



WTO disciplines on Domestic support

Diwakar.dixit@wto.org

Belgorod, Russian Federation

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WTO OMC

Agreement on Agriculture*



- **Covers three areas/pillars:**
 - Market access (border measures)
 - Export competition
 - Domestic support

- **Rule-based commitments plus country-specific commitments in the Schedule**

- **Framework for reforms (unfinished task)**

*Other multilateral trade agreements on goods apply simultaneously.



Domestic Support

- Fundamental change in the treatment of domestic support (production subsidies)
- Three important specific considerations:
 - To address tariff-based as well as subsidy-based distortions
 - deemed important for ensuring respect of commitments in the other two pillars (i.e., **market access** and **export competition**)
 - Level-playing field (more enabling atmosphere for policy reforms)

Domestic Support rules



- **Coverage:** Support to agricultural producers (definition/scope of agricultural products included in the Agreement)
- **Nature:** Binding guidance to policy makers (i.e. **subsidizing country**)
 - Difference from Subsidy Agreement (ASCM): where the thrust is on offering “remedies” to countries affected by subsidization
- ‘Per-se’ obligations and not dependent on any trade-effect test

Domestic Support: classification of measures



Offering scope for governments for policies which are essential and whose potential distorting effect on trade and production is minimal:
EXEMPT MEASURES
(Detailed Criteria for policy makers)

Residual category
(no criteria):

NON-EXEMPT MEASURES
subject to monetary limit
(i.e. Total AMS commitment or *de minimis* limits)

**Encouraging a reform process
towards “exempt” support measures**

Domestic support



■ **Criteria-based rules**

- Exempt from monetary limit
- Need to respect the criteria
- Detailed criteria/requirements prescribed

■ **Monetary limit based rules:**

- When exemption criteria not respected
- Detailed methodology to calculate support/subsidy
- Monetary limit on support/subsidies

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



Green Box

- Measures can be used freely, as long as they meet the exemption criteria (detailed in Annex 2 of the Agreement)
- New programmes/measures can be introduced and old ones can be modified (notification obligation)
- Obligation to ensure that programmes are maintained in conformity with the Green Box criteria



Blue Box

(Direct payments under production-limiting programmes)

➤ Product limitation

➤ production quota, set-aside a part of land, levies etc.

➤ Payment based on past/historical parameters

➤ based on area and yields in the past ; or

➤ made on $\leq 85\%$ of base level of production; or

➤ livestock payments based on a fixed number of heads

➤ Recourse by very limited number of Members (EU, Japan, Norway)



Amber Box

- No policy criteria (**residual category**)
- **Calculation** of annual support as per the methodological guidance prescribed in the Agreement on Agriculture (Annex 3)
- Classification issue between product-specific AMS and non-product-specific AMS
 - Potential circumvention of AMS commitments using higher **de-minimis** threshold corresponding to non-product-specific AMS



AMS Calculations

■ Article 1:

- Support in favour of the producers of the 'basic agricultural product' or 'non-product-specific support' in favour of the agricultural producers **in general**
- '**basic agricultural product**': as close as practicable to the point of first sale, as specified in a Member's Schedule and the supporting material
- calculated in accordance with the provisions of Annex 3 and taking into account the **constituent data and methodology** used in the supporting material (AGST) (like for quantifying price-related direct payments or determining "basic" agricultural products)

■ Annex 3:

- Detailed calculation methodologies

Current Total AMS is the sum of:



- All product-specific AMS/EMS
 - Market price support
 - Non-exempt direct payments
 - Other non-exempt measures

- Non-product-specific AMS
 - Subsidized credit instruments
 - Subsidized transport etc.

