



Developing Countries' Domestic Support Policies and WTO Disciplines

Munisamy Gopinath
Oregon State University

Public Forum (Session 12), September 29, 2009
World Trade Organization, Geneva

IFPRI Study: The Developing Countries' Cases

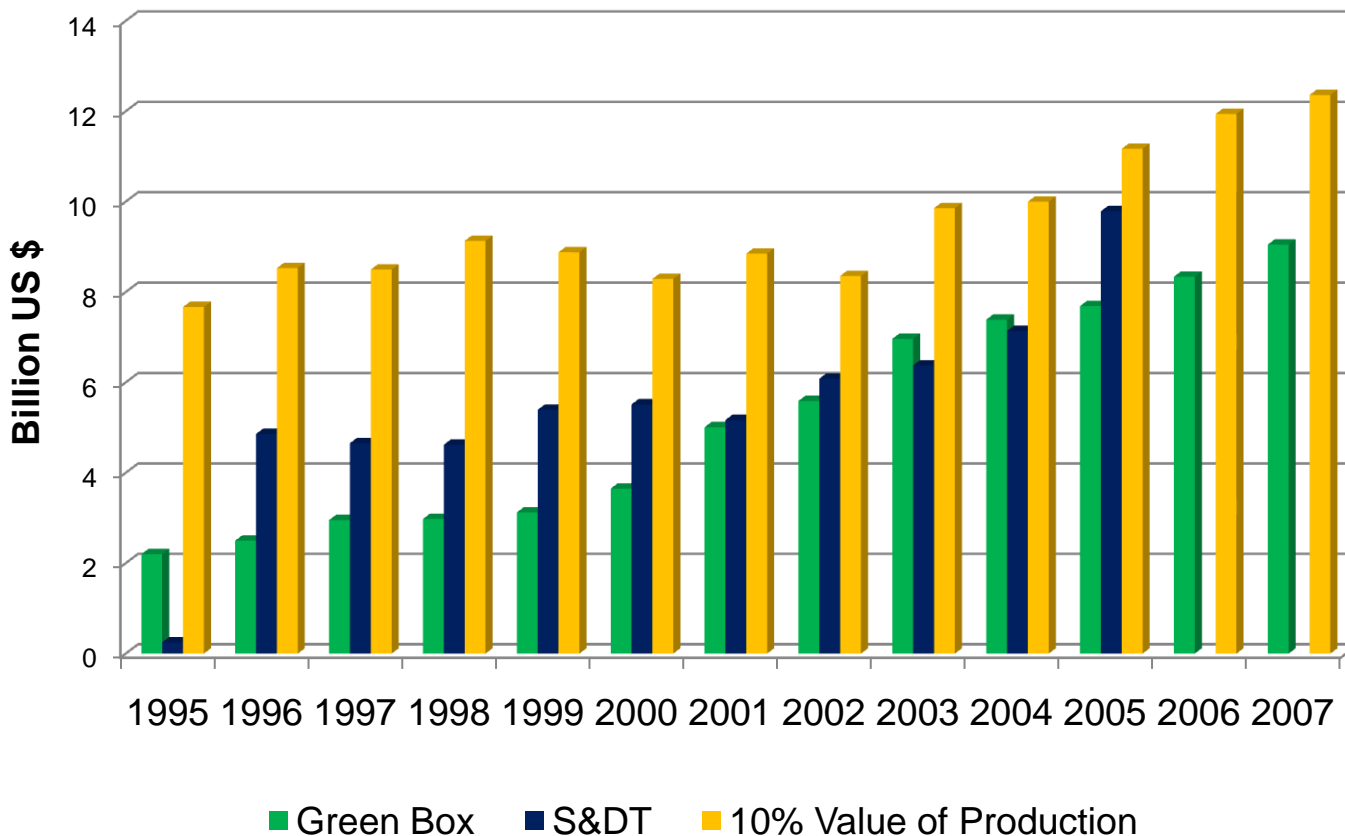
- Major Developing Countries' Domestic Support in the Uruguay Round: India, China, Philippines, Brazil
- Implications of the Doha Draft Modalities
- Complications in the Analysis for Developing Countries
 - Time lag in notifying domestic support
 - Access to data can be difficult
 - Significant policy 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)
- Official notifications: 1995-1997
- 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

