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978-1-107-41710-6 - WTO Disciplines on Agricultural Support: Seeking a Fair Basis for Trade

Edited by David Orden, David Blandford and Tim Josling

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WTO DISCIPLINES ON AGRICULTURAL SUPPORT

Farm support is contentious in international negotiations. This in-depth assessment of the legal compliance and economic evaluation issues raised by the WTO Agreement on Agriculture presents consistent support data and forward-looking projections for eight developed and developing countries (EU, US, Japan, Norway, Brazil, China, India, Philippines), using original estimates where official notifications are not available. Variations over time in notified support in some cases reflect real policy changes; others merely reflect shifts in how countries represent their measures. The stalled Doha negotiations presage significantly tighter constraints for developed countries that provide the highest support, but loopholes will persist. Developing countries face fewer constraints and their trade-distorting farm support can rise. Pressure points and key remaining issues if a Doha agreement is reached are evaluated. Vigilant monitoring for compliance of farm support with WTO commitments will be required to lessen its negative consequences whether or not the Doha Round is concluded.

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P R E F A C E

Agricultural issues are particularly contentious in international trade negotiations. Many of the problems stem from the trade impacts of domestic support policies designed to maintain and stabilize farm incomes. When the World Trade Organization was launched in 1995, agricultural domestic support was brought under its disciplines. Certain trade-distorting support, evaluated in a specific manner, became subject to limits and all support measures to rules-based scrutiny. The economic objective underlying these legal disciplines was to reduce distortions in world agricultural markets. But the rules left countries with wide discretion over the forms and levels of support they provide to their farmers. Fifteen years later, subsequent negotiations in the Doha Round that have attempted to strengthen the initial rules and tighten the commitments have not resulted in an agreement.

This book examines in depth the many compliance and evaluation issues related to WTO disciplines on domestic support. Part one sets up the analysis. The key analytical questions that arise around disciplining domestic support are laid out in Chapter 1. The second chapter provides the necessary institutional background about the negotiation of the Agreement on Agriculture, its fundamental rules, the implementation experience through the WTO's Committee on Agriculture and dispute settlement cases, and the enhanced but complex proposals on domestic support that emerged in the Doha negotiations.

The second and third parts of the book (Chapters 3–10) present assessments of the domestic support notified to the WTO for compliance verification for eight developed and middle-income developing countries. The authors assess the political economy considerations that have driven domestic policy choices since the Agreement came into effect and estimate supplemental ("shadow") support notifications where countries have lagged in providing information. How each country has claimed to have met its WTO obligations given its policy decisions is examined, and evaluations made of the extent to which some of these claims can

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be questioned. The relationship between support as notified under the Agreement and an economic interpretation of the implications of that support is a focus of the analysis throughout the book, especially in the crucial area of market price support. Looking forward, projected support through the mid 2010s is evaluated against the existing disciplines and those emerging in the Doha Round. These eight chapters provide a comprehensive assessment for a diverse set of countries of the interface between domestic support policies and the disciplines agreed to in the WTO that has heretofore not been available.

The fourth part of the book is a final chapter that summarizes the country experiences and draws together important lessons about the usefulness of international disciplines on domestic support. The Agreement has proven porous but some convergence of policies among countries has occurred. We conclude that an agreement in line with the Doha draft modalities that emerged by the end of 2008 (and remain the focus of negotiations) would significantly reduce the future scope for trade-distorting domestic support by developed countries that have provided the highest levels of this support. These proposals would be less restrictive for the emerging-market developing countries. This could eventually imply a significantly different pattern in the incidence of global support for agriculture. Many other issues will also remain to be addressed even if a new WTO agreement on agriculture is concluded in the Doha Round. Without a new agreement, agricultural domestic support policies and their effects will certainly continue to be contentious issues in trade relations among countries.

This book originates from a study of domestic support policies and disciplines conducted under the auspices of the International Food Policy Research Institute (IFPRI), Washington, DC. The study was initiated in June 2007 when the Doha negotiators were struggling to find consensus on new rules with incomplete information accessible by governments or publicly available. David Blandford and Tim Josling had been working on an assessment of domestic support and its notification to the WTO for the European Union and the United States. The three editors joined together in September 2007 to develop this book covering eight countries in the context of global agriculture and support policy disciplines.

The study was part of a research and public policy project on Foundation Analysis for Agricultural Trade Reform within IFPRI's Markets, Trade and Institutions Division. Financial support to IFPRI for this project from the Global Development Program of the William and Flora Hewlett Foundation (grants 2007–9399 and 2008–1886) is

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gratefully acknowledged. Antoine Bouët and David Orden were the IFPRI project leaders and Ann Tutwiler was the project liaison for the Hewlett Foundation. Support of the Division Director, Maximo Torero, and from Klaus von Geber, director of IFPRI's Communication Division, is appreciated. Shirley Raymundo, Marcelle Thomas, Joy Fabela, Tigist Defabachew, and Mary-Jane Banks provided technical and administrative assistance in the book's preparation. We thank Will Martin at the World Bank for his support of the early analysis of the EU and the US by Blandford and Josling that is further developed in two chapters of this book.