Current Total AMS:

if the value of product-specific support or non-product-specific support does not exceed ***de minimis*** – no need to include it (Article 6.4)

AMS calculations and commitments (Russian Federation)



Until-2018

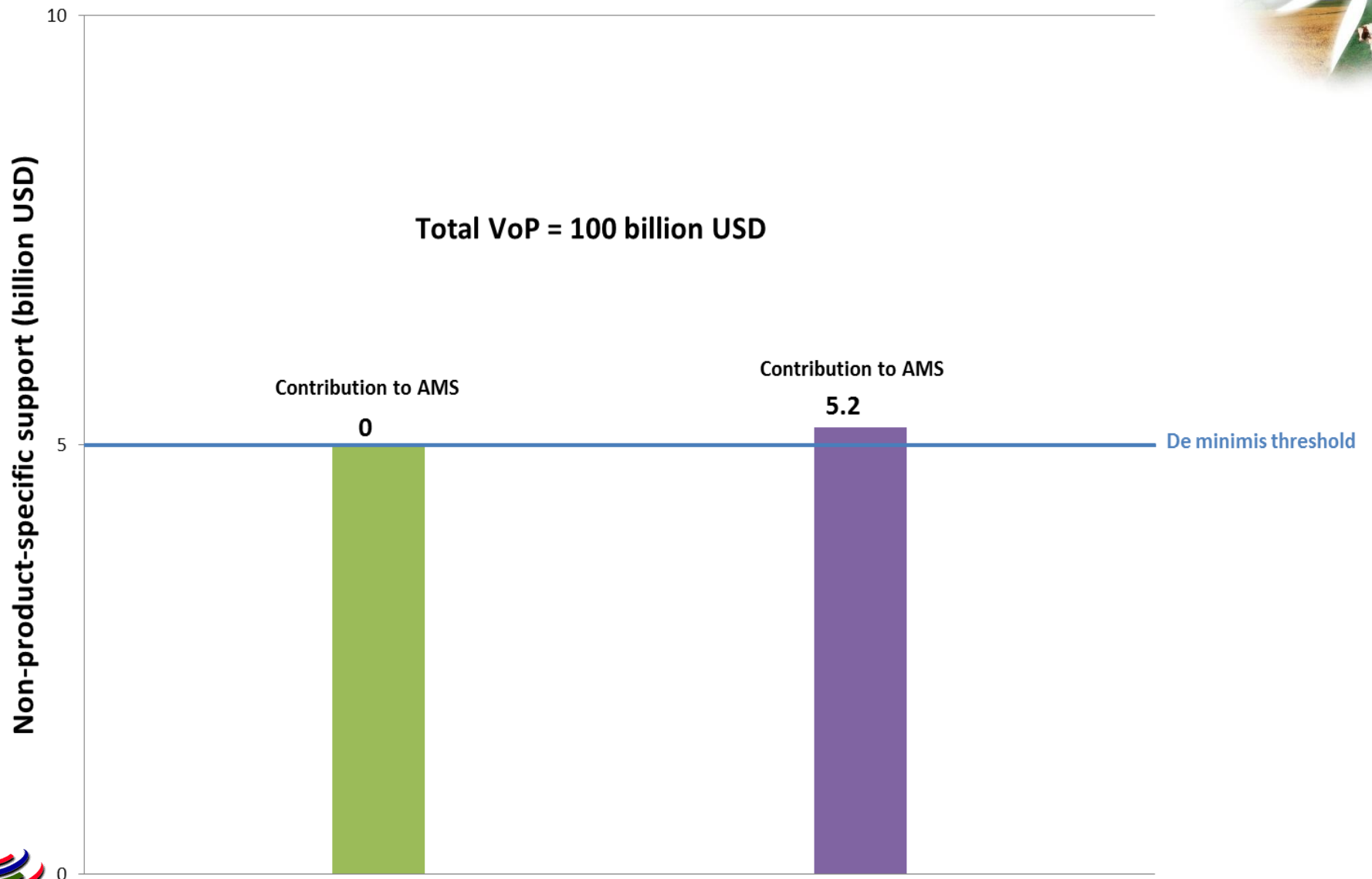
- Total AMS commitment; **and**
- Ratio between sum of product-specific AMS and Non-product-specific AMS

Post-2018

- Total AMS commitment
- Role of non-product-specific *de minimis* calculations
 - Variation in total production value
 - Exchange rate



De-minimis calculations





AMS calculation examples

(until-2018 and using 2012/13 commitment level)