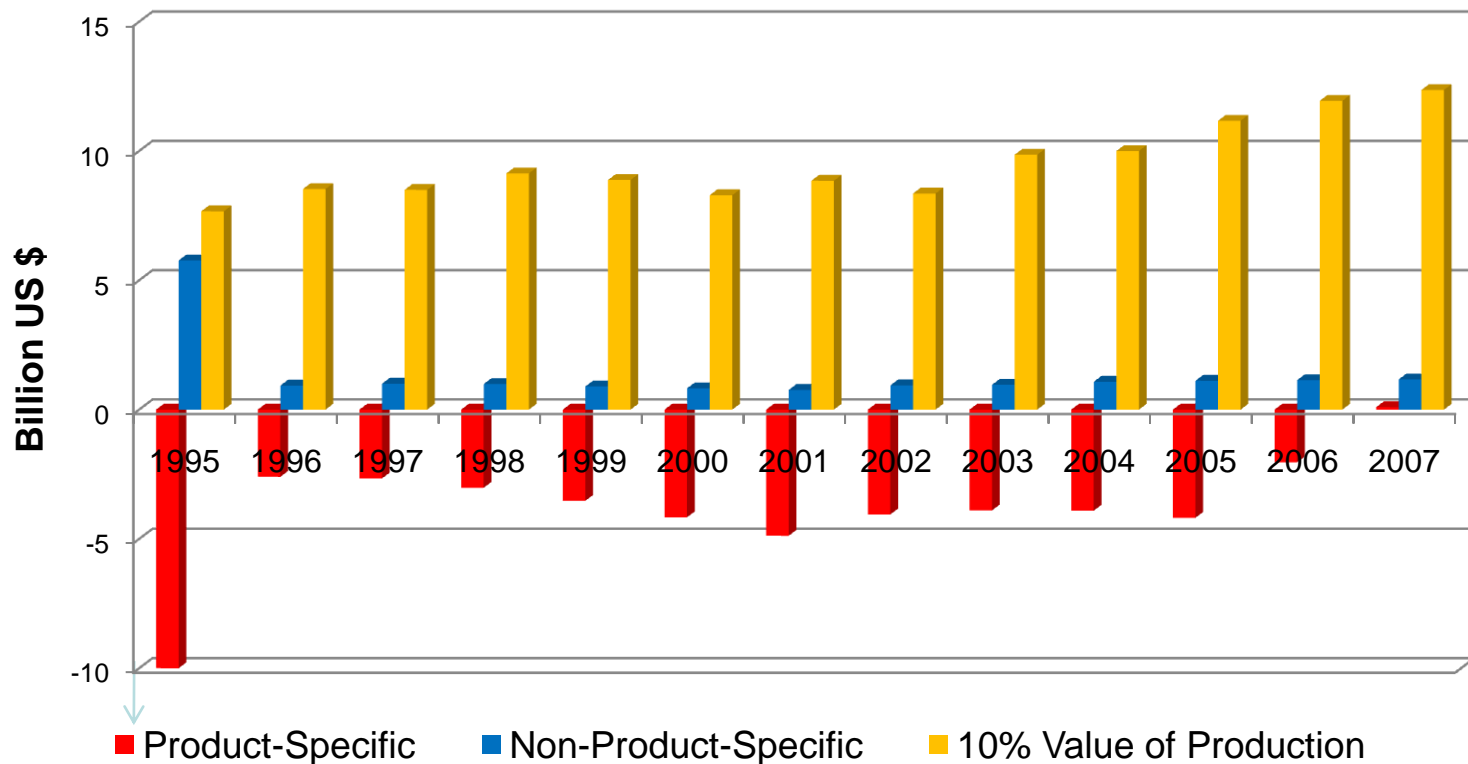
- Green Box and Special and Differential Treatment (Article 6.2)



