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AGRICULTURAL DOMESTIC SUPPORT NEGOTIATIONS AT THE 12TH WTO MINISTERIAL CONFERENCE:

DILUTING THE DEVELOPMENT AGENDA

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Agricultural Domestic Support Negotiations at the 12th WTO Ministerial Conference: Diluting the Development Agenda

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ABSTRACT

Disciplining domestic support remains a burning and unresolved issue in the agricultural negotiations at the WTO due to lack of consensus. The Chair of Committee on Agriculture-Special Section (CoASS) submitted a text to cap and reduce the current global agricultural trade-distorting support (TDDS) to at least by half. The study critically examines the implications of the proposed modalities on the policy space of all 164 WTO members to support their farmers by 2030. Result shows that the text has failed to address the issues and concerns of the developing members due to higher contribution towards the proposed reductions than the developed members. Additionally, the per-farmer TDDS entitlement for developed members would remain massively higher than the developing and LDC members. Contrary to the general belief, the LDC members would lose at least half of their flexibilities to support their farmers by 2030. The lopsided text would dilute the existing special and differential treatment (S&DT) provisions for poor farmers by leaving them at the mercy of market forces without adequate safety nets. It ensures that the level playing field remains a distant dream.

Keywords: Subsidies, WTO, Agreement on Agriculture, Ministerial Conference, Domestic support, Agriculture Negotiations, Special and Differential Treatment (S&DT).

JEL Classification: F13, F14, F17, Q17

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1. INTRODUCTION

Reducing trade-distorting domestic support (TDDS) to agriculture is one of the targets to meet the Zero Hunger Goal under the United Nations Sustainable Development Goals (SDGs) (United Nations, 2021). Over the last two decades, the issue of disciplining domestic support to agriculture has been intensely discussed in the WTO. Despite there being a substantial progress in the Doha Round on most issues concerning reductions in domestic support, the negotiations could not be concluded due to divergent views of members (Ratna *et al*, 2011). On the eve of the 12th Ministerial Conference (MC 12) of the WTO, the Chairperson of the Committee on Agriculture- Special Session (CoASS) has presented a Text (WTO, 2021a) that aims at encouraging Members to "meet one another midway", with the common objective of disciplining TDDS. The text proposed two alternatives to further the discussions on disciplining trade-and production-distorting domestic support (TDDS). The first option contains details of reducing TDDS based on proportionate reductions. This option is almost a complete modality, with just a few elements remaining to be negotiated. The second option is less prescriptive, as it commits members to substantial reduction in TDDS according to modalities to be negotiated. As the first option TDDS may have a significant impact on the future agricultural negotiations and outcome, it is important to analyze the likely implications of the proposed text on the policy space of WTO members to provide TDDS.

The Chair's text heavily relies on the approaches proposed by the Cairns group members such as Australia and New Zealand (WTO, 2017a; WTO, 2015), Canada (WTO, 2019), and Costa Rica (WTO, 2021b). It suggests capping and reducing the sum of current global agricultural TDDS entitlements to at least half by 2030[2]. Irrespective of development status, members would have to take cuts proportionate to their existing entitlements in the current global TDDS. However, Least-developed countries (LDC) members have been exempted from reduction commitments. The new TDDS limit would be applicable to support under Amber, Blue, and Development boxes of Article 6 of the Agreement on Agriculture (AoA)[3].

[2] [alternatively: Members commit to a substantial reduction of trade- and production-distorting domestic support entitlements] according to modalities to be negotiated].

[3] The text has used square brackets in a number of places for a variety of purposes, to reflect Members' inputs, suggest alternatives or possible formulations.

The AoA categorizes domestic support measures under the Blue, Green, Development and Amber boxes. The Green box covers measures having no or at most minimal trade-distorting effects on production. These policies include payments for general services, public stockholding for food security purposes, food aid, and direct income support (Annex 2, AoA). The Blue box covers direct payments for production-limiting programs (Art 6.5). Developing members have the flexibility to provide investment subsidies, input subsidies to their low-income or resource-poor farmers, and support to encourage diversification from growing illicit narcotic crops under the Development box (Art 6.2). Support under each of these boxes is not subjected to financial limits under the AoA.

All other domestic support measures are categozised under the Amber box and subject to strict financial limits. It covers both product-specific support (PSS) like price support, and non-product specific support (NPSS) like fertilizer subsidies. Each member is permitted to provide a minimum amount of PSS and NPSS under the *de minimis* limit. A developing member can provide up to 10 percent of the Value of Production (VoP) of a specific product as PSS, and 10 percent of the VoP of total agriculture as NPSS, under the *de minimis* limit. For some developing members such as China and Kazakhstan, the limit is set at 8.5 percent, while it is capped at 5 percent for developed members.

Currently, developed members and a few developing members can provide Amber box support above the *de minimis* limit due to their Final Bound Total Aggregate Measurement of Support (FBTAMS) entitlement. Generally, these members got the entitlement based on the high level of Amber box support during the 1986-88 base period. Notably, developed members account for 95 percent of the global FBTAMS entitlement, while the rest is shared by a handful of developing members. This entitlement allows the developed members to provide high PSS well beyond their *de minimis* limit and also concentrate support in a few products. For instance, the US and the EU provided 64 and 177 percent of the VoP for sugar respectively as PSS in the past. However, the flexibilities for other developing and LDC members under this box is capped by the *de minimis* limit because of low levels of support in the base period (Berthelot, 2015). Therefore, developing and LDC members are consistently demanding the elimination of FBTAMS entitlement in the agricultural negotiations (WTO, 2017b).

Instead of addressing the concerns regarding FBTAMS entitlement, attempts are being made to shift the attention to the TDDS entitlement for developing members. This narrative blur the distinction between the highly distortive AMS entitlements of the developed countries and the entitlements under S&DT provisions for the developing countries. According to this narrative, the *de minimis* entitlement of developing members (10%) is double of developed members' (5%), and therefore, it grows at a double rate with an increase in the VoP. Further, some members have introduced the concept of combined *de minimis* entitlement which is the sum of aggregate PSS *de minimis* limit for all agricultural goods and NPSS *de minimis* limit (WTO, 2019). Theoretically, the sum of the VoP of all individual products shall be equal to the total VoP of total agriculture for a member. Thus, the aggregate PSS *de minimis* limit shall be equal to the NPSS *de minimis* limit, which implies the combined *de minimis* limit is twice of *de minimis* percentage. In simple words, the combined *de minimis* limit for developed and developing including LDC members would be 10 and 20 percent of their VoP of total agriculture, respectively.

Further, the narrative downplays the distortions caused by the AMS entitlements of the developed countries, by arguing that the importance of FBTAMS has been declining with an increase in the VoP over the years as it is defined in fixed monetary terms. On the other hand, combined *de minimis* entitlement in monetary terms has been increasing very fast with the upward movement in the VoP. The overall approach of the narrative has been to propose a cap on the support under all or some boxes of Article 6. The TDSS limit can be defined in fixed monetary terms under a fixed reference model approach like the Australia-New Zealand proposal (WTO, 2017a) or as a percentage of the VoP under a floating model approach like the EU-Brazil proposal (WTO, 2017c). The TDDS limit under the Chair's text is implicitly based on the fixed reference model as it suggested to halve the current global TDDS entitlement by 2030.

In this context, the broad objective of this paper is to critically examine the implications of the Chair's text on the policy space of WTO members for providing TDDS to their farmers. More specifically, the paper explores the following issues: (1) how the proportionate reduction in the TDDS will affect the flexibilities of developed, developing and LDC members by 2030; (2) whether the policy space of LDC members would be adversely affected despite their exemption from reduction commitments; (3) will it ensure that the S&DT for developing and LDC members get embodied in the outcome of the domestic support negotiations. All these issues have been examined for all 164 members of the WTO for the year 2018 and 2030.

The study is divided into six sections. Section 2 deals with the methodology, and section 3 discusses the quantification of the current global TDDS limit for members. Section 4 analyses the impact on members' policy space, while section 5 highlights members' concerns regarding the proposed disciplines. Last section concludes the study.