**Non-product-specific (NPS)
AMS**

5.0 6.0 6.9 7.5 9.0

NPS going to CTAMS

0.0 6.0 6.9 7.5 9.0

**Max product-specific (PS) AMS
contributing to CTAMS**

1.5 1.8 2.1 1.5 0.0

PS + NPS

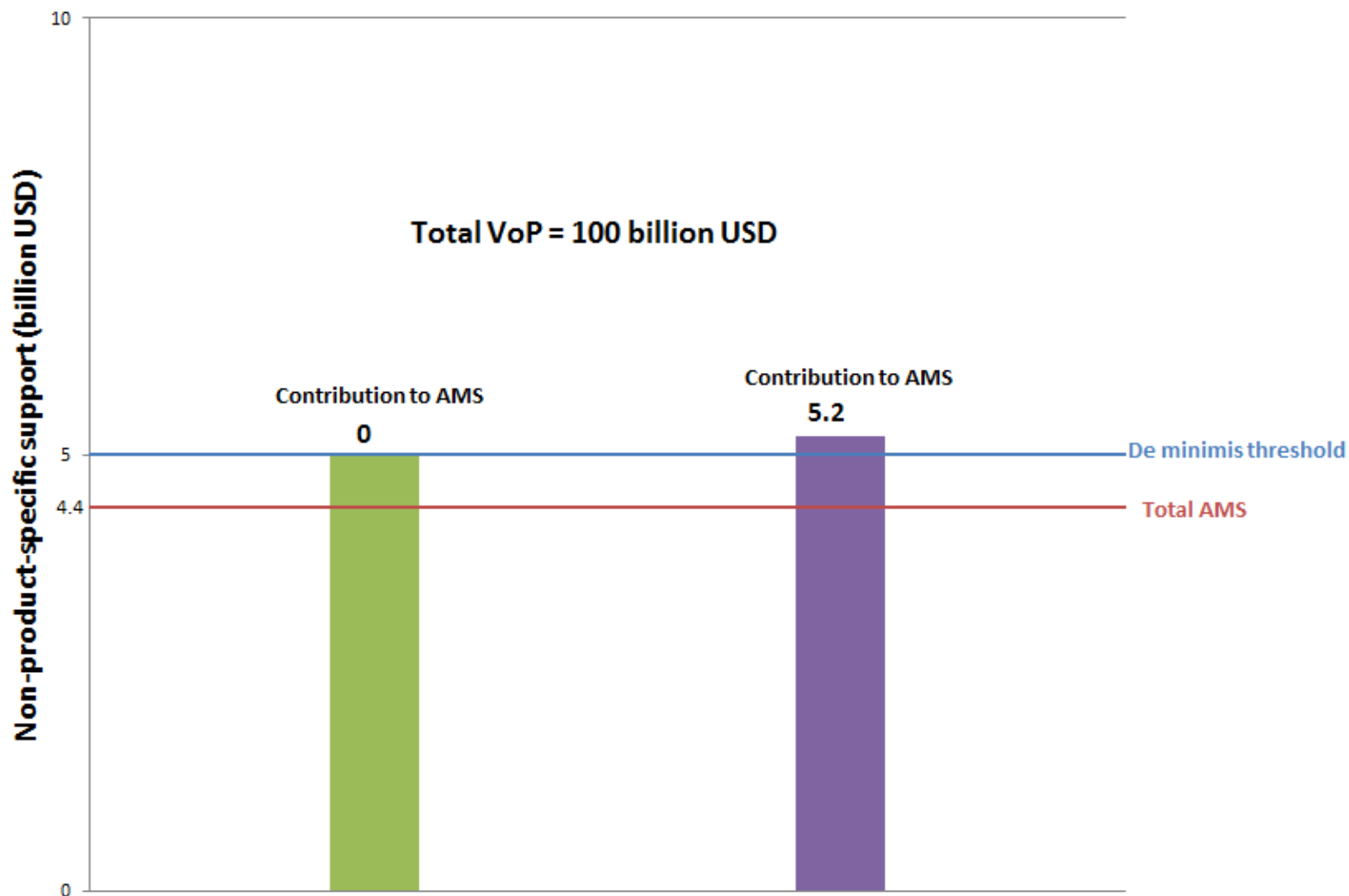
6.5 7.8 9.0 9.0 9.0

Current Total AMS (CTAMS)

1.5 7.8 9.0 9.0 9.0



Situation of non-product-specific AMS post 2018





AMS calculation examples (post-2018)