- 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

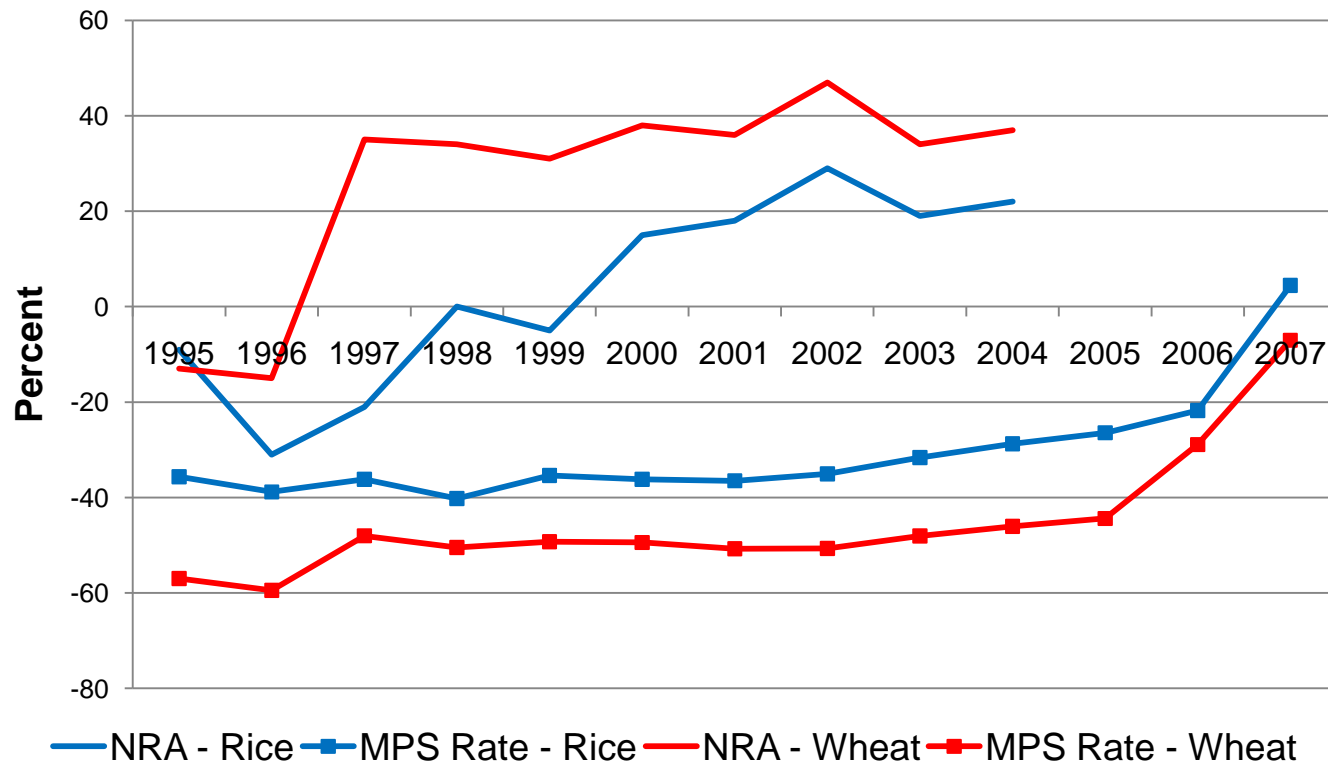
- Product- and Non-Product-Specific AMS



- 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



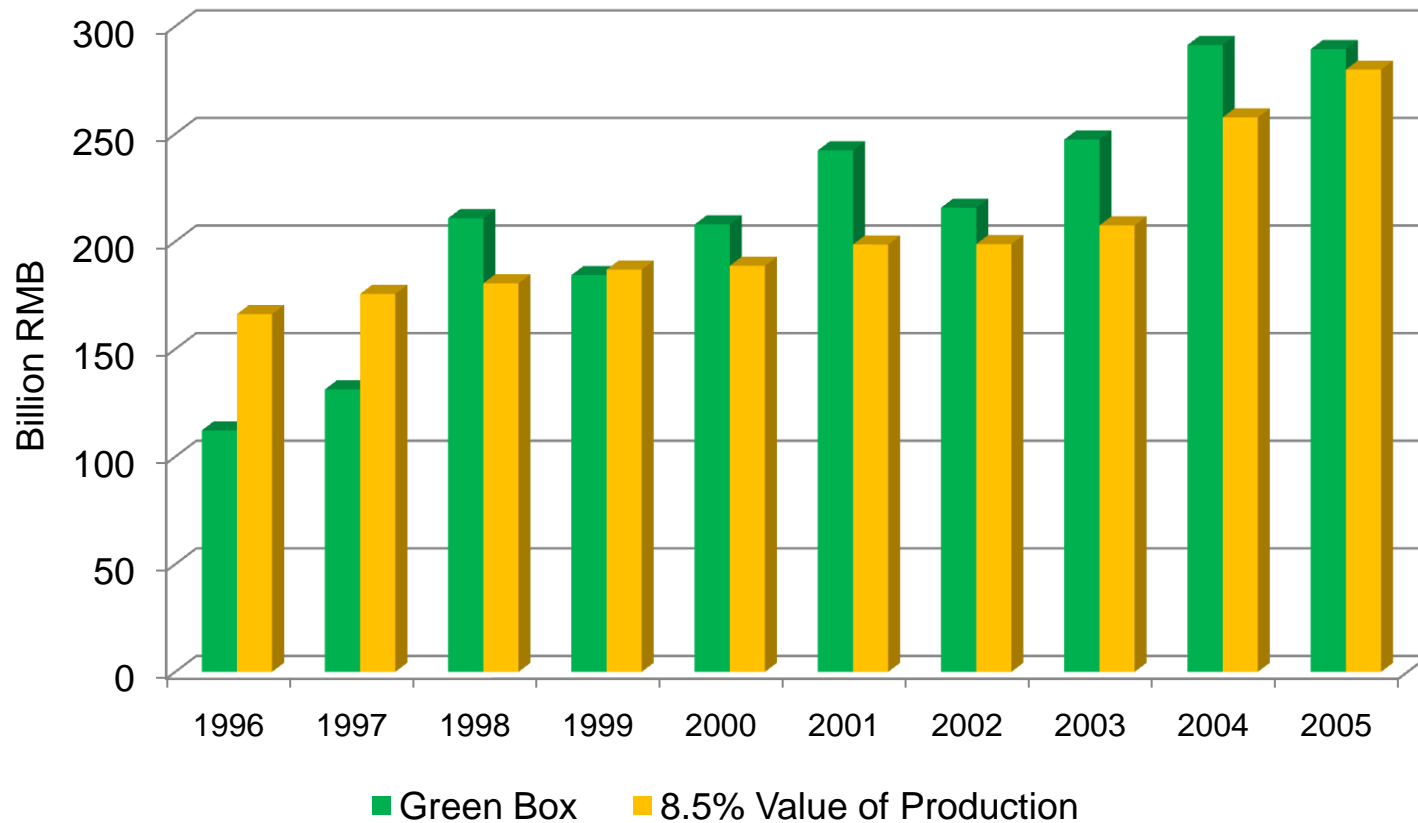
- Gopinath (2008, IFPRI Study) based on WTO notifications and World Bank's Agricultural Distortions Database

