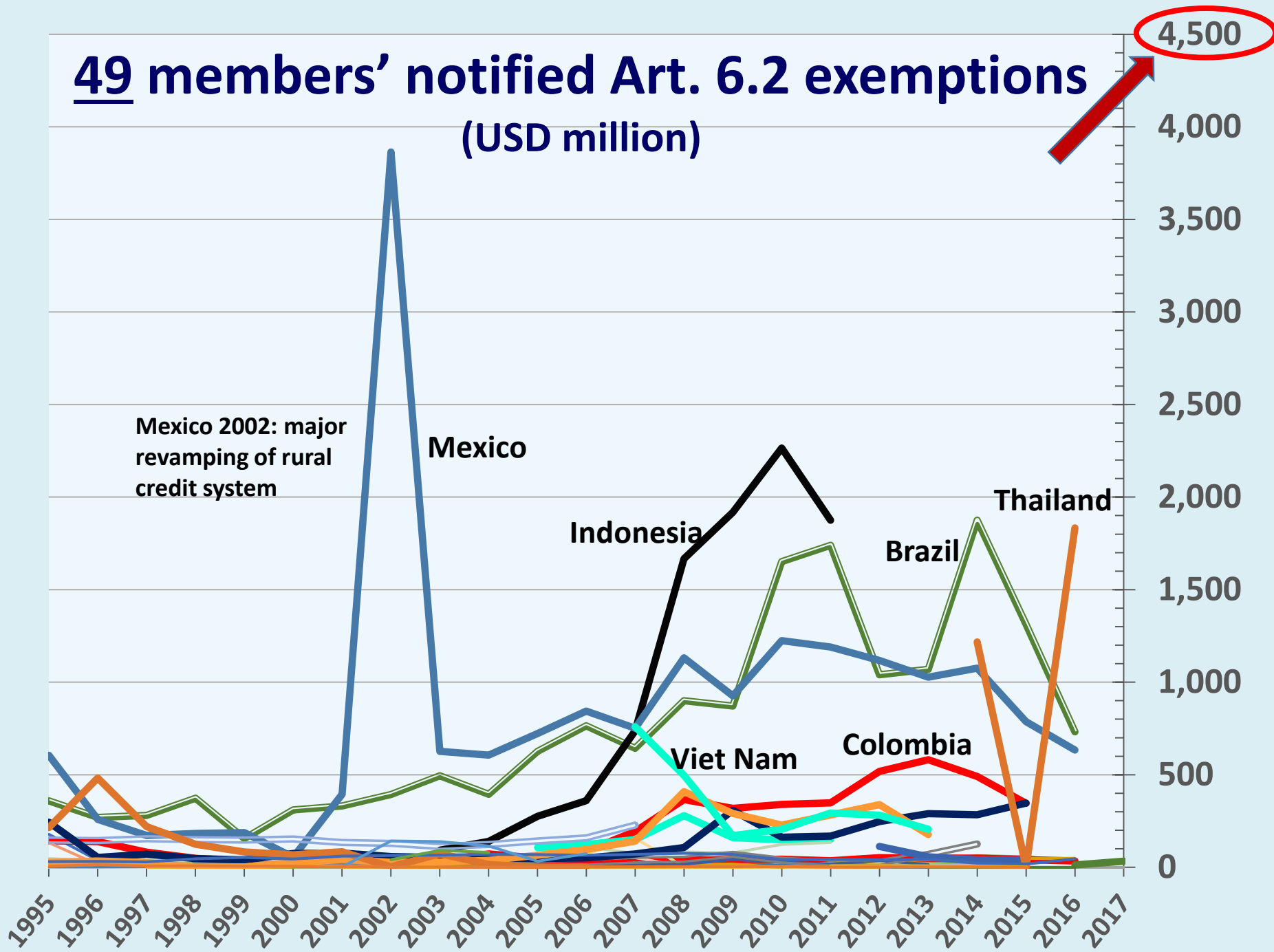
# 43 members' notified Art. 6.2 exemptions

(USD million)