**Non-product-specific (NPS)
AMS**

0.0 1.5 3.0 4.4 5.0

NPS going to CTAMS

0.0 0.0 0.0 0.0 0.0

**Max product-specific (PS) AMS
contributing to CTAMS**

4.4 4.4 4.4 4.4 4.4

PS + NPS

4.4 5.9 7.4 8.8 9.4

Current Total AMS (CTAMS)

4.4 4.4 4.4 4.4 4.4

Monitoring and surveillance (Review Process)



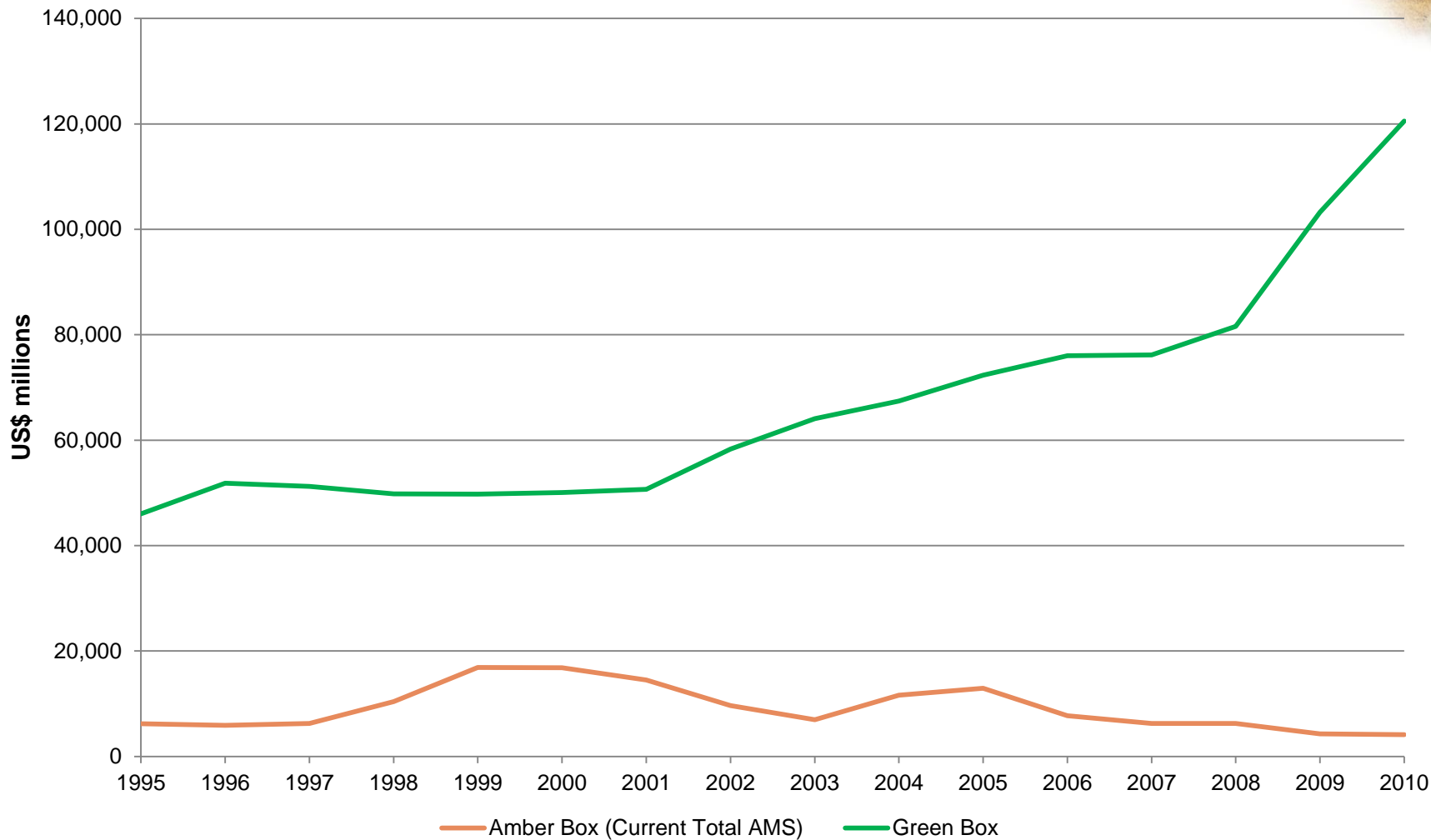
- Nature of commitments (criteria-based, annual, in monetary terms etc.): Important role of the **review process**
- Collective assessment as how rules/commitments are implemented by Members
- Process carried out by the Committee on Agriculture (CoA); based on notifications
- Detailed notification requirements (**G/AG/2**)



