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# WTO Domestic Support in Agriculture: Estimating the Future Constraints

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# Background

- DDA negotiators need to agree on modalities
  - Members will use the modalities to prepare draft schedules of commitments
- Domestic support commitments
  - Ceilings not only on Total AMS, as now, but also on other measurements of distorting support
- Rules of new agreement also in modalities
  - Follow rules in future to calculate what support counts against which ceiling, e.g.:
    - green box criteria
    - blue box criteria
    - *de minimis* percentages

## DS in Draft Modalities

- Draft modalities prepared in July 2007
  - DS significant share of modalities text
    - 46 paragraphs out of almost 200
  - OTDS, Total AMS, PS AMSs, Blue, PS blue, *de minimis* percentage, cotton
- Example
  - Harmonizing tiered reductions for OTDS and Total AMS
    - Need to place Members in three tiers
- But: Special rules for many other groups of Members
  - About 29 combinations groups and “treatment”
  - “Additional effort”, S&D, RAM, SLIRAMET, NFIDC, etc.

## Purpose and Method of Analysis

- Examine size and nature of shifts in support entitlements
  - From present to future (after reductions)
  - By group of Members identified in draft modalities
  - For each type of commitment or rule
- Place each Member in applicable group
- Estimate present and future entitlement of each group
  - Not examined: PS disciplines (AMS, blue)
  - Note: 21 December 2007 Working Docs not incorporated

# Data and Assumptions

- VOP if possible; otherwise agriculture GDP
  - World Bank: World Development Indicators
- Establish Base OTDS, FB Total AMS and Blue ceiling
  - Each Member's local currency (1995-2000 VOP)
  - Convert to US\$; sum across Members in applicable groups
- Reduce from Base OTDS and FB Total AMS as per draft modalities, for each Member
  - Convert to US\$; sum across Members in applicable groups
- *De minimis* allowances
  - "Present" calculated from 2001-03 VOP (most complete data)
  - Convert to US\$; sum across Members in applicable groups
  - Project group VOP to 2023 in US\$
    - 15 years after 2008 completion of DDA
  - Reduce *de minimis* percentages as applicable
  - Calculate 2023 *de minimis* allowances

# Data Challenges

- Data challenges
  - VOP for components of Base OTDS and for future *de minimis* allowances
    - Effect of difference between agr GDP and (larger) VOP?
    - Effect of anchoring analysis of all amounts (past and future) on 2006 value of US\$?
- Particular needs
  - EU27: Calculate 1995-2000 bases and VOP
  - Particular situations
    - “additional effort” Members
    - 40% and 25/80% clauses in blue

# Overview of Groups within 123 Members

	OTDS	Total AMS	<i>De min.</i>	Blue
<b><u>Developed countries (21)</u></b>				
Tier 1	1 (EU27)	1 (EU27)		
Tier 2 additional effort	1 (Japan)	1 (Japan)		
Tier 2	1 (USA)	1 (USA)		
Tier 3 additional effort			3	
Tier 3	14	6		
SLIRAMET	4	1	4	
Without Total AMS commitment		8		
General			17	20
Special case				1
<b><u>Developing countries (102)</u></b>				
With Total AMS commitment	12	12	10	
NFIDC	4	4	4	
RAM			2	
Subsistence and resource-poor			?	
Without Total AMS commitment	86	86	86	
General				101
Special case				1

Note: EU27 counted as one, Switzerland-Liechtenstein counted as one. SLIRAMET: Small Low Income Recently Acceded Members with Economies in Transition; NFIDC: Net Food Importing Developing Countries; RAM: Recently Acceded Members

## Commitments: Share of World Total Before and After DDA Implementation

	OTDS		Total AMS		Blue box
	Before	After	Before	After	After
EU27	39%	15%	54%	44%	24%
USA	13%	9%	11%	12%	14%
<b><u>All developed</u></b>	<b>72%</b>	<b>37%</b>	<b>91%</b>	<b>82%</b>	<b>53%</b>
Developing <u>with</u> Total AMS	8%	12%	9%	18%	
Developing <u>without</u> Total AMS	20%	50%	NA	NA	
<b><u>All developing</u></b>	<b>28%</b>	<b>63%</b>	<b>9%</b>	<b>18%</b>	<b>47%</b>
of which: China	10%	26%	NA	NA	19%
<b><u>All Members</u></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