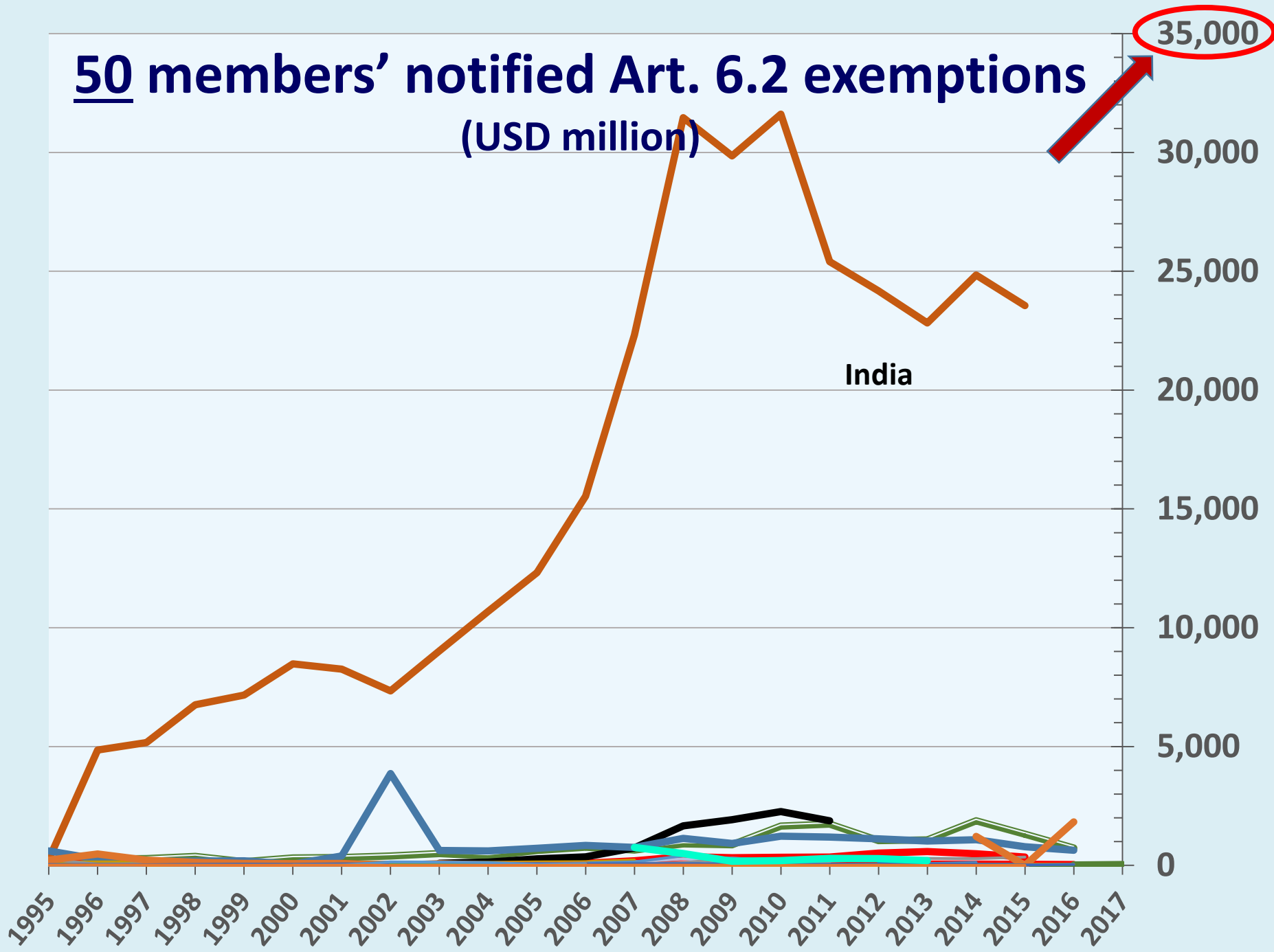
# 49 members' notified Art. 6.2 exemptions

(USD million)



# 50 members' notified Art. 6.2 exemptions

(USD million)



