Agriculture: Domestic Support & Export Subsidies

National Stakeholder Consultation on WTO Negotiations

8-9 December 2009

Subject of Presentation

- Domestic Support & export subsidies: Can the farming fields be leveled?
- Reduction in Domestic Support & Export subsidies: Who will reduce support & by what amounts?

Some questions….

- What is domestic support?
- How is it linked to trade?
- What are the WTO rules on domestic support?
- What are India's commitments?
- What happens in the Doha Round?
- Implications for India?
- Finally….can the farming fields be leveled?

Legal Provisions/Commitments

- Agreement on Agriculture (1.1.95)
  - Specialised Agreement
  - Defines “agricultural products” - basic agricultural products + products derived from them + processed agricultural products
    - also includes wines, spirits, tobacco products, fibres, raw animal skins
    - Excludes fish & fish products, forestry products (NAMA)
- Commitments contained in Members’ Schedules

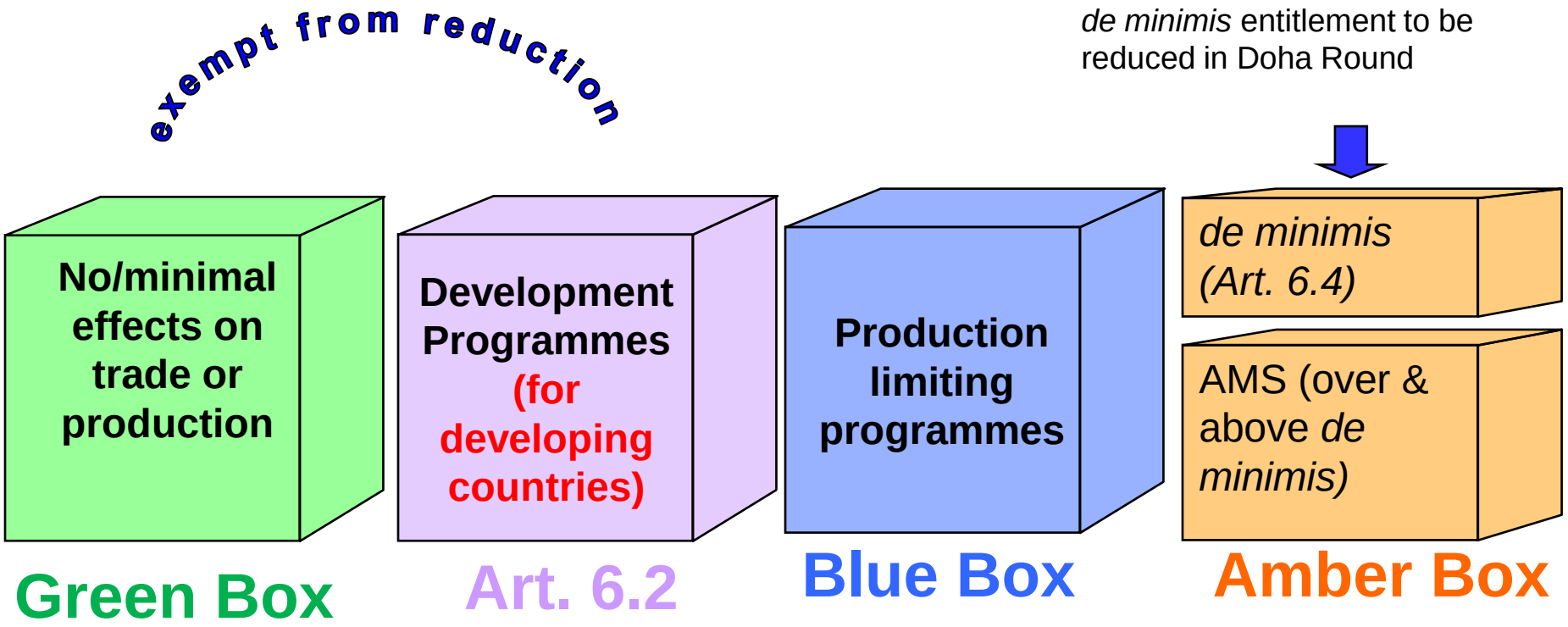
Domestic Support: in the Uruguay Round

- Fundamental change in treatment of domestic support
- Establishment of disciplines coupled with reduction commitments
  - distorting; and
  - non-distorting
- exempt vs. non-exempt support
- Change in design of agricultural policies

Total Domestic Support: the "Boxes"

de minimis exempt from reduction: upto 5%/10% of value of production for DCs/DGCs

de minimis entitlement to be reduced in Doha Round



Main users of domestic support – DCs; developing countries have budget constraints

Source: adapted from WTO presentation

Green Box

Basic criteria

- No, or at most minimal, trade-distorting effects or effects on production

Assistance:

- Provided through publicly funded government programme
- Not involving transfers from consumers
- Not resulting in price support to producers

Source: adapted from WTO presentation

Green Box – Scope

General services, including:

- research
- pest and disease control
- training
- extension/advisory services
- inspection
- marketing and promotion
- infrastructural services

Public stockholding for food security and domestic food aid

Direct payments, including:

- decoupled income support
- income insurance and income safety-net
- relief from natural disasters
- structural adjustment assistance
  - producer retirement
  - resource retirement
  - investment aids
- environmental programmes
- regional assistance programmes

