

Classifying, Measuring and Analyzing Domestic Support in Agriculture: Some Conceptual Distinctions

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necessarily those of Agriculture and Agri-Food Canada.**

Outline

- **Agreement on Agriculture**
 - classification of DS measures
 - measurement of domestic support
 - applied support vs. bound commitment
- **Doha negotiations**
 - additional commitments on certain measurements in DS
- **Challenges in quantitative analysis**
 - parallel and overlapping commitments
 - classification and measurement: past vs. current & future
 - projecting and incorporating policy change
 - MA: many simple commitments; DS: few but complex commitments

Does AA define coloured boxes? No

- **Classification of “measures”**
 - **start: all DS measures in favour of agricultural producers**
 - **separate Annex 2 measures: call them green**
 - » **must meet fundamental requirement and criteria**
 - **rest are non-green measures (distorting)**
 - **separate Art. 6.2 measures: no colour**
 - **separate Art. 6.5 measures: call them blue**
 - **rest are non-exempt non-green measures**
 - **AA defines no box for residual: some call them amber**
 - **many concepts called amber: very fluid label**
 - » **trick question: is *de minimis* amber or not?**

... measures in favor of agricultural producers

**Non-green
measures**

**Green box
measures**

**Special & differential
measures**

Blue box measures

**Non-exempt
measures**

Measurement of support – why?

- **Commitment in Schedule**
 - “**Final Bound Total AMS**” (Total AMS commitment)
 - single amount
 - size matters; how it was derived matters less
- **Every year: calculate “Current Total AMS”**
 - defined in AA
 - method in AA
 - size matters; how it is derived matters much
- **Current Total AMS must not exceed Total AMS commitment**