AoA rules a framework of reform process



US' domestic support



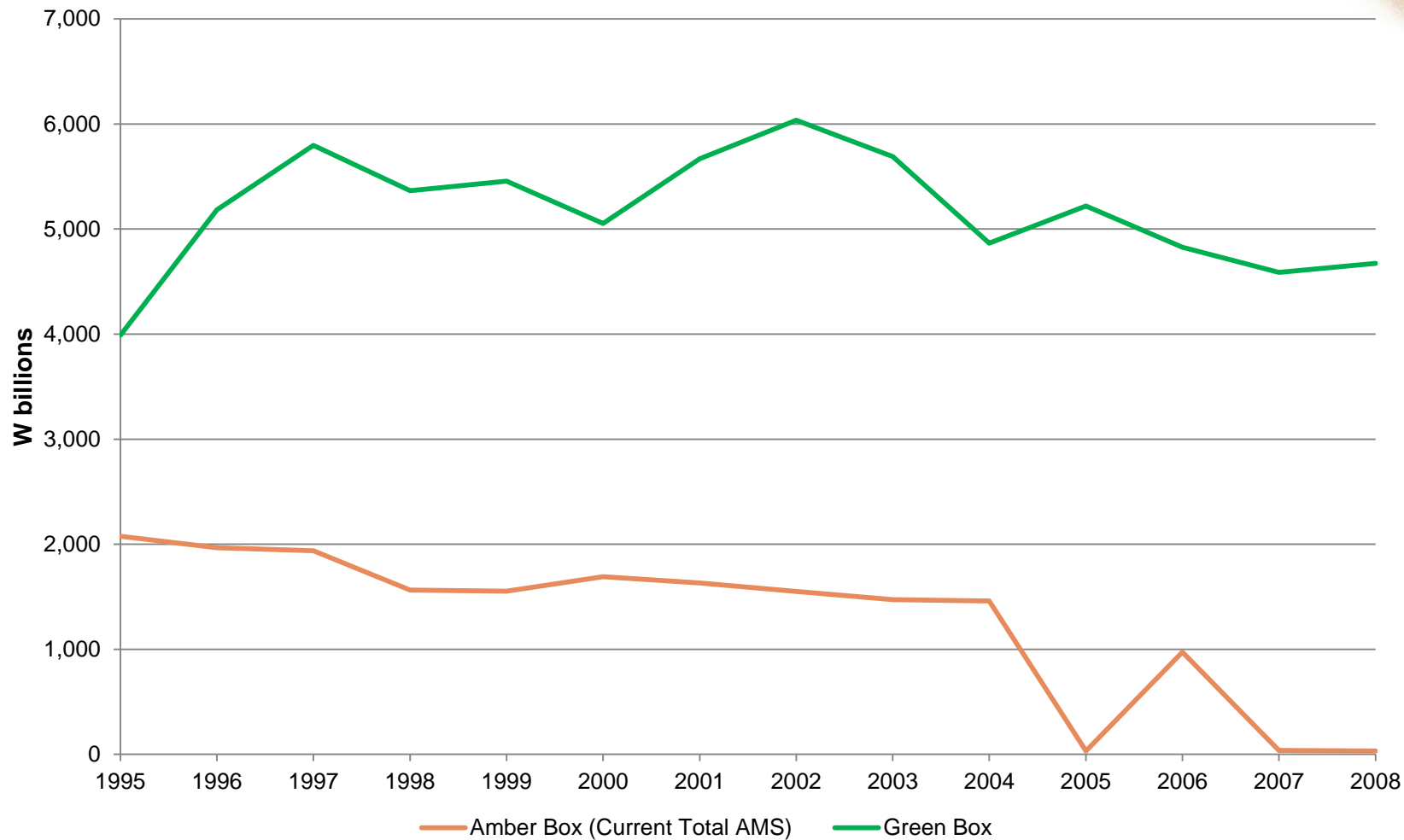


EU's domestic support



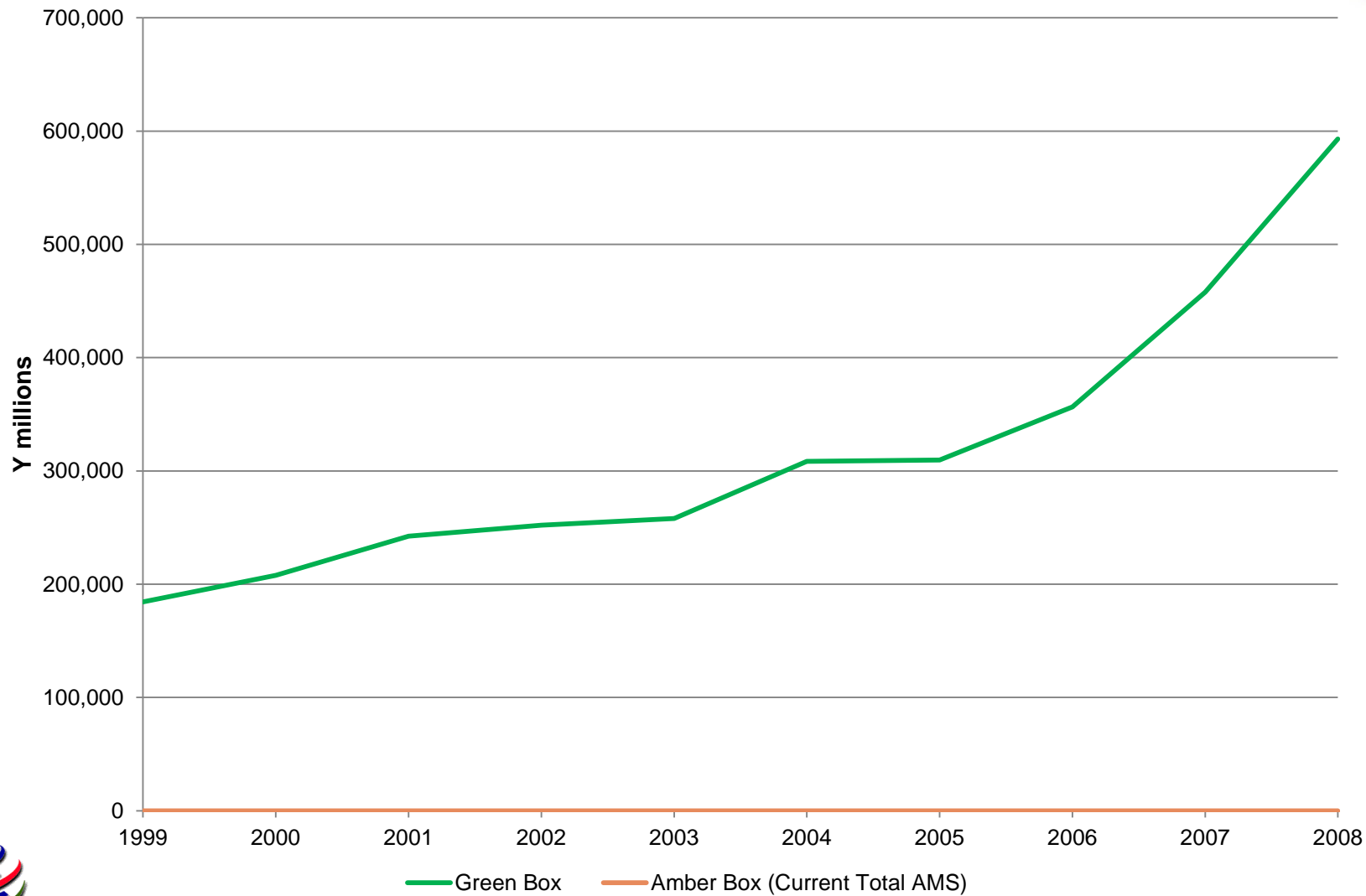


Korea's domestic support



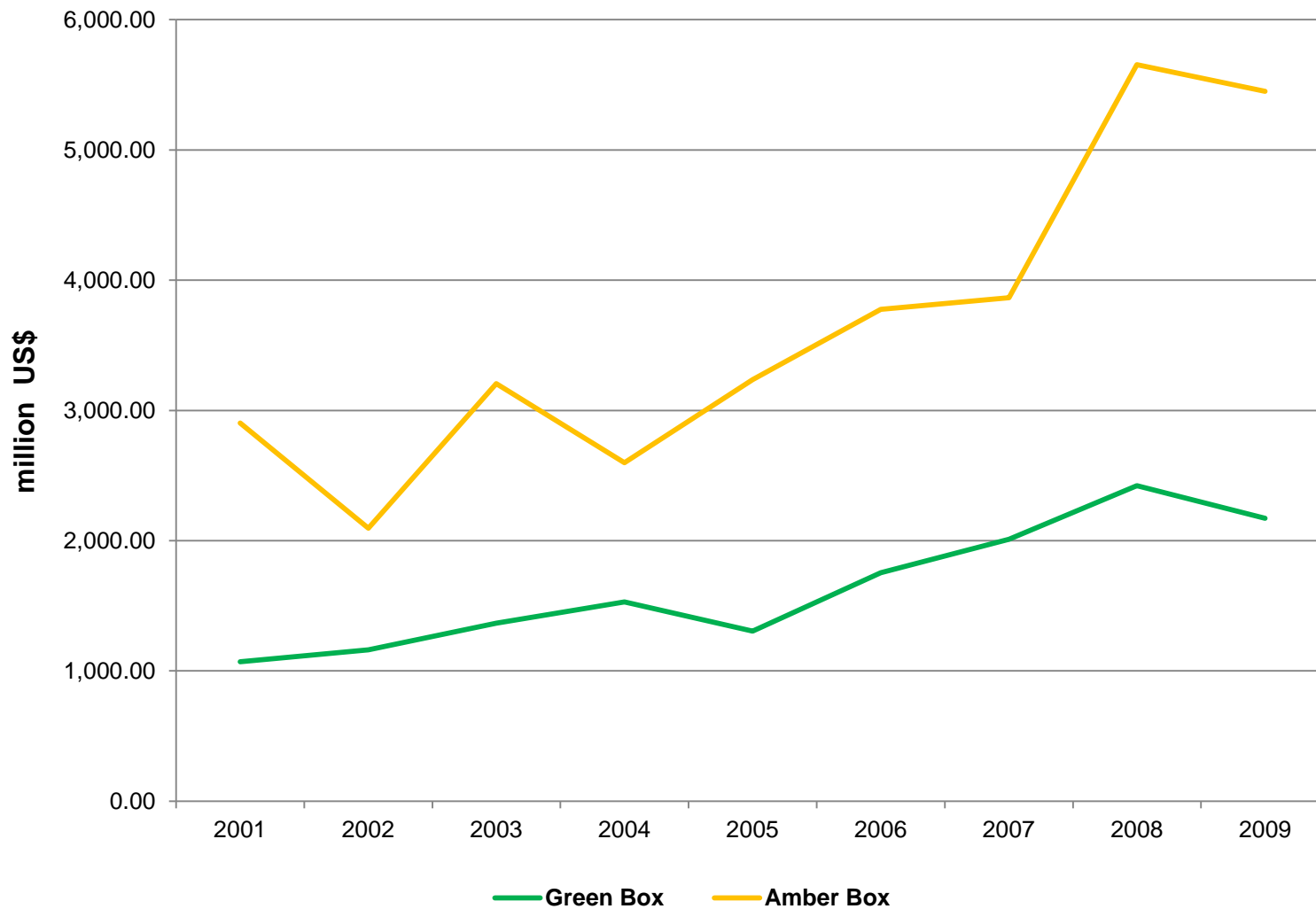


China's domestic support





Russia's domestic support



Main issues



- Good **understanding of the rules and commitments**
- Need for an efficient **domestic monitoring machinery** especially when disbursements are made also at the level of regional governments (to respect Total AMS limit annually)
- Efficient use of Committee on Agriculture's **notification process** (Review Process; not a legal enforcement mechanism): Learning tool on the practical application of rules



THANK YOU