Source: adapted from WTO presentation

Green Box

- Measures can be used freely, as long as they meet Annex 2 criteria
- New programmes can be introduced & old ones can be modified
- Continuous obligation to ensure that programmes are & remain Green

Blue Box

Direct payments under production-limiting programmes <u>exempt from reduction</u> if:

- based on fixed area and yields; or
- made on ≤ 85% of base level of production; or
- livestock payments are made on a fixed number of head

Amber Box – Current Total AMS

Any form of domestic support not included in either the Green or Blue Boxes or under Article 6.2

De minimis allowance

Market price support
Non-exempt direct payments (e.g. loan deficiency payments, grants, compensatory payments)
Other non-exempt measures

→ **Product-specific support**

+

Water subsidies
Fertilizer subsidies
Crop insurance
Subsidized credits

→ **Non-product-specific support**

↓

Current Total AMS

Source: adapted from WTO presentation

Article 6.2

Development programmes <u>exempt from reduction</u>:

- investment subsidies generally available to agriculture
- input subsidies generally available to low-income or resource poor producers
- support to encourage diversification from growing illicit narcotic crops

Uruguay Round Reduction Commitments

	Developed	Developing
Time period	6 years	10 years
Total AMS reduction*	20%	13.3%
***De minimis* limits**	5%	10%
S&D exemption		Article 6.2 (investment, input and diversification subsidies)

***No reduction commitments for least-developed countries**

Total AMS Reduction Commitments

Argentina	European Communities	Mexico	South Africa
Australia	Former Yugoslav Republic of Macedonia	Moldova	Switzerland-Liecht.
Bolivarian Republic of Venezuela	Iceland	Morocco	Chinese Taipei
Brazil	Israel	New Zealand	Thailand
Canada	Japan	Norway	Tunisia
			Ukraine
Colombia	Jordan	Papua New Guinea	United States
Costa Rica	Republic of Korea	Saudi Arabia	Viet Nam
Croatia			

8 other Members with Total AMS commitments have become member States of the EC

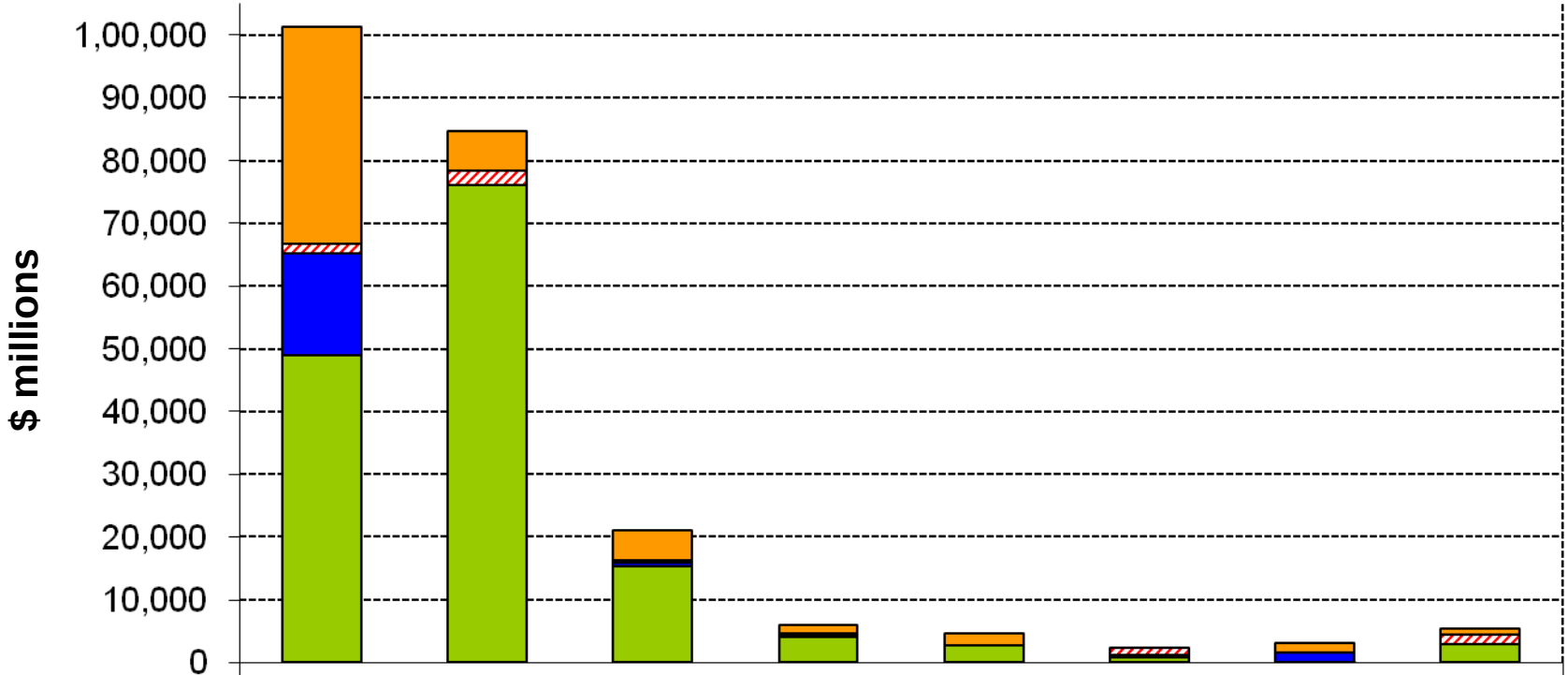
Article 7.2(b)

"Where no Total AMS commitment exists in Part IV of a Member's Schedule, the Member shall not provide support to agricultural producers in excess of the relevant de minimis level set out in paragraph 4 of Article 6."

