

WTO domestic support and agricultural policy in CIS countries

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Definitions

– CIS countries *

- 7 WTO members
- 4 in process of accession
- 1 contemplating accession

– Domestic support

- Policy support in favour of agricultural producers
- Delivered by any government ministry
 - Not just ministry of agriculture
- What is “domestic” about domestic support?
 - Support from policies not applied at the border
 - Not tariffs, not export subsidies

* Georgia is included as a CIS country here

WTO member governments must ...

– Classify (categorize) policies using WTO rules

- Green box criteria
 - Policies not subject to WTO discipline
- All other policies
 - Support under these policies is subject to WTO constraints *

– Measure support using WTO rules

- Calculate AMSs Aggregate Measurement of Support
- One or more *product-specific* AMSs
 - Support for producers of individual products
- One *non-product-specific* AMS
 - Support for agricultural producers in general

* Development box support not subject to constraint

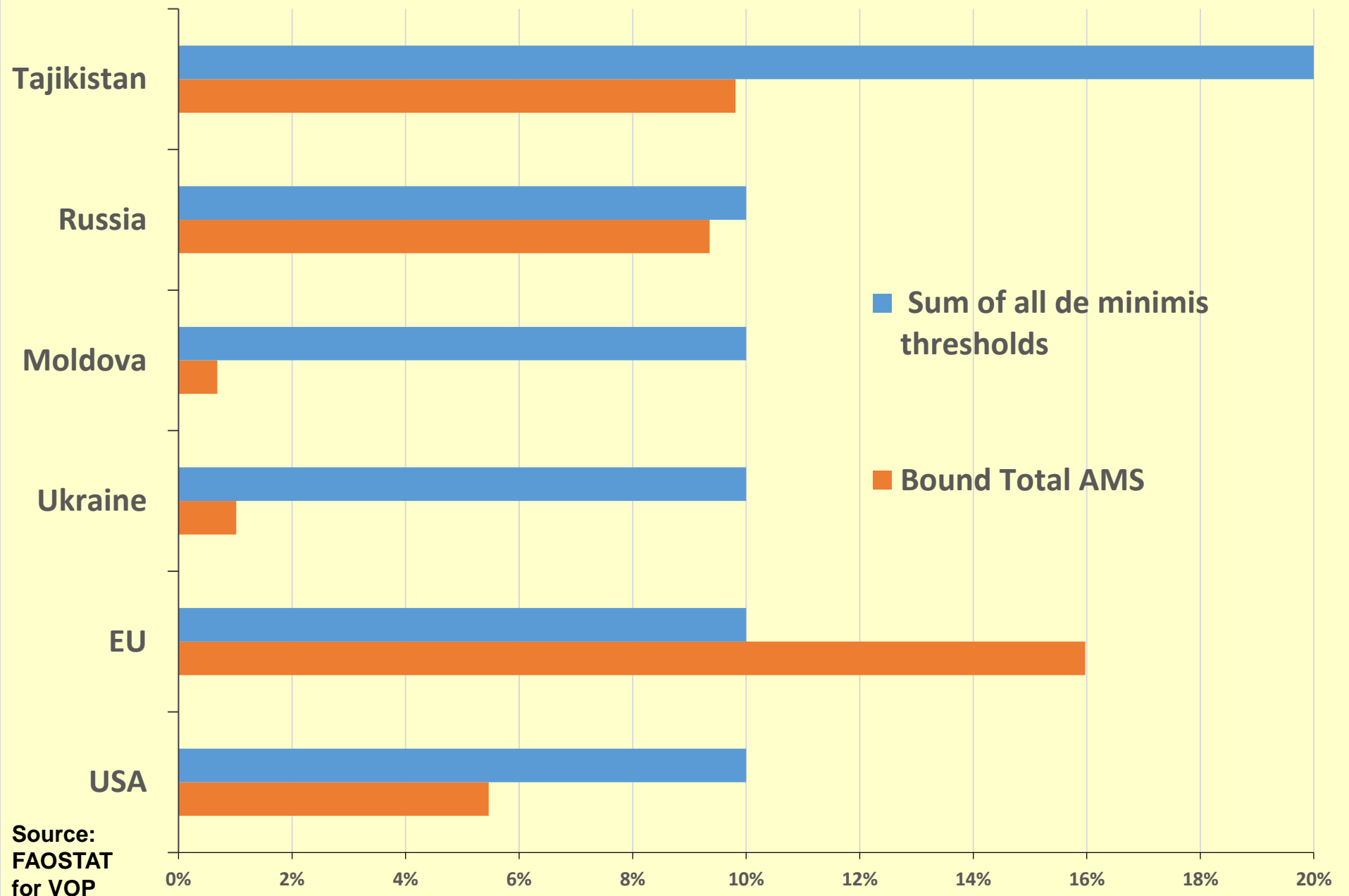
WTO characteristics: 3 members

- Armenia, Georgia, Kyrgyz Republic
- Bound Total AMS is nil
 - Compare each AMS to *de minimis* threshold
 - Each product's AMS and the non-product-specific AMS
 - » *de minimis* threshold is 5% value of production (VOP)
 - » Product's VOP or VOP in agriculture sector
 - VOP and threshold vary from year to year
 - No AMS can exceed its *de minimis* threshold
- Need data on VOP in agriculture and each product

WTO characteristics: 4 members

- Moldova, Russia, Tajikistan, Ukraine
- Bound Total AMS is greater than nil (\$ x million)
 - Compare each AMS to *de minimis* threshold
 - *De minimis* thresholds are 5% of VOP (Tajikistan 10%)
 - Some AMSs can exceed *de minimis* thresholds
- Add all larger-than-*de minimis* AMSs
 - This sum must not exceed Bound Total AMS
- Need data on VOP in agriculture and each product