... measures in favor of agricultural producers

Non-green
measures

Green box
measures

Special & differential
measures

Blue box measures

Non-exempt
measures

Current
Total AMS

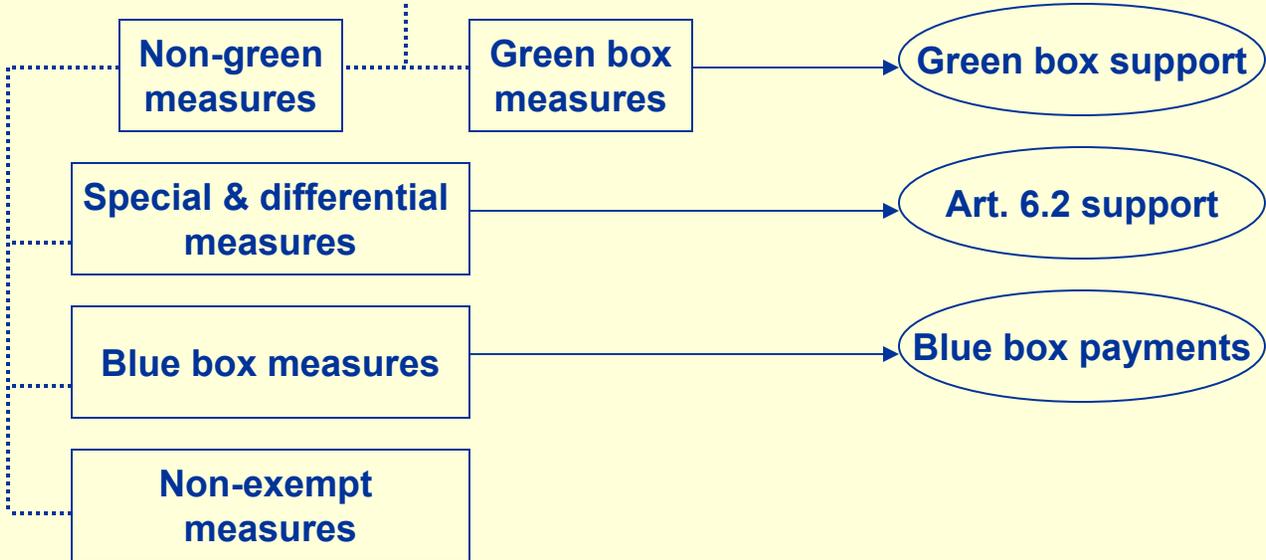
must
not exceed

Total AMS
commitment

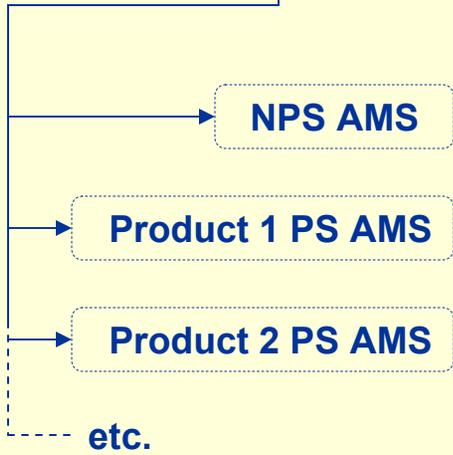
What is Current Total AMS?

- **What Current Total AMS is not**
 - support under green measures is exempt
 - support under Art. 6.2 measures is exempt
