



WTO and Domestic Support to Agriculture

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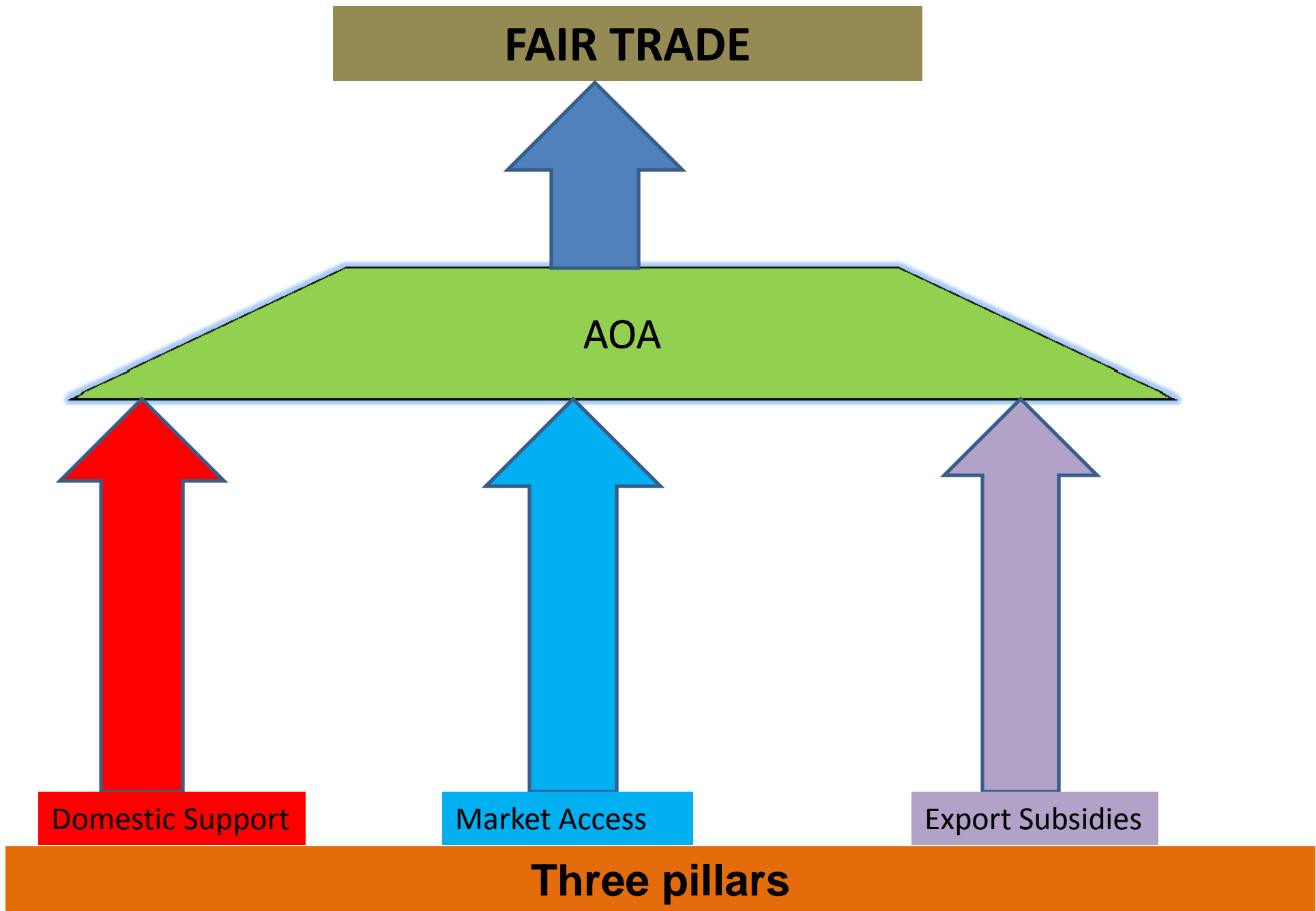
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INTRODUCTION