2. METHODOLOGY

This section has been divided into three sub-sections dealing with (1) calculation of current global TDDS entitlement, (2) proportionate reductions thereof, and (3) projection of entitlements in 2030.

To begin with, WTO members have been broadly categorized as developed, developing, and LDC members for this study (table 1). It has been done since (a) developing and LDC members have a higher *de minimis* limit than the developed members; (b) unlike the developed members, developing and LDC members are entitled to provide support under the Development box; and (c) various proposals on disciplining the domestic support have differential provisions for each category of members (Sharma, 2020). The list of LDC members is based on the classification by the United Nations (UN). Based on self-selection, some members, such as Singapore and South Korea, who have very high per-capita income, are treated as developing members.

Table 1: Overview of selected members' entitlement

Group	No. of Members (164)	Members with Final bound AMS entitlement	*De minimis* limit	Development Box	Blue Box	Green box
Developed	13 (42*)	13	5	No	Yes	Yes
Developing	87	19	10^	Yes^^	Yes	Yes
Least Developed Countries	35	0	10	Yes	Yes	Yes
Total Members	135	32				

Note: *There are 164 members of the WTO. In the case of the EU, there are 29 members, which comprise the EU as a group plus 28 individual EU members. Further, Switzerland and Liechtenstein are two separate members, but both countries submit a combined domestic support notification.
^*De minimis* limit for some members like China and Kazakhstan is 8.5%.
^^ China is not entitled to the Development box.
Source: Authors' compilation based on members' commitments for domestic support.

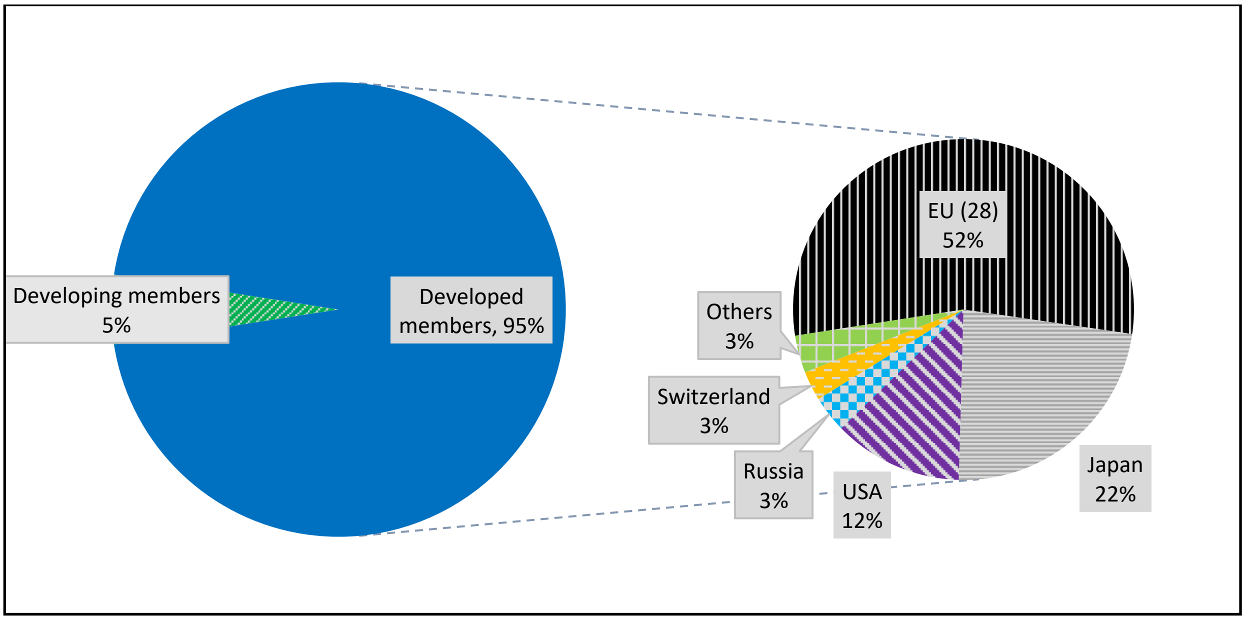
2.1 Calculation of current global TDDS entitlement

There is no agreed definition of the TDDS entitlements. Some members have defined it based on final bound total AMS (FBTAMS) and combined *de minimis* entitlements under the Amber box only (WTO, 2017d; WTO, 2017e), whereas a few others include the support under the Blue or Development box as well (WTO, 2008; WTO, 2017a).

As the entitlement under the Blue and Development box is uncapped, some members have suggested to add the actual support given by a member under these boxes with its Amber box entitlement in a reference period (WTO, 2017a; WTO, 2021b). For instance, assuming 2018 as a reference year, the TDDS entitlement of a member would be equal to its Amber box entitlement, and the notified Blue and Development box support for that year. Notably, many members are significantly lagging in their notifications. Alternatively, the notified support under these boxes as per members' latest notifications can be considered. This approach would be unfair for the members who did not utilize the Blue and Development box in the past. For example, except China, all the developing and LDC members have not utilized Blue box till now, therefore, their base TDDS entitlement would be significantly underestimated.

This paper defines TDDS entitlement equal to the summation of FBTAMS and combined *de minimis* entitlement. Based on this definition, it has estimated the current global TDDS entitlements of all WTO members. It may be noted that developed and a few developing members have the FBTAMS entitlement. The global FBTAMS entitlement (US$ 163 billion) is highly skewed in favor of developed members who have a 95 percent share in it (figure 1).

Figure 1: Composition of global FBTAMS entitlement in 2018



Source Authors' compilation based on members' schedule of commitments.

Using the above definition, the base TDDS entitlement of each WTO member has been calculated for the year 2018. The summation of TDDS entitlement of all the WTO members gives the current global TDDS entitlement for 2018, which is used as a base for reduction purposes.

2.2 Reduction of base current global TDDS entitlement

Based on the size of their current TDDS entitlements, the Chair's text has proposed the reductions of current global TDDS entitlement by at least half by 2030, with proportionate contribution by each member except LDCs. In this study, the proportionate contribution is calculated by two alternative methods: (1) the Direct-proportionate method; (2) the Iteration method proposed by Costa Rica. To avoid repetition and for easier comprehension, the detailed discussion of these methods is given in the next section. After the reductions from the base TDDS entitlement, the new applicable TDDS entitlement limit would be established for each member, which would remain fixed in monetary terms for the future years.

2.3 Projection of entitlements in 2030

To examine the implications of the Chair's text, the TDDS entitlement as per existing *de minimis* limit and FBTAMS is projected for the year 2030 and is compared with the new TDDS limit to assess the actual reduction in the policy space of each member. This projection is also important to examine the hypothesis that TDDS entitlement of the LDCs would be unaffected by the proposed modalities.

It may be noted that the FBTAMS entitlement is fixed in monetary terms and given in different currencies as per the members' notifications. For base year 2018, the prevailing exchange rate is used to convert their respective FBTAMS in US$ terms. It is assumed that the exchange rates would remain the same for 2030. To calculate the combined *de minimis* entitlement for 2030, the VoP of total agriculture for each member is projected by using the compound annual growth rate based on 1995-2018 data. The VoP for Australia, Canada, EU, Japan, Norway, Switzerland, US, Brazil, South Korea, and Turkey is based on their respective notifications. The VoP for India is sourced from the National Account Statistics. For all other members, the VoP data is taken from the FAOSTAT.

In brief, this study assumes that the exchange rates of 2018 would remain the same for 2030, and the future VoP for each member would be determined by the annual compound growth rate based on the VoP data for 1995-2018. At relevant places, various proposals along with sensitivities and concerns of members have been discussed. Additionally, relevant literature and descriptive statistics have been used to enrich the analysis.

3. CURRENT GLOBAL TDDS ENTITLEMENT AND PROPORTIONATE REDUCTIONS

This section is discussed in two sub-sections dealing with quantification of current global TDDS entitlement, and proportionate reductions by 2030.

