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**An Ensemble of Potential Changes in the WTO Rules on Domestic Support in Agriculture:
Comparing Support Space and Measured Support**

Lars Brink

Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2021 Annual Meeting: Trade and Environmental Policies: Synergies and Rivalries, December 12-14, 2021, San Diego, CA.

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A gravel path winds through a lush green forest, leading towards a bright opening in the trees. The path is composed of light-colored gravel and is flanked by dense green foliage and trees. The background is a soft-focus view of the forest, with sunlight filtering through the leaves.

An Ensemble of Potential Changes in the WTO Rules on Domestic Support in Agriculture: Comparing Support Space and Measured Support

Lars Brink

**International Agricultural Trade Research Consortium (IATRC)
Annual Meeting
San Diego, CA and virtual platform (zoom)
12-14 December 2021**

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Domestic support and the WTO Agreement on Agriculture

- Price support, payments, general service expenditures
- Limits on some types of distorting support
 - Limited support is measured by AMSs*
 - AMSs of specific products; one non-product-specific AMS
- Member-specific diversity in several dimensions

Limits	33 members	All other members
How is limit set?	Limit is a scheduled constant	Limits are calculated yearly
What is limited?	Sum of certain AMSs (CTAMS*)	Individual AMSs

- Exemptible policies (developing or developed or China)
- Measurement of support: rules and practice

* AMS: Aggregate Measurement of Support

* CTAMS: Current Total Aggregate Measurement of Support (sum of AMSs above *de minimis* levels; next slide)

Selected issues arising in domestic support discipline

- **33 members**
 - **Scheduled BTAMS (Bound Total AMS) limits CTAMS**
 - Some BTAMS amounts are large relative to size of agr sector
 - BTAMS enables concentration of AMSs on few products
- **All other members**
 - **Individual AMSs limited to their *de minimis* levels**
 - Percentage of current year's values of production
 - Lack of BTAMS means less flexibility for AMS support
- **Certain distorting support is exempt from any limit**
 - Art. 6.2 (e.g., input subsidies); Art. 6.5 (some payments)
- **Price support calculation can lack economic meaning**

Reduce trade-distorting domestic support – Ideas have circulated

- Address inequities and gaps negotiated in Uruguay Round
 - Ensure special and differential treatment
- Accord BTAMS to every member; product flexibility for all
- Reduce *de minimis* percentages of many members
 - Maintain relatively more room for developing country AMSs
- Put Arts. 6.2 and 6.5 subsidies in context of AMS support
 - Recognize distorting nature of all support outside green box*
 - Exempt from limit only if no AMS exceeds its *de minimis* level
- Measure price support in economically meaningful way
 - Old reference prices never updated despite Art. 20 mandate

* Green box policies: conforming to requirements, criteria and conditions of Annex 2, Agreement on Agriculture

Specifics on ideas* for change

- **BTAMS**

- Eliminate present BTAMS entitlement of 33 members
- Every member adopts a New BTAMS
- New BTAMS = 4% of agriculture sector Value of Production

LDCs: 8%

- ***De minimis* AMS percentages**

	Developed	Developing	LDC
Product-specific	Change from 5% to 4%	Stay at 10%	Stay at 10%
Non-product-specific	Change from 5% to 3%	Change from 10% to 5%	Stay at 10%

- **Art. 6.2 and Art. 6.5 support may count in New CTAMS**
 - 6.2 and 6.5 support not exempt if any AMS above *de minimis*
- **Reference price in market price support (MPS)**
 - Change from fixed to *lagged moving average reference price*

* See notes and sources at end of presentation.

Outline of analysis

- **Select 10 members**
 - 5 members account for about 80% of all Article 6 support
 - China, India, EU, United States, Japan
 - 5 other members with a variety of characteristics
 - Developing, developed, with and without BTAMS, user and non-user of Art. 6.2 exemption, Least Developed Country (LDC)
 - Mexico, Georgia, Chile, Nigeria, Nepal
- **Data from latest notification**
 - Payments, measurements of MPS (+ projection of reference prices)
 - Values of production (estimated when not notified)
 - Claimed exemptions
- **How would changes have affected notified support?**

Notified CTAMS (applied) and BTAMS (limit)

<i>USD bill.</i>	China 2016	India 2019	EU 2018	USA 2019	Japan 2018	Mexico 2018	Georgia 2019	Chile 2019	Nigeria 2019	Nepal 2018
CTAMS	12.2	6.3	6.1	18.2	6.1	0.1	none	0	none	0
BTAMS	0	none	85.4	19.1	36.0	12.4	none	none	none	none

Highlight: Large differences in Current Total AMS (CTAMS); even larger in BTAMS

- Four of the 10 have BTAMS (China at 0), India and the 4 members on the right have none
- China and India exceeded respective limits in 2016 and 2019; EU, Japan and Mexico had large margins; USA closer but within limit

Size of New BTAMS?