Examples:

India, Barbados, Chile, all LDCs, etc

Categories of support



	EC	US	JPN	KOR	CHE	BRA	NOR	CAN
Current Total AMS	34,564	6,260	4,885	1,273	1,884	0	1,582	1,094
De minimis	1,521	2,260	322	512	0	1,129	0	1,473
Blue Box	16,348	0	600	0	0	0	1,103	0
Article 6.2	0	0	0	47	0	394	0	0
Green Box	48,976	76,162	15,413	4,249	2,848	896	591	3,003

Data for the EC are for 2005.

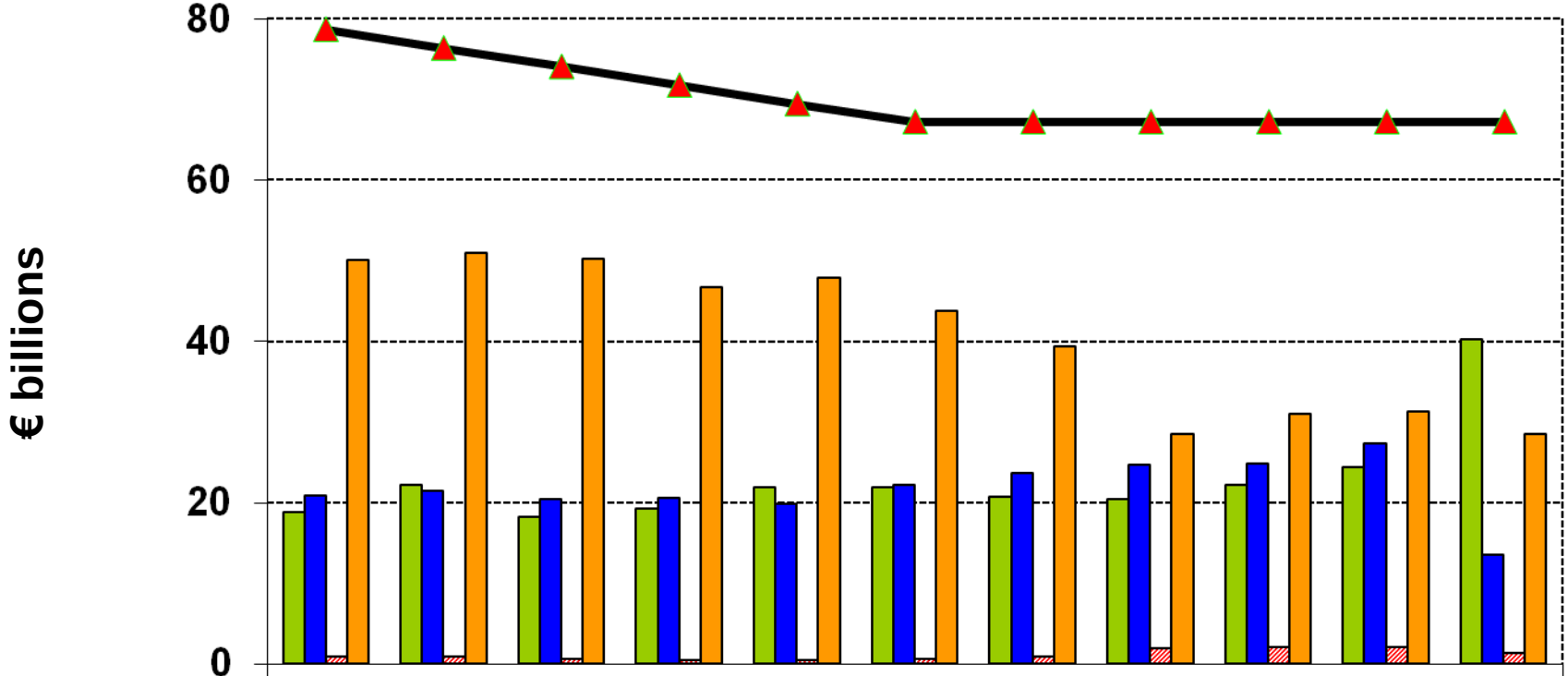
Data for the US are for 2007.

Data for Japan and Switzerland are for 2006.

Data for Korea, Brazil, Norway and Canada are for 2004.