Table 2: Current Global TDDS entitlement of selected members in 2018

Members	**VoP**	**Combined *de minimis***		**Final bound AMS**	**TDDS Entitlement**	
	US $ Milli	%	US$ Million			% of VoP
All Developed	**1180304**		**118030**	**155491**	**273522**	**23.2**
Australia	48842	10	4884	332	5217	10.7
Canada	51790	10	5179	3308	8487	16.4
EU (28)	462699	10	46270	85151	131421	28.4
Iceland	286	10	29	1	30	10.4
Japan	84058	10	8406	35980	44386	52.8
New Zealand	17126	10	1713	199	1911	11.2
Norway	4099	10	410	1408	1818	44.4
Russia	76242	10	7624	5400	13024	17.1
South Africa	21677	10	2168	152	2320	10.7
Switzerland	10827	10	1083	4344	5427	50.1
Ukraine	33199	10	3320	112	3432	10.3
USA	369293	10	36929	19103	56033	15.2
All Developing	**2329491**		**438861**	**8047**	**446907**	**19.2**
Brazil	147798	20	29560	912	30472	20.6
China	883482	17	150192		150192	17.0
Costa Rica	2285	20	457	16	473	20.7
Egypt	19954	20	3991		3991	20.0
India	450776	20	90155		90155	20.0
Indonesia	111069	20	22214		22214	20.0
Jordan	2833	20	567	2	568	20.1
Kazakhstan	10470	17	1780		1780	17.0
Kenya	16849	20	3370		3370	20.0
Korea	47720	20	9544	1354	10898	22.8
Malaysia	20129	20	4026		4026	20.0
Nigeria	25510	20	5102		5102	20.0
Pakistan	59627	20	11925		11925	20.0
Philippines	33065	20	6613		6613	20.0
Sri Lanka	4818	20	964		964	20.0
Thailand	29146	20	5829	589	6418	22.0
Turkey	100548	20	20110		20110	20.0
Vietnam	44216	20	8843	175	9018	20.4
Zimbabwe*	2629	20	526		526	20.0
All LDC	**202647**		**40529**		**40529**	**20.0**
Current Global TDDS Entitlement	**3712442**		**597420**	**163538**	**760958**	**20.5**

Note: * Due to the non-availability of VoP in current US$, the VoP data in constant US$ (2014-2016) is used.

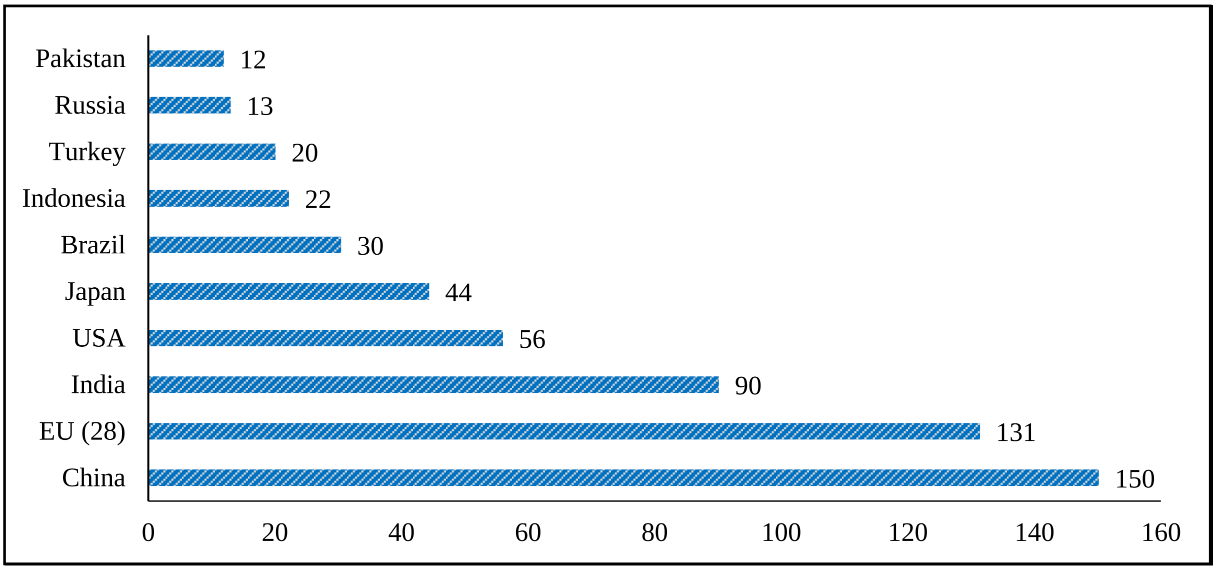
Source: Authors' calculation based on domestic support notifications and FAOSTAT.

3.1 QUANTIFICATION OF CURRENT GLOBAL TDDS ENTITLEMENT

The global base TDDS entitlement is calculated by the summation of each member's entitlement for 2018 based on their respective FBTAMS and combined *de minimis* entitlement. For most developing and LDCs, the base entitlement is determined by the combined *de minimis* entitlement as their FBTAMS is zero. The combined *de minimis* entitlement of the developing members and LDCs (20%) in percentage terms is generally double that of the developed members' entitlement (10%).

Since FBTAMS is fixed in monetary terms, the TDDS entitlement mainly changes with the VoP of total agriculture due to the combined *de minimis* entitlement. Higher the VoP of a member, the higher would be the TDDS entitlement. For instance, despite no FBTAMS entitlement, China has the largest TDDS entitlement simply because of a high VoP, and the combined *de minimis* limit of 17% (table 2).

Figure 2: TDDS entitlement for the top 10 members in 2018 (US$ Billion)



Source: Authors' calculation.

In terms of TDDS entitlement, the top 10 members in 2018 were China, EU, India, USA, Japan, Brazil, Indonesia, Turkey, Russia, and Pakistan (figure 2). Their combined share in the global TDDS entitlement of US$ 761 billion was 74.9 percent in 2018. The share of developed, developing, and LDC members was 35.9, 58.7, and 5.3 percent, respectively, for the same year (table 3).

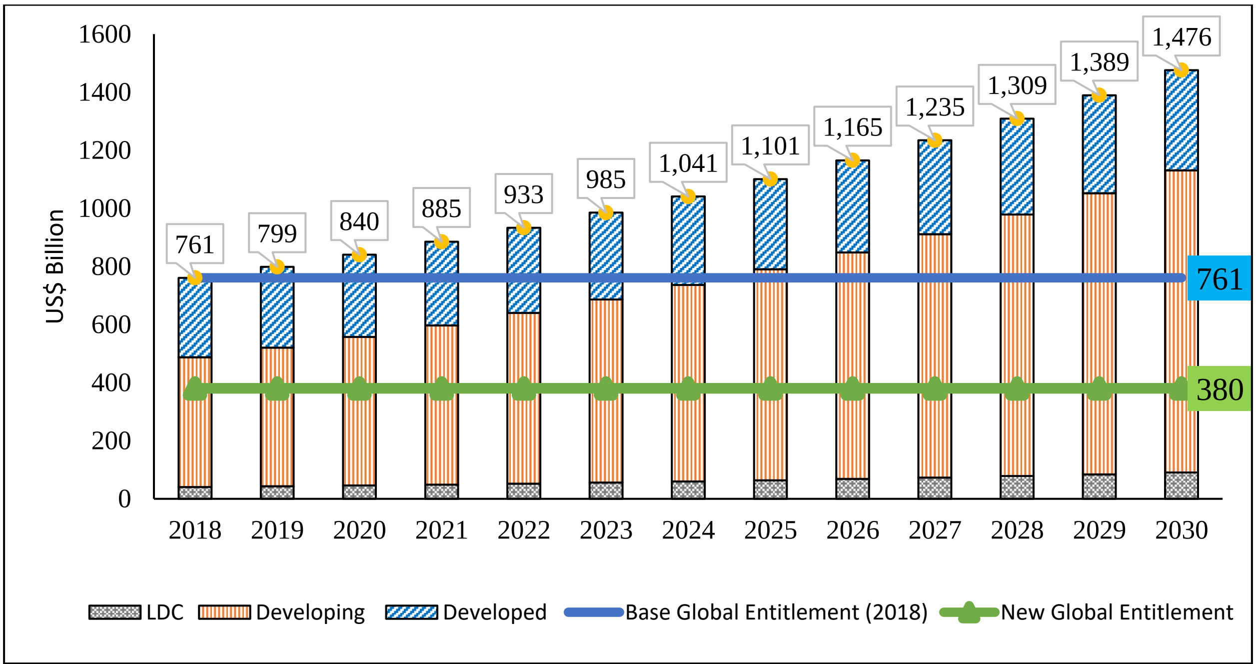
It is argued that the global TDDS entitlement in monetary terms would increase substantially by 2030 due to the combined *de minimis* entitlement, which moves upwards steeply because of a substantial increase in the projected VoP of total agriculture (WTO, 2017a; Brink and Orden, 2020). For instance, the global TDDS entitlement is projected to double from US$ 761 billion in 2018 to US$ 1476 billion in 2030 (figure 3). The TDDS entitlement would increase for almost all the members as their respective VoP is projected to grow upward. However, for some members such as Georgia, Jamaica, Maldives, Chinese Taipei, and UAE, the projected TDDS would decline due to a negative compound growth in the VoP during 1995-2018. Further, the share of developed members would reduce from 35.9 to 23.4 percent, while developing members' share would increase from 58.7 to 70.5 percent during 2018 to 2030. The LDC members' share would also increase from 5.3 to 6.1 percent during the same period.