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

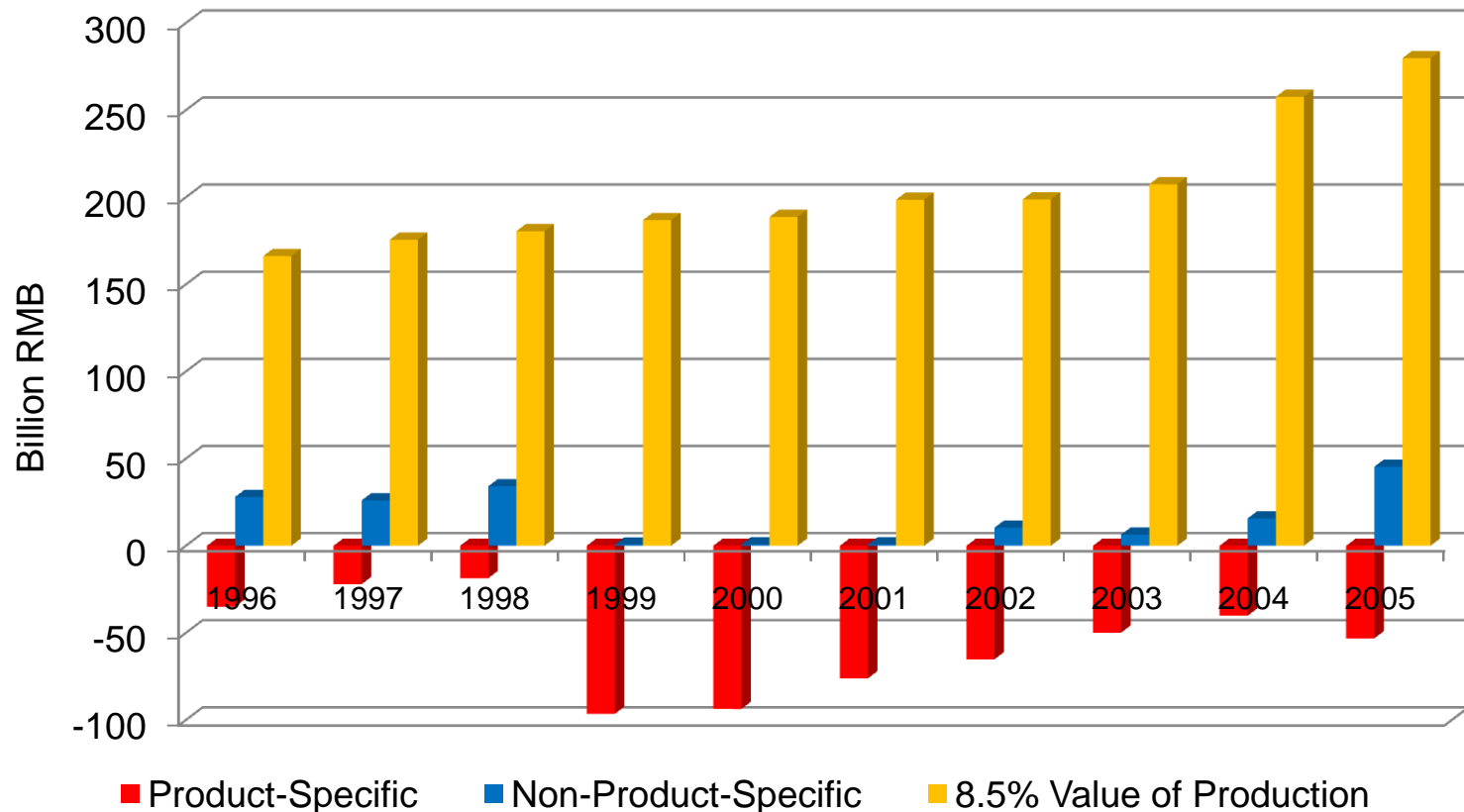
- Green Box



- Cheng (2008, IFPRI Study) based on WTO notifications

Structure of China's Domestic Support