Bound Total AMS and de minimis thresholds as % of 2011 value of production



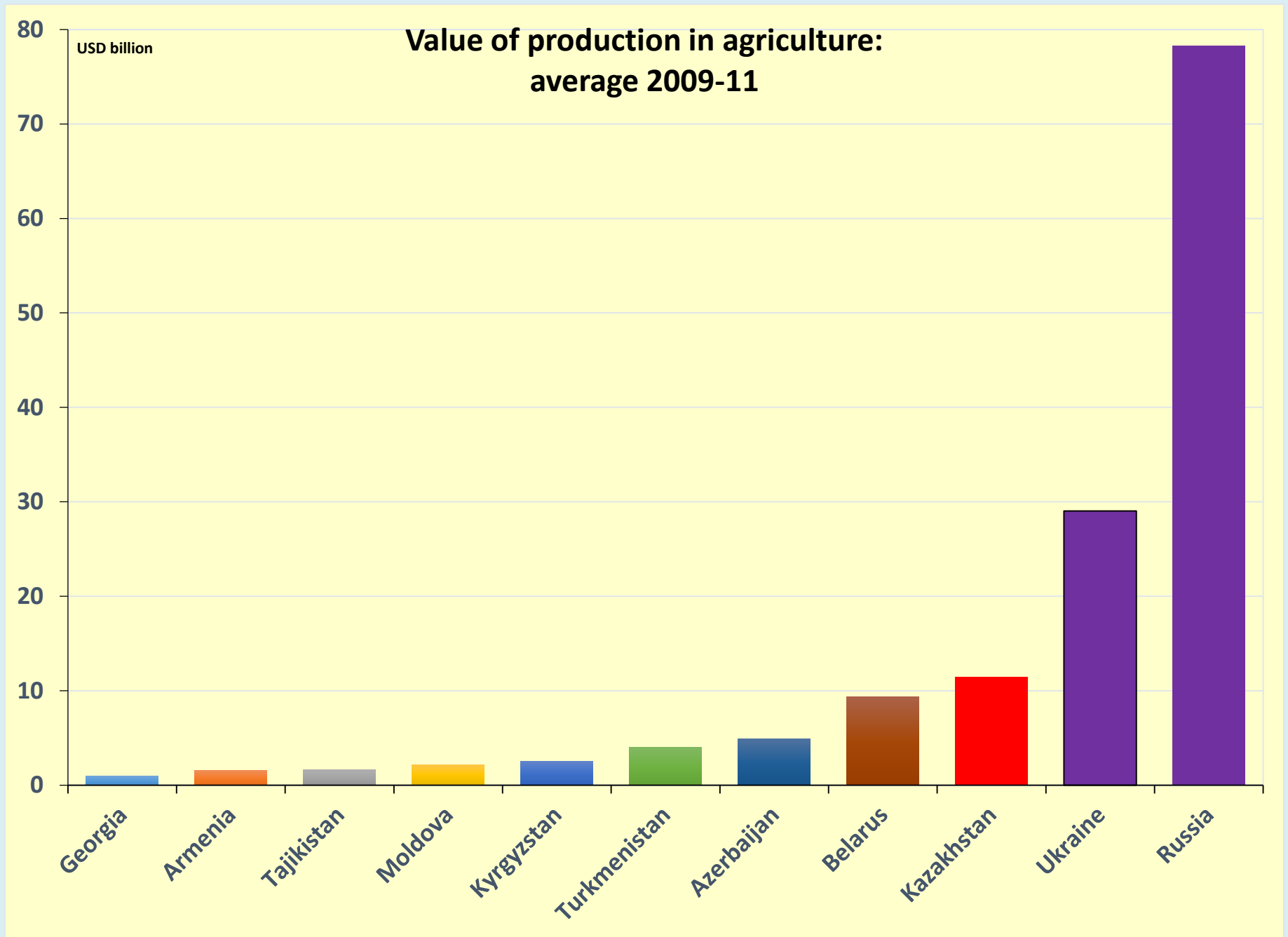