Table 3: Members' share in the global TDDS entitlement in 2018 (US$ million)

Members	Combined *de minimis*	FBTAMS	TDDS Entitlement	Share in global entitlement
Developed	118030	155491	273522	35.9
Developing	438861	8047	446907	58.7
LDC	40529		40529	5.3
Current global TDDS Entitlement	597420	163538	**760958**	100.0
50% Reduction by 2030 (Million US$)			**380479**	

Source: Authors' calculation.

Figure 3: Projected global TDDS entitlement of WTO members



Source: Authors' projection.

Based on the projected TDDS entitlement, some of the Cairns group members, such as Australia, New Zealand, Canada, and Costa Rica are demanding steep cuts in the global TDDS entitlement by proposing a fixed reference model approach (WTO, 2017a; WTO, 2021b) The TDDS limit for future years remains constant in monetary terms under the fixed reference period model, though in percentage terms, it declines with an increase in the VoP. The Chair's text has also adopted this approach by proposing a 50 percent minimum reduction in the current global TDDS entitlement. By assuming 2018 as a base year, the maximum new global TDDS limit for future years would remain US$ 380 billion, which is significantly lower than the projected global entitlement of US$ 1476 billion in 2030.

3.2 PROPORTIONATE REDUCTIONS

The next issue is about determining the proportionate contribution by members to halve the global base TDDS by 2030. As the LDC members are exempted, the reduction of US$ 380 billion or 50 percent in the base global TDDS is supposed to be undertaken by both developed and developing members. In this paper, members' contribution is determined based on direct-proportionate and iteration methods. Therefore, the new TDDS limit for each member shall be equal to the member's base TDDS limit minus the reduction as per their respective contribution.

3.2.1 Direct-proportionate method

In this simple method, each members' share in the base global TDDS limit is calculated, and their respective shares are applied to the global reduction target of US$ 380 billion. However, as the LDC members are not supposed to undertake reductions, applying the above formula would not lead to a desired reduction of US$ 380. At most, the reduction would be US$ 360.2 billion as non-LDC members accounted for 94.7 percent of the base global TDDS. Thus, to achieve the global reduction target, non-LDC members need to undertake higher reductions than their respective share in the existing global base TDDS.

To compute the adjusted reduction, the share of each developed and developing member in US$ 360.2 billion is first calculated. Then, the resultant new share is applied to the global TDDS reduction target of US$ 380 billion. The new limit for developed and developing members would be equal to the base TDDS limit minus the reduction (table 4). However, for the LDC members, the base TDDS limit will continue to apply for future years. In the new global TDDS limit, the share of developed and developing members would reduce to 33.9 and 55.4 percent, respectively, whereas, for LDCs, it would increase from 5.3 to 10.7 percent (table 5). The new limit for each non-LDC member is given in Annex 1.

Table 4: New TDDS limit for selected members after reduction

Members	Existing TDDS limit (2018)		New TDDS limit for future under			
			Direct-proportionate method		Iteration method	
	US$ Million	% of VoP (2018)	US$ Million	% of VoP (2018)	US$ Million	% of VoP (2018)
All Developed	**273522**	**23.2**	**129067**	**10.9**	**107822**	**9.1**
Australia	5217	10.7	2462	5.0	4631	9.5
Canada	8487	16.4	4005	7.7	7032	13.6
EU (28)	131421	28.4	62014	13.4	28834	6.2
Iceland	30	10.4	14	4.9	30	10.4
Japan	44386	52.8	20944	24.9	20793	24.7
New Zealand	1911	11.2	902	5.3	1827	10.7
Norway	1818	44.4	858	20.9	1742	42.5
Russia	13024	17.1	6146	8.1	9866	12.9
South Africa	2320	10.7	1095	5.1	2197	10.1
Switzerland	5427	50.1	2561	23.7	4795	44.3
Ukraine	3432	10.3	1619	4.9	3169	9.5
USA	56033	15.2	26440	7.2	22890	6.2
All Developing	**446907**	**19.2**	**210883**	**9.1**	**218860**	**9.4**
Brazil	30472	20.6	14379	9.7	17242	11.7
China	150192	17.0	70871	8.0	29456	3.3
Costa Rica	473	20.7	223	9.8	468	20.5
Egypt	3991	20.0	1883	9.4	3639	18.2
India	90155	20.0	42542	9.4	26609	5.9
Indonesia	22214	20.0	10482	9.4	14300	12.9
Jordan	568	20.1	268	9.5	561	19.8
Kazakhstan	1780	17.0	840	8.0	1707	16.3
Kenya	3370	20.0	1590	9.4	3116	18.5
Korea	10898	22.8	5143	10.8	8602	18.0
Malaysia	4026	20.0	1900	9.4	3669	18.2
Nigeria	5102	20.0	2408	9.4	4540	17.8
Pakistan	11925	20.0	5627	9.4	9226	15.5
Philippines	6613	20.0	3120	9.4	5697	17.2
Sri Lanka	964	20.0	455	9.4	942	19.5
Thailand	6418	22.0	3029	10.4	5552	19.0
Turkey	20110	20.0	9489	9.4	13410	13.3
Vietnam	9018	20.4	4256	9.6	7391	16.7
Zimbabwe*	526	20.0	248	9.4	519	19.8
All LDC	**40529**	**20.0**	**40529**	**20.0**	**40529**	**20.0**
Current Global TDDS Entitlement	**760958**	**20.5**	**380479**	**10.2**	**367211**	**9.9**

Note: * Due to non-availability of VoP in current US$, the VoP data in constant US$ (2014-2016) is used.

Source: Authors' calculation based on domestic support notifications and FAOSTAT.

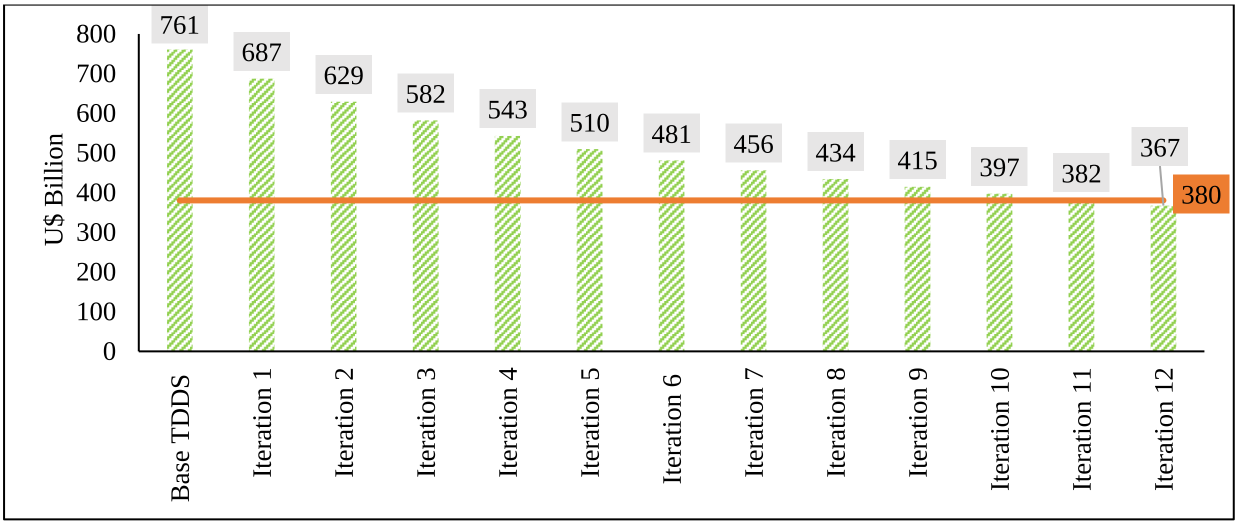
3.2.2 Iteration method

In this alternative method as suggested by Costa Rica (WTO 2021b), each member's share in the global entitlement is applied repetitively to their respective TDDS entitlement till the base global TDDS entitlement is reduced to at least half. Instead of applying the reductions to the base global TDDS entitlement, the iteration method applies it to the base TDDS entitlement of each member as follows:

