BRIC Agricultural Policies Through a WTO Lens

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Abstract

This article examines the agricultural policies of Brazil, Russia, India and China (BRIC) through the prism of the disciplines on agricultural domestic support in the World Trade Organization (WTO). Although the BRIC are often grouped collectively as an emerging force in the world economy, divergent agricultural interests are reflected in different approaches towards agricultural policy both through international dispute settlement and notification of their own support. We examine the support notified to the WTO for verification of compliance with their legal commitments, which under the complex WTO rules often differs significantly from measurement of support in economic terms. We note the resulting difficulties of these disciplines in establishing limits on trade-distorting support. Implications of a Doha agreement are examined. Although the prospect of adoption of new Doha disciplines has become remote, the negotiated provisions are informative about the future policy space the BRIC sought to maintain. Russia’s domestic support commitments under its 2012 WTO accession extend the international disciplines but share the complexity of the other cases.

Keywords: BRIC; Russia WTO accession; WTO domestic support rules.

JEL classifications: F55, K33, Q17.

This article examines the agricultural policies of Brazil, Russia, India and China (BRIC) through the prism of the disciplines on domestic support under the Agree-

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ment on Agriculture of the World Trade Organization (WTO).\textsuperscript{2} The effects of agricultural policies of the BRIC on production and trade have implications for their own domestic markets and food security as well as for world agricultural markets and global food security. As the BRIC have emerged as global economic powers, and their per capita incomes rise, questions intensify about their governments’ future treatment of agriculture. We examine the obligations in the WTO of the BIC (Brazil and India, members since 1995, and China, which acceded in 2001) and how they have notified their agricultural support to demonstrate compliance with the WTO rules and their commitments. The inclusion of Russia under the WTO disciplines in 2012 demonstrates their relevance even in the absence of a new agreement, and we discuss the disciplines on agricultural support established for Russia in its accession. We also assess the new rules that were negotiated in the Doha Round before it faltered at the end of 2008 as they would apply to the BRIC. Although the prospect of adoption of new Doha disciplines has become remote, the negotiated provisions are informative about the future policy space the BRIC and other countries sought to maintain.

Until the Uruguay Round, it had proved impossible to achieve multilateral disciplines on the protection and support for agriculture. The 1994 Agreement on Agriculture set forth the first such rules with the objective over time of achieving substantial and progressive reductions in distortions to world markets. Eighteen years of experience have subsequently demonstrated how difficult this task remains. In the area of agricultural domestic support, countries have largely shown compliance with their legal obligations, and their WTO notifications track various changes in policies and expenditures. However, difficulties arise over whether the notifications to the WTO provide timely, accurate and meaningful measurement of economic support and whether the disciplines have contributed to reducing trade distortions.

These analytical issues arise in evaluating the agricultural policies of the BRIC through the WTO lens. The situation of agriculture within the separate BRIC economies differs, leading to differences in their policy initiatives and an absence of a coordinated international stance. In addition, the details of the WTO rules apply differently to each one of the BRIC countries. The differences in the provisions applying to the four BRIC derive from a combination of several underlying differences. One is the difference in the rules for developing and developed countries. Special and differential treatment for developing countries is a principle in the WTO framework. However, developing country status essentially results from self-declaration and has over time become less associated with economic criteria. Several members of the Organization for Economic Cooperation and Development (OECD) use the developing-country provisions of the WTO Agreement on Agriculture (Chile, Israel, Korea, Mexico and Turkey). As developing countries in the WTO, Brazil, India and China enjoy certain flexibility on the level and type of agricultural support that is subject to WTO limits. Russia, as a developed country, does not enjoy the same flexibility. Another difference relates to the level and type of support the BRIC provided in earlier years, which form the basis for their WTO ceiling commitments on support. This gives Brazil and Russia latitude for a certain amount

\textsuperscript{2} Russia is used here for the Russian Federation; China as used in the WTO refers to the People’s Republic of China.
of subsidies within their ceiling commitments – they have a Bound Total Aggregate Measurement of Support (Bound Total AMS) greater than nil. India and China do not have that particular latitude – their Bound Total AMS is nil. A third difference results from the processes used to establish the rules and commitments of the BRIC: negotiations in the Uruguay Round for Brazil and India, negotiations on WTO accession for Russia and China. For example, under a rule negotiated in China’s accession, which deviated from earlier practice in developing-country accessions, it cannot exempt certain input subsidies from commitment. Also, under the 2008 Doha draft disciplines, the four BRIC would enjoy large but different degrees of flexibility to provide distorting support. The flexibility would result from the particular Doha rules applying to developing countries (Brazil, India and China) and to members that have acceded to the WTO after 1995 (Russia and China).

Thus, for the BRIC as a group, there is little substantial commonality of circumstance under the WTO disciplines on agricultural domestic support, except that the existing or possible future constraints allow considerable flexibility. Nevertheless, the WTO rules and their commitments will play some role in determining the extent and form of any distortionary policies the BRIC individually or collectively pursue as their incomes rise and they transform over the coming decade into economies with agriculture as a smaller share of national income.

2. Agriculture in the BRIC Economies

The levels of real gross domestic product (GDP) of the BRIC are shown for 1995–2010 in Figure 1a (constant 2000 US dollars). The rapid growth of China’s economy relative to the others is evident as it has more than tripled in size over 15 years. India also shows substantial growth, essentially doubling in size from a lower initial level. By comparison, Brazil and Russia show much slower growth. The 1995 per capita real GDP (not shown) was only $372 in India and $657 in
China, compared with $1,618 in Russia and $3,609 in Brazil. By 2009, per capita GDP had risen to $766 in India and $2,206 in China, compared with $2,805 in Russia and $4,399 in Brazil. The per capita income comparisons go a long way towards explaining differences in levels of agricultural income (value added) relative to total GDP among the BRIC. The percentage of GDP accounted for by agriculture was initially far higher in India and China than in Russia and Brazil (Figure 1b). The share of GDP accounted for by agriculture dropped sharply in China (by half) as its economy grew; likewise, agriculture’s share of the Indian economy dropped by 30% as the economy doubled.