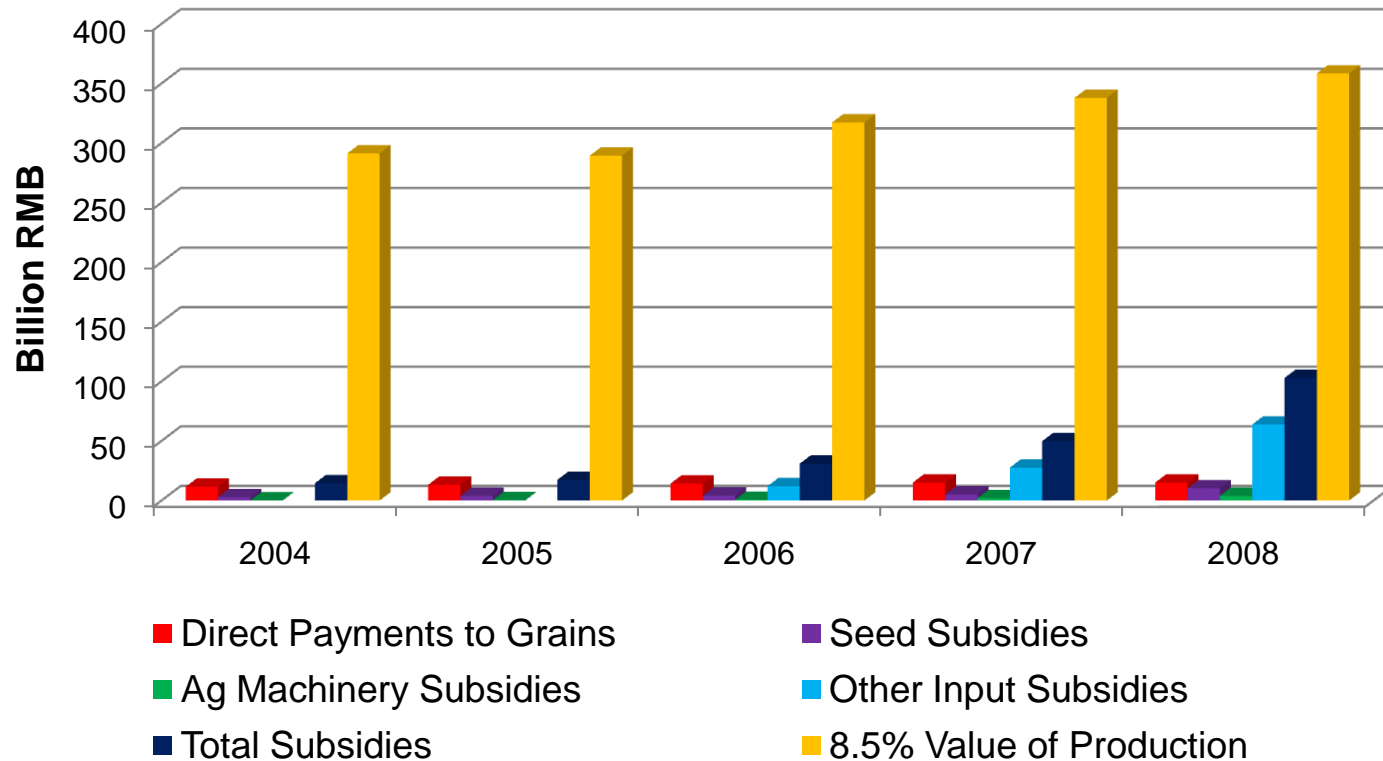
- Product- and Non-Product-Specific AMS



- 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



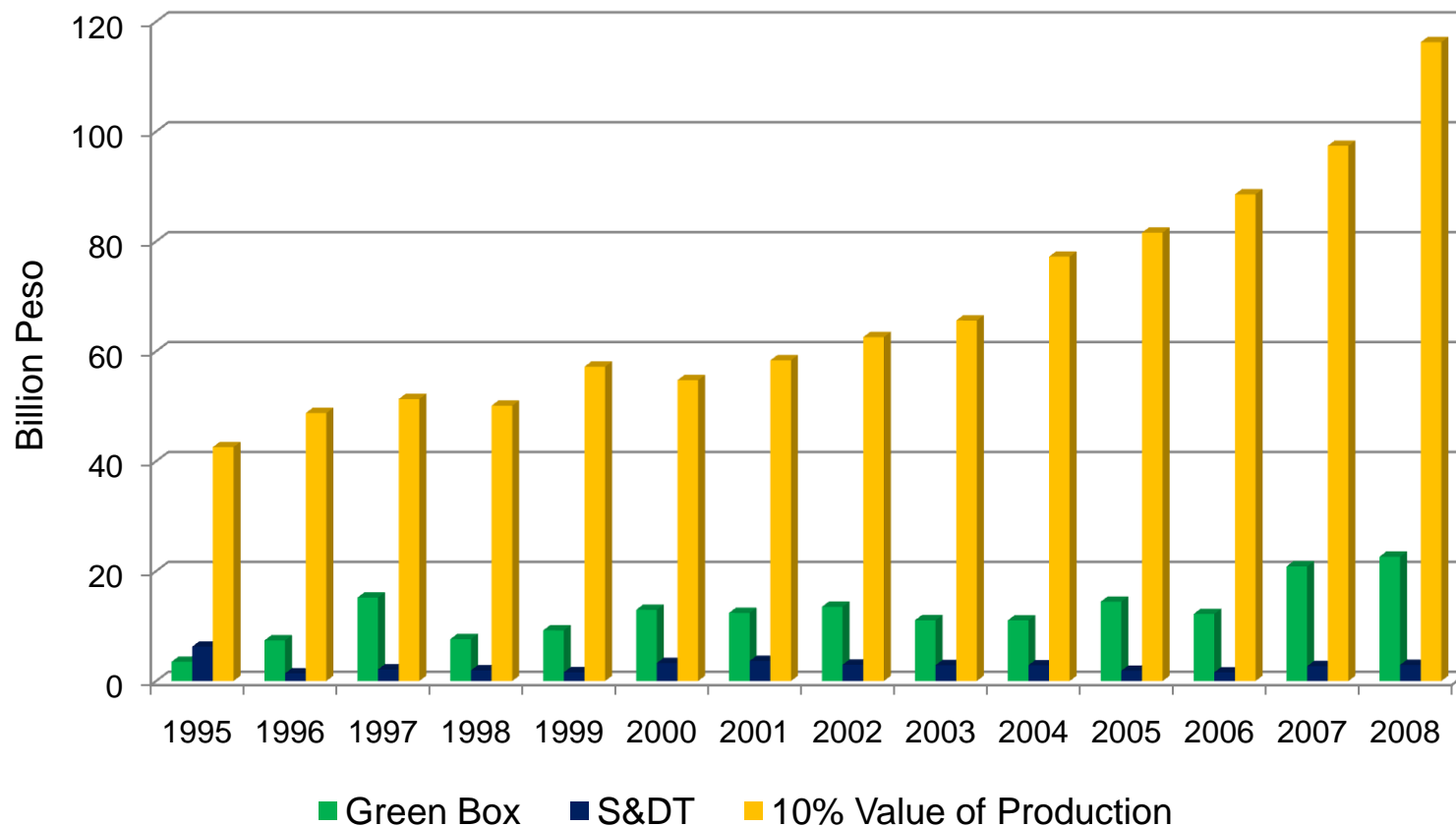
- USDA-ERS/FAS Compilation of China's direct subsidies