1. Iteration 1: The base TDDS limit of each WTO member (b_1) except LDCs is reduced by applying their respective shares in the base global TDDS limit (B_1). Then, it is checked whether the sum of each member's new TDDS ($\sum b_2$) or new global TDDS limit (B_2) is at least half of the base global TDDS limit (B_1). If not, then the calculation goes to the second iteration.

2. Iteration 2: The share of each member in the new global TDDS limit (B_2) is calculated, and it is applied to their respective TDDS entitlements (b_2) (except LDCs) to determine the new TDDS entitlement limit (b_3). Once again, it is checked whether the sum of each member's new TDDS limit ($\sum b_3$) or new global TDDS limit (B_3) is at least half of the base global TDDS (B_1). If not, then the calculation goes to the next iteration. This will continue till the new global TDDS limit (B_n) is at least half of base global entitlement (B_1).

Figure 4: Reduced global TDDS entitlement under each iteration.



Source: Authors' calculation.

Figure 4 shows that 12 iterations are needed to achieve the desired reductions, while table 4 shows the new limit under the iteration method for select members. The share of developing and LDC members would increase to 59.6 and 11.0 percent, respectively, in comparison to their base share in global entitlement. The share of developed members would reduce from the base 35.9 percent to 29.4 percent under this method (table 5).

Table 5: Comparison of TDDS entitlement under different scenarios

Members	TDDS entitlement as		New TDDS limit under		Share in Global TDDS			
	2018	2030	Direct-Proportionate	Iteration Method	2018	2030	Direct-Proportionate	Iteration Method
	US$ Billion				%			
Developed	274	345	129	108	35.9	23.4	33.9	29.4
Developing	447	1041	211	219	58.7	70.5	55.4	59.6
LDC	41	91	41	41	5.3	6.1	10.7	11.0
Total	761	1476	380	367	100.0	100.0	100.0	100.0

Source: Authors' calculation

Having determined the new TDDS limit for each WTO member, it is relevant to discuss their impact on the future policy space of WTO members to provide TDDS.

4. IMPACT OF PROPOSED DISCIPLINE ON THE POLICY SPACE

The impact of new limits on the policy space of members has been analyzed for the year 2030 as the target is to halve the current global TDDS entitlement by the same year. In case of no discipline, the global TDDS entitlement is expected to grow to US$ 1476 billion by 2030. However, the proposed new limit under the direct-proportionate method would cap the global TDDS entitlement at US$ 380 billion, which would shrink the policy space for all the members.

Table 6: Comparison of existing TDDS entitlement in 2030 with proposed limits under direct-proportionate method for selected members

Members	TDDS Entitlement		New limit for TDDS entitlement		Reduction in policy space	
	US$ Million	% VoP	US$ Million	% of VoP	US$ Million	% of VoP
All Developed	**344700**	**18.2**	**129067**	**6.8**	**215633**	**11.4**
Australia	9448	10.4	2462	2.7	6987	7.7
Canada	13062	13.4	4005	4.1	9057	9.3
EU (28)	155986	22.0	62014	8.8	93972	13.3
Iceland	36	10.3	14	4.0	22	6.3
Japan	44499	52.2	20944	24.6	23555	27.6
New Zealand	3838	10.5	902	2.5	2936	8.1
Norway	1927	37.1	858	16.5	1069	20.6
Russia	20600	13.6	6146	4.0	14454	9.5
South Africa	4213	10.4	1095	2.7	3118	7.7
Switzerland	5682	42.5	2561	19.1	3122	23.3
Ukraine	7389	10.2	1619	2.2	5769	7.9
USA	78007	13.2	26440	4.5	51566	8.8
All Developing	**1040646**	**18.9**	**210883**	**3.8**	**829763**	**15.1**
Brazil	61581	20.3	14379	4.7	47202	15.6
China	386210	17.0	70871	3.1	315339	13.9
Costa Rica	710	20.5	223	6.4	487	14.0
Egypt	6776	20.0	1883	5.6	4893	14.4
India	224390	20.0	42542	3.8	181848	16.2
Indonesia	66283	20.0	10482	3.2	55801	16.8
Jordan	1575	20.0	268	3.4	1306	16.6
Kazakhstan	4442	17.0	840	3.2	3602	13.8
Kenya	7848	20.0	1590	4.1	6258	15.9
Korea	14372	22.1	5143	7.9	9230	14.2
Malaysia	11282	20.0	1900	3.4	9382	16.6
Nigeria	5668	20.0	2408	8.5	3260	11.5
Pakistan	24634	20.0	5627	4.6	19007	15.4
Philippines	12683	20.0	3120	4.9	9562	15.1
Sri Lanka	1828	20.0	455	5.0	1373	15.0
Thailand	12278	21.0	3029	5.2	9249	15.8
Turkey	39564	20.0	9489	4.8	30075	15.2
Vietnam	27521	20.1	4256	3.1	23265	17.0
Zimbabwe*	535	20.0	248	9.3	287	10.7
All LDC	**90527**	**20.0**	**40529**	**9.0**	**49997**	**11.0**
Current Global TDDS Entitlement	**1475872**	**18.8**	**380479**	**4.8**	**1095393**	**13.9**

Note: * Due to the non-availability of VoP in current US$, the VoP data in constant US$ (2014-2016) is used.
Source: Authors' calculation

In comparison to the projected entitlement in 2030, the new TDDS limit may lead to a loss of US$ 830 billion and US$ 216 billion policy space for developing and developed members, respectively (table 5). It is because the new TDDS limit for future years is fixed in monetary terms, which declines in percentage terms with an increase in the VoP. On the other hand, the existing entitlement under the AoA increases in monetary terms with an upward movement in the VoP.

Steep reduction for the developing members can be gauged from the fact that their projected AoA TDDS entitlement in 2030 will be 18.9 percent of the VoP, which would reduce to 3.8 percent of the VoP under the proposed limit. For developed members, the new cap would be 6.8 percent compared to their AoA entitlement of 18.2 percent of VoP. In general, the percentage point reduction under the text compared to the AoA entitlement would be higher for the developing members than the developed members.

For some developed members like Japan (24.6%), Norway (16.5%), Switzerland (19.1%), and EU (8.8%), the new entitlement limit would be much higher than the developing members such as China (3.1%), India (3.8%), Indonesia (3.2%), Vietnam (3.1%) in 2030 (table 6). Thus, under the Chair's text, the contribution required from developing members in terms of reductions would be substantially higher than the developed members. To illustrate, the new TDDS limit would substantially reduce the policy space in 2030 for developing members like China (US$ 315 billion), India (US$ 182 billion), and Indonesia (US$ 56 billion) than the developed members like EU (US$ 94 billion), Japan (US$ 24 billion), and USA (US$ 52 billion).