- **AoA came into force on 1st January 1995.**
- **Before the establishment of WTO , agriculture trade was extremely restrictive and protected.**
- **Quantitative restrictions, Domestic support and export subsidies etc.**
- **Aim: agricultural trade fairer and more market oriented.**
- **Theory of comparative advantage and Level playing field**
- **AoA is essential for ensuring level playing field so that considerations of comparative advantage can have a free and fair play.**



FAIR TRADE

AOA

Domestic Support

Market Access

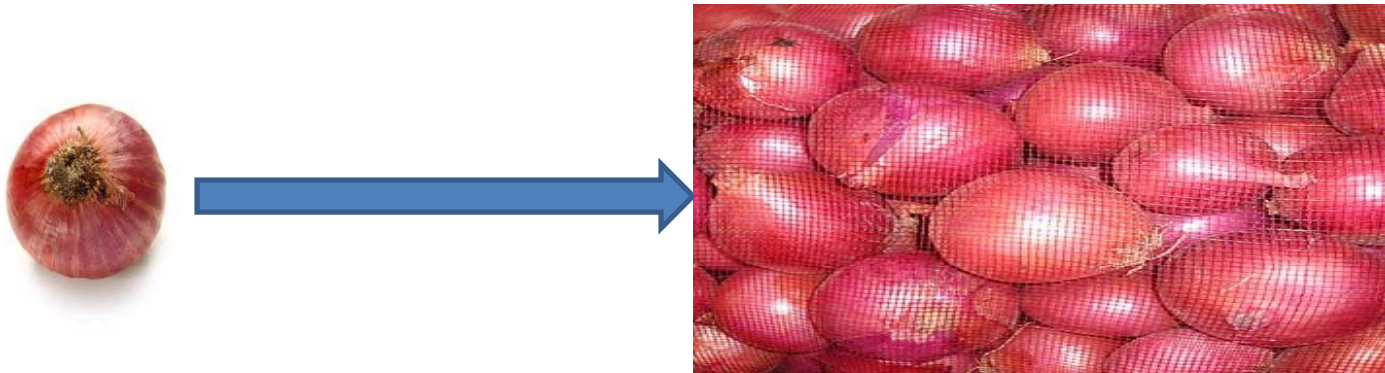
Export Subsidies

Three pillars

Domestic Support (DS): classification

Non-trade distorting or minimally distorting subsidies v. trade distorting subsidies

Base criteria: if as result of the subsidy



subsidy = **trade distorting**

Stimulates production

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

Example: general services (such as research, pest and disease control, training, extension/advisory services, marketing and promotion, infrastructural services), and direct payments (such as decoupled income support, income insurance and income safety-net, relief from natural disasters, structural adjustment assistance, environmental and regional assistance programmes).

Blue Box

Article 6.5 of AoA

Direct payments under production-limiting programmes exempt from reduction if:

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

Article 6.2

Trade-distorting programmes for DgC and LDC
(that would otherwise be included in the **Amber Box**)

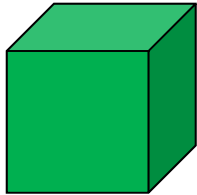
Development programmes exempt from reduction

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

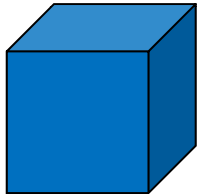
Amber Box

- Causes distortions to agricultural markets, hence to be reduced
- Major Components:
 - Input subsidies
 - Price support measures
- Discipline:
 - Reduction by 20 per cent over the base period (1986-88) in six years from 1995 (13.3 per cent for developing countries)
 - Developing countries giving subsidies less than 10 per cent of their value of agricultural production cannot increase subsidies beyond the 10 per cent threshold

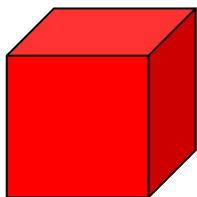
Who Can Use and What ?