Source: adapted from WTO presentation

European Communities

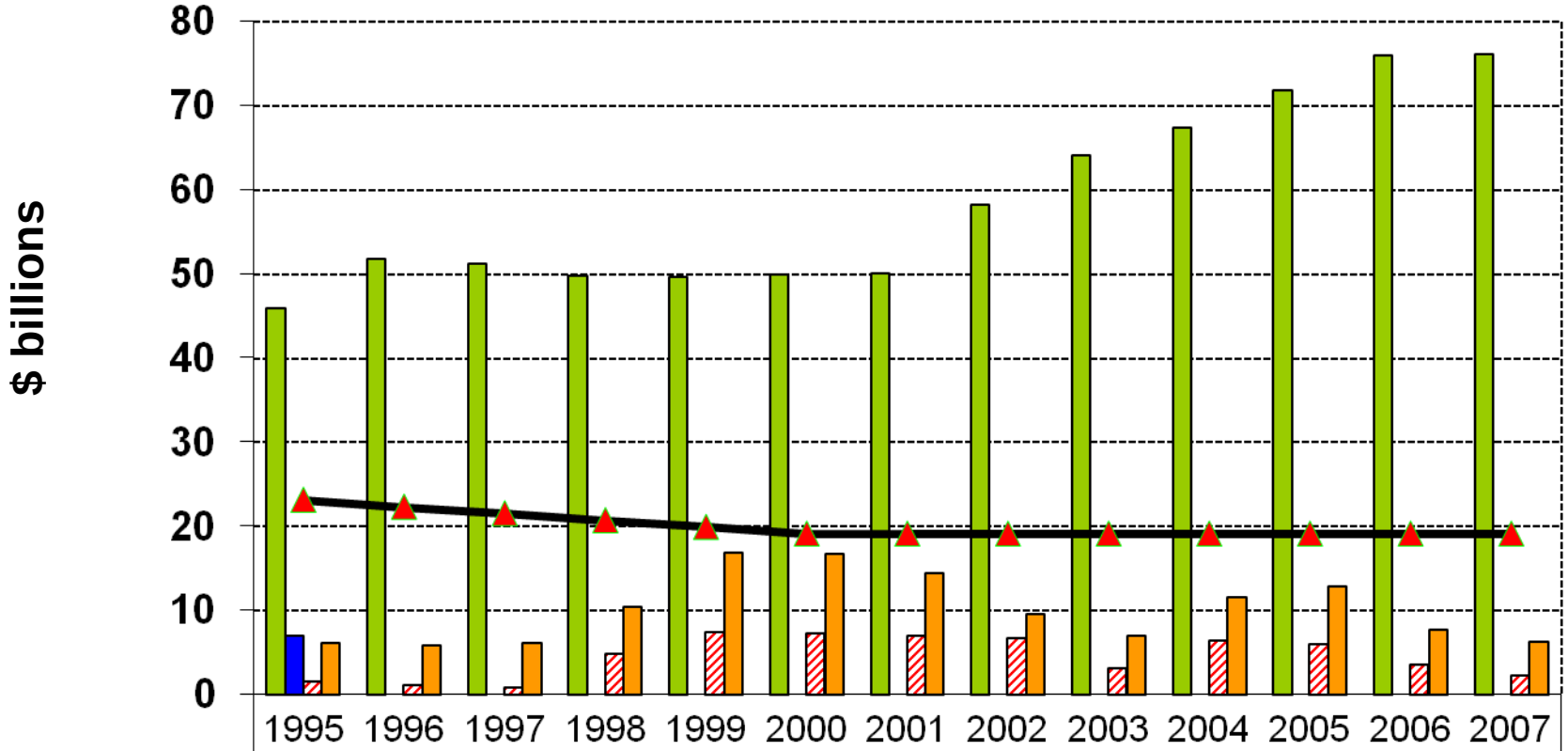


	1995	1996	1997	1998	1999	2000	2001	2002	2003*	2004	2005
Green	18.8	22.1	18.2	19.2	21.9	21.8	20.7	20.4	22.1	24.4	40.3
Blue	20.8	21.5	20.4	20.5	19.8	22.2	23.7	24.7	24.8	27.2	13.4
De minimis	0.8	0.8	0.5	0.4	0.4	0.6	0.8	1.9	2.0	2.0	1.3
Current Total AMS	50.0	51.0	50.2	46.7	47.9	43.7	39.3	28.5	30.9	31.2	28.4
WTO limit	78.7	76.4	74.1	71.8	69.5	67.2	67.2	67.2	67.2	67.2	67.2

* This notification covers support to the European Union after enlargement on 1 May 2004. Price gap calculations are performed on EU25 production levels for a 12 month period and include direct payments to 25 member States. Total AMS commitment level for 2003 (€67,159 million) is without prejudice to the EC25 commitment to be presented in the new EC25 schedule after enlargement.

Source: adapted from WTO presentation

United States



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Green	46	51.8	51.3	49.8	49.7	50	50.1	58.3	64.1	67.4	71.8	76	76.2
Blue	7	0	0	0	0	0	0	0	0	0	0	0	0
De minimis	1.6	1.2	0.8	4.8	7.4	7.3	7	6.7	3.2	6.5	6	3.6	2.3
Current Total AMS	6.2	5.9	6.2	10.4	16.9	16.8	14.4	9.6	7	11.6	12.9	7.7	6.3
WTO limit	23.1	22.3	21.5	20.7	19.9	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1