35,000

India

30,000

25,000

20,000

15,000

10,000

5,000

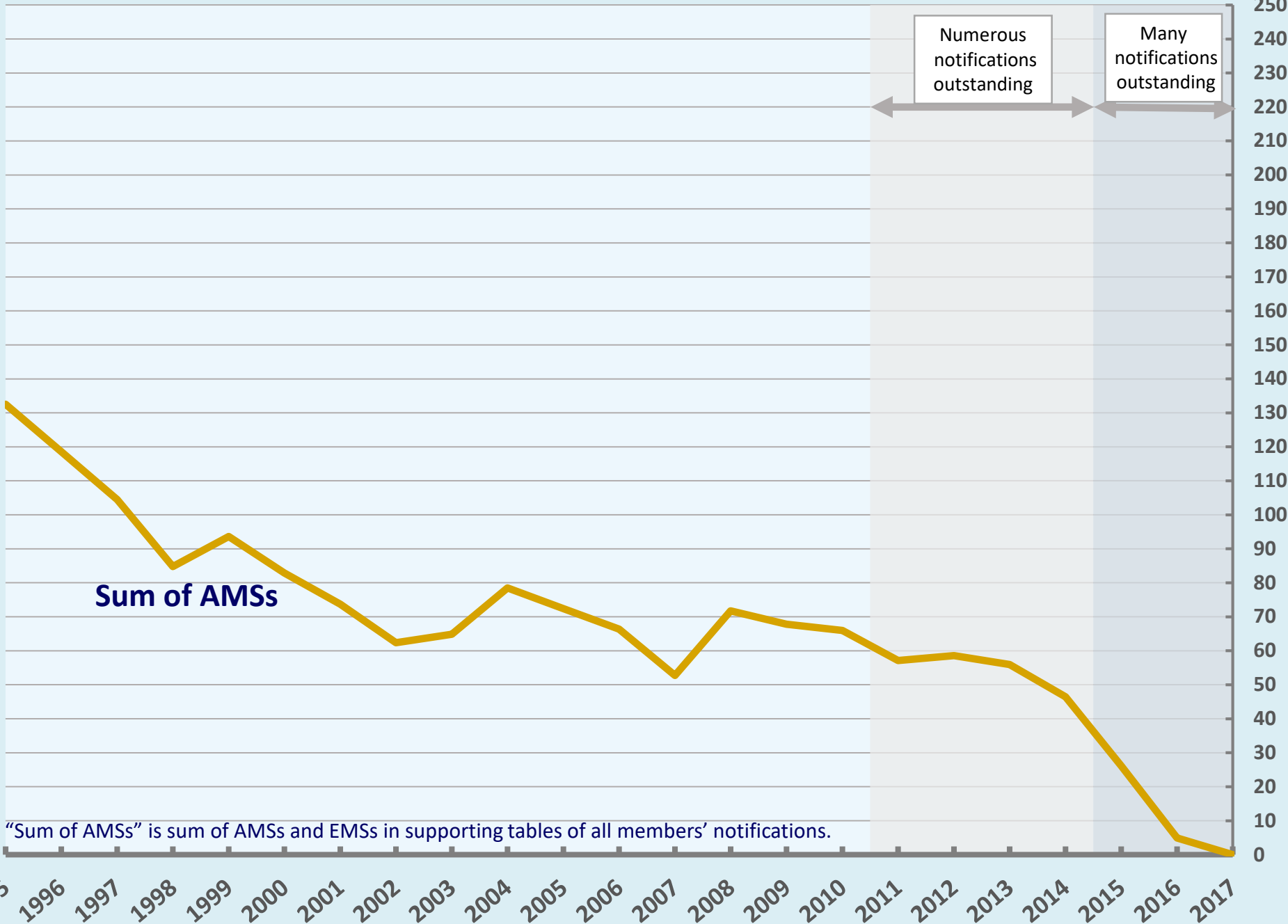
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# Major shifts in notified support from 1995

- *AMS* support has declined
- *Art. 6.2* exemptions have increased
- *Blue box* exemptions peaked; vastly exceeded by *Art. 6.2*
- *Direct payments in green box*: grew fast, now slowing?
- **Sum: AMSs + Art. 6.2 + Blue + Direct payments in green box**
  - **Producer-Oriented Domestic Support (PODS)**
- **PODS dropped for seven years along with AMSs**
  - Then climbed to USD 250 billion in 2008, 2009 and 2010
  - **Apparent decline from 2010: much support not yet notified**
    - E.g., China ~ USD 30 billion in Direct payments in green box in 2010; no 2011 notification yet