 - support under blue measures is exempt
- **Current Total AMS is**
 - a sum of AMSs
 - where
 - **Aggregate Measurement of Support means**
 - aggregation of support across policy types
 - » various payments, price support
 - AMSs by definition are product-specific AMSs (many)
 - » and NPS AMS (one)

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Calculate AMSs



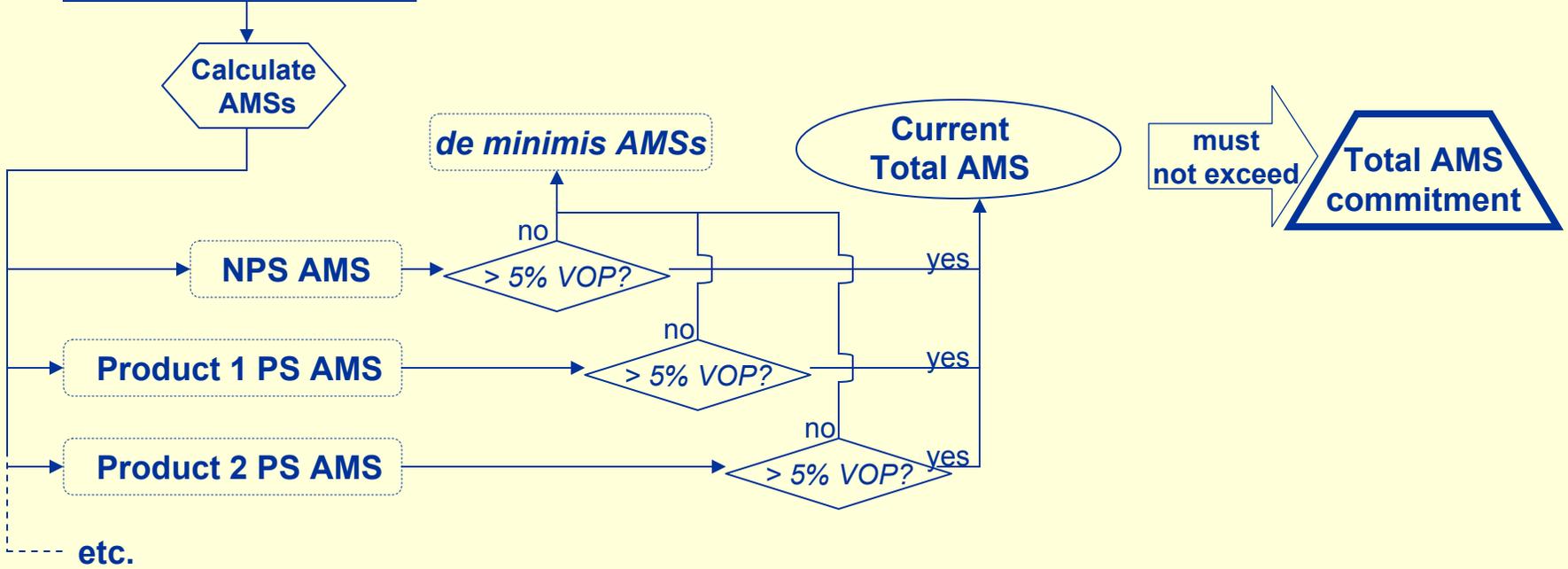
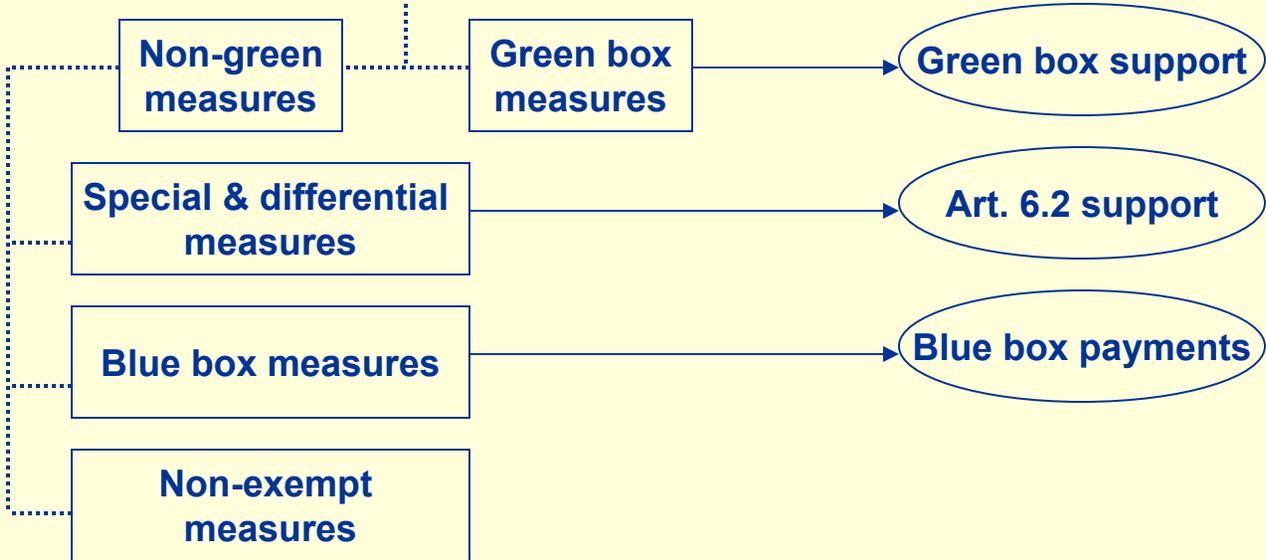
Current Total AMS