The economic importance of agriculture in Brazil is more evident in its international trade. Agriculture and food accounted for one-third of Brazil’s merchandise exports throughout the 15 years, fluctuating with highs and lows of world prices and other factors (Figure 1c). In contrast, Russia’s agriculture and food exports were only 5% of merchandise exports. Agriculture and food exports declined as a share of the total exports of China and India and by 2010 were closer to the share in Russia than in Brazil. The share of agriculture and food in merchandise imports is higher for Russia than the other BRICs (Figure 1d). There is a downward trend in the share of merchandise imports accounted for by agriculture and food in all four countries, not just for China and India where overall growth has been highest.

2.1. Participation in WTO Agricultural Governance

Given the differences in their agriculture and agricultural trade, the BIC have played quite different roles in WTO governance processes for agriculture. Brazil has been forceful in using the WTO’s dispute-settlement process to ensure that support for agriculture in developed countries complies with WTO rules and commitments. In US – Agriculture Subsidies, a case which is still pending, but not actively under adjudication, Brazil contends (similar to a case first brought by Canada) that the USA violated its WTO support commitment in almost every year between 1999 and 2005. In US – Upland Cotton the WTO Appellate Body found under the Agreement on Subsidies and Countervailing Measures that numerous price-contingent US subsidies gave rise to serious prejudice against the interests of Brazil. In EC – Sugar, brought by Australia, Brazil and Thailand, the Appellate Body expressed the view that domestic support was the source of the export subsidy that was found to exist. These cases demonstrate that a country can be challenged for violating the WTO rules because of the size and nature of its agricultural support. However, it has proven relatively easy for countries to meet their commitments under the domestic support disciplines of the WTO’s Agreement on Agriculture.

Like many other countries, the BIC have notified their agricultural domestic support to the WTO Committee on Agriculture with substantial delays, and notifications for recent years are still outstanding. The delays may in some situations, for the BIC as for other countries, be explained by difficulties in gathering the necessary data in a timely fashion, resulting from, for example, inadequate data collection delays.

3 All dollar amounts ($) are in US dollars.

4 Contentious issues are also addressed in bilateral negotiations and through the WTO Committee on Agriculture, as evidenced in the Committee’s meeting reports. See Brink (2011) for elaboration on dispute settlement.

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procedures or allocation of too few resources to the task. However, the absence of a country’s notifications for many years is more difficult to explain. Some countries may perceive gaining a strategic advantage from not revealing details on their farm support in the WTO notification format, whether for the regular work of the Committee on Agriculture or for the Doha negotiations initiated in 2001. The individual BIC countries have differed in their notification approaches (Russia’s 2012 accession is too recent for delays in annual domestic support notification to have yet been incurred). Brazil provided relatively prompt notifications in the early years of the WTO, but its notifications became delayed once the Doha Round began. No annual notifications were submitted by Brazil between 2000 and 2004, followed by notifications of support through 2008/2009 in February 2012. China provided notification information for 1996–1998 in 2001 as it acceded to the WTO, provided additional notifications through 2001 in October 2006, but notified support through 2008 only in October 2011. A more extreme case of failing to submit timely notifications is India. As late as May 2011, its notifications of domestic support covered only three years, 1995/1996–1997/1998. In June 2011, domestic support notifications from India were circulated, but only going as far as 2003/04. Delays such as these mean that timely information was not available during the Doha negotiations and have made it difficult for the WTO Committee on Agriculture to carry out its mandate to review the implementation of commitments. In contrast, regular up-to-date reviews of agricultural policies and support are prepared by the OECD, but only for its limited membership and certain emerging economies, including Brazil, Russia and China but not India.

All three BIC countries are members of the G20 group of developing countries that argued in the Doha negotiations for deep cuts to agricultural support in the developed countries (WTO, 2011a). Brazil has been particularly forceful in pressing this case. On other agricultural issues, sharp differences have divided the BIC. India has sought rules for agricultural tariff safeguard mechanisms that Brazil has vigorously opposed. Cohesion among the BIC goes only so far – it prevails mainly when it comes to seeking concessions from developed countries, but not to initiatives that affect their diverse individual trade interests. It is unclear how Russia will seek to pursue its interests in the WTO and how its chosen approaches might affect the governance and accomplishments of the organisation. Kerr (2012) espouses a pessimistic view, based on an assessment that the characteristics of the Russian economy are antipathetic to WTO membership, including the idea that Russia would not be interested in an ambitious Doha outcome. This contrasts with the optimistic view that, based on the rule of trade law, Russia’s membership will cement its integration into the global economy (Lamy, 2011). The aims of each BRIC country concerning domestic support in the Doha Round would not be expected to differ from the usual apparent aims of other WTO members, which tend not to be driven by a purely economic rationale. Any BRIC country might thus want to preserve its own entitlements to provide distorting support while also wanting to constrain such

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5 This G20 group in the WTO agricultural negotiations is distinct from the G20 group of major economies brought together regularly to address global economic issues. In 2012, the 23 members of the G20 in the WTO comprised Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.
allowances in countries to which it exports, from which it imports and with which it competes in third country export markets. Although it may be difficult to pursue domestic support interests on a product-by-product basis, the balance between the constraints on product-specific and non-product-specific support could be the subject of divergent priorities among BRIC countries.  