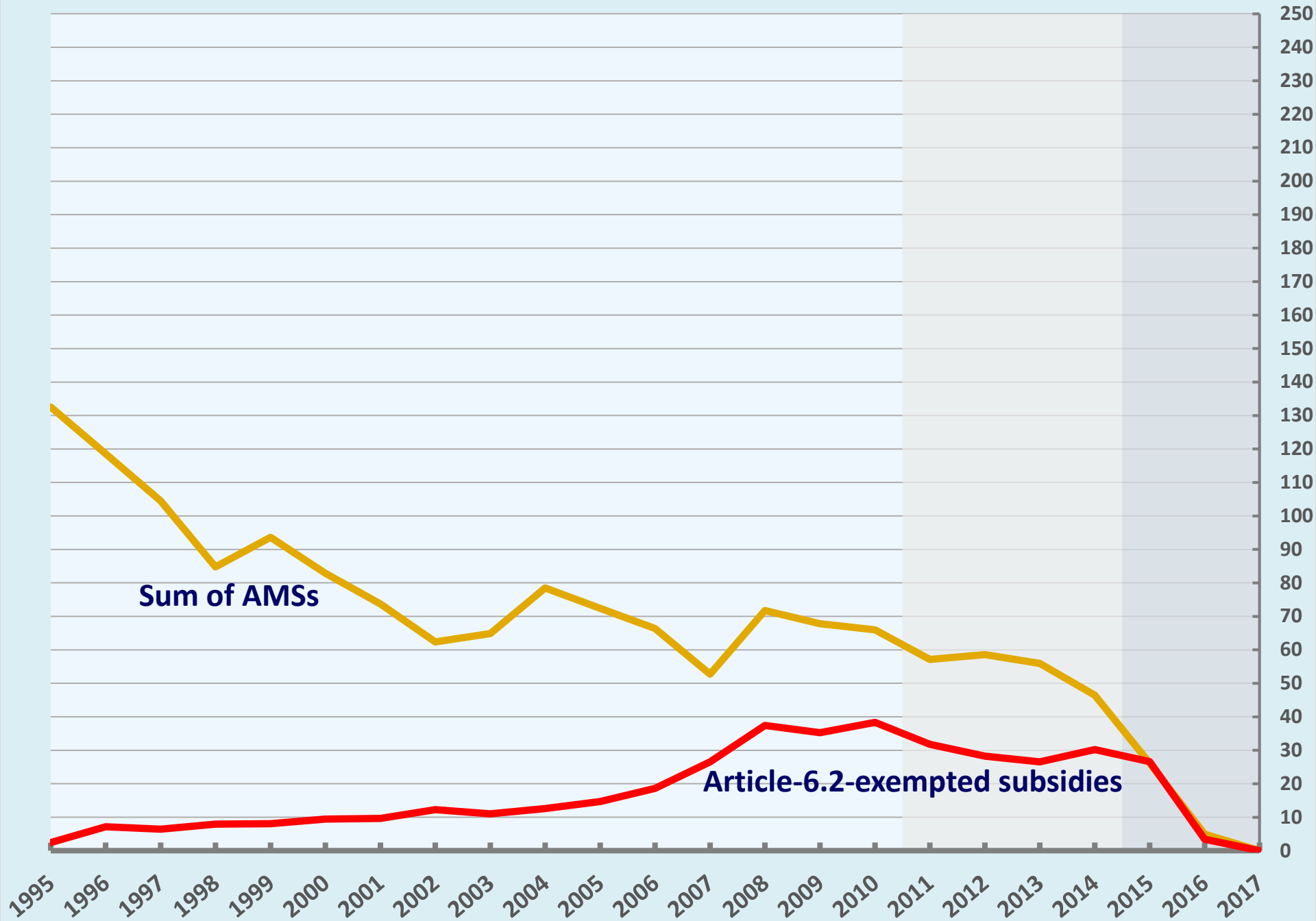
# Sum of AMSs, 1995-2017

USD bill.



# Sum of AMSs and Art. 6.2, 1995-2017

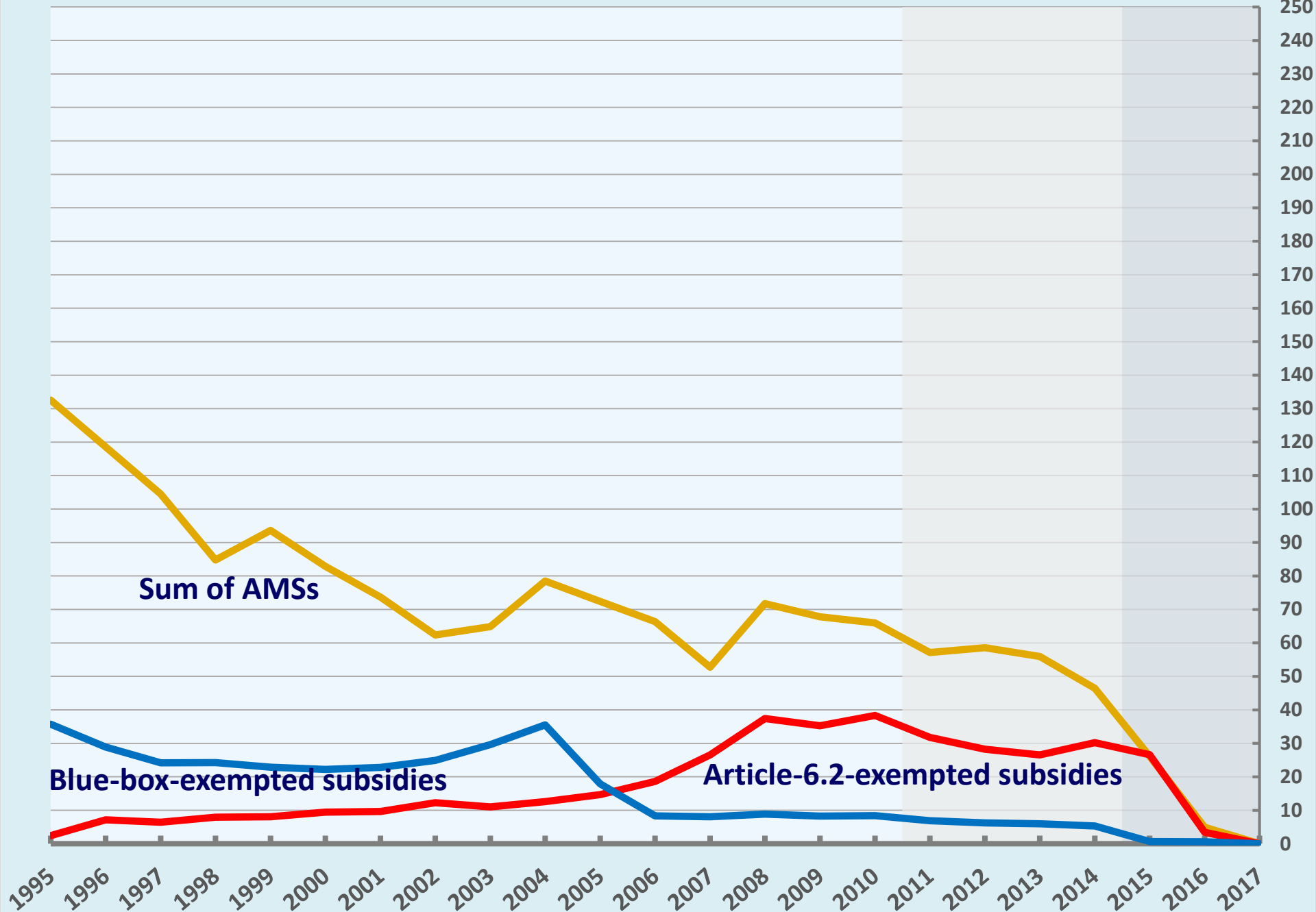
USD bill.