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During the study opportunities arose for the authors to engage in a number of discussions related to the WTO negotiations. Several events were coordinated with the International Centre for Trade and Sustainable Development in Geneva. We thank Ricardo Meléndez-Ortiz, Christophe Bellmann, Jonathan Hepburn and Deborah Vorhies for their facilitation of these activities, and Joanna Hewitt (formerly with the Australian government) and Dimitris Diakosavvas (OECD Secretariat) for facilitating other engagements. Additional venues for presentations included the FAO, German Marshall Fund of the United States, International Food and Agricultural Trade Policy Council, IFPRI, OECD, World Bank, World Trade Institute (Bern), and WTO. At the WTO, we appreciate the participation in a session organized around the study at the 2009 Public Forum of David Walker, chairperson of the Special Session of the Committee on Agriculture, and Valeria Csukasi, chairperson of the Committee on Agriculture. Presentations during the study at professional annual meetings included the Chinese Economic Association in North America, International Agricultural Trade Research Consortium, UK Agricultural Economics Society, and US Agricultural and Applied Economics Association. We thank discussants and audience participants at these presentations and meetings, particularly Carol Goodloe and Anne Efland from the US Department of Agriculture, for many useful observations and comments, as well as those individuals acknowledged by the chapter authors for their contributions.

We are grateful to the authors who prepared the chapters in this volume for their insights, collaboration and cooperation. Completing each

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chapter, with its support estimates and policy projections, was a challenge the authors undertook with diligence and commitment in the shifting context as the study proceeded of ongoing Doha deliberations, unilateral changes in domestic support policies, and intermittent new notifications by countries to the WTO.

Finally, we particularly express our gratitude to Lars Brink. He provided an invaluable perspective and guidance for the entire book drawing on his extensive and ongoing experience addressing domestic support issues for the Canadian government since early in the Uruguay Round. To turn the phrase we use in the context of the notifications, Lars Brink should be recognized in a shadow role as a fourth editor of the book.

ACRONYMS

General

AMS	Aggregate Measurement of Support
ASCM	Agreement on Subsidies and Countervailing Measures
CTAMS	Current Total Aggregate Measurement of Support
DS: 1–9	domestic support tables
DSB	Dispute Settlement Body
EC	European Communities
EMS	Equivalent Measurement of Support
ERP	external reference price
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FBTAMS	Final Bound Total Aggregate Measurement of Support
G/AG/N/[country]/[number]	agricultural notifications to the WTO
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IATRC	International Agricultural Trade Research Consortium
IFPRI	International Food Policy Research Institute
IPC	International Food and Agricultural Trade Policy Council
LDC	least-developed country
MPS	market price support
NFIDC	net food-importing developing country
NPR	nominal protection rate
OECD	Organization for Economic Co-operation and Development
OTDS	Overall Trade Distorting Support
PSE	Producer Support Estimate/Producer Subsidy Equivalent

xxii	LIST OF ACRONYMS
RAM	recently acceded member
SMU	Support Measurement Unit
ST	supporting table
TAMS	Total Aggregate Measurement of Support
TDE	Trade Distortion Equivalent
TRQ	tariff-rate quota
UK	United Kingdom
US	United States
USDA	United States Department of Agriculture
VAT	value-added tax
VOP	value of production
WTO	World Trade Organization

European Union

CAP	Common Agricultural Policy
SAPS	Single Area Payment Scheme
SPS	Single Payment Scheme

United States

ARP	Acreage Reduction Program
ACRE	Average Crop Revenue Election
CBO	Congressional Budget Office
CCP	Countercyclical Payment
CRP	Conservation Reserve Program
FAIR Act	Federal Agriculture Improvement and Reform Act (1996)
FCE Act	Food, Conservation and Energy Act (2008)
FSRI Act	Farm Security and Rural Investment Act (2002)
MILC	Milk Income Loss Contract
MLA	Market Loss Assistance

Japan

ALIC	Agricultural and Livestock Industries Corporation
DPJ	Democratic Party of Japan
EAA	Exclusively Agricultural Area
ICP	Income Compensation Program
JA	Japan Agriculture
LCAPA	Law Concerning the Construction of Agricultural Promotion Areas
LDP	Liberal Democratic Party
MAFF	Ministry of Agriculture, Forestry and Fisheries

LIST OF ACRONYMS

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MOF	Ministry of Finance
RFISP	Rice Farming Income Stabilization Program

Norway

MAF	Ministry of Agriculture and Food
MGAL	Ministry of Government Administration and Labor
MLSA	Ministry of Labor and Social Affairs
NAA	Norwegian Agricultural Authority
NILF	Norwegian Agricultural Economics Institute
NOK	Norwegian krone
SN	Statistics Norway

Brazil

AGF	Federal Government Acquisitions
BACEN	Brazilian Central Bank
BNDES	National Development Bank
COA	Contract Options Acquisitions
CONAB	National Food Supply Company
EGF	Federal Government Loans
INCRA	National Institute for Colonization and Agrarian Reform
MAPA	Ministry of Agriculture and Livestock
MDA	Ministry of Agrarian Development
PAA	Program of Acquisition of Agricultural Products from Family Farming
PESA	Financial Assets Rehabilitation Program
PGPAF	Marketing Loan Program for Family Farmers
PRONAF	Family Farmers Special Program
SNCR	National System of Rural Credit

India

CACP	Commission on Agricultural Costs and Prices
CCS	Cash Compensation Scheme
FCI	Food Corporation of India
MSP	minimum support price

China

MOA	Ministry of Agriculture
MOF	Ministry of Finance

AFMA	Agriculture and Fisheries Modernization Act
AFMP	Agriculture and Fisheries Modernization Program
DA	Department of Agriculture
GAA	General Appropriations Act
HRCPP	Hybrid Rice Commercialization Program
NFA	National Food Authority
OSEC	Office of the Secretary
PhP	Philippine peso
TRP	Trade Reform Program