

# Policy space for farm support: India, China, US and EU

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Many countries say the WTO\*  
limits their policy space

\* World Trade Organization

- What is policy space?
- How much is there?

## Analysis

- WTO Agreement on Agriculture
  - Rules on domestic support in agriculture
    - Classify support policies
    - Measure support in particular ways

- Classify policies how? Use WTO criteria
  - Two kinds of policies
  - One kind is exempt from WTO limits
    - Green, blue and development “boxes”
    - **Unlimited space for support!**
  - Other kind is subject to limits
    - Must measure support: use AMS
      - Aggregate Measurement of Support

- Many AMSs
  - Several products: one AMS for each
  - One AMS for agriculture sector as a whole
  - Each AMS adds support of different types
- Limits on AMS support can be complex
- Limits on AMS support differ among countries

	Space for AMS support (= sum of limits)
India	20% of VOP in agriculture <small>Value of Production</small>
China	17% of VOP in agriculture
USA	10% of VOP + US\$ 19.1 billion
EU	10% of VOP + US\$ 100 billion <small>€ 72 billion</small>

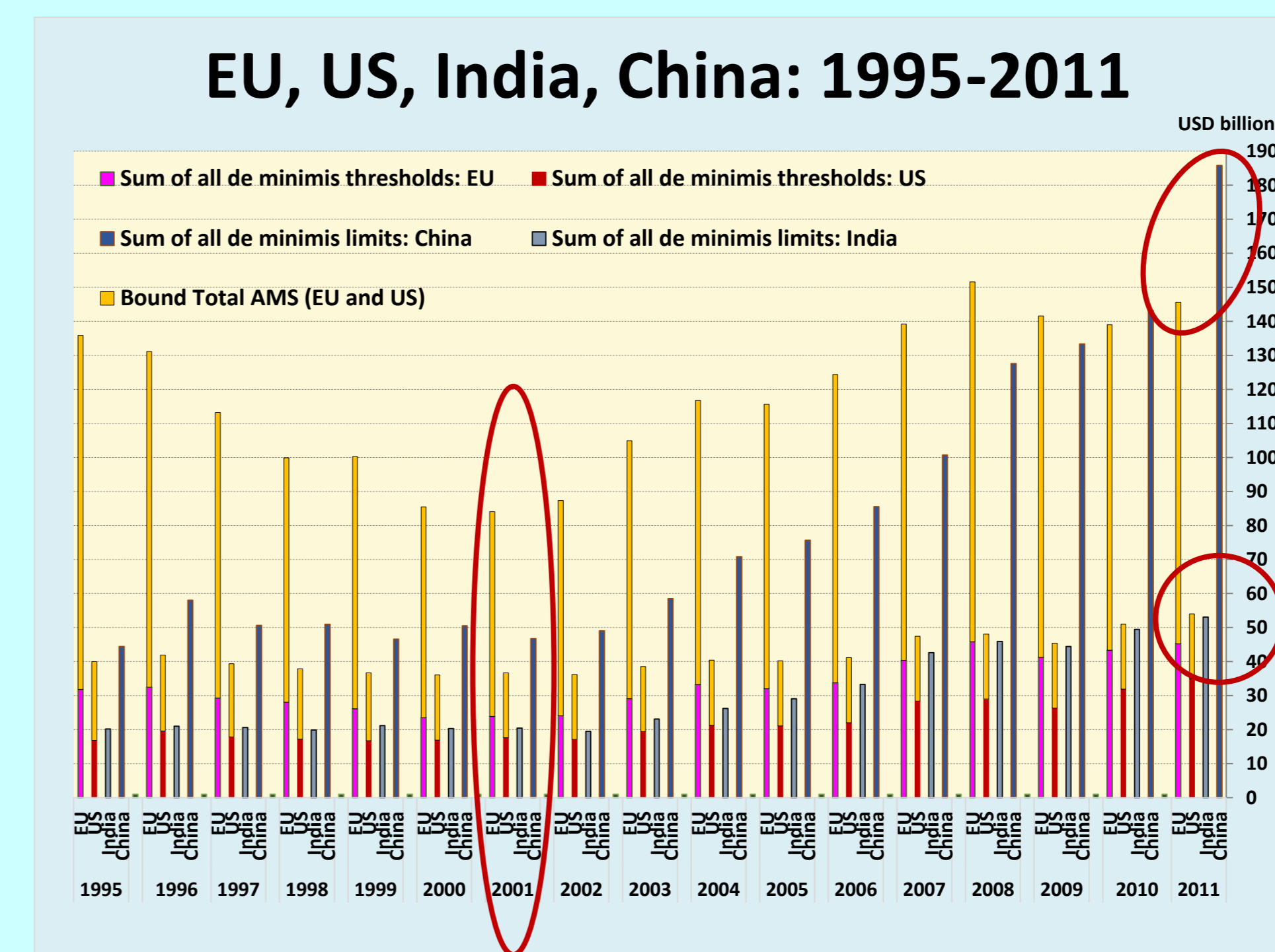
- This is potential space for AMS support
  - Is theoretical maximum for India and China
  - Assumes support for all products; perfect management of policies and support
- Overstates practically available space
  - Overstates even theoretical space for USA and EU: some double-counting