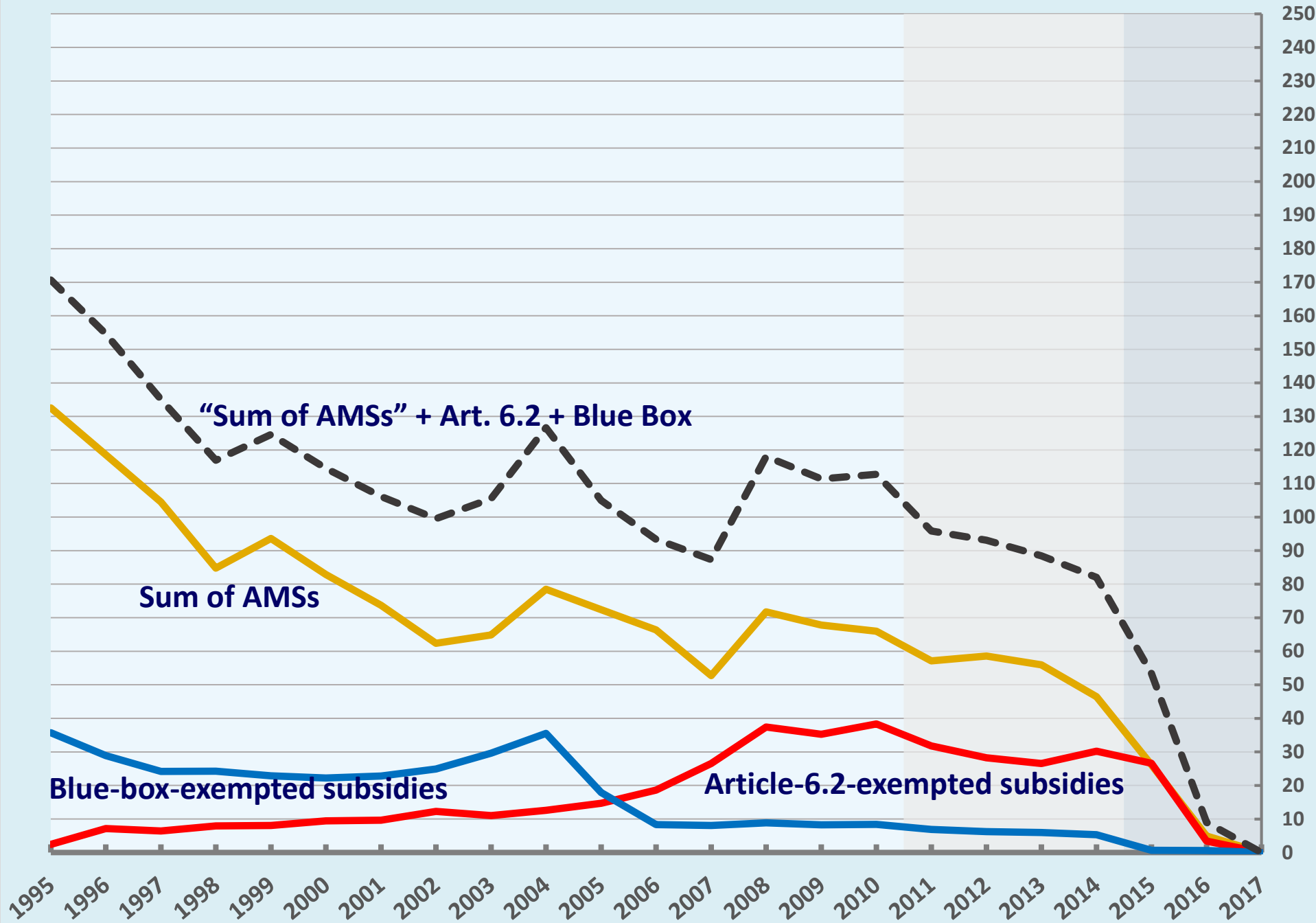
# Sum of AMSs, Art. 6.2 and Blue box (PODS) 1995-2017

USD bill.