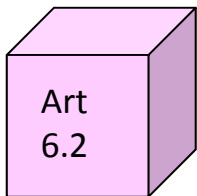
Everybody, without any limit



Everybody, without any limit



Members with Final Bound Total AMS commitment;
others - up to their *de minimis* limit (Art.6.4)



Developing countries, without any limit

INDIA CASE

- Expectation
- Obligation
- Experience

Aggregate Measurement of Support

Product	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	US \$ Million								
Coarse cereals (bajra, jowar, maize and barley)	-4,530	-2	-3	---	---	---	---	---	---
Cotton	-2,106	---	---	-64	-72	-91	-147	-94	-140
Groundnut	-1,809	---	---						
Jute	-388	---	---	-2	-4	-19	-10	-56	-46
Pulses (gram, urad, moong and tur)	-1,706	---	---	---	---	---	0	-2	-6
Rapeseed and mustard toria	-1,689					-62	-79	-110	
Rice	-7,577	-1,321	-1,479	-1,328	-1,685	-2,034	-2,113	-1,519	-1,883
Soya bean	-192	---	---	---	---	---	---	---	---
Sugar cane	184	---	---	---	---	---	---	---	---
Tobacco	-181	---	---	---	---	---	---	---	---
Wheat	-9,625	-1,280	-1,266	-1,682	-1,838	-2,126	-2,764	-2,552	-2,006
Non-product- specific support	5,772	930	1,003	0	0	0	0	0	0

TREND IN AGRICULTURE LAND HOLING

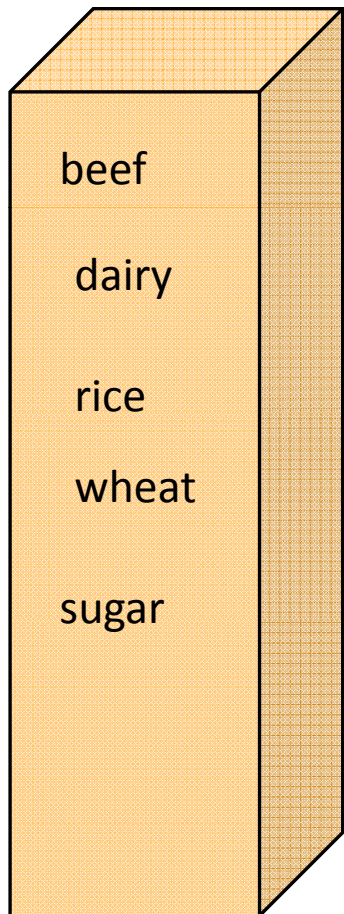
Category of holdings	Percentage of number of holdings				Percentage of area covered			
	1990-91	1995-96	2000-01	2005-06	1990-91	1995-96	2000-01	2005-06
Up to 2 hectares	78.20	80.30	81.90	83.29	32.40	36.00	39.00	41.14
Up to 4 hectares	91.30	92.60	93.60	94.22	55.60	59.80	63.00	65.08
Up to 10 hectares	98.40	98.70	99.00	99.15	82.70	85.10	86.80	88.19
Above 10 hectare	1.60	1.30	1.00	0.85	17.30	14.90	13.20	11.81

Problem

- Developed countries need to reduce their high levels of Amber Box domestic support by 20 per cent over six years while developing countries can grant subsidies amounting to only 10 per cent of their total value of agricultural production
- Implementation concern
- Targeting Subsidy
- Box shifting

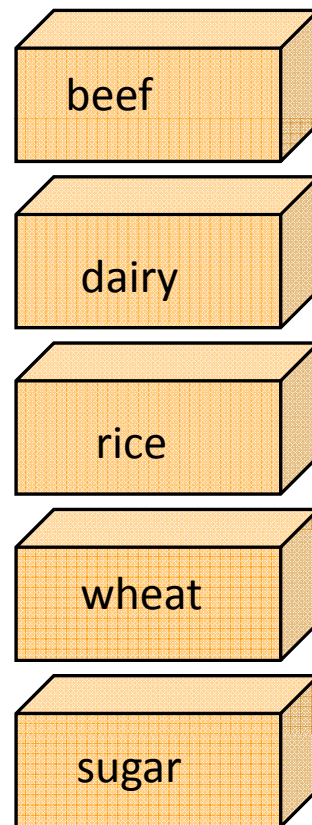
Product-Specific AMS Limits

Current situation:
Aggregate AMS



Current
aggregate
limit

New product-specific AMS
limits



Beef
limit

Rice limit

AMS
limit

AGRICULTURE - THE DOHA MANDATE

(November 2001)

- The long-term objective referred to in the Agreement to establish a fair and market-oriented trading system
- substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.
- Special and differential treatment for developing countries
- Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003.