3. WTO Disciplines on BRIC Agricultural Support

The WTO rules for domestic support are complicated (WTO, 1995a). Those countries that provided significant levels of support in the 1986–1988 base period established a ceiling commitment (Bound Total AMS) on certain production-related support, such as budgetary outlays and support through administered prices, summed across all basic agricultural products and a non-product-specific category. Most developing countries had no or only low levels of support in 1986–1988 and consequently they have a nil Bound Total AMS. Brazil is one of the exceptions. Applied support counting towards the limit is measured in an annual Current Total AMS (CTAMS). There are de minimis thresholds below which product-specific and non-product-specific AMS support can be exempted from counting in the CTAMS. These thresholds are 10% of value of production for Brazil and India (as developing countries), 8.5% for China (as negotiated during its accession) and 5% for Russia (as a developed country). For India and China, the de minimis thresholds are the effective limits on AMS support: an AMS that exceeds the threshold is counted in its entirety in CTAMS, which is not allowed to exceed these countries’ nil Bound Total AMS. Three categories of support are exempt from the limits on AMS support. Support through measures that ‘have no, or at most minimal, trade-distorting effects or effects on production’ and that meet certain specific criteria is exempt as what is usually called ‘green box’ support. Certain payments associated with production-limiting programmes are exempt as ‘blue box’ support. A third exempt category excludes, for developing countries only, general investment support for agriculture and input subsidies to low-income or resource-poor producers. It is sometimes called the ‘development box’.

The product-specific AMS includes price-related payments to producers, certain other product support and levies, and an indicator of market price support (MPS). The MPS is calculated:

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6 As an exporter of, for example wheat, Russia’s domestic support interests with respect to this commodity may differ not only from those of China, an increasing importer of wheat, and India, whose wheat imports have dwindled, but also from those of Brazil, whose wheat exports are growing while it remains a net importer. As an importer of meats, while also in the process of developing its own livestock industry, Russia’s interests may diverge from those of meat-exporting Brazil. Kiselev and Romashkin (2012) discuss Russia’s agricultural trade with developing countries.

7 Brink (2009, 2011) provides detailed and comprehensive descriptions.

8 Anderson (2009, 2012) shows that developing countries as a group from the 1950s onwards effectively taxed agriculture: the nominal rate of assistance was negative albeit rising. By the late 1990s, the nominal rate of assistance for agriculture in developing countries as a group had turned positive and it remained positive in 2000–2004 and 2005–2010.
using the gap between a fixed external reference price [from the 1986 to 1988 base period] and the applied administered price multiplied by the quantity of production eligible to receive the applied administered price (WTO, 1995a).

The WTO indicator of MPS differs from an economic measurement that uses the gap between contemporaneous domestic and world market prices and the total quantity of production to gauge the size of the transfer to producers resulting from policies that maintain that gap. The method for calculating WTO MPS is enshrined in the text of the Agreement on Agriculture and has not been considered for change in the Doha negotiations. Some countries, while following this method and also referring to policy changes concerning applied administrative prices and eligible quantities of production, have notified significantly reduced amounts of WTO MPS.

3.1. BIC Agricultural Support and Support Notifications

Agricultural policies among the BIC have differed in the type and level of support provided. In Brazil, a distinction is drawn between commercial farmers and family farmers. Support is delivered primarily through credit programmes (including debt rescheduling), directed to both commercial and family farmers. Price and income support programmes for certain commodities, including edible beans, maize, wheat, rice and soybeans, are oriented towards commercial farmers.

For India, self-sufficiency in production has been a goal of agricultural policy since independence. This has largely been achieved for staple grains, but less so for pulses and vegetable oils. India maintains programmes of administered prices (minimum support prices) for cereals, pulses, oilseeds, sugar and cotton and makes extensive use of tariffs and tariff rate quotas to protect its domestic agriculture. Its output price policies are administered countercyclically (at times of high world prices, India has lowered tariffs and imposed export restrictions to put downward pressure on domestic prices). India has provided substantial subsidies for inputs such as fertiliser, electricity and irrigation.

In China, various policies have discriminated against agriculture historically, for example through agriculture-specific taxes or by maintaining commodity prices below market-determined levels. The discrimination against agriculture has been reversed

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9 The use of administered prices in the WTO MPS results from designing it to account only for domestic measures, to the exclusion of border measures, such as tariffs. It was also designed as an indicator whose size could be entirely controlled through policy decisions, meeting some governments’ concern about taking commitments on a variable outside their control. This led to the use of fixed reference prices and eligible production, as distinct from current reference prices and total production, which are beyond government control. Recognising that the WTO MPS does not, despite its name, measure market price support in an economic sense, economic analysts exercise caution when introducing the WTO MPS in their work. The OECD, in contrast to the WTO, uses an economic measurement in the producer support estimate (PSE); see, for example, OECD (2012). The World Bank also uses an economic approach to examine agricultural protection and support since the mid-1950s (Anderson, 2009).

10 This section draws from and updates the chapters by Nassar (2011), Cheng (2011) and Gopinath (2011) and the conclusion chapter by the editors in Orden et al. (2011).
and farmers are now supported through input subsidies, direct payments and price support. China reports most of this support as AMS support, which, although increasing, is accommodated within the de minimis thresholds (some direct payments are reported as green box support). Investment in agriculture-related infrastructure projects is a large component of government budgetary support for agriculture.

Summaries of the BIC domestic support notifications are given in Figure 2 for 1995–2008. Brazil and India notify their support in US dollars, and China (from 1996) notifies in its own currency (the average 1996–2008 exchange rate was around eight Chinese renminbi per US dollar). As India’s notifications were only available through 2003/04 by October 2012, Gopinath’s (2011) estimated (shadow) notifications are utilised for the years 2004/2005–2008/2009.

Brazil is the only BIC that has a non-zero, although small, Bound Total AMS. Brazil notifies MPS and some other support (primarily certain credit subsidies and price support payments) as product-specific AMS. The AMS for one or more products (cotton or wheat) has exceeded the de minimis threshold in a few years in Brazil as shown in Figure 2a. Thus, Brazil has utilised the policy space for specific crops that results from having a non-zero Bound Total AMS. The resulting sum of AMS support counted in Brazil’s CTAMS has always been well below the Bound Total AMS. The small magnitude of Brazil’s product-specific AMS support is given perspective in Figure 2b. The rightmost bar for each year shows 10% of the value of total agricultural production. Brazil’s product-specific AMS support summed across all commodities is always less than 1% of total production value.