The Chair's text has mentioned that the LDC members are exempted from the reductions. This could suggest that the proposed modalities for reduction in TDDS will not have an impact on the entitlement of LDCs. However, a closer examination reveals a completely different story. The essence of the Chair's text is to reduce the global current TDDS entitlement. The text implicitly prescribes that the entitlement for no member should increase in the future. Despite exemption from reductions, the policy space of the LDCs would be curtailed significantly as their TDDS entitlement would be fixed in monetary terms based on their entitlement in a reference period, and therefore, remain constant for the future. It will severely cut their policy space. For instance, despite the exemption, Bangladesh's entitlement would be fixed at US$ 4.7 billion for future years. In comparison to its AoA entitlement in 2030, Bangladesh would lose US$ 5.6 billion policy space or 10.9 percentage points of the VoP (table 7). Thus, despite the LDC members being exempt from reductions in their base TDDS, they would lose substantial flexibility to support their farmers in future. Further, in case an LDC member graduates to a developing-member status, whether it would be exempted from reductions is not clear from the Chair's text.

Table 7: Comparison of AoA TDDS entitlement with proposed limits for LDCs

LDC Members	TDDS limit based on 2018 entitlement	Projected TDDS Entitlement in 2030	Reduction	Current entitlement	New limit for TDDS	Reduction
	US$ Million			% of VoP		
Afghanistan*	1145	1389	244	20.0	16.5	3.5
Angola*	1220	2872	1652	20.0	8.5	11.5
Bangladesh	4716	10323	5607	20.0	9.1	10.9
Benin*	851	1335	484	20.0	12.7	7.3
Burkina Faso	728	1767	1040	20.0	8.2	11.8
Burundi	503	693	189	20.0	14.5	5.5
Cambodia	2137	7573	5436	20.0	5.6	14.4
Central African Republic*	298	383	84	20.0	15.6	4.4
Chad*	1150	2084	934	20.0	11.0	9.0
Congo*	2310	3512	1202	20.0	13.2	6.8
Djibouti*	16	17	2	20.0	18.1	1.9
Gambia	41	73	32	20.0	11.2	8.8
Guinea	363	286	-78	20.0	25.4	-5.4
Guinea-Bissau*	95	140	45	20.0	13.5	6.5
Haiti*	361	494	133	20.0	14.6	5.4
Lao PDR	1055	3704	2649	20.0	5.7	14.3
Lesotho*	52	56	4	20.0	18.7	1.3
Liberia*	114	151	37	20.0	15.0	5.0
Madagascar	852	1660	808	20.0	10.3	9.7
Malawi*	1641	3141	1500	20.0	10.5	9.5
Mali	1887	5403	3516	20.0	7.0	13.0
Mauritania*	182	250	68	20.0	14.6	5.4
Mozambique	1085	2095	1011	20.0	10.4	9.6
Myanmar*	6773	12565	5792	20.0	10.8	9.2
Nepal	1794	4673	2879	20.0	7.7	12.3
Niger	1491	5661	4170	20.0	5.3	14.7
Rwanda	658	1437	779	20.0	9.2	10.8
Senegal	650	1584	934	20.0	8.2	11.8
Sierra Leone*	343	742	399	20.0	9.2	10.8
Solomon Islands*	27	29	2	20.0	18.6	1.4
Togo	408	984	576	20.0	8.3	11.7
Tanzania	1887	5935	4048	20.0	6.4	13.6
Uganda*	1680	1725	45	20.0	19.5	0.5
Yemen	1245	4248	3003	20.0	5.9	14.1
Zambia*	773	1542	769	20.0	10.0	10.0
Total	**40529**	**90527**	**49997**	**20.0**	**9.0**	**11.0**

Note: * Due to the non-availability of VoP in current US$, the VoP data in constant US$ (2014-2016) is used.

Source: Authors' calculations

Given that developing and LDC members already have very limited policy space under the AoA, the Chair's text, which implicitly defines the TDDS entitlement in fixed monetary terms, would make it extremely difficult to implement domestic support measures under Article 6.

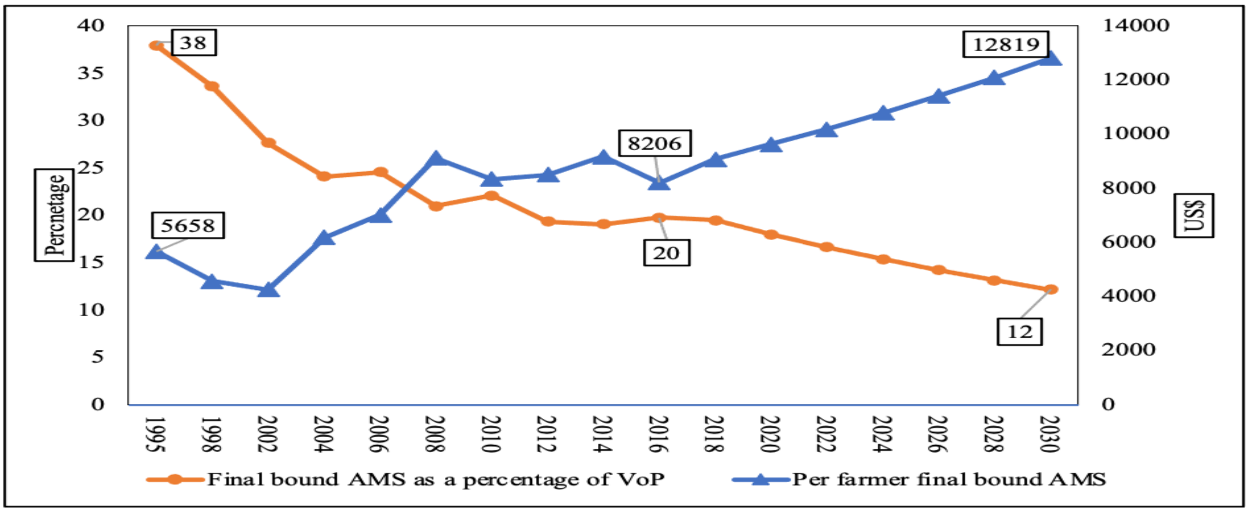
5. OTHER CONCERNS REGARDING PROPOSED DISCIPLINE FOR TDDS

Besides higher reductions in base TDDS entitlement by the developing members than the developed members, and projected cuts in policy space for LDC members, the Chair's text ignores many concerns and sensitivities of developing and LDC members. These are discussed below.

5.1 SIMILAR TREATMENT TO THE COMBINED *DE MINIMIS* AND FBTAMS ENTITLEMENT

The proposed modalities are based on the premise that the TDDS entitlement is increasing mainly due to the combined *de minimis* entitlement of the members, while the share of the FBTAMS in the global TDDS entitlement is shrinking. In practice, the FBTAMS and combined *de minimis* entitlement provide different levels of flexibility to the members. For instance, the combined *de minimis* entitlement of India was US$ 90.2 billion in 2018. The relevant question is whether India can use the whole entitlement to provide the product-specific support for rice beyond the *de minimis* limit (10%). The straightforward answer is no, as the 10 percent of the VoP is the maximum flexibility for India to provide PSS. However, this constraint is not applicable in the case of FBTAMS. For example, the FBTAMS entitlement of US$ 19 billion allows the USA to provide the PSS for rice well beyond its applicable *de minimis* limit (5%), and the AoA does not constrain members to utilize the whole FBTAMS entitlement for one product only. Theoretically, the USA and the EU could have provided 801 percent for rice and 755 percent for corn respectively in 2016 by using their full FBTAMS entitlement (Sharma, 2020). This fundamental difference has been selectively ignored while depicting the developing members with high TDDS entitlement based on the combined *de minimis* limit.

Figure 5: Trend in AMS entitlement for the EU on percentage and per-farmer basis



Source: Author's calculation based on domestic support notifications and ILOSTAT.

5.2 FALLACIES REGARDING THE FBTAMS ENTITLEMENT

As mentioned earlier, 95 percent of global FBTAMS is shared by the developed members. Notably, FBTAMS is defined in fixed monetary terms, which tends to decline with an increase in the VoP. For instance, FBTAMS entitlement as a percentage of the VoP for the EU has declined from 38 to 20 percent during 1995-2016 and is further projected to be 12 percent by 2030. Based on this, an attempt has been made to underestimate the importance of the FBTAMS. Contrarily, in case per-farmer FBTAMS entitlement is considered, the narrative will be just the opposite. The per-famer FBTAMS entitlement has increased from US$ 5658 to US$ 8206 during 1995-2016, which is further projected to be US$ 12819 in 2019. It is mainly due to a decline in the number of people engaged in agriculture for the EU (figure 5).