Doha Negotiations

Objective

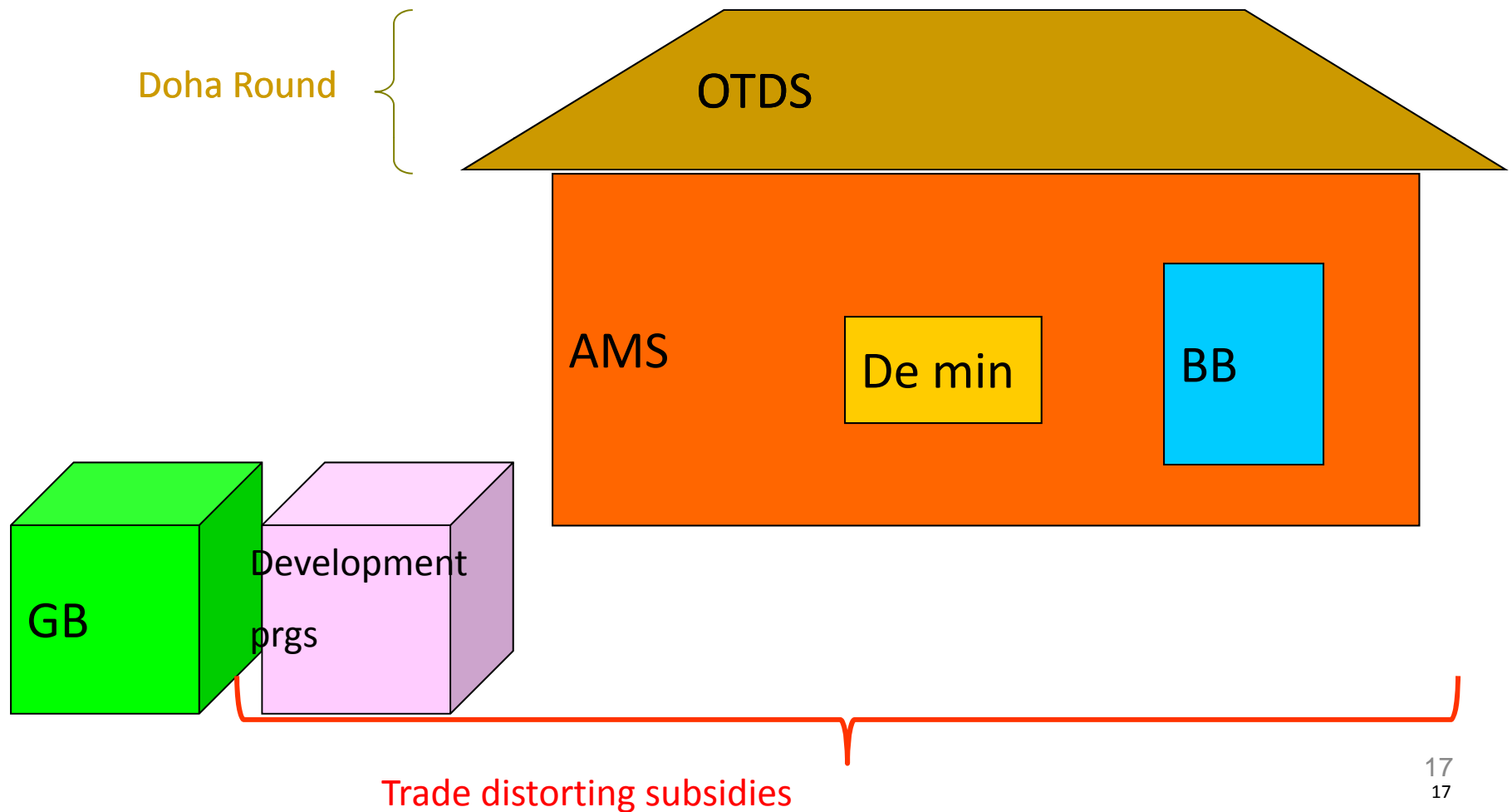
“... substantial reductions in trade-distorting domestic support ...”