India’s and China’s product-specific AMS support has completely (India) or primarily (China) consisted of WTO MPS. The de minimis thresholds are effectively

Figure 2. Notified agricultural support of Brazil, India and China
these countries’ constraints on such support. The WTO MPS for India (calculated using reference prices and administered prices converted to US dollars) and China has been or is estimated to have been negative or zero for many years (Figure 2, Panels c and d). This occurs when administered prices were below external reference prices for key food staples (rice and wheat) or no quantity was indicated as production eligible for the price support.\footnote{11} Because of the methodological issues relating to prices and eligible production, the notified WTO MPS does not correspond to the economic MPS provided in either country. Farmers growing rice or wheat in India and China have been ‘disprotected’ (effectively taxed) by output pricing policies in certain years since 1995, but mostly they received positive economic MPS after 2000. Disprotection occurred again in India and China when world prices rose sharply in 2008 and policy interventions were used to insulate domestic markets from the increase.

Support under the other notified categories is also shown in Figure 2b. No BIC has notified blue box support. Green box support has increased quite regularly in nominal value and as a percentage of the total value of agricultural production in India and China, but it has fluctuated in Brazil. The level of green box support as a percentage of total production value, the explanation for growth in support and the composition of the green box support (not broken down in Figure 2) differ among the three countries.\footnote{12} Green box support is nearly 10\% of the total value of production in India and China, but falls to its lowest value in 2002/2003 for Brazil and is only about 2–4\% in the latter years. India’s green box support is primarily composed of expenditures directed towards subsidising low-income food consumers. Without this public stockholding for food security, India’s green box support is only about 2\% of the total value of production in 2008/2009, less than in Brazil. China notified green box support of 593 billion renminbi in 2008 (87 billion US dollars), a large component of which consisted of infrastructure investments. Such investments are not included to the same extent in the notifications of the other countries. China’s green box support also includes direct payments to grain producers notified as decoupled income support since 2004; these have been less than 1\% of total agricultural production value.\footnote{13}

\footnote{11}The increases in administered prices in India since the last notified year (2003/04) have raised them to significantly higher levels than the external reference prices in rupees. Gopinath’s (2011, 2012) estimates of MPS closely match India’s notifications for the years 1998/1999–2003/2004 and indicate a positive price gap in US dollars for rice and wheat from around 2008/2009. A US industry report (DTB Associates, 2011) takes issue with the use of only actual procurement by the government as the eligible quantity rather than total production. As a commodity’s administered price is being raised, using total production would make its AMS exceed the \textit{de minimis} threshold at an earlier point in time than if only procurement were used.

\footnote{12}Caution is appropriate in making cross-country comparisons of levels of support in the notifications. Each country exercises substantial discretion in the measures it notifies to the WTO and in the measurement of levels of support. Although scrutiny of the notifications occurs through the WTO Committee on Agriculture and through dispute proceedings, no systematic corroboration is undertaken to ensure comparability of the notified support.

\footnote{13}Huang \textit{et al.} (2011) argue that China’s support policies have caused few distortions to grain acreages or input use.
The BIC have notified various types of input and investment subsidies. India has notified this support primarily under the exemption for development programmes. The development programme support of India averages a relatively high level of about 8% of the total value of production, in part because it notifies significant subsidies for electricity and irrigation.\(^{14}\) Brazil has notified smaller amounts of support under the development programme exemption (averaging less than 1% of production value) and as non-product-specific AMS support: these values increase in later years due to investment credit subsidies and debt rescheduling. The level of China’s non-product-specific AMS support, comprising mainly input subsidies, increased rapidly from 2006 but remained less than 1.5% of the value of production in 2008. China has not notified subsidies for irrigation or electricity, a potentially important omission.

Overall, the BIC have notified less support than the developed countries, but the levels of support in India and China have increased over time both nominally and relative to total agricultural production value. Because of its fluctuating green box support, Brazil’s notified support is seen to have increased only in more recent years. The estimated total of all notified support for agriculture (including non-exempt and exempt support under the WTO rules) was of a similar order of magnitude relative to the total value of agricultural production in China and India as in the USA in 2008.\(^{15}\) This was a year of low US price-linked subsidies because world market prices for agricultural products were relatively high. With a porous international Agreement on Agriculture, domestic support policies remain heterogeneous across the BIC.

4. Domestic Support Disciplines Under Russia’s WTO Accession

Russia became a developed country member of the WTO in August 2012 after the conclusion of an accession process that had been underway from before the formation of the WTO in 1995. In the final stages of the accession negotiations, the size of Russia’s Bound Total AMS became one of the contentious issues. One reason for this was the rising levels of agricultural support in Russia since around the year 2000, which made agricultural exporting countries concerned about potentially having to compete with heavily supported Russian producers both in Russia and in third-country markets. The increasing levels of support in Russia were documented

\(^{14}\) In its notifications for 1996/1997 and 1997/1998, 80% of India’s notified subsidies for fertiliser, electricity and irrigation were included in the development programme category, based apparently on the share of small farms in the total number of farms (Gopinath, 2011). Subsequently, in its notification made in 2011, India notified all such input subsidies from 1998/1999 to 2003/04 under the development programme exemption, noting that close to 100% of farm holdings are those of low-income, resource-poor farmers (WTO, 2011b). Gopinath’s shadow notification estimates in Figure 2 (Panel c) follows India’s earlier notification practice and thus continue to divide the non-product-specific support between development programmes and non-product-specific AMS using the 80% calculation. For the years 1998/1999–2003/2004, the sum of non-product-specific support Gopinath estimates under development programmes and as AMS averages about $1.4 billion less than notified by India. See Gopinath (2012) for further discussion of India’s 2011 notification.