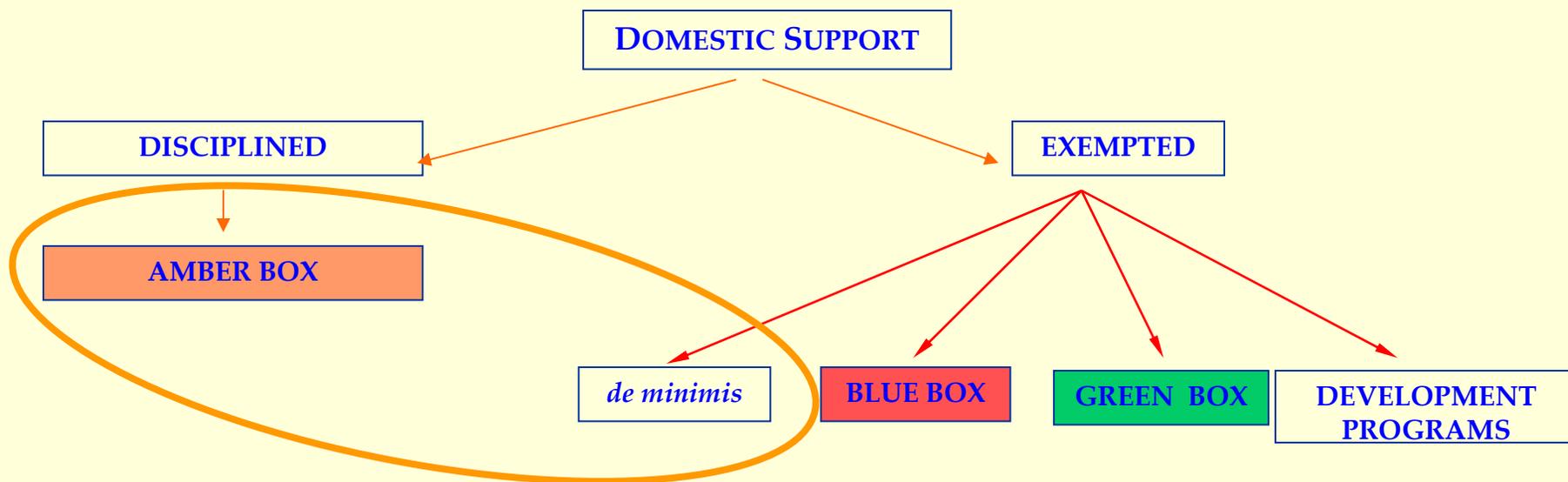
But there are *de minimis* rules

- **Any AMS that is small enough can be left out of Current Total AMS**
 - whether a PS AMS or NPS AMS
- **Small enough?**
 - no more than 5% of current value of production

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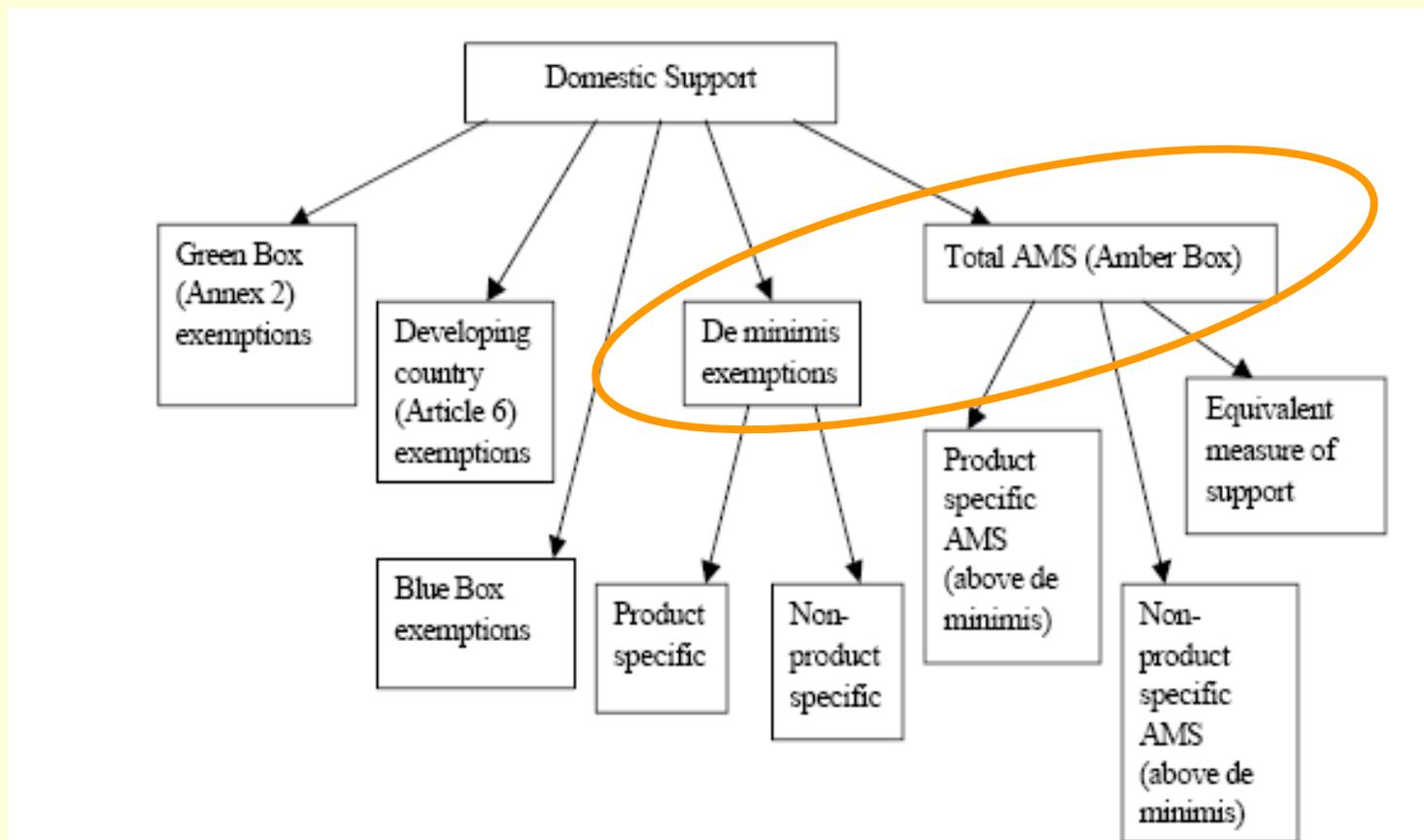