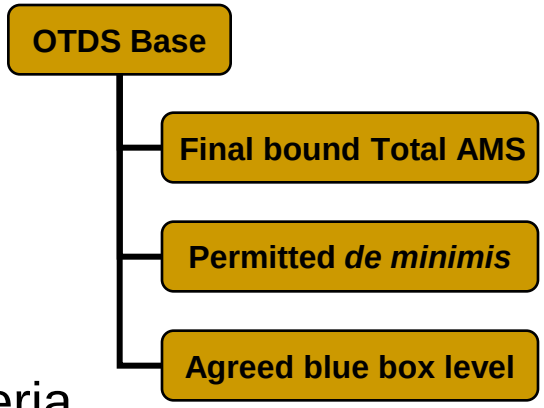
Source: adapted from WTO presentation

Doha Mandate

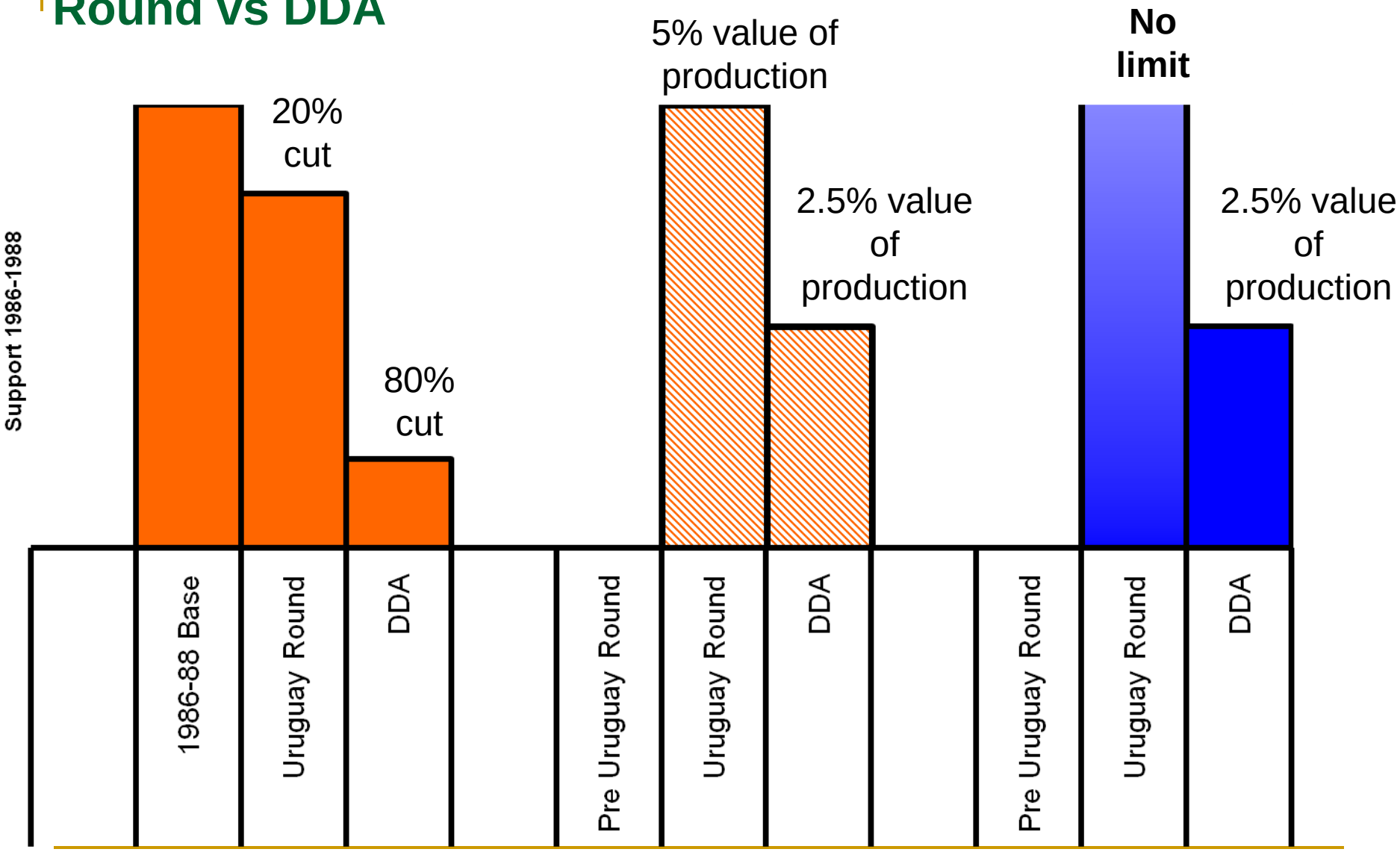
"… substantial reductions in trade-distorting domestic support."

Domestic Support Mandate: Main Elements

- Reduction in Overall Trade-Distorting Domestic Support (OTDS)
- Reduction in Final bound AMS
- Reduction in *de minimis*
- Product-specific AMS caps
- Capping of Blue box support
- Review and clarification of Green Box criteria
- Flexibilities for developing country Members
    - Lower reductions; longer implementation periods
    - Continuation of Article 6.2
    - Specific exemptions from reductions



Domestic Support Limits: Uruguay Round vs DDA



Source: adapted from WTO presentation

Reductions in OTDS

- Tiered reduction formula – higher cuts for higher levels of OTDS

Tier	Threshold (US$ billion)	Cuts
1	> 60 (EC)	80%
2	10-60 (US and Japan)	70%
3	< 10 (all other DDC)	55%

Minimum overall commitment

Domestic Support Proposals Contd.