\(^{15}\) In this calculation of total support, public stockholding for food security programmes in India and domestic food aid in the USA are deducted from the notified green box support (see Orden et al., 2011, chapter 11).
in, for example, the policy monitoring carried out by the OECD, and they were also apparent in the base data provided by Russia over the years in line with the requirements of the WTO accession process. According to those requirements, Russia provided data for a rolling series of three-year periods in formats similar to those members use to notify their yearly support levels to the WTO Committee on Agriculture (WTO, 1995b).\(^\text{16}\) Moreover, senior Russian officials, including the minister of agriculture, repeatedly expressed the view that Russia’s entitlement to provide farm support should be of a certain size, even stating the desired large levels.

Support as measured by the OECD (but excluding MPS) declined from 1991–1993 to its lowest point in 1999–2001 (Table 1). From there it increased to $6.1 billion in 2008–2010, about the same level as in 1991–1993. Russia is reported to have originally submitted WTO domestic support data for 1991–1993 and proposed a Bound Total AMS of $16.2 billion (OECD, 2007). Subsequently Russia provided data for 1993–1995 and proposed a Bound Total AMS of $9 billion (OECD, 2007, 2009). This was followed by data for 2001–2003 and 2004–2006 (Ministry of Economic Development, 2008). Eventually the idea of a Bound Total AMS starting at $9 billion and then declining to $4.4 billion a few years later was introduced in the negotiations (RIA Novosti, 2010).

Russia’s Bound Total AMS as agreed in its accession is $9.0 billion in 2012 and 2013, declining in equal steps to reach $4.4 billion in 2018 and then staying at that level.\(^\text{17}\) The data underlying the final value of the commitment refer to the 2006–2008 period. As shown in Table 2, Russia’s AMS support increased significantly in 2008 over the 2006 and 2007 levels. It can be conjectured, based on the OECD data series, that a larger Bound Total AMS would have resulted if support data for 2007–2009 had been used to determine its level, since budgetary support in the OECD data was larger in 2009 than in 2006. As a developed country, Russia’s de minimis percentage is 5% and it does not have access to the developing-country exemption for certain development programmes. Russia expresses its commitment in US dollars. This gives Russia some protection against a drop in the value of its currency relative to the US dollar: having a nominal Bound Total AMS in a depreciating domestic currency reduces the real amount of distorting support the country can provide without violating its WTO obligation.\(^\text{18}\)

Russia’s accession commitments in domestic support are unusual in starting at a negotiated level higher than in its base period and then declining in five steps to the final bound level. Some other acceding members have taken reductions over a transition period, but the starting point has been an amount calculated from the data

\(^{16}\) For acceding countries, a more recent base period than 1986–1988 is conventionally utilised for domestic support. For example, China’s base period is 1996–1998.

\(^{17}\) In agriculture, Russia also has market access commitments and a nil export subsidy commitment. The final bound tariff in agriculture averages 10.8%, compared with an average applied tariff ranging between 13.2% and 14.6% in the years 2007–2011, and tariff rate quotas apply to beef, pork and pork trimmings (until 2020), some poultry products and some whey products (WTO, 2011c; Kiselev and Romashkin, 2012).

\(^{18}\) The Agreement and the WTO requirements (WTO, 1995a,b) are silent on what currency to use for the Total AMS commitment. Brazil’s data underlying the commitment level are in US dollars only, India’s and China’s in their own currencies. Russia expresses its underlying data in both roubles and US dollars, along with an exchange rate. This provides for greater transparency than if only US dollars were used.
Russia’s support for agriculture (OECD PSE excluding market price support), billion US dollars

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<td>3-year average</td>
<td><strong>5.8</strong></td>
<td>6.4</td>
<td><strong>7.6</strong></td>
<td>7.6</td>
<td>5.2</td>
<td>3.6</td>
<td>2.3</td>
<td>1.7</td>
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<td>2000–2002</td>
<td>1.4</td>
<td>1.4</td>
<td>1.5</td>
<td>1.8</td>
<td><strong>2.0</strong></td>
<td>2.6</td>
<td><strong>4.0</strong></td>
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*Note:* Russia’s representation of any WTO MPS in its accession documents for most of these years does not appear to have been made public. The OECD MPS is calculated very differently from the WTO MPS. The OECD MPS is therefore simply subtracted from the PSE levels, generating essentially an indicator of budgetary support only. Averages are calculated from annual data, converted to US dollars using yearly exchange rates, in OECD (2011). Amounts in bold refer to years for which Russia is reported to have submitted data in line with WTO methodology.
calculation of Russia’s Current Total AMS in base years 2006–2008, US$ million and per cent of value of production (VOP)