Structure of Philippines' Domestic Support

- Major instruments: Price floor (Administered Price), state-trading (NFA) and input/investment subsidies
- Official notifications: 1995-2004
- 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

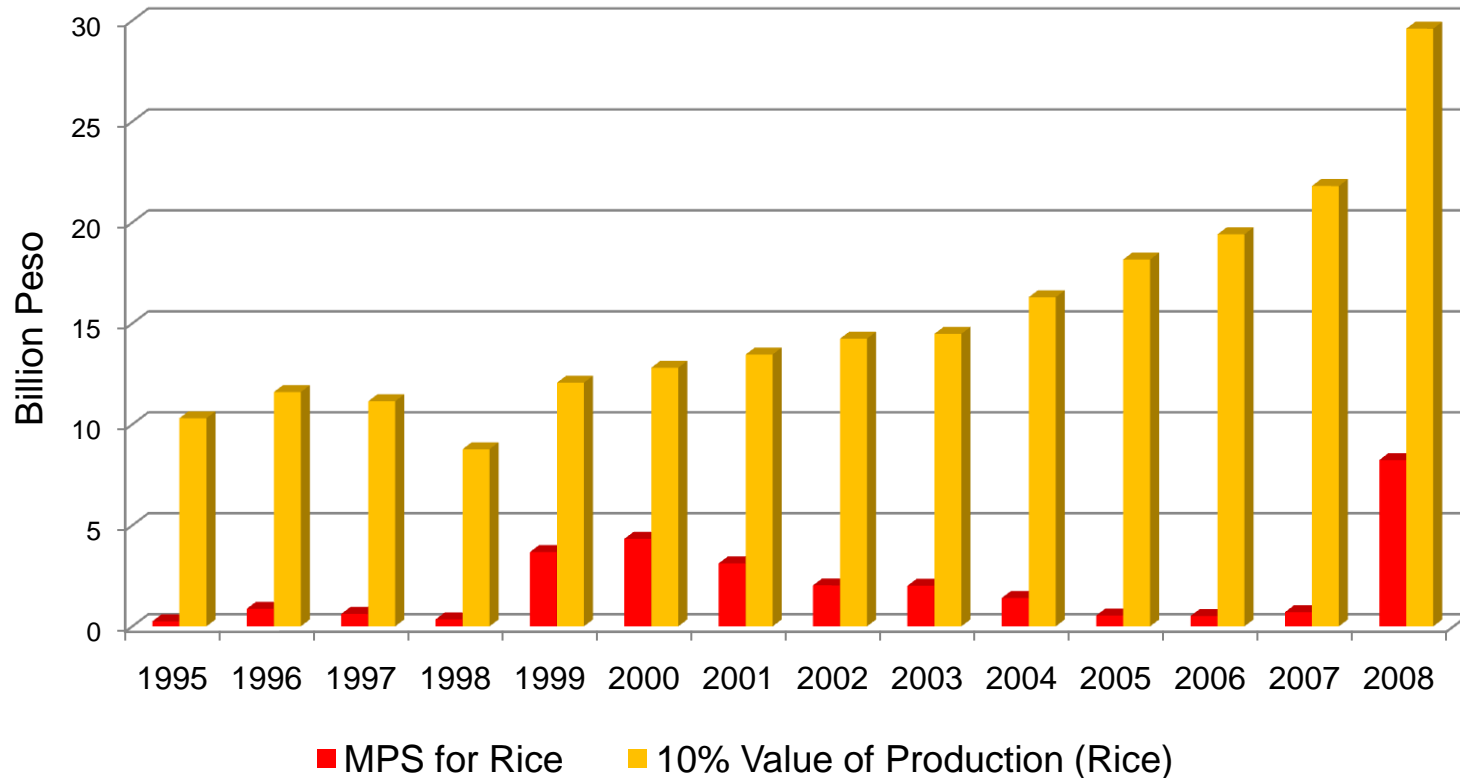
- Green Box and Special and Differential Treatment (Article 6.2)