- 70% cut by US - from $48.2bn to $14.5bn – well above their actual levels (estimated $ 7 billion)
- 80% cut by EU – from €110 bn to €22 bn (2004: applied OTDS = €57.8 billion)

Reductions in OTDS

Special & Differential Treatment

- Developing countries: 2/3rd of developed country cuts in the third tier (37%); longer implementation period
- Exemption from OTDS reduction commitment for:
  - Developing countries without Total AMS commitment;
  - NFIDCs
  - small low-income RAMs with economies in transition
  - very recently acceded Members

Reductions in Final Bound AMS

- Tiered reduction formula – higher cuts for higher levels of AMS

Tier	Threshold (US$ billion)	Cuts
1	> 40 (EC)	70%
2	15 - 40 (US and Japan)	60%
3	< 15 (all other developed countries)	45%

- additional effort by developed countries with high relative levels of AMS

Reductions in Final Bound AMS

Special & Differential Treatment

- Developing countries: 2/3rds of developed country cuts in the third tier (30%); longer implementation period
- Exemption from Total AMS reduction commitment:
  - Developing countries with Final Bound Total AMS <= US$100 million
  - NFIDCs
  - Very recent RAMs & small low-income RAMs with economies in transition

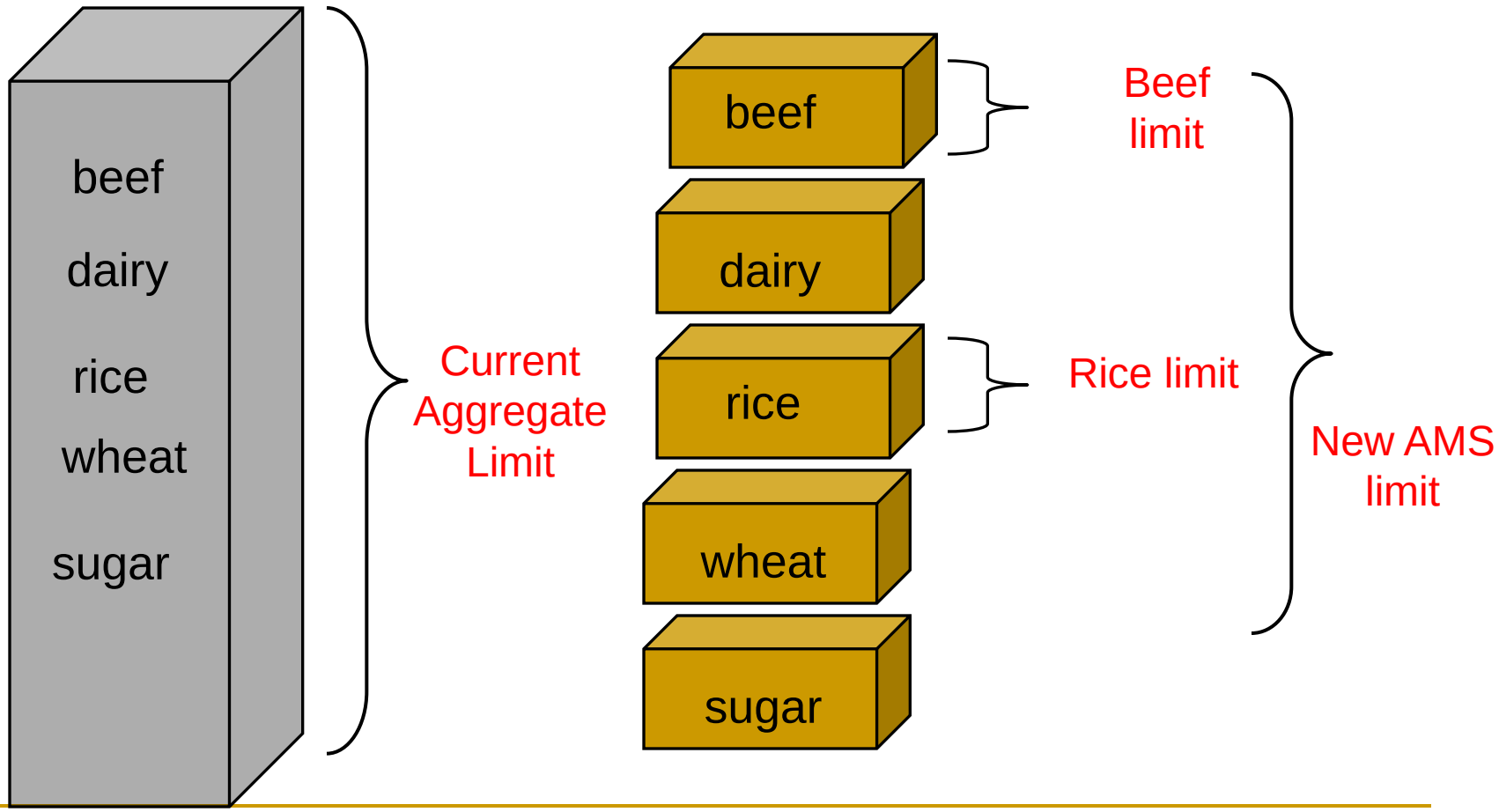
Continued access to provisions of Article 6.2