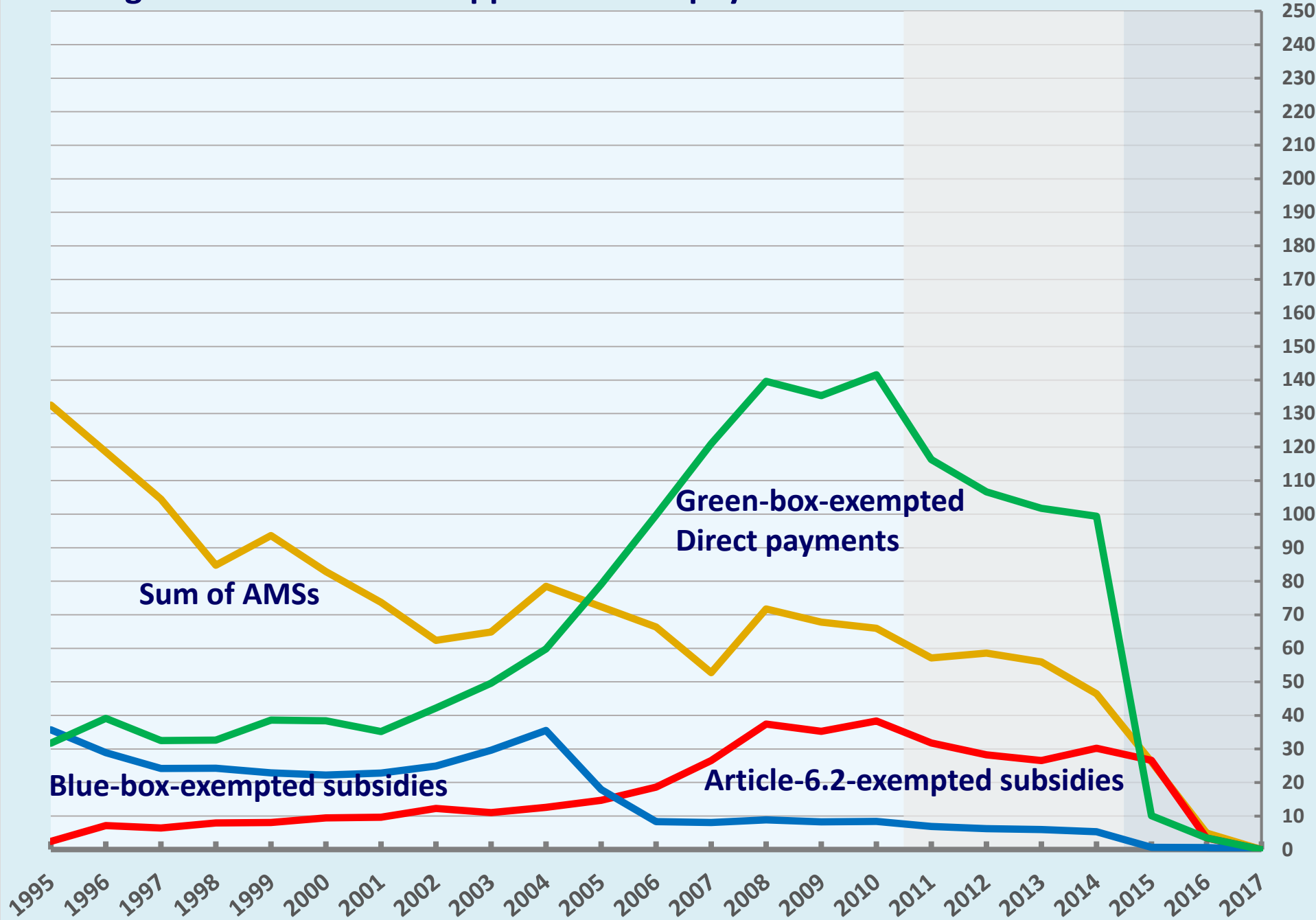


# “Sum of AMSs” + Art. 6.2 + Blue box, 1995-2017

USD bill.