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<td></td>
<td>AMS</td>
<td>% of VOP</td>
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<td><strong>Product-specific AMSs</strong></td>
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<tr>
<td>Hemp and flax</td>
<td>5.5</td>
<td>45.3</td>
<td>7.3</td>
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<td>Sheep</td>
<td>8.8</td>
<td>5.1</td>
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<td>Reindeer</td>
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<tr>
<td>Milk</td>
<td>155.6</td>
<td>1.9</td>
<td>231.6</td>
</tr>
<tr>
<td>Meat</td>
<td>33.9</td>
<td>0.4</td>
<td>67.3</td>
</tr>
<tr>
<td>Eggs</td>
<td>11.3</td>
<td>0.5</td>
<td>13.8</td>
</tr>
<tr>
<td>Wool</td>
<td>0.4</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Non-product-specific AMSs</strong></td>
<td>3,744.9</td>
<td>6.3</td>
<td>3,827.2</td>
</tr>
<tr>
<td>Subsidies for operating inputs</td>
<td>1,455.5</td>
<td></td>
<td>756.6</td>
</tr>
<tr>
<td>Subsidies for capital inputs</td>
<td>482.3</td>
<td></td>
<td>560.3</td>
</tr>
<tr>
<td>Credit concessions</td>
<td>1,318.9</td>
<td></td>
<td>1,618.8</td>
</tr>
<tr>
<td>Subsidies for crop insurance</td>
<td>245.4</td>
<td></td>
<td>143.1</td>
</tr>
<tr>
<td>Rail freight rates</td>
<td>94.2</td>
<td>101.5</td>
<td>63.0</td>
</tr>
<tr>
<td>Production subsidies</td>
<td>148.7</td>
<td></td>
<td>196.0</td>
</tr>
<tr>
<td>Other subsidies</td>
<td>–</td>
<td>450.8</td>
<td>544.2</td>
</tr>
<tr>
<td><strong>Current Total AMS</strong></td>
<td>3,776.2</td>
<td></td>
<td>3,864.4</td>
</tr>
<tr>
<td><strong>2006–2008 Average Current Total AMS</strong></td>
<td>4,389.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: \(\text{dm} = \text{de minimis}\) (no more than 5% of the product’s or agriculture sector’s value of production). AMS values in bold are non-\(\text{de minimis}\) AMSs. Current Total AMS is the sum of all non-\(\text{de minimis}\) AMSs. Non-product-specific AMS subcategories are based on interpretation by Brink of 23 programmes reported in the source document. AMS, Aggregate Measurement of Support.


For the base period, not an amount that is unsupported by previous support in that period.\(^\text{19}\) In Russia’s case, the $4.4 billion support level in the 2006–2008 period corresponds to the end point of the reductions, not the starting point.

A unique and possibly significant element of the provisions that apply to Russia is a rule regarding product-specific AMS support. Although applying only through 2017, it requires the sum of all product-specific AMS support to be no more than

\(^{19}\)The members who have taken such reductions include Croatia, Lithuania, Moldova and Chinese Taipei, who reduced by the 20% used by developed countries in the Uruguay Round, and Jordan and Saudi Arabia, who reduced by the corresponding 13.3% for developing countries. Only Bulgaria, which reduced by 79%, is similar to Russia in the extent of reduction undertaken after accession (Brink, 2003 discusses the Bulgaria case).
30% of the non-product-specific AMS (WTO, 2011d, paragraph 1,187). This constraint on product-specific AMS support echoes the initiatives in the Doha negotiations to set product-specific limits. For Russia, the rule prevents an early large shift from non-product-specific to product-specific AMS support.

According to the OECD, MPS makes up a large share of policy support to agricultural producers in Russia – some 65% of the PSE consists of MPS. The main instruments of price support are border measures, such as tariffs and non-tariff measures, which do not enter the calculation of the WTO MPS. In the WTO base data for 2006–2008, Russia does not report any administered price larger than the fixed external reference price and hence reports no MPS. Apart from other differences in policy coverage between PSE and AMS support, the 2006–2008 amounts calculated with the WTO methodology, and which correspond to Russia’s final Bound Total AMS of $ 4.4 billion, are therefore significantly smaller than the support measured by the OECD PSEs for Russia in 2006–2008.

Russia’s budgetary agricultural support is provided mainly through measures within multiyear frameworks. The support reported by Russia for 2006 and 2007 included support provided through programmes under the 2006–2007 National Priority Project for Development of the Agro-Industrial Complex (OECD, 2007). The 2008 support was delivered mainly through instruments under the State Programme for Development of Agriculture 2008–2012. The support programmes were very similar under the two frameworks. A large part of support, whether green box or AMS support, is provided by regional authorities. This is particularly the case for recent initiatives to modernise livestock production. Russia claimed significant amounts of support (average of $ 2.1 billion in 2006–2008) as eligible for the green box exemption. Most of this support was in the form of general services such as research, training, inspection, pest and disease control and enhancement of soil fertility. Only very small amounts were claimed under the direct payment clauses of the green box.

As shown in Table 2, during the base years 2006–2008 product-specific AMS support, mainly for livestock products, was generally small enough to fall below the de minimis threshold, except in the very small production sectors of flax, hemp, reindeer and horses. The non-product-specific AMS accounted for almost all of Russia’s AMS support. It included subsidies for fertiliser, chemicals, fuel, feed, seed, machinery leasing, breeding animals and crop insurance, as well as credit and other concessions. The dominance of non-product-specific AMS support is unusual among developed countries, although non-product-specific support does make up a large share of non-green-box support in the BIC, as discussed above. As a developed country, Russia cannot exempt any of its non-product-specific support as development programme support. If Russia had reported only slightly less support as non-product-specific AMS, it would not have exceeded the de minimis threshold (especially in 2007), and the resulting base-period CTAMS would have amounted to almost nothing, leading to a much smaller Bound Total AMS.

Russia’s final Bound Total AMS of $ 4.4 billion is of some significance in relation to the size of the agriculture sector. It corresponds to 5.7% of Russia’s 2006–2008 value of production of some $ 78 billion. However, the value of production has been increasing rapidly: $ 59, $ 76 and $ 99 billion in 2006, 2007 and 2008, respectively. Even in the very poor harvest year of 2010, the value of production remained around $ 81 billion (Federal State Statistics Service, 2011), making the final Bound Total AMS correspond to around 5.4% of the 2010 value of production. By comparison, Brazil’s Bound Total AMS of $ 0.9 billion was only 1.1% of its production.
value of $82 billion. On the other hand, the USA’s Bound Total AMS of $19.1 billion was 6.7% of the 2009 notified value of production of $285 billion, and the EU27 Bound Total AMS of EUR72.2 billion was 21.0% of the 2008/2009 notified value of production of EUR344 billion. Although Russia’s 2013 Bound Total AMS ($9 billion) corresponds to 11% of the 2010 value of production, the relative size of Russia’s final Bound Total AMS in 2018 would appear to be more constraining than is the case for the United States and the European Union. The contrast will become sharper if the value of production in Russian agriculture continues to increase rapidly in the future. Russia could ease the constraint of its Bound Total AMS to some extent by introducing product-specific AMS support within the de minimis thresholds for each product, at least after the expiration in 2017 of its unique transition rule on such support. In the longer term, it may also be possible for Russia to change the specifics of some of its non-product-specific AMS programmes to make the revised programmes qualify for the green box exemption. Bringing non-product-specific AMS support below the de minimis threshold would free up room for additional product-specific AMS support above de minimis levels within Russia’s Bound Total AMS.

