Trends in agricultural domestic support worldwide and sustainable development implications

Lars Brink

Agricultural Trade Policy and Sustainable Development: Experience from India and Other Countries

- International Centre for Trade and Sustainable Development (ICTSD)
- Indian Council for Research on International Economic Relations (ICRIER)

India Habitat Centre, New Delhi, India

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Lars.Brink@hotmail.com
• “Domestic support” is WTO term
  – Budgetary support and administered pricing (AP) support
  – Excludes support through, e.g., tariffs, hence “domestic”
    » But much AP support depends also on border protection

• Measurements of farm support
  – World Bank: economic measurement
  – OECD: economic measurement
  – WTO: domestic support, measured in particular way

• Eight countries with 68% of world value of agr. production
  – By size of agr.: China, EU, US, India, Indonesia, Japan, Brazil, Russia

<table>
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<tr>
<th>WTO developed</th>
<th>WTO developing</th>
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<td>EU, US, Japan, Russia</td>
<td>China*, India, Indonesia, Brazil</td>
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* Special parameters for China
Nominal Rate of Assistance to agriculture: EU, Japan, Russia, US

Nominal Rate of Assistance to agriculture: Brazil, China, India, Indonesia

Figure 6: RRAs and log of real per capita GDP, India and Northeast Asian focus economies, 1955 to 2005

Source: Calculated from Anderson and Valenzuela (2008), which draws on national estimates reported in Anderson and Martin (2008).

OECD GSSE as % of Value of production: EU, Japan, Russia, US

GSSE: General Services Support Estimate

Source: calculated from PSE and CSE Database, OECD, 2012
OECD GSSE as % of Value of production: Brazil, China, Indonesia

Source: calculated from PSE and CSE Database, OECD, 2012

No data for India
OECD PSE as % of Value of production: EU, Japan, Russia, US

Source: calculated from PSE and CSE Database, OECD, 2012
OECD PSE as % of Value of production: Brazil, China, Indonesia

Source: calculated from PSE and CSE Database, OECD, 2012; