Developing Countries’ Domestic Support Policies and WTO Disciplines

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IFPRI Study: The Developing Countries’ Cases

• Major Developing Countries’ Domestic Support in the Uruguay Round: India, China, Philippines, Brazil
• Implications of the Doha Draft Modalities
• Complications in the Analysis for Developing Countries
  – Time lag in notifying domestic support
  – Access to data can be difficult
  – Significant policy uncertainty
  – Wide disparities in notified policies and public perception
Structure of India’s Domestic Support

- Two major instruments: Minimum Support Price (MSP) and input subsidies (fertilizer, electricity, irrigation, credit and seed)
- Total AMS Commitment in the Uruguay Round: Zero
- Use of
  - Green Box
  - Special and Differential Treatment (Article 6.2)
  - Product-Specific AMS is mostly negative (ERP exceeds MSP); *de minimis* allowances 10% of value of production
  - Non-Product-Specific support about 1% of value of production; 10% *de minimis* allowance
Structure of India’s Domestic Support

- Green Box and Special and Differential Treatment (Article 6.2)
  
- S&DT predictions for 2006-2007 are not included because of new rural programs
- Gopinath (2008, IFPRI Study) based on WTO notifications
Structure of India’s Domestic Support

- Product- and Non-Product-Specific AMS

- 1995 Product-Specific AMS is -$29.62 billion
- Gopinath (2008, IFPRI Study) based on WTO notifications
India’s MPS versus Nominal Protection

- Nominal Rate of Assistance (NRA) versus MPS Rate for Rice and Wheat

- Gopinath (2008, IFPRI Study) based on WTO notifications and World Bank’s Agricultural Distortions Database
Structure of China’s Domestic Support

• Since WTO accession: A mixture of Minimum Price and marketing control (grains), input subsidies (fertilizer) and direct payments (grains)
• Official notifications: 1999-2001
• Total AMS Commitment in the Uruguay Round: Zero
• Use of
  – Green Box
  – Product-Specific AMS is mostly negative; reference prices from 1996-98; 8.5% de minimis allowances
  – Non-Product-Specific support about 1% of value of production; 8.5% de minimis allowance
• Blue Box is available, but not used
• Article 6.2 is unavailable
Structure of China’s Domestic Support

- Green Box

- Cheng (2008, IFPRI Study) based on WTO notifications
Structure of China’s Domestic Support

- Product- and Non-Product-Specific AMS

- Subsidies not reported: irrigation, electricity and foregone agricultural taxes (~cuts slack in NPS)
- Cheng (2008, IFPRI Study) based on WTO notifications
Structure of China’s Domestic Support

- Direct Payments to Grains and Input Subsidies

- USDA-ERS/FAS Compilation of China’s direct subsidies
Structure of Philippines’ Domestic Support

- Major instruments: Price floor (Administered Price), state-trading (NFA) and input/investment subsidies
- Total AMS Commitment in the Uruguay Round: Zero
- Use of
  - Green Box
  - Special and Differential Treatment (Article 6.2)
  - Product Specific AMS is positive, but small; 10% *de minimis* allowances
- Does not notify Non-Product-Specific support; 10% *de minimis* allowance
Structure of Philippines’ Domestic Support

- Green Box and Special and Differential Treatment (Article 6.2)

Cororaton (2008, IFPRI Study) based on WTO notifications
Structure of Philippines’ Domestic Support

- Product-Specific AMS for Rice

- Corn AMS is relatively small
  - Cororaton (2008, IFPRI Study) based on WTO notifications
Philippines MPS versus Nominal Protection

- Nominal Rate of Assistance (NRA) versus MPS Rate for Rice

- Cororaton (2008, IFPRI Study) based on WTO notifications and World Bank’s Agricultural Distortions Database
Structure of Brazil’s Domestic Support

- Major instruments: Product-specific (equalization) payments; production, marketing and investment credit subsidies (product-specific and non-product-specific); debt rescheduling; some market price support
- Total AMS Commitment: US$ 912.1 million
- Use of
  - Green Box
  - Product-Specific AMS
  - Special and Differential Treatment (Article 6.2)
  - Non-Product-Specific support about 2% of value of production; 10% *de minimis allowance*
Structure of Brazil’s Domestic Support

- **Product-Specific AMS**

  - Nassar and Ures (2009, IFPRI study) based on WTO notifications
Structure of Brazil’s Domestic Support

- Green Box, Non-Product-Specific AMS and Special and Differential Treatment

Nassar and Ures (2009, IFPRI study) based on WTO notifications
Forward-Looking Issues for Developing Countries

• Have the Agreement’s disciplines constrained agricultural domestic support in developing countries?

• Emerging positive MPS
  – India, China (due to rising administered prices)
  – Eligible production versus total production (all 4 countries)

• Box shifting/classifications
  – Early Shifts: India (NPS to S&DT) ; Philippines (S&DT to Green Box)
  – Potential issues: e.g. China (How will new grain DPs be classified?)

• Set of notified subsidies varies across countries
  – Electricity, irrigation, credit and others

• Will domestic support of developing countries rather than developed countries emerge as a major WTO issue?