These considerations begin to arise with the 2008–2012 State Programme coming to an end. Russia’s cabinet approved in July 2012 a new long-term plan to support agriculture in the period 2013–2020. Media reports indicate that subsidies for fuel and fertilisers would be terminated, while other subsidies would be introduced. The new subsidies would be paid per hectare of farm land and per litre of milk (Medetsky, 2012). Details are scarce and it is not clear when legislation will pass. Without details it is not possible to judge in which category Russia might be able to place any future hectare-based support – AMS, blue box or green box. However, if Russia were to report significantly less support as non-product-specific AMS, it would more easily stay below the Bound Total AMS as this limit declines from 2013 to 2018. The Russian authorities have long emphasised a need to increase the production of livestock. If more support were put in place towards this goal, such as MPS relying on administered prices, some of it could be reported within the larger flexibility for product-specific AMS available after the expiration of the special rule in 2017. The presence of the Bound Total AMS means, however, that Russia’s AMS support will be limited by international commitments, which was not the case before its WTO accession.

5. Continued Support Latitude under the Doha Round Proposals

One of the aims of the Doha agricultural negotiations is a substantial reduction in trade-distorting support. Strengthened and improved rules and commitments for domestic support were part of the framework agreed upon in 2004, but the negotiations stalled in December 2008. The Doha draft modalities (WTO, 2008) remain indicative of both the tightening of the provisions governing trade-distorting domestic support that could (and perhaps eventually will) result from Doha and the space for future policies that countries are currently seeking to maintain. Bound ceiling levels on domestic support would be tightened and extended for certain countries under the Doha proposals. Doha would sharply reduce the Bound Total AMS and lower the de minimis percentages for a number of countries and introduce a limit

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20 Liefert and Liefert (2012) discuss the potential for such a development to materialise.
on overall blue box support. Doha would place a ceiling on a new indicator of Overall Trade-Distorting Support (OTDS), calculated as the sum of the CTAMS, de minimis AMS support and overall payments in the blue box. The proposals would also impose product-specific limits on AMS support and blue box payments.

The Doha domestic support provisions would have a major impact on the levels allowed for some developed countries, but less so for the BRIC. The proposed final commitments of the BRIC (after phase-in periods over 8 years) are shown in Table 3, with the proposed US final commitments (after phase-in over 5 years) given for comparison. The Doha proposals encompass a harmonising approach, in which the countries that provided the largest support in the past would make the largest percentage cuts to their commitments. For the US, the OTDS limit would decline from a base level of $48.5 billion to a Final Bound OTDS commitment of $14.5 billion, which corresponds to 7.4% of its base-period total production value. The existing US Bound Total AMS of $19.1 billion would drop to $7.6 billion. Further constraint would come from reducing the de minimis percentages for the US and most other developed countries from 5% to 2.5%. Total blue box support would be limited to 2.5% of the 1995–2000 value of production.

The commitments for Brazil follow a pattern similar to those of the US, but the reductions reflect the more lenient treatment for developing countries. Brazil’s OTDS limit would decline by 37% from its base to a final bound level of $8.3 billion. Its Bound Total AMS would be reduced by 30% and its de minimis thresholds by one third. No reductions are required from Base OTDS or in the de minimis thresholds for India or China. Overall blue box support would be capped at 5% of base-period production value for the BIC.

One consequence of the Doha proposals is that the Final Bound OTDS of India and China (at 25% of base-period total value of production) would be larger than that of the US. The OTDS support that India and China could provide (on a dollar basis at 2009 exchange rates) would be nearly $26 billion and $86 billion, respectively. However, India and China face the constraint within this OTDS scope that each product-specific AMS be kept within its de minimis threshold. This allows less AMS support for each product relative to production value than some developed countries (and Brazil and Russia among the BRIC) have provided in the past for certain products. Russia’s provision of product-specific AMS support within its OTDS scope might also be constrained. This would result from the product-specific AMS limits being based only on some earlier years’ de minimis thresholds, expressed in monetary terms, in the absence of large product-specific AMS support in earlier years.

The Doha draft modalities of 2008 introduced different provisions for ‘recently acceded members’ (RAM) and ‘very recently acceded members’ (VRAM). It is commonly assumed that all those that have acceded under the WTO accession rules since 1995 (some 30 countries, including China) are RAM. The draft modalities identify four VRAM by name, but that list naturally only goes up to 2008. It is

21 Under proposals for recently acceded members, China’s, and possibly Russia’s, allowed trade-distorting support could even exceed the OTDS limit as long as the excess consists only of de minimis support (see Brink, 2011).