Further, despite declining in percentage terms, the FBTAMS permitted the EU to provide 177 and 139 percent PSS to sugar and cotton, respectively, in the past. Similarly, the USA provided very high PSS to coffee (189%), banana (64%), and sugar (64%) in 2017. Therefore, developing members are demanding the elimination of FBTAMS entitlement, which would cap the PSS to the *de minimis* limit (WTO, 2017b, Sharma *et al*, 2020b). Instead, a narrative is sought to be created for seeking a steep reduction in the policy space of developing members by reducing the *de minimis* limit along with the capping of support under the Development box. The Chair's text has mentioned that members agree to address FBTAMS above *de minimis* limit; however, there is no concrete commitment for the elimination of the FBTAMS entitlement.

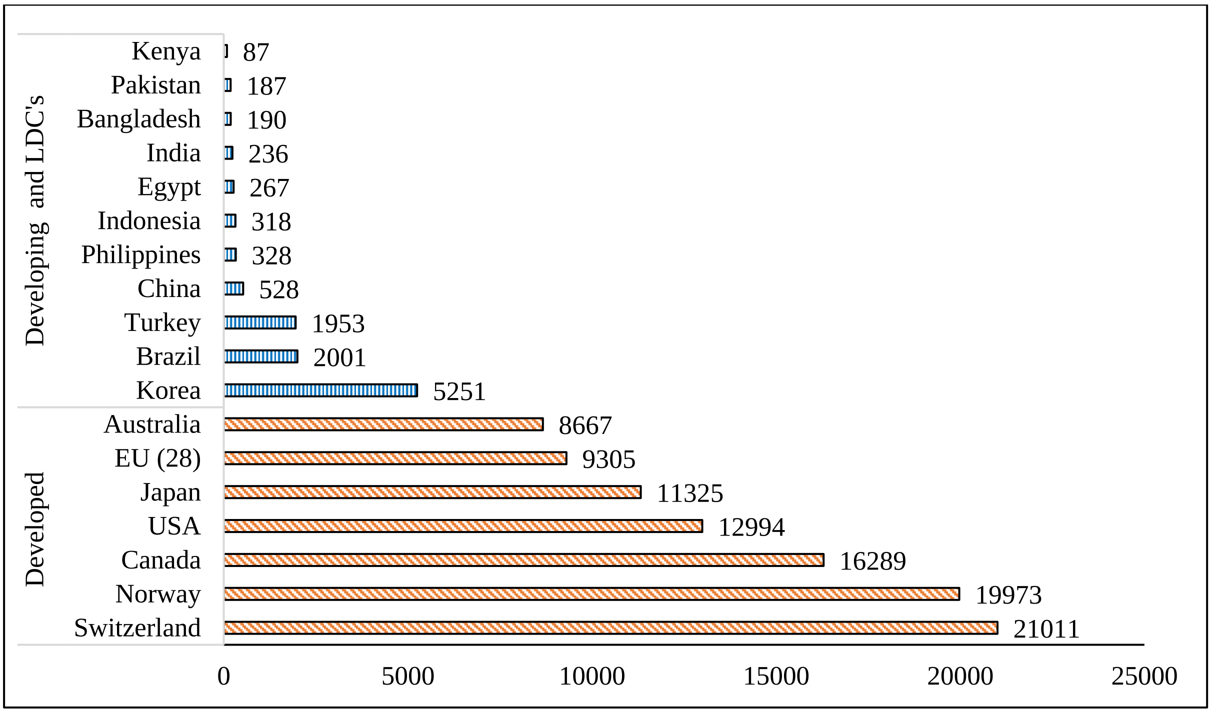
5.3 CAPPING OF TDDS ENTITLEMENT WOULD FURTHER DEEPEN THE GAP BETWEEN DEVELOPED AND DEVELOPING COUNTRIES IN PER FARMER SUPPORT

The proposed modalities would result in lowering per-farmer support for developing and LDC members, while the developed members would continue to enjoy extremely high levels of TDDS entitlement (figure 6). For instance, under the direct-proportionate method, per-farmer TDDS support in China (US$ 528), Philippines (US$ 328), Egypt (US$ 267), Indonesia (US$ 318), India (US$ 236) and Bangladesh (US$ 190) is miniscule in comparison to entitlement in Switzerland (US$ 21011), Norway (US$ 19973), Canada (US$ 16289), USA (12994), Japan (US$ 11325) and EU (US$ 9305) in 2030.

5.4 ISSUE RELATED TO MARKET PRICE SUPPORT (MPS) METHODOLOGY

Many developing members are implementing the price-support measures, where the government provides the option to the farmers to sell their produce at the applied administered price (AAP) to the government agencies. For instance, China's Sinograin, India's Food Corporation of India (FCI), Indonesia's BULOG, and Zambia's Food Reserve Agency, among others, procure food-grains at AAP (Sharma, 2016a). This price-support is covered by the MPS methodology of the AoA, in which the support is calculated by multiplying the eligible production for the procurement with the difference between the AAP and the fixed external reference price (FERP). However, the FERP is based on the average export or import price of a product during the base period, generally, 1986-88. Comparing the current AAP with the FERP leads to a highly inflated PSS, which is subjected to 10 percent *de minimis* limit for most developing, and LDC members. Owing to this flaw, many developing members find it challenging to provide price-support to farmers, and such measures have been frequently questioned or challenged at the WTO (Sharma, 2018; Sharma *et al* 2020a, Thow *et al*. 2019). Developing members are demanding to address this concern through various options, including by updating the ERP or allowing for considering the inflation in the MPS calculation. This legitimate concern is completely ignored in the Chair's text.

Figure 6: Per-farmer new TDDS limit (2030) under direct-proportionate method (US$)



Source: Authors' calculation

5.5 CAPPING OF THE DEVELOPMENT BOX

The Development box provides flexibilities to the developing and LDC members to give investment subsidies, and input subsidies generally available to low-income or resource-poor farmers. Many members like India, Indonesia, Bangladesh, Egypt, Malaysia, Sri Lanka, and Turkey provide support under this uncapped box. The application of the new TDDS limit as suggested by the Chair's text and the Cairns group members to all components of Article 6 would lead to a huge loss of policy space and would make this box effectively redundant (WTO, 2017a; WTO, 2021a).

5.6 TDDS LIMIT AND PUBLIC STOCKHOLDING (PSH) FOR FOOD SECURITY

Under the Peace Clause, the WTO members shall not challenge the developing members' PSH programmes existing at the time of the Bali decision (2013) for exceeding their respective FBTAMS and *de minimis* limit commitments (South Centre, 2015; Sharma, 2016b). However, the MPS for such programmes is accounted for in the Amber box. Therefore, this MPS would also be covered by the new TDDS limit. As developing members must ensure that the MPS under this decision along with other support in Article 6 shall remain below their respective TDDS limits, the proposed modalities will render the hard-earned flexibility under the Bali Peace Clause and the General Council Decision (2014) ineffective.

5.7 POOR FARMERS WOULD BE LEFT WITHOUT ANY SAFETY NET

Given that the new TDDS limit is fixed in monetary terms, it would decline significantly as a percentage of the VoP. For instance, it would decline from 9.4 to 3.8 percent for India, 8.0 to 3.1 percent for China, and from 9.4 to 3.2 percent for Indonesia during 2018-2030. As per the notifications, the actual support under Article 6 as a percentage of the VoP for India and Indonesia was 7.5 and 11.0 percent respectively in 2018, which is higher than the TDDS limit in percentage terms in 2030. Further, the actual TDDS would be likely to increase faster due to the flawed MPS methodology to calculate price support. As the TDDS limit would shrink further in the future with an increase in VoP, it implies that poor farmers would be left at the mercy of the market-forces without any safety nets. Notably, farmers of developing and LDC members currently face multiple challenges on account of small landholding size, lack of good infrastructure facilities, and marketing problems, among others (IFAD, 2015; Merriott, 2016). The average farm-size in India (1.08 hectares), Kenya (0.86 hectares), and Bangladesh (0.54 hectares) is negligible in comparison to Australia (4331 hectares), Canada (315 hectares), and the USA (180 hectares) (Sharma *et al*, 2021). Leaving these low-income or resource-poor farmers without safety nets would compound the existing farm problems in developing and LDC members and would lead to acute farm distress.