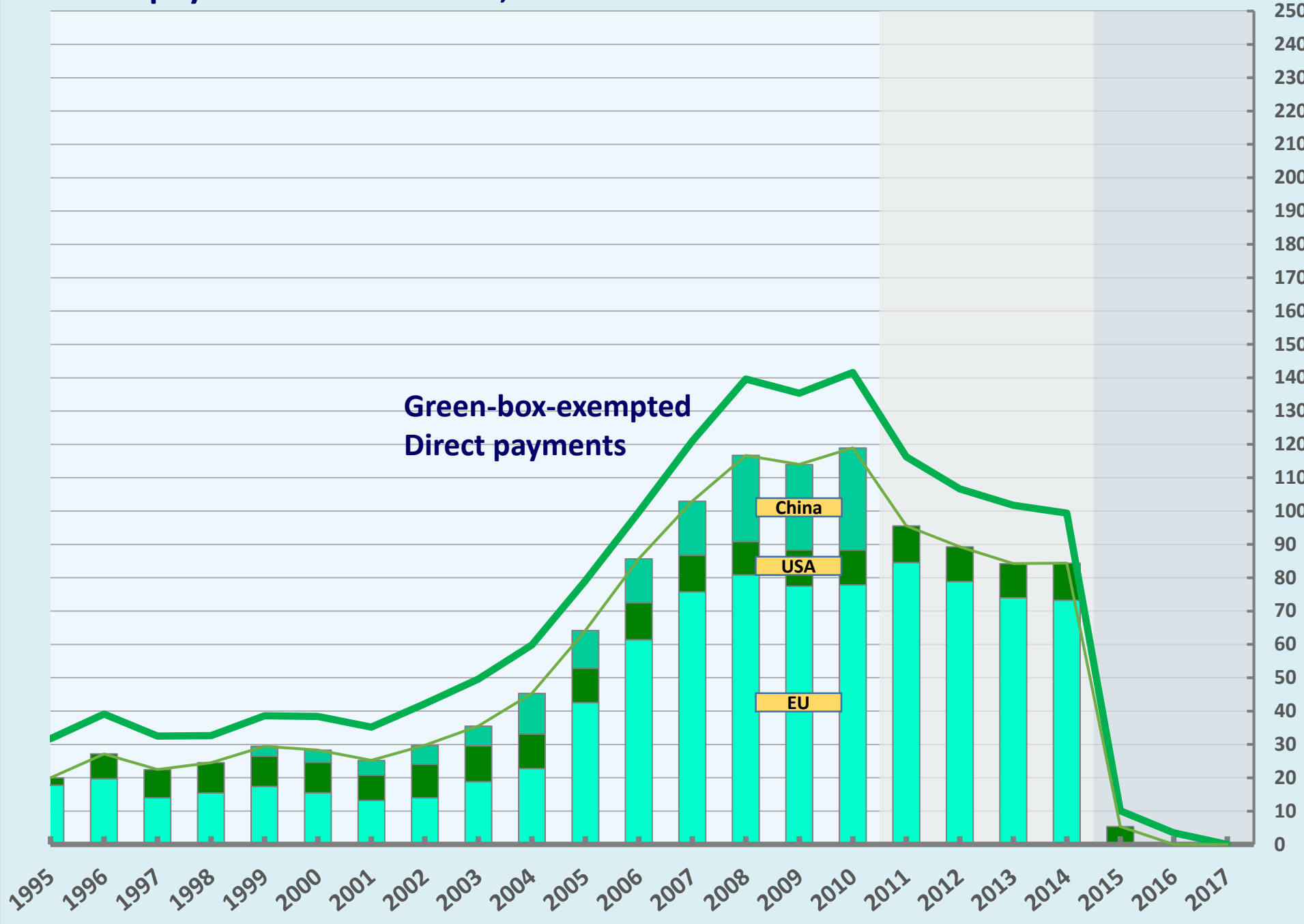


# Non-green-box domestic support + Direct payments in Green box 1995-2017 USD bill.



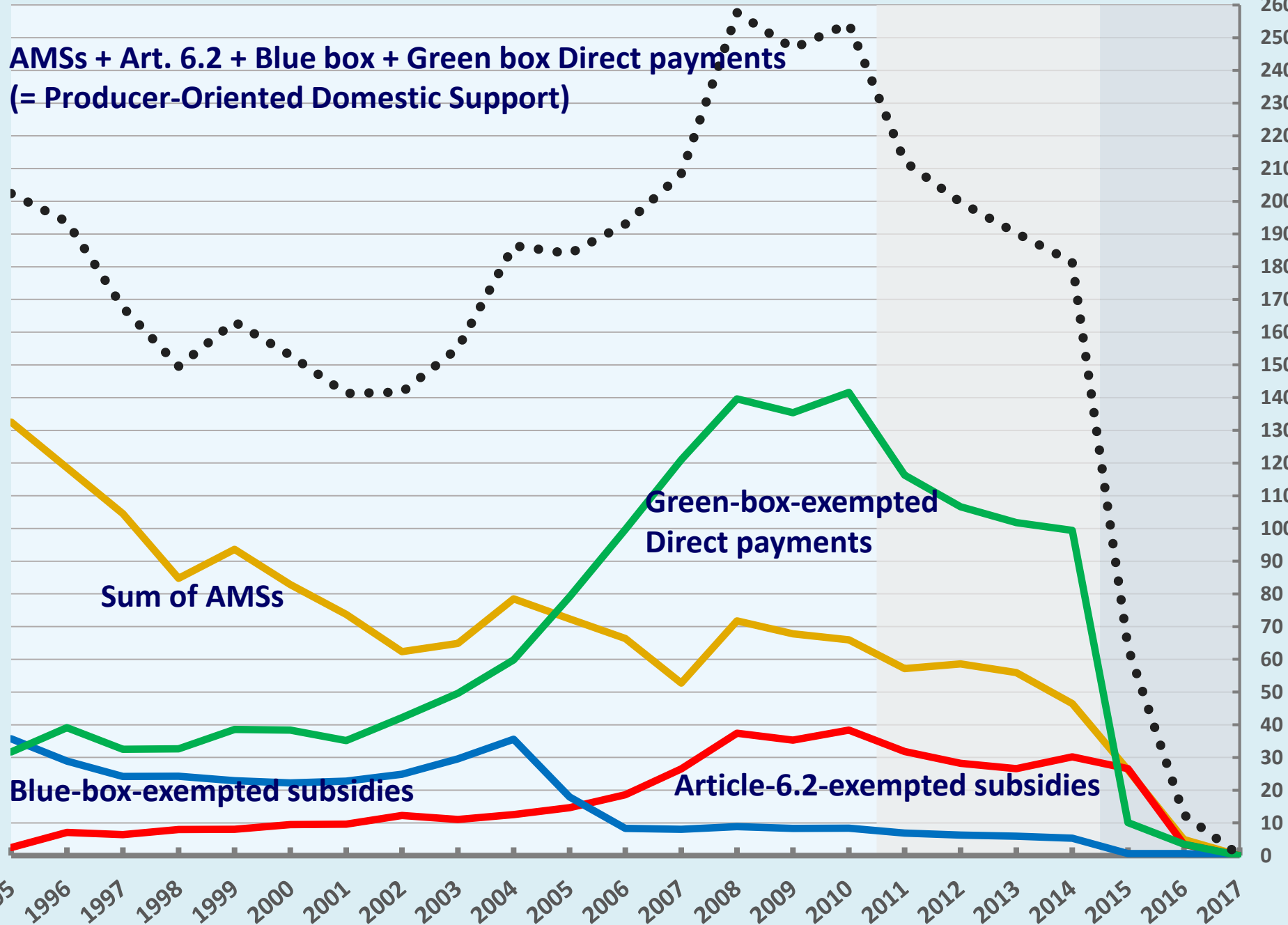
# Direct payments in Green box, 1995-2017

USD bill.



# Producer-Oriented Domestic Support (PODS) 1995-2017

USD bill.



# Notified AMSs show downward trend

- **Support exempted from AMS limits has increased**
  - Article 6.2 exemption
  - Direct payments under green box exemption
  - But blue box exemption (still significant) may have peaked
- **Are policies now ...**
  - ... designed to be compatible with exemption criteria?
  - ... claimed to meet exemption criteria but on vague grounds?
  - ... designed to measure only little AMS support?
    - E.g., abandoning or reducing administered prices
- **Poor picture of support landscape**
  - Notifications are missing

# Policy space for domestic support is increasing

- Policy space is without limit for exemptible support
  - Unlimited room for support
  - Direct payments in green box; Blue box; Art. 6.2
- Limits on AMSs are increasing for 103 members
  - Proportional to increases in values of production (VOP)
- Bound Total AMS is fixed nominal limit of 32 members\*
  - 17 developing and 15 developed country members
  - *De minimis* AMS thresholds increase with increases in VOP
  - Individual AMSs can and do exceed *de minimis* thresholds
    - All 32 have room for some larger AMSs within their Bound Total AMS

\*Limits of Argentina and Mexico operate differently.

# Considerations going forward

- **Weak confidence in support levels after 2010 (!)**
  - Neither annual nor “new and modified” are up to date