Technical explanation – may be skipped

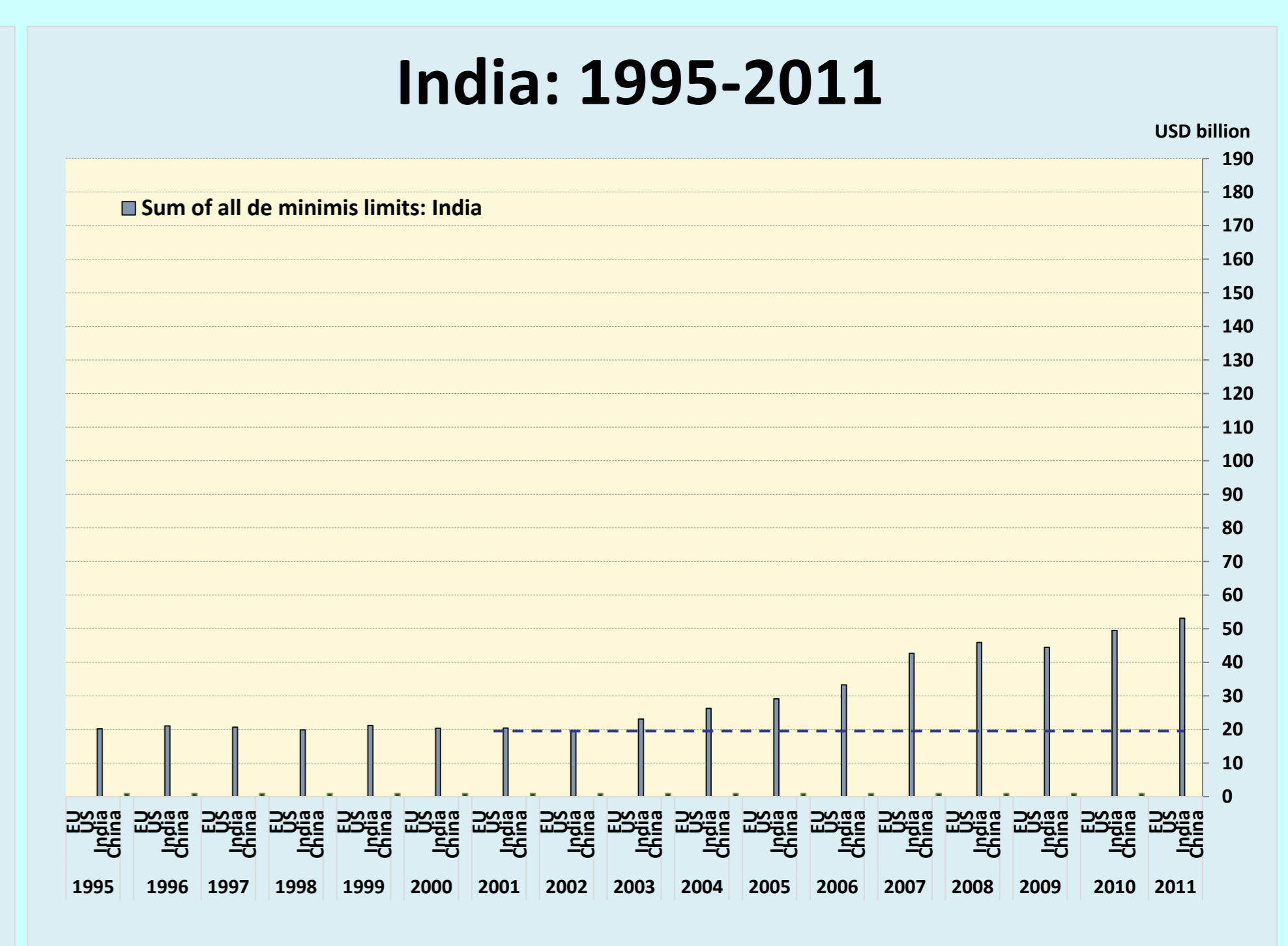
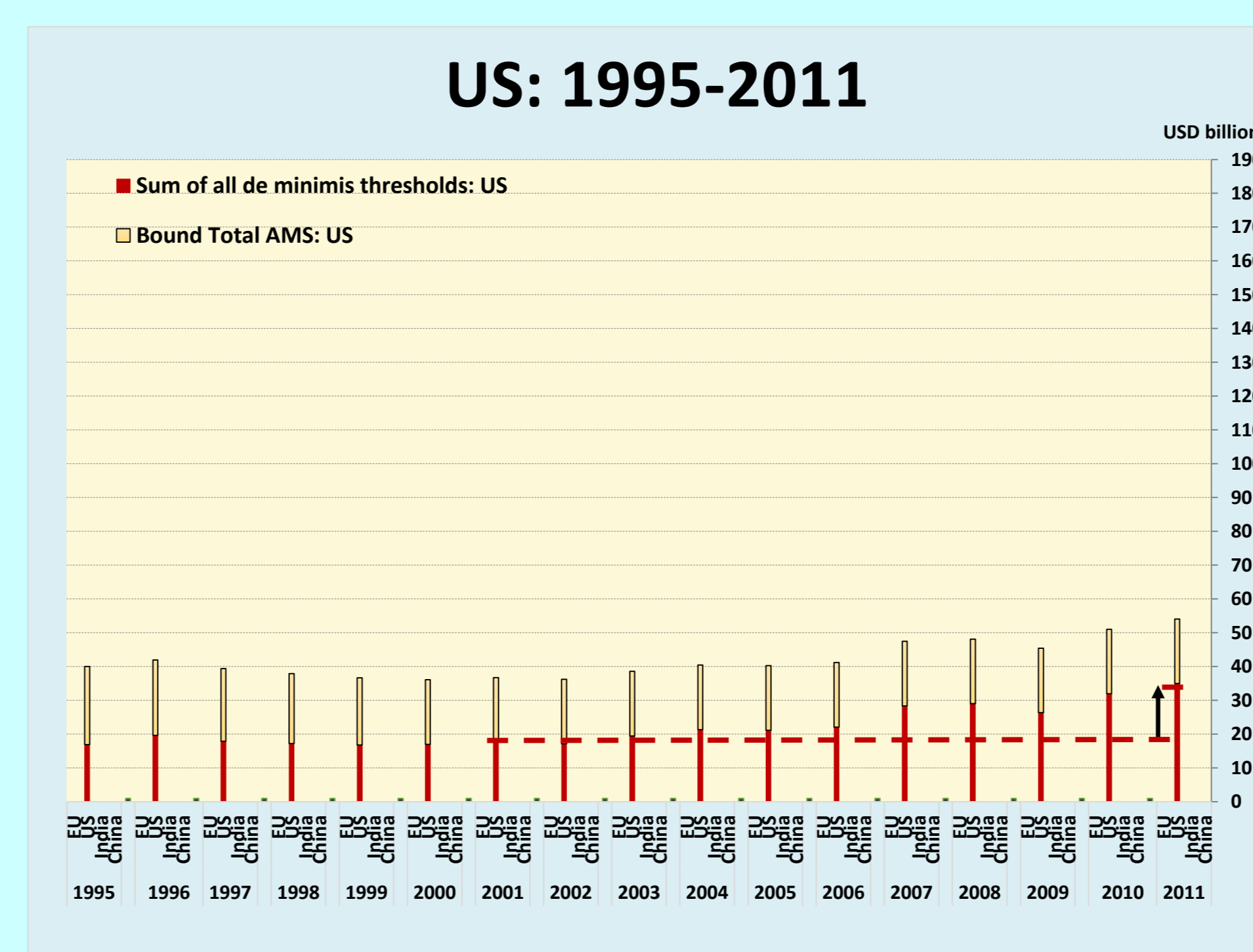
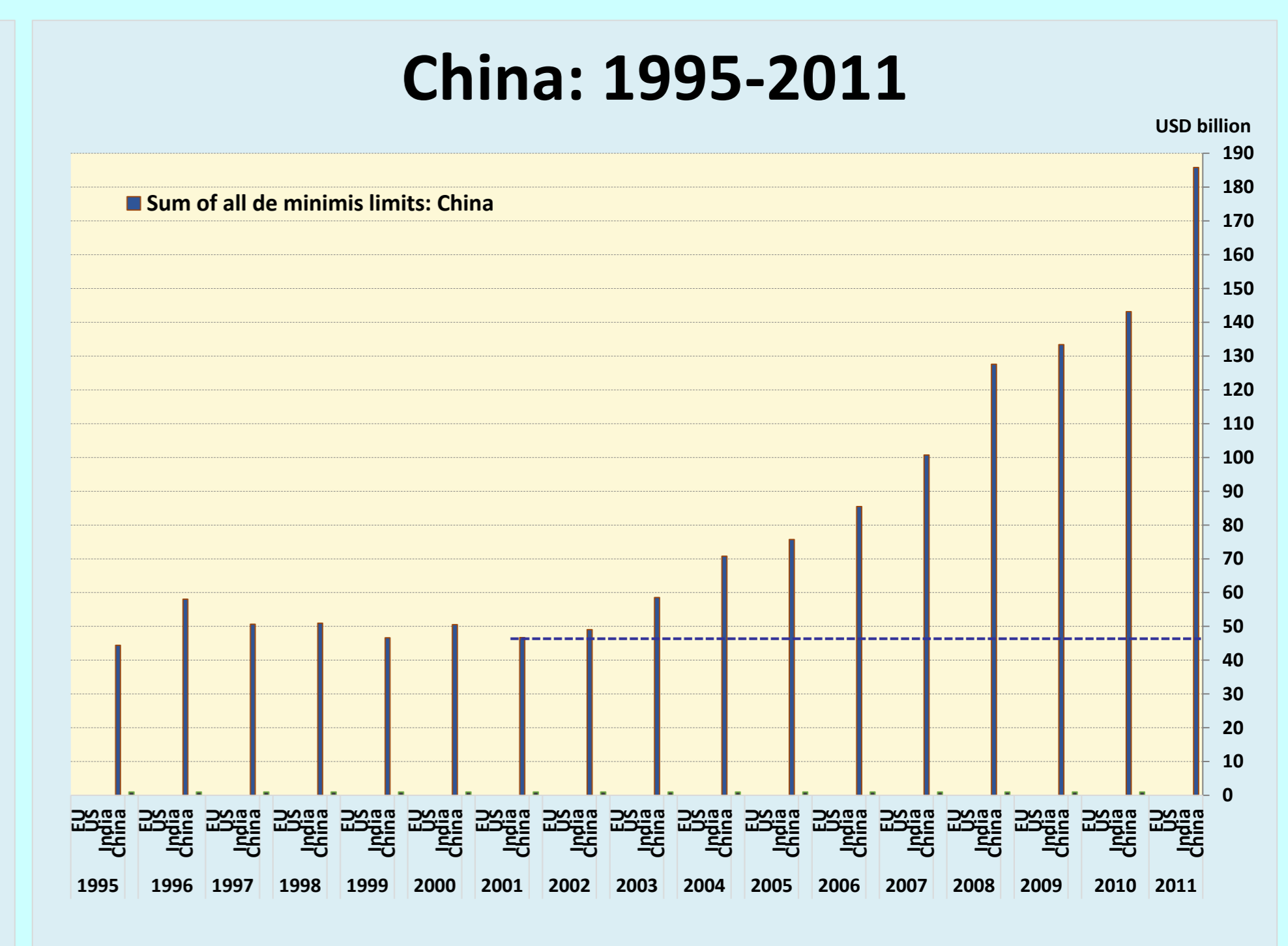
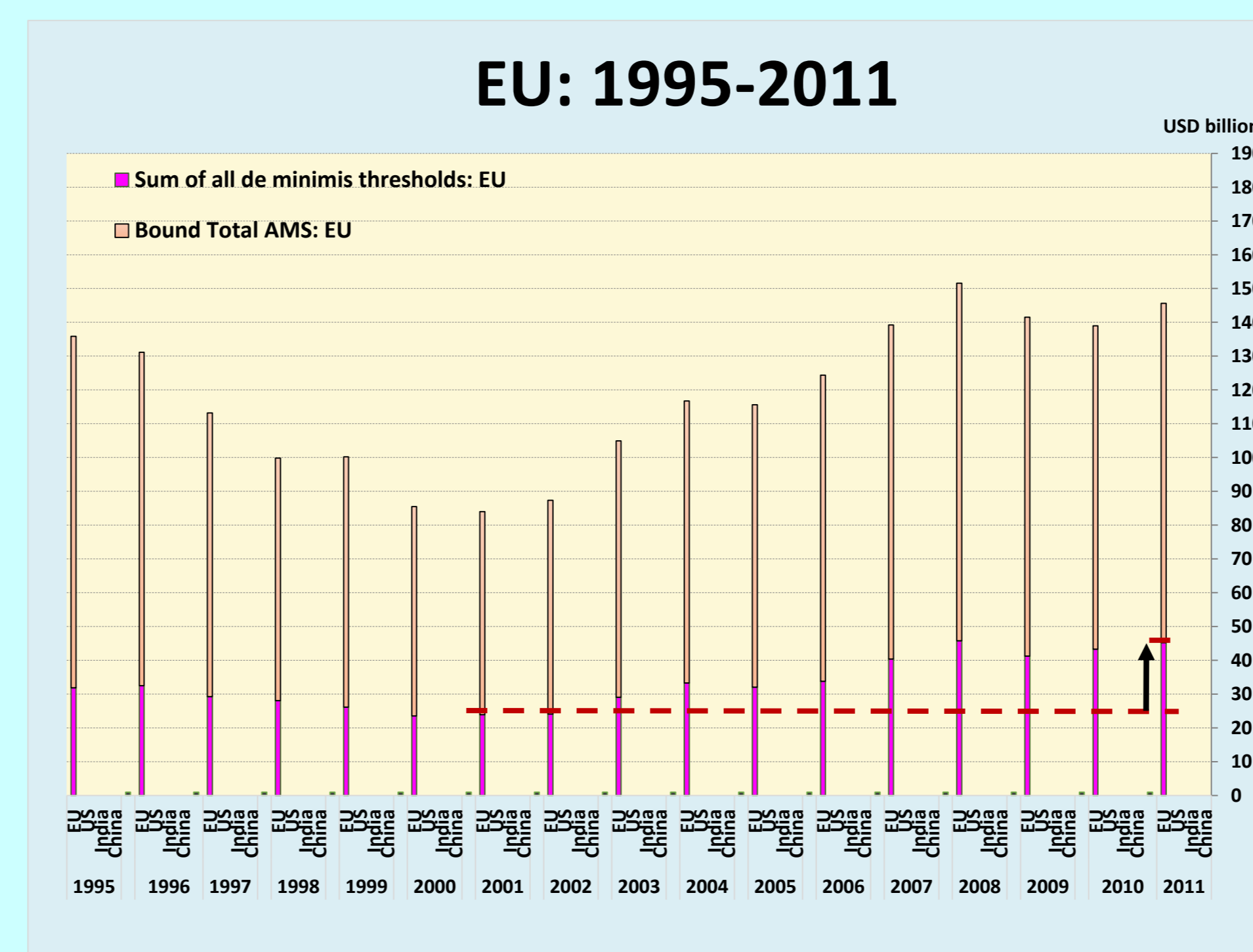
- *De minimis* percentage is 10%, 8.5%, 5% and 5%
- Count sum of all potential *de minimis* AMSs as policy space: agriculture US\$ VOP from FAOSTAT
- E.g., 10% of VOP of all individual products + 10% of VOP of agriculture sector = 20% of VOP in agr
- USA and EU: add Bound Total AMS in US\$ to all *de minimis* space

## Findings

- Some kinds of farm support face no limits because of WTO policy criteria
- Other kinds: limits based on value of production have increased since 2001
  - Fastest increase in China’s and India’s limits
  - China now has more space than the EU for farm support subject to limits
  - India now has about same space as USA for farm support subject to limits
- Fixed WTO limits of the EU and USA are shrinking in relative importance
- Theoretical picture of limits: not all support space is or can be used in practice



Combine all four charts into one - same scale in US\$ billion



- How has policy space changed over time?
  - One part grows with growth in values of production of each product and agr sector
  - EU and USA also have a second part - it is fixed since year 2000 (in euros for EU)

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