(development programmes)

Product-Specific AMS Limits

Current situation:
Aggregate AMS

New product-specific
AMS limits



- Source: adapted from WTO presentation

Blue Box

- **Overall cap on Blue Box –** 2.5% of average total value of agricultural production,
- **Product-specific limits**

Special and Differential Treatment

- Blue Box cap at 5% of the average total value of agricultural production,

Cotton Subsidies

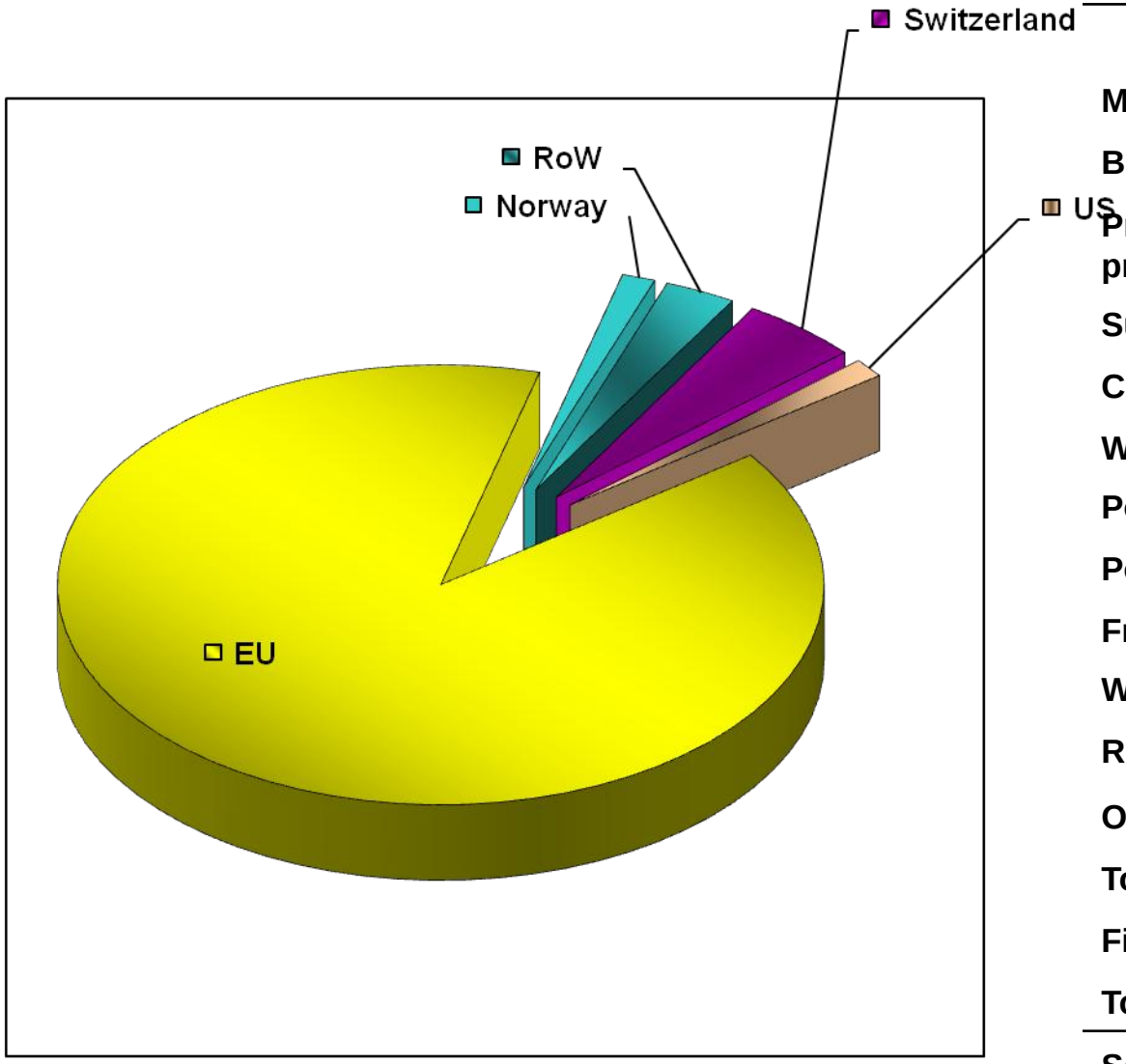
- Key element of the Round
- Main proponents: Cotton-4 countries of Africa (Benin, Burkina Faso, Chad, Mali)
- trade-distorting domestic support for cotton to be cut by more than rest of the ag sector)
- formula implies 82.2% cut in AMS support for cotton by the US
- very little progress in multilateral discussions
- India sympathetic to C-4; also has interests as second largest producer & exporter of cotton
- **US has problems**

Export Competition

Mandate

"… reductions of, with a view to phasing out, all forms of export subsidies …"

Who Uses Export Subsidies?