<i>USD bill.</i>	China	India	EU	USA	Japan	Mexico	Georgia	Chile	Nigeria	Nepal
CTAMS	12.2	6.3	6.1	18.2	6.1	0.1	none	0	none	0
BTAMS	0	none	85.4	19.1	36.0	12.4	none	none	none	none
New BTAMS	60.5	20.4	18.5	14.3	3.4	2.3	0.0	0.6	1.0	0.7

Highlight: New BTAMS very unequal; is proportional to value of production

- Amount of New BTAMS is proportional to value of production in agriculture
- New BTAMS is 4% of value of production; 8% for LDC Nepal
- Major shifts in entitlements to AMS support above *de minimis* allowances
- China's New BTAMS is 3 times India's New BTAMS and is 71% of present EU BTAMS
- USA declines from BTAMS of USD 19.1 billion to New BTAMS of USD 14.3 billion
- Mexico sees large drop
- Other developing & Georgia go from no BTAMS to some New BTAMS (Georgia 0.035)

Size of New CTAMS?

<i>USD bill.</i>	China	India	EU	USA	Japan	Mexico	Georgia	Chile	Nigeria	Nepal
CTAMS	12.2	6.3	6.1	18.2	6.1	0.1	none	0	none	0
BTAMS	0	none	85.4	19.1	36.0	12.4	none	none	none	none
New BTAMS	60.5	20.4	18.5	14.3	3.4	2.3	0.0	0.6	1.0	0.7
New CTAMS	18.1	31.4	11.8	32.7	6.1	0.7	0	0	0	0

Highlight: New CTAMS of India, United States and Japan exceeds New BTAMS

- New CTAMS includes
 - China: AMSs larger than 10% (also larger than 8.5%) and blue box payments
 - India: rice AMS larger than 10% and Art. 6.2 subsidies
 - EU: AMSs larger than 4% (butter, wheat and others) and blue box payments
 - USA: AMSs larger than 4%; non-product-specific AMS (3.7%) larger than 3%
 - Japan: AMSs larger than 4% (same as in present CTAMS)
 - Mexico: coffee AMS larger than 10% and Art. 6.2 subsidies
- Georgia, Chile, Nigeria, Nepal: small or no AMSs; Art. 6.2 subsidies exempted

What difference if using LRP to calculate MPS?

LRP = *lagged moving average reference price*

	<i>USD bill.</i>	China	India	EU	USA	Japan
	CTAMS	12.2	6.3	6.1	18.2	6.1
	BTAMS	0	none	85.4	19.1	36.0
	New BTAMS	60.5	20.4	18.5	14.3	3.4
With MPS as notified	New CTAMS	18.1	31.4	11.8	32.7	6.1
With MPS using LRP	New CTAMS	9.5	0	5.9	31.1	3.8

Highlight: Most MPSs eliminated or reduced; India exempts Art. 6.2 support

- New CTAMS with MPS using three-year average reference price, lagged one year
 - China: wheat and rice MPSs stay below 10% but shrink; corn goes below 10%
 - India: several price gaps go negative; all other MPSs stay below 10% but shrink
 - EU: butter and wheat price gaps go negative; no MPS in New CTAMS
 - USA: sugar price gap goes negative; sugar AMS consists of net payments only
 - Japan: beef price gap goes negative; pork gap increases as ref price declines

Assessment

without considering political feasibility

- **A New BTAMS for every member is more equitable**
 - Proportional to member's potential to distort world market
- **Smaller *de minimis* percentages for some members**
 - More AMSs included in these members' New CTAMS
 - More large AMSs competing for room within New BTAMS
- **Conditionality of exempting Arts. 6.2 and 6.5 support**
 - A large AMS => New CTAMS includes 6.2 and 6.5 support
- **Price support measured with updated reference price**
 - Replaces artificial and misleading indicator of support
 - Meaningful measurement enables policy advice to be more economically relevant

Trade-distorting domestic support: Exercise leaves out many issues, such as ...

- **Immunity against disputes when AMS support is excessive**
 - **Conditionally available in particular circumstances**
- **Limits on size of individual AMSs**
- **Revision of green box criteria**
- **Transparency in notifications – room for improvement**
 - **Notifications outstanding for recent or many years**
 - **Information lacking on how rules are being followed**
 - **Effect of change in notification practices**
- **Arguments and findings in dispute proceedings**
- **Cotton support**

First-round snapshots: Scope for further work

- Calibration and sensitivity analysis, such as
 - BTAMS at 4% of value of production
 - 3%? 5%? Differentiated?
 - *De minimis* percentages at 4% & 3% and also 10% & 5%
 - 3% & 4% and 5% & 10%? Other combinations? How does 8.5% fit?
 - Lagged moving average reference price as 3-year average
 - 5-year average? Olympic? One-year lag or longer?
 - Outcomes calculated with 2016, 2018 and 2019 data
 - What difference if using data for more recent years?
- Combine with analysis of other issues
- Economic effects?

Thank you!

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Notes and sources

- The ideas regarding BTAMS, *de minimis* percentages, and conditionality of Art. 6.2 and 6.5 exemptions circulated among some members in 2021 and were proposed for the author to evaluate. This analysis is independent of the author's various contributions to suggested ways forward in the ongoing negotiations.
- The use of a lagged moving average reference price in calculating market price support has been suggested in various contexts. Evaluated for wheat in China and India over time, its use was found to improve correspondence with economic support. See Brink, L. and D. Orden. 2020. Taking stock and looking forward on domestic support under the WTO Agreement on Agriculture. IATRC Commissioned Paper 23. <https://ageconsearch.umn.edu/record/303559>