By:

- **Setting limits** where they do not exist (except for Green Box and Art.6.2 subsidies)
 - Overall Blue Box, product specific Blue Box, product specific AMS
- **Reducing limits** where they exist
 - AMS, de minimis
- Establishing a **new constraint** – OTDS
- **[Clarifying** the Green Box criteria]

House of Subsidies

Concepts



New Constraint – Overall Trade-distorting domestic support (OTDS)

Final Bound Total AMS

Base data

S&D

+

10% [20%] of average value of production in the 1995-2000 [or 1995-2004]

Base data

+

The higher of:
average Blue Box payments as notified to the Committee on Agriculture,
or 5% of the average total value production, in 1995-2000 [or 1995-2004] period

Base data

=

Base level

Reductions in OTDS

- **General rule** - tiered reduction formula

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

- DdCs with high relative levels of OTDS in the second tier ($\geq 40\%$ of VoP) to undertake additional 5% effort (Japan)

Reductions in OTDS

Special & Differential Treatment

- DgC reduction
 - 2/3^{rds} of DdC cuts in the third tier (37%)

BUT

- DgC exempt from OTDS reductions if:
 - don't have Final Bound Total AMS;

Reductions in Final Bound AMS



- **General rule** - tiered reduction formula

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

- DdCs with high relative levels of AMS ($\geq 40\%$ of VOP) to undertake additional effort
 - (Japan, Iceland, Norway, Switzerland)

Reductions in Final Bound AMS

Special & Differential Treatment

- DgC - 2/3^{rds} of DDC cuts in the third tier

BUT

- DgC exempt from AMS reductions:
 - If AMS \leq US\$100 million
 - NFIDCs (as listed in G/AG/5/Rev.8);

Product-Specific AMS Limits

Calculation

- **General rule:**

- based on past payments during 1995-2000
 - exceptions: last 2 years / de minimis (§ 24-25)

- **Special and Differential Treatment (§ 27):**

- the average product-specific AMS during 1995-2000 or 1995-2004; or
- two times the Member's product-specific *de minimis* level during the base period chosen; or
- 20% of the Annual Bound Total AMS in the relevant year during the Doha Round implementation period ?



De minimis

General rule

- Reduce by at least 50% but more if necessary to meet OTDS

Special and Differential Treatment

- Reduce by at least 2/3rds of DdC
- RAMs with *de minimis* of 5 percent reduce by at least 1/3rd DdC reduction
- Longer implementation period

Exempt from reductions

- (i) DgC with no Final Bound Total AMS;
- (ii) DgC with AMS but which allocate almost all that support to subsistence and resource poor producers;
- (iii) NFIDCs as list in G/AG/5/Rev.8;
- (iv) Very recently acceded Members;
- (v) Small low-income RAMs with economies in transition

Blue Box

General rule:



Overall cap

- 2.5% of average total value of agricultural production, during 1995-2000
 - but if Blue Box more than 40% of trade-distorting support, reduce by level of AMS cut

Base data



Product-specific limits

- based on past payments

Base data

Blue Box Special and Differential Treatment

➤ Overall cap on Blue Box

- 5% of the average total value of agricultural production, during 1995-2000 or 1995-2004

➤ Product-specific limits

- based on [past payments] or overall Blue Box limit (§50)
- exception: § 49

Base data

Base data

Summary: Domestic Support

- **Overall Trade-Distorting Support (OTDS)** - new constraint
- **Amber Box:** cuts and product-specific limits
- **De minimis:** cuts, but not always...
- **Blue Box:** overall limit and product specific limits
- **Green Box:**
 - More development friendly
 - Make sure that Green Box measures are really green

THANK YOU