Source:
FAOSTAT
for VOP

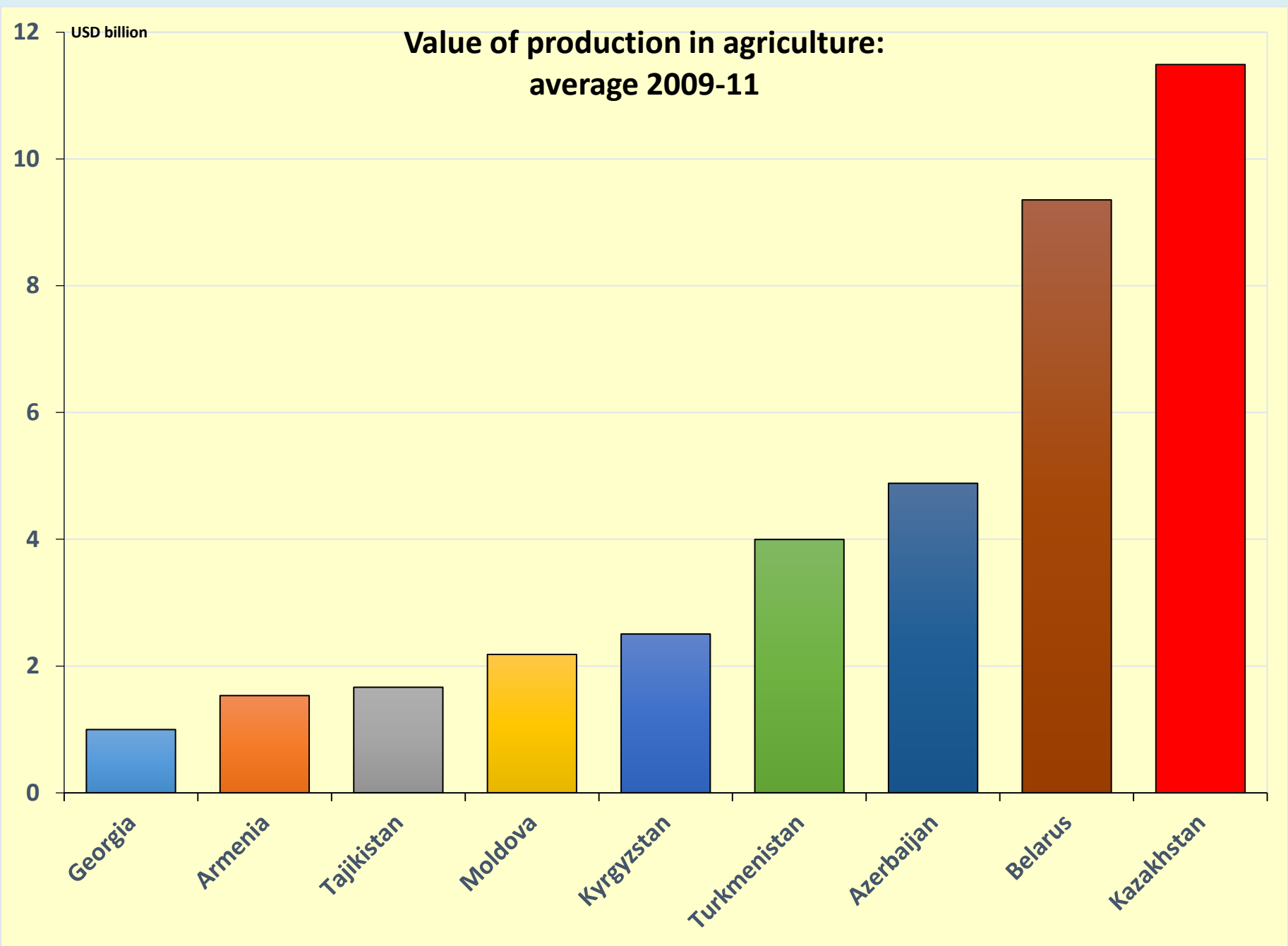
Policy priorities to comply with WTO rules