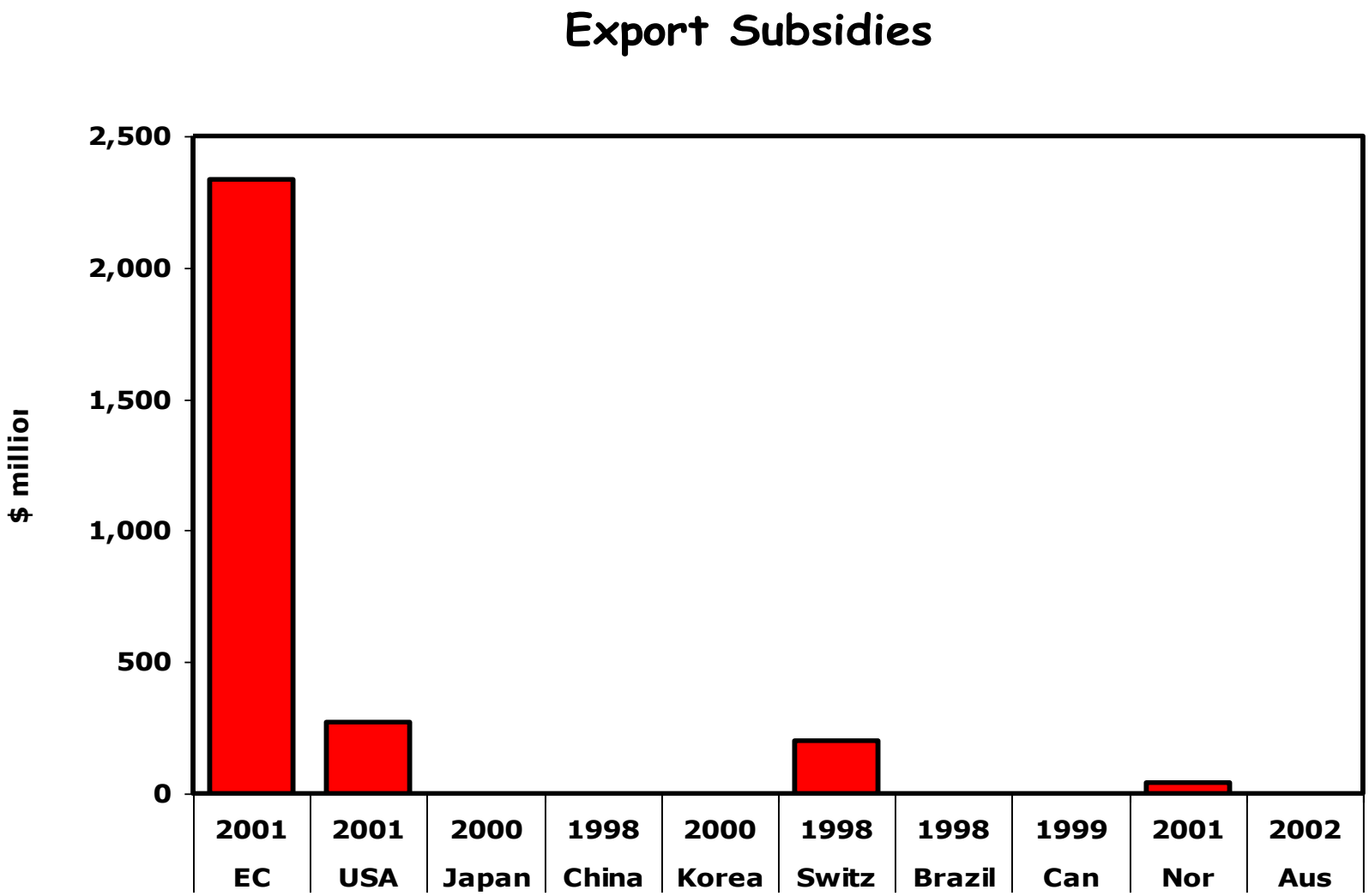
Annual average spending 1995-1999
By commodity category

		%
Milk products	2'285.8	33.7
Beef	1'289.6	19.0
Processed products	786.0	11.6
Sugar	703.9	10.4
Coarse grains	571.4	8.4
Wheat	372.9	5.5
Pork	203.5	3.0
Poultry	126.5	1.9
Fruits/vegetables	111.3	1.6
Wine	54.3	0.8
Rice	49.1	0.7
Oilseeds	29.4	0.4
Tobacco	6.7	0.1
Fibers	0.1	0.0
Total	6'787.3	100.0

Source: ERS/USDA, based on WTO notifications.

Annual Average = US$ 6.8 billion

Users of Export Subsidies



Uruguay Round Reduction Commitments

	Developed	Developing
Time period	6 years	10 years
Export subsidy reduction	36% value, 21% volume	24% value, 14% volume
S&D exemption		Article 9.4 (transport and marketing subsidies)

Uruguay Round: India's Commitments

- No reduction commitments
- Free to provide certain subsidies: to subsidise export marketing costs, internal & international transport, freight charges

Export Competition

- Mandate: reduce & phase out, all forms of export subsidies
- Developed countries by end-2013 (halved by end-2010; eliminate by end-2013)
- Developing countries by end-2016
- Developing countries to continue to have the right to some export subsidies till end-2021
- Detailed disciplines prescribed for Export Credits, Food Aid & State Trading Enterprises
- One area with almost full agreement

India’s UR Commitments

Export Competition

- No export subsidy reduction commitments
- Can continue to use some subsidies (to reduce cost of marketing, internal transport & freight charges)

THANK YOU