- Cororaton (2008, IFPRI Study) based on WTO notifications

Structure of Philippines' Domestic Support

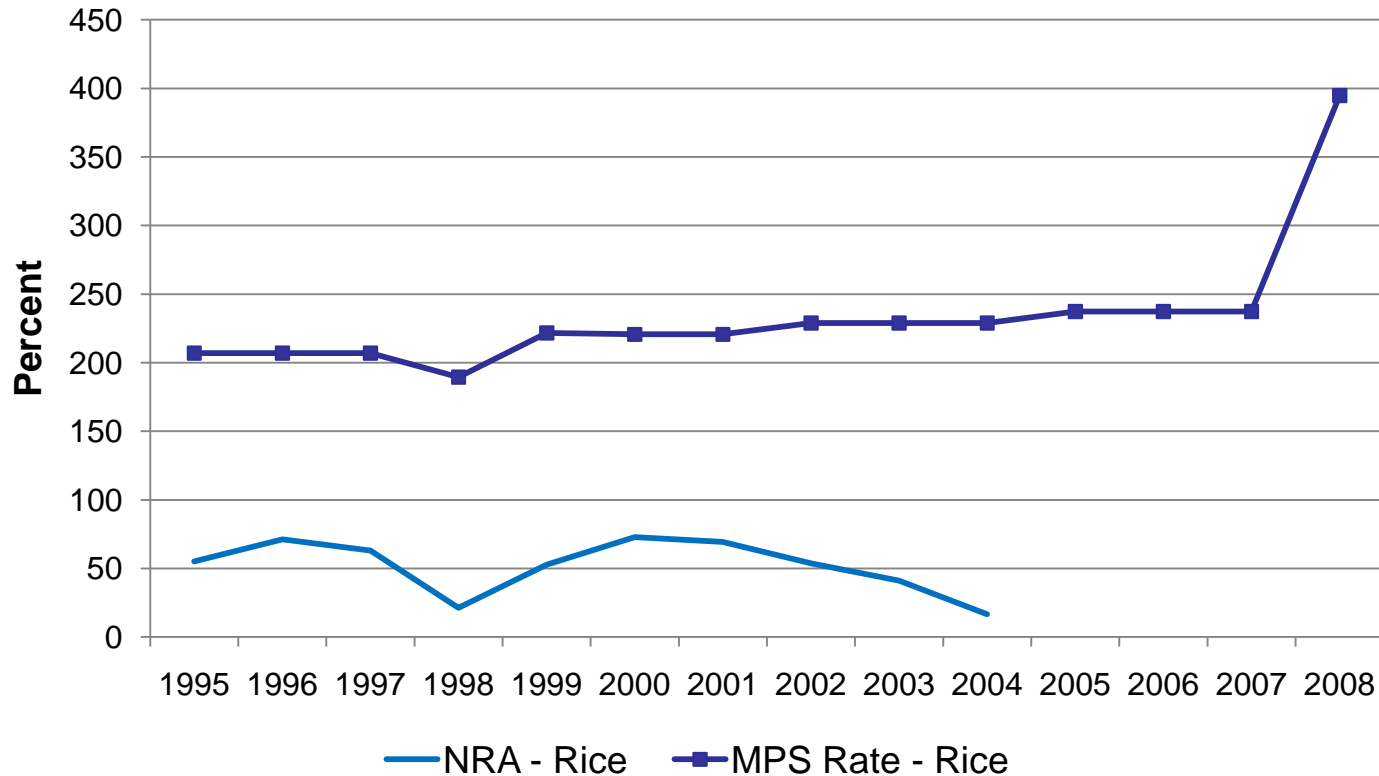
- Product-Specific AMS for Rice



- 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



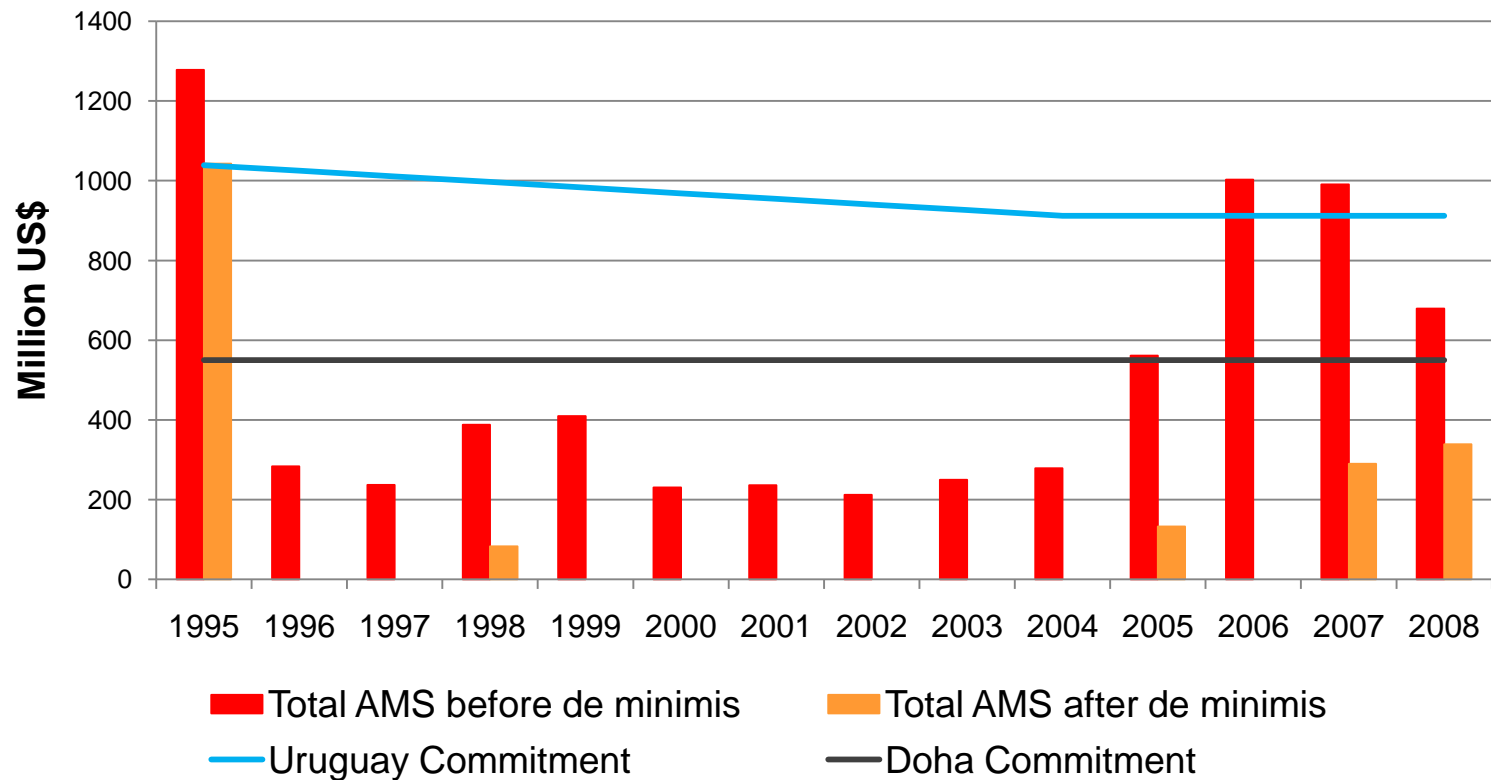
- Cororaton (2008, IFPRI Study) based on WTO notifications and World Bank's Agricultural Distortions Database