These above-mentioned points clearly show that the concerns and sensitivities of the developing and LDC members have been ignored under the fixed TDDS limit suggested by the Chair's text.

6. CONCLUSION

Disciplining the domestic support is the most burning issue in the agricultural negotiations since the Doha Development Round (DDR), and is a litmus test for a successful 12th ministerial conference. Despite the divergent views of the members on this issue, the Chair's text adopts a problematic approach by proposing the capping and reduction of the sum of current global TDDS entitlements by at least half by 2030. The contributions to these reductions would be undertaken by the non-LDC members only and would be proportionate to the size of an individual member's current TDDS entitlement.

The Chair's text is substantially influenced by the proposals submitted by some of the Cairns group members like Australia, New Zealand, Canada and Costa Rica. It is argued that the global TDDS entitlement is growing rapidly due to the combined *de minimis* entitlement, which is based on the VoP. As the combined *de minimis* entitlement of developing members (20%) is double of developed members' entitlement (10%), a narrative is being built to show the developing members with the highest TDDS entitlement. However, it ignores the basic difference between the flexibilities in the combined *de minimis* entitlement and the FBTAMS. The combined *de minimis* does not allow most developing, and LDC members to provide PSS beyond the applicable *de minimis* limit of 10 percent. However, members with the FBTAMS have no such constraint. It is this basic difference which allows many developed members to provide more than 100 percent PSS to many agricultural products. It was the main reason for the persistent demand by developing and LDC members to eliminate the FBTAMS entitlement. Moreover, the developing and LDC members have legitimate concerns regarding the MPS methodology in which the current AAP is compared with the FERP based on 1986-88 prices, which leads to inflated Amber box support. Instead of addressing these demands, there is a frequent questioning of the *de minimis* and development box entitlements of the developing members. The option to undertake proportionate reductions in TDDS entitlements contained in the Chair's text can be viewed as an attempt to take this approach forward.

The text has failed to incorporate the issues, sensitivities, and challenges persistently raised by the developing and LDC members. In general, the outcome of proportionate reduction in TDDS would require the developing members to contribute more than the developed members. For example, the proposed TDDS limit would substantially reduce the policy space for China (US$ 315 billion), India (US$ 182 billion) and Indonesia (US$ 56 billion) than the EU (US$ 94 billion), Japan (US$ 24 billion), and USA (US$ 52 billion). Further results show that the TDDS limit as a percentage of projected VoP in 2030 would be significantly higher for Japan (24.6%), Switzerland (19.1%), Norway (16.5%), and the EU (8.8%) than the developing members such as China (3.1%), India (3.8%), Indonesia (3.2%), and Vietnam (3.1%). Additionally, the per-farmer TDDS entitlement for developed members like Switzerland (US$ 21011), USA (US$ 12944), and Japan (US$ 11325) is massively higher than the developing and LDC members such as China (US$ 528), Indonesia (US$ 318), India (US$ 236), and Bangladesh (US$ 190). Contrary to the general belief that LDC members' policy space would remain intact, this study found that LDC members would lose US$ 49 billion or at least half of their TDDS entitlement by 2030 due to fixing the limits in monetary terms. Further, the outcome of the option on reducing TDDS would substantially dilute the existing S&DT provisions of the AoA.

In case this lopsided option concerning proportionate reductions in TDDS are accepted, it will leave millions of poor farmers in developing and LDC members at the mercy of market forces without adequate safety nets. Though the Chair's text suggests that different groups meet each other at midway for a consensus, it is crystal clear that developing and LDC members must cover more distance than the developed members to achieve the target of disciplining the TDDS. By ignoring the challenges and ground realities of developing and LDC members, the text ensures that a level playing field remains a distant dream for millions of low-income or resource-poor farmers.

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ANNEX 1 New TDDS Entitlement In 2030 For Developed and Developing Members

Member	US$ Million	% of VoP	Member	US$ Million	% of VoP
Albania	234	4.6	Kyrgyzstan*	322	7.4
Antigua and Barbuda*	1	11.9	Macao, China*	0	8.4
Argentina	2214	5.9	Malaysia	1900	3.4
Armenia*	147	6.0	Maldives*	1	11.9
Australia	2462	2.70	Mauritius	112	3.6
Bahrain*	18	4.3	Mexico	5541	6.5
Barbados	15	8.0	Moldova, Republic of	156	5.9
Belize	32	5.5	Mongolia	130	3.4
Bolivia	624	3.3	Montenegro*	8	5.90
Botswana	7	10.8	Morocco	1275	5.5
Brazil	14379	4.7	Namibia	42	6.2
Brunei Darussalam	13	4.8	New Zealand	902	2.48
Cabo Verde	17	7.1	Nicaragua	175	5.0
Cameroon	987	3.0	Nigeria	2408	8.5
Canada	4005	4.11	North Macedonia	108	6.2
Chile	1722	4.0	Norway	858	16.54
China	70871	3.1	Oman*	106	5.9
Chinese Taipei*	809	12.2	Pakistan	5627	4.6
Colombia	2583	5.5	Panama	233	4.7
Congo	376	3.1	Papua New Guinea*	376	7.7
Costa Rica	223	6.4	Paraguay	773	3.5
Côte d'Ivoire	1061	4.4	Peru	1475	4.1
Cuba*	422	9.3	Philippines	3120	4.9
Dominica*	4	9.8	Qatar	21	6.1
Dominican Republic	1179	4.1	Russia	6146	4.04
Ecuador	765	1.9	Saint Kitts and Nevis*	0	27.6
Egypt	1883	5.6	Saint Lucia	8	10.9
El Salvador	168	6.1	Saint Vincent and the	4	8.0
Eswatini*	43	8.1	Samoa*	8	8.0
EU (28)	62014	8.75	Saudi Arabia	1622	7.4
Fiji	52	2.8	Seychelles*	1	13.6
Gabon*	48	7.4	Singapore	9	7.3
Georgia	88	11.5	South Africa	1095	2.70
Ghana	1099	5.3	Sri Lanka	455	5.0
Grenada*	6	6.1	Suriname	23	5.3
Guatemala*	821	5.7	Switzerland	2561	19.13
Guyana	68	1.2	Tajikistan	284	7.2
Honduras	289	5.4	Thailand	3029	5.2
Hong Kong, china	17	4.6	Tonga*	3	8.8
Iceland	14	4.04	Trinidad and Tobago	4	6.0
India	42542	3.8	Tunisia	412	6.4
Indonesia	10482	3.2	Turkey	9489	4.8
Israel	983	6.9	Ukraine	1619	2.23
Jamaica	165	9.6	United Arab Emirates*	106	9.8
Japan	20944	24.58	Uruguay	410	4.1
Jordan	268	3.4	USA	26440	4.49
Kazakhstan	840	3.2	Vanuatu*	10	8.6
Kenya	1590	4.1	Venezuela (Bolivarian	1241	14.7
Korea	5143	7.9	Vietnam	4256	3.1
Kuwait*	69	4.2	Zimbabwe*	248	9.3

Note: * Due to the non-availability of VoP in current US$, the VoP data in constant US$ (2014-2016) is used.
Source: Authors' calculation

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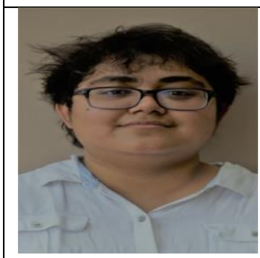	**Teesta Lahiri** is working as a Research Fellow (Legal) at the Centre for WTO Studies. She graduated from National Law University Odisha in 2019 and is currently working on international trade issues pertaining to agriculture. Email: teesta@iift.edu
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