22 The four named VRAM countries are Saudi Arabia, Former Yugoslav Republic of Macedonia, VietNam, and Ukraine (WTO, 2008). It is not clear whether VRAM is a subset of RAM or they are mutually exclusive categories.
Table 3
Proposed Doha commitments and de minimis percentages

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Brazil</th>
<th>India</th>
<th>China</th>
<th>Russia</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>US$ billion</td>
<td>US$ billion</td>
<td>US$ billion</td>
<td>RMB billion (US$ billion)*</td>
<td>If RAM US$ billion</td>
</tr>
<tr>
<td>Base OTDS†</td>
<td>48.5</td>
<td>13.1</td>
<td>25.6</td>
<td>584.4 (85.5)</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full reduction percentage from Base OTDS (per cent)</td>
<td>70</td>
<td>37</td>
<td>–</td>
<td>–</td>
<td>37</td>
</tr>
<tr>
<td>Final Bound OTDS</td>
<td>14.5</td>
<td>8.3</td>
<td>25.6</td>
<td>584.4 (85.5)</td>
<td>6.5</td>
</tr>
<tr>
<td>Pre-Doha Bound Total AMS</td>
<td>19.1</td>
<td>0.9</td>
<td>–</td>
<td>–</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full reduction percentage from pre-Doha level (per cent)</td>
<td>60</td>
<td>30</td>
<td>–</td>
<td>–</td>
<td>30</td>
</tr>
<tr>
<td>Final Bound Total AMS after reduction</td>
<td>7.6</td>
<td>0.6</td>
<td>–</td>
<td>–</td>
<td>3.1</td>
</tr>
<tr>
<td>Overall blue box limit</td>
<td>4.9</td>
<td>2.4</td>
<td>5.1</td>
<td>116.9 (17.1)</td>
<td>1.9</td>
</tr>
<tr>
<td>De minimis percentage (per cent)</td>
<td>2.5</td>
<td>6.7</td>
<td>10.0</td>
<td>8.5</td>
<td>4.2</td>
</tr>
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<table>
<thead>
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<th></th>
<th>US</th>
<th>Brazil</th>
<th>India</th>
<th>China</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment as share of base-period value of production</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Final Bound OTDS (per cent)</td>
<td>7.4</td>
<td>17.0</td>
<td>25.0</td>
<td>25.0</td>
<td>16.8</td>
</tr>
<tr>
<td>Final Bound Total AMS (per cent)</td>
<td>3.9</td>
<td>1.3</td>
<td>–</td>
<td>–</td>
<td>8.0</td>
</tr>
<tr>
<td>Overall blue box limit (per cent)</td>
<td>2.5</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Notes: OTDS, Overall Trade-Distorting Support; RAM, recently acceded members; VRAM, very recently acceded members.
*Based on 2009 IMF average yearly exchange rates.
†Base period for OTDS is 1995–2000 for the USA and Russia (Russia’s value of production was larger in 1995–2000 than in 1995–2004) and 1995–2004 for Brazil, India and China.
Sources: Authors’ calculations for Russia and Orden et al. (2011) for the other countries.
thus not clear whether RAM or VRAM provisions would apply to Russia under a continuation of Doha. As a WTO member Russia is now in a position where it can influence that identification. As a developed country VRAM (such as Ukraine), Russia would be expected to argue for VRAM status. As a RAM, Russia would take a 37% reduction from its Base OTDS, whereas as a VRAM, it would not reduce from Base (Table 3). As a RAM, it would reduce its Bound Total AMS by 30% to $3.1 billion, whereas as a VRAM, it would not reduce. Likewise, as a RAM it would reduce the de minimis percentage to 4.2%, but as a VRAM it would keep it at 5%. Thus, if Russia were to be treated as a VRAM, Doha would not impose any reductions on the domestic support constraints Russia negotiated when acceding to the WTO, and some of Russia’s new limits under Doha (such as overall blue box) would be set as for developing countries.23

6. Summary and Conclusion

This article has examined BRIC agriculture policies through the lens of the WTO’s rules and ceiling commitments on domestic support. The BRIC have emerged collectively as a key set of players in the global economy, but their interests are not always convergent. The agricultural interests differ among the BRIC and the stance towards the WTO governance of agriculture policy differs among its members Brazil, Russia, India and China. As incomes have increased in India and China, agriculture support seems to be growing. The BIC domestic support notifications reflect increasing levels of support to an extent, but support as notified under the WTO rules can differ significantly from support measured in standard economic terms. The MPS as measured by the WTO may turn positive for India and China if administered prices are raised. The difference between using government procurement or total production as eligible production (which would hinge on specific policy details concerning the applied administered price) could then prove important in determining the scope these countries have for providing support while remaining in compliance with the WTO rules and commitments. In addition, for India and Brazil, the development programme exemption could prove important for future compliance with support limitations. Russia’s ceiling commitment upon accession in 2012 declines through 2018, albeit from a high level, and a special rule applies to product-specific support in the short term. This accommodates the non-product-specific policy emphasis in Russia’s past support. In the longer term, should it choose to do so, Russia will be able to provide sizeable non-product-specific AMS support within the relevant de minimis threshold while also increasing product-specific AMS support beyond the de minimis thresholds for many products—a pattern of support seen in some other developed countries.

With Russia as a member, the BRIC divides into two groups in terms of constraints on product-specific AMS support under the WTO disciplines. In one group

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23 Russia’s overall blue box limit, whether a RAM or a VRAM, would be twice as large as it would have been if Russia were not recently acceded. If Doha provisions were to apply as soon as in the next few years, which is unlikely, Russia’s on-going reduction of the Bound Total AMS until 2018 would need to be considered when starting the implementation of any Doha reductions over time.
are Brazil and Russia. Despite their very different agricultural trade positions, both these countries have an established Bound Total AMS commitment under the WTO rules, which gives them some latitude in offering support for certain products. Brazil would, and Russia might, also face tighter constraints under the proposed Doha rules. India and China, in contrast, lack the latitude for product-specific AMS support that a non-zero Bound Total AMS commitment offers. Both they and possibly Russia would experience a milder tightening of the constraints on trade-distorting support than would Brazil under a Doha agreement. This contrast illustrates a more general point. Agriculture is likely to remain a component of the BRIC economies for which evaluating differences among the individual countries will remain at least as important as thinking of them collectively as a rising force in the world economy.

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