- Design policies to meet green box criteria
 - Green box support not subject to constraint of any kind
- Design policies with an eye on *de minimis* thresholds
 - Product-specific thresholds and non-product-specific
 - Design policy to stay below all *de minimis* thresholds for AMS
 - Armenia, Georgia, Kyrgyz Rep.
 - Design policy to stay below some *de minimis* thresholds and below Bound Total AMS
 - Tajikistan, Russia, Moldova, Ukraine

WTO characteristics: 4 accessions

- Azerbaijan, Belarus, Kazakhstan, Uzbekistan
- In base period years
 - Compare each AMS to *de minimis* threshold
 - *De minimis* thresholds are 5% of VOP
 - AMSs can exceed their *de minimis* thresholds
- Add all larger-than-*de minimis* AMSs
 - This sum is base for Bound Total AMS
- Need data on VOP in agriculture and each product





Country experience ARM, GEO

– Armenia

- Almost all support in green box
 - \$ 6 million in 2011: pest and disease control, marketing services
- AMS support: only non-product-specific AMS \$ 1 million
 - Small enough to be *de minimis*
- Very good notification record: 2003-2011
- Apparently no major issue in WTO compliance

– Georgia

- All support in green box (all!)
 - Variety of general services, different kinds in different years
 - Also some decoupled income support: grapes and winemaking
- Very good notification record: 2000-2012
- Apparently no major issue in WTO compliance

Country experience KGZ, TJK

– Kyrgyz Republic

- No notification since 1998 (!)
 - VOP in agriculture about same as ARM and GEO together
- Plans under way to increase agricultural production
- Emphasis on green box support or AMS?
- Relatively ample room for AMS support within 5% of VOP

– Tajikistan

- WTO member in 2013; 2008-10 base period
 - » \$8 million in green box; \$4 million in development box
 - » Product-specific and non-product-specific AMSs: small amounts
 - Except: huge cotton sector debt write-off in 2009
 - Average 2008-10 cotton write-off \$183 million became Bound Total AMS
- Large space to increase distorting support; 10% *de minimis*
- Will Tajikistan choose to use or be able to use its space?

Country experience MLD, UKR

– Moldova

- No notification since 2004
 - » 5% of 2011 VOP in agriculture was \$146 million;
 - Bound Total AMS only \$20 million (in Special Drawing Rights)
 - » 2008-15 framework to subsidize agricultural producers: wine, dairy, organics
- How much as green box and AMS support? Product-specific or not?