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
- Official notifications: 1995-2004
- 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

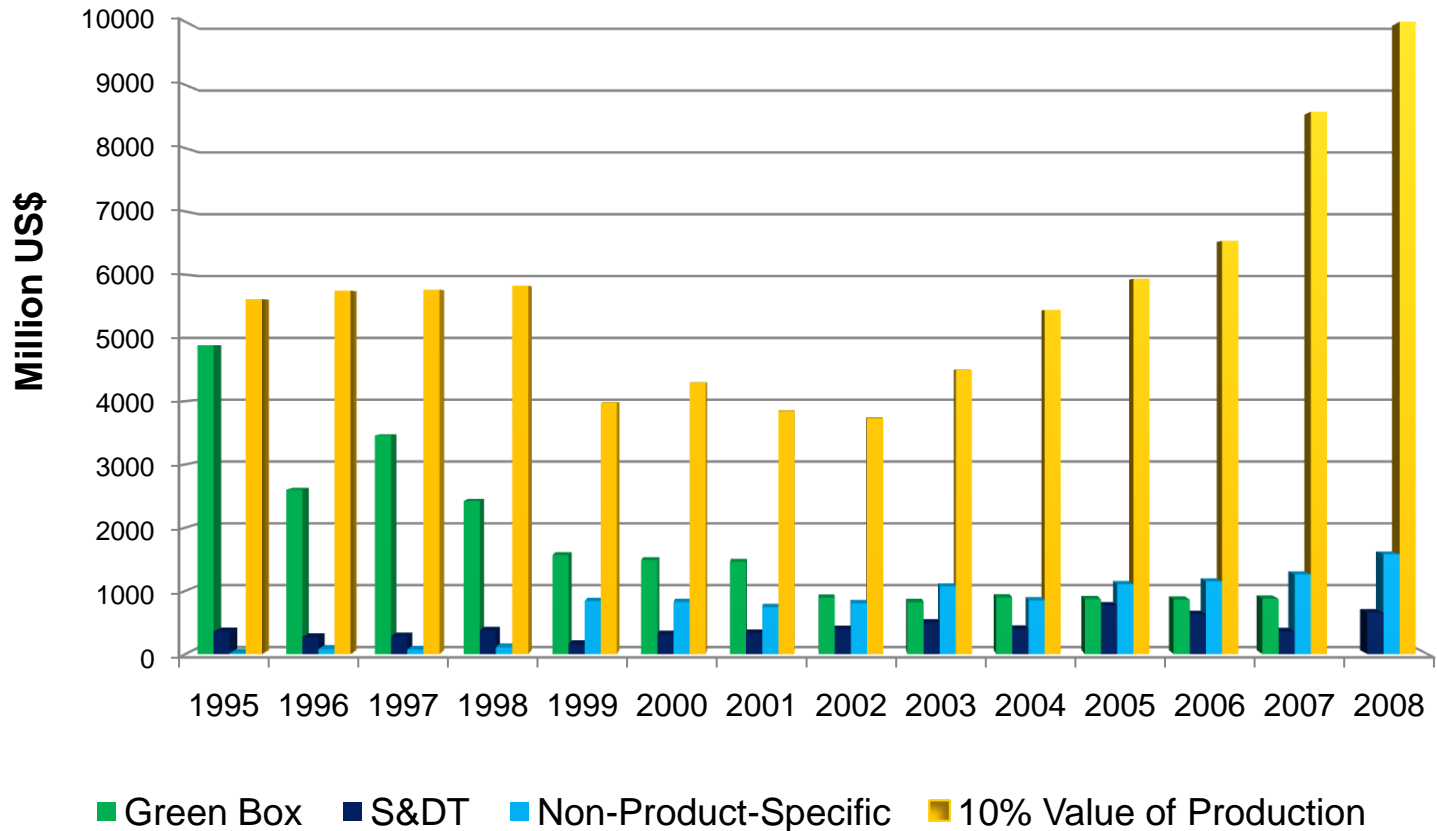
- Product-Specific AMS



- 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?