Is *de minimis* amber?



Source: Part of scheme in Jensen and Yu (2006),
sourced in Baffes and de Gorter (2005).

Is *de minimis* amber?



Source: Josling (2003)

Is *de minimis* amber? Views vary!

- *De minimis* is amber
 - Panagariya
 - Sumner
 - European Commission
 - G20, G33
- *De minimis* isn't amber
 - Baffes and de Gorter
 - Josling
 - USTR (Dep. Asst.)
 - South Centre

May depend on context of statement:

“amber” is used to mean Total AMS commitment,
Current Total AMS, non-exempt measures, non-exempt support
and perhaps more



These are examples only. Authors or institutions
may at different times have revealed different views.

... measures in favor of agricultural producers

Non-green measures

Green box measures

Green box support

Special & differential measures

Art. 6.2 support

Blue box measures

Blue box payments

Non-exempt measures

Calculate AMSs

de minimis AMSs

Current Total AMS

must not exceed

Total AMS commitment

NPS AMS

> 5% VOP?

Product 1 PS AMS

> 5% VOP?

Product 2 PS AMS

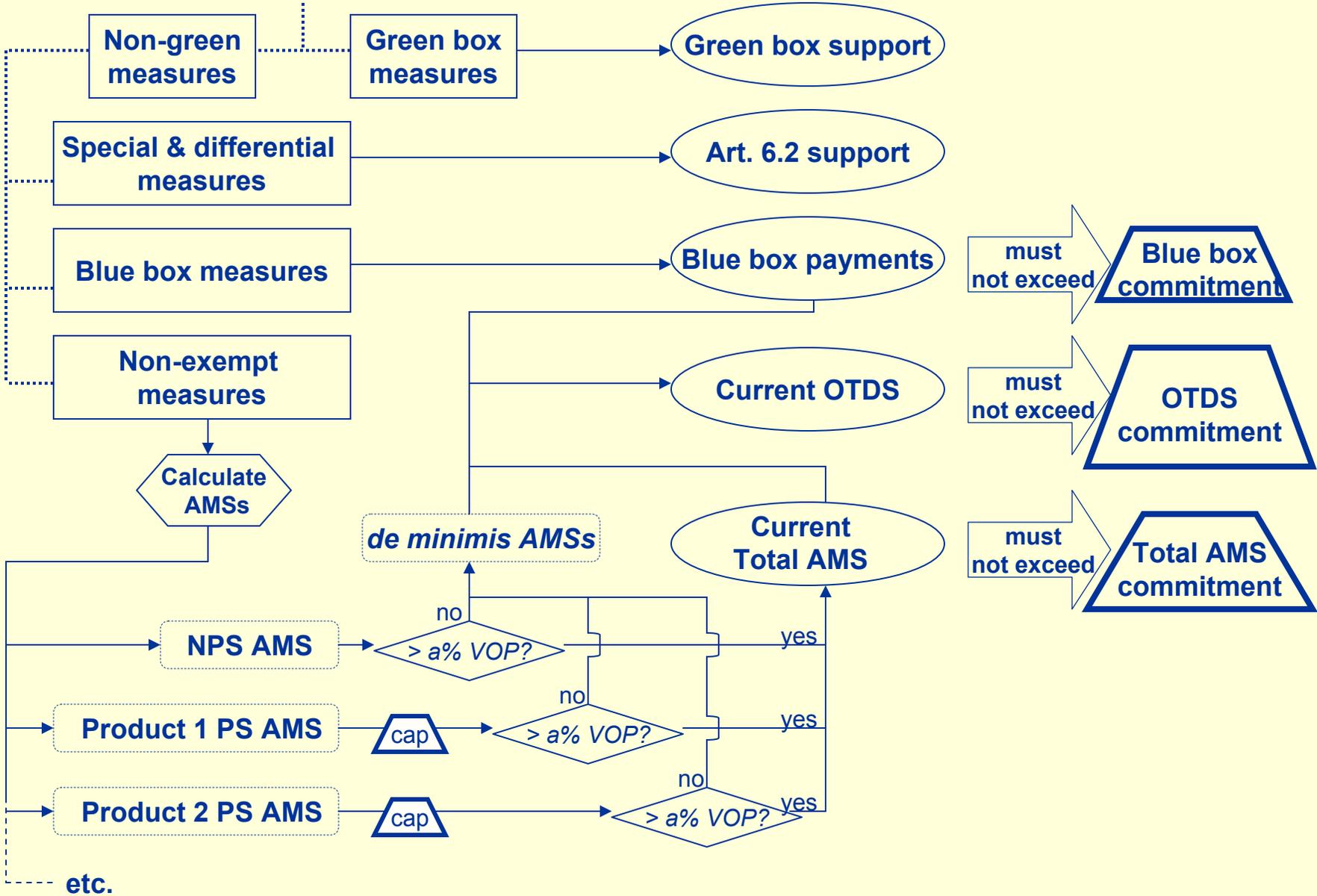
> 5% VOP?