– Ukraine

- Second largest VOP in CIS; \$38 billion in 2011; 5% *de minimis*
 - Bound Total AMS: about \$400 million (UAH 3 billion)
 - Green box in 2010: mainly inspection services and training
 - Many kinds of AMS support, product-specific and non-product-specific
 - Administered price on sugar gives very large sugar beet AMS
- 2010 Current Total AMS, without adjusting, exceeds Bound Total AMS
 - Continued excesses and adjustments in 2011, 2012, 2013?
- Ukraine's inflation adjustment opposed in Committee on Agriculture
 - Some members have reacted strongly
- Huge systemic issue for effectiveness of WTO rules on domestic support

Country experience RUS

– Russia

- **Member 2012; notify for 2012 or 2013?**
 - 2006-08: almost all support in green box or non-product-specific AMS
 - » Data from 2006-08 gave base Total AMS of \$4.4 billion
 - Negotiated \$9 billion ceiling in 2013, going to \$4.4 billion in 2018
 - » Limit product-specific AMSs relative to non-product-specific AMS
- **State Program 2013-20: more federal and regional support**
 - Product-specific AMSs can increase from very low in 2006-08
 - » Must respect special limit through 2017
 - Green box support can increase without limit
 - Future use of administered prices?
 - » Support measured by OECD is mostly price support from border measures; no administered prices
- **Budget support planned for 2013-20 is easily managed as green box, *de minimis* AMSs and in Bound Total AMS**

Country experience AZE, BLR

– Azerbaijan

- Rapidly growing VOP in agriculture; \$6.2 billion in 2012
 - Subsidized fuel, fertilizer, credit, water; tax benefits; wheat payments
- Sizeable Bound Total AMS?
 - If large non-product-specific AMS in 2010-12 (more than 5% of VOP)
 - Use future increases in government revenue for farm support?
- Large future room in *de minimis* AMSs and Bound Total AMS

– Belarus

- Large agr producer; VOP in agriculture \$11 billion in 2011
 - Many kinds of product-specific and non-product-specific support
 - Single Economic Space (SES): reduce support from 16% to 10% of VOP
- Sizeable Bound Total AMS may be possible
 - More effective limits under SES or under WTO rules?

Country experience KAZ, UZB

– Kazakhstan

- Third largest CIS agriculture VOP at \$13 billion in 2012
 - Rapidly increasing support of many kinds in 2010-12
 - » Subsidized inputs, credit; tax benefits; area payments
 - » Government buys many products – buy at administered prices?
 - » If high admin. prices, then many AMSs may exceed 5% *de minimis*
- Sizeable Bound Total AMS is possible (\$ billions?)
 - Use future increases in government revenue for farm support?
- Very large future room in *de minimis* AMSs and Bound Total AMS

– Uzbekistan

- Very little information on VOP or policies
 - » Usual CIS country policies? Input subsidies, credit concessions?
 - » Government sets prices for wheat and cotton: administered prices?
- Not possible to speculate about any Bound Total AMS
- Continued economic reform and engagement in WTO accession process may eventually clarify domestic support commitment

Conclusions (1)

- **Most CIS countries in WTO have room to increase AMSs**
 - Armenia, Georgia and Kyrgyz: room to go up to *de minimis* levels
 - Moldova: room to go a little above some *de minimis* levels
 - Tajikistan: relatively more room to raise AMS levels
 - Russia: can manage increasing budget support as green box and *de minimis* and within Bound Total AMS
- **Ukraine: constrained by Bound Total AMS**
 - **Ukraine's readiness to use incorrect AMS calculation is inexplicable**
 - Ukraine is competitive exporter of grains and oilseeds
 - Distant countries and CIS neighbours are increasing farm support as their economies grow – effective AMS rules will limit their support levels
 - **If adjusting AMS calculations becomes accepted WTO practice:**
 - Ukraine's producers will compete with more heavily supported producers in other exporting countries and in importing countries

Conclusions (2)

- **Countries in accession process may get a Bound Total AMS**
 - Recent support is high – large share is likely counted as AMS
 - Azerbaijan, Kazakhstan, Belarus
 - Uzbekistan: not enough information to speculate
- **Overall, surprisingly small share of support in green box**
 - Georgia and Armenia stand out: very large share in green box
 - Also very good notification record
- **What to do when WTO rules constrain room for support?**
 - Use green box policies: no limit on amount of support
 - Understand green box criteria when policy is developed
- **What to do about distorting support in other countries?**
 - Most CIS countries are small in international trade
 - Use WTO to ensure advantages of rules-based trading environment
 - Enforce limits on AMS support in whole world and CIS neighbors

Thank you for your attention!

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