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

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Presented at the annual meeting of the International Agricultural Trade Research Consortium (IATRC), St. Petersburg, Florida, December 3-5, 2006. The views expressed are those of the author alone and not 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)
... measures in favor of agricultural producers

- Non-green measures
  - Special & differential measures
  - Blue box measures
    - Non-exempt measures
      - Calculate AMSs
        - NPS AMS
        - Product 1 PS AMS
        - Product 2 PS AMS
        - etc.
  - Green box measures
    - Green box support
    - Art. 6.2 support
    - Blue box payments

Current Total AMS must not exceed Total AMS commitment
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
... measures in favor of agricultural producers

- Non-green measures
  - Special & differential measures
  - Blue box measures
  - Non-exempt measures

  Calculate AMSs

  \[ \text{de minimis AMSs} \]

  - NPS AMS
    - > 5% VOP?
      - no: Product 1 PS AMS
      - yes: Product 2 PS AMS

  - Product 1 PS AMS
    - > 5% VOP?
      - no: Product 2 PS AMS
      - yes: Current Total AMS

  - Product 2 PS AMS
    - > 5% VOP?
      - no: Product 1 PS AMS
      - yes: Current Total AMS

- Green box measures
  - Green box support
  - Art. 6.2 support
  - Blue box payments

> 5% VOP? Must not exceed Total AMS commitment
Is *de minimis* amber?

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
- Special & differential measures
- Blue box measures

Green box support
Art. 6.2 support
Blue box payments

- Non-exempt measures
- Calculate AMSs

- Current Total AMS
  - de minimis AMSs
  - Must not exceed

- NPS AMS
- Product 1 PS AMS
- Product 2 PS AMS
- etc.

Calculate AMSs:
- > 5% VOP?
  - no
  - yes

Total AMS commitment
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

- Non-green measures
- Special & differential measures
- Blue box measures
- Non-exempt measures

Calculate AMSs

Green box measures

Green box support

Art. 6.2 support

Blue box payments

Blue box commitment

Current OTDS

OTDS commitment

Current Total AMS

Total AMS commitment

de minimis AMSs

NPS AMS

Product 1 PS AMS

Product 2 PS AMS

etc.

Commitment AMSs must not exceed > a% VOP?

Commitment AMSs must not exceed > a% VOP?
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!