etc.

What's new in 2004 Framework?

- **Changing size of existing concepts**
 - Expand set of measures allowed as blue
 - Smaller *de minimis* percentage for some
 - Smaller Total AMS commitment
- **New concepts**
 - Caps on PS AMSs (not on NPS AMS)
 - Commitment on blue
 - Commitment on OTDS

... measures in favor of agricultural producers



Seemingly problematic distinctions

- **Applied support vs. bound commitment**
- ***De minimis* threshold (allowance) vs. *de minimis* AMS**
- **WTO measurements and OECD measurements**
- **Support vs. subsidy**
 - “price support”
 - perhaps no distinction?

Technical challenges in analysis

- **Commitments on overlapping measurements of applied support**
 - commitments on product-specific AMSs
 - commitment on Total AMS
 - Current Total AMS includes applied non-*de minimis* PS AMSs
 - commitment on blue payments
 - commitment on OTDS
 - Current OTDS includes
 - Current Total AMS
 - blue payments
 - applied *de minimis* AMSs
- **All-or-nothing inclusion of AMSs in Current Total AMS**
- **Endogenous VOP-driven size of *de minimis* threshold**

Difference between DS and MA

- **Measurements of applied DS can change dramatically from unilateral policy change**
 - **change in classification of measures**
 - **change in amount of support**
 - **change in several measurements at same time**
- **Unilateral changes in applied tariffs and TRQs**
 - **less common, less comprehensive and more reversible than DS changes? (EU CAP reforms and US Farm Bills)**

Commitment “overhang”

- **Time specificity and policy change**
 - classification of measures can be year-specific
 - measured applied support is year-specific
- **Incorporate policy change from base year (2001) into base scenario?**
 - policy change from 2001 till when? 2006?
 - assume notification behaviour?
 - U.S. Direct Payments, EU SFP
 - consider expected/likely policy changes after 2006? Where to stop?
 - EU wine, f&v? how much blue?
 - **MPS in AMS vs. border measures**

Communications challenge in analysis

- **Complex web of concepts**
- **Confusing terminology (to some)**
- **Communicate findings of analysis?**
 - **to other analysts**
 - could perhaps do better
 - **to those who influence policy**
 - could do much better

Thank you!