NA: not applicable

## *De minimis* Allowances: Share of World Total Before and After DDA Implementation

	Before	After	Year 2023	Year 2023	VOP instead of GDP
	2001-03	2001-03	2001-03 + <u>21%</u>	2001-03 + <u>21%</u>	2001-03
Calculated from VOP					
<b><u>Developed</u></b>	<b>31%</b>	<b>17%</b>	<b>15%</b>	11%	13%
Calculated from VOP	2001-03	2001-03	2001-03 + <u>42%</u>	2001-03 + <u>105%</u>	2001-03 non- China VOP + 50%
<b><u>Developing</u></b>	<b>69%</b>	<b>83%</b>	<b>85%</b>	89%	87%
<b><u>All Members</u></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Discussion

- OTDS
  - Base OTDS:
    - 72% of world total in developed countries
    - 28% in developing countries
      - Mainly VOP-based Base OTDS in developing countries
  - New OTDS commitments
    - 37% of world total commitments in developed countries
      - Their share of commitments about half of share of Base OTDS
    - 63% in developing countries
      - China alone accounts for 26 % of world total
- Total AMS commitments
  - Some reduction of share of developed countries in world total commitments
  - But developed countries to account for more than 80% of world total

## *De minimis* Allowances

- World VOP in agriculture
  - Developed countries: less than half; developing: more than half
- Before reducing *de minimis* percentages:
  - Developed countries 31% of world total allowances
  - Developing countries 69%
- After reducing *de minimis* percentages
  - Developed countries less than 20% of world total allowances
  - Developing countries more than 80%
- Assume agriculture sector in developing countries grows faster than in developed countries (nominal VOP)
  - By 2023
    - developed countries: 15% of world total *de minimis* allowances
    - developing countries: 85%

## Sensitivity Analysis

- Apply lower end of draft modalities OTDS cuts instead of upper end
  - Developed countries' share of world total entitlements to OTDS is 8 percentage points larger (45/55 instead of 37/63)
- If all developing countries were to use proper VOP instead of GDP in agriculture
  - Their share of world total *de minimis* allowances increases by a couple of points
    - Note: China already uses proper VOP

## Future Entitlements of Developing Countries

- Continued small share of world sum of Total AMS commitments
- But: their sum of OTDS commitments is 50% larger than developed countries'
  - As percentage of their respective VOP
- *De minimis* allowances
  - 80-90% of world total in developing countries
    - Although only a bit more than half of world total agr VOP
  - Their share of world total set to increase
    - As their VOP grows faster than developed countries' VOP

# No Limit on Some Distorting Support

- All developing countries can use Article 6.2 without limit
  - Certain investment subsidies and input subsidies
  - Input subsidies are highly distorting support (OECD)
    - distorts more than price support, more than output payments
- At least one developing country escapes ceiling on blue box payments
- New suggestions regarding developing countries
  - Certain price support to be exempt from limits
  - Some backtracking on accession commitments of recent Members

## Experience of Applying Draft Modalities

- Identification of many different groups of Members
  - Very complex job to evaluate Members' draft schedules
  - “What percentages should apply to this Member?”
- End result in world totals not necessarily much different
  - But potential for large differences of treatment between Members in different groups
- Many developing countries do not have data on VOP
  - Their OTDS commitments to be based on agr GDP?

# Conclusion

- Most developed countries take much greater reductions than most developing countries (as intended)
- Developing countries' entitlements to distorting support
  - Reduced only modestly, if at all
  - No limit on certain distorting support
- DDA agreement on agriculture based on draft modalities
  - Constrains all non-green support in developed countries
  - Constrains only some distorting support in developing countries
  - Developing countries' limits & allowances are considerably larger, in relation to VOP, than developed countries'
- Long term: 2023
  - Many developing countries becoming more able to support agriculture
    - + Russia, Ukraine etc.
  - Some may choose to support agriculture more than now
  - Ample or unlimited future room to provide distorting support



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