  - Changes in notification practices reduce transparency
- **Increasing divergence of interests among members**
  - **Who can use developing country rules in domestic support?**
    - 44% of ~115 members are high income or upper middle inc. countries
  - **Art. 6.2 subsidies exempted by 50 members**
    - Effect on producers in all other developing country members?
  - **Greater interest in support exempted from Bound Total AMS**
    - Every nominal Bound Total AMS is shrinking in real terms
  - **What role for dispute rulings?**
    - How to classify policies and how to measure support



# Glossary

## (as used in this presentation)

AMS	Aggregate Measurement of Support	Art. 1(a), Agreement on Agriculture
Art. 6.2	(certain exemptions)	Art. 6.2, Agreement on Agriculture
Blue box	(certain exemptions)	Art. 6.5, Agreement on Agriculture
Direct payments	(certain exemptions)	Paras. 5-13, Annex 2, Agr. on Agriculture
EMS	Equivalent Measurement of Support	Art. 1(d), Agreement on Agriculture; counted as AMS
Green box	(certain exemptions)	Annex 2, Agreement on Agriculture
GSSE	General Services Support Estimate	Calculated by OECD and others
IFS	International Financial Statistics	International Monetary Fund (IMF)
MPS	Market Price Support	Annex 3, Agreement on Agriculture
OECD	Organization for Economic Cooperation and Development	
PODS	Producer-Oriented Domestic Support	AMSS + Art. 6.2 + Blue box + Direct payments
PSE	Producer Support Estimate	Calculated by OECD and others
VOP	Value of Production	
WTO	World Trade Organization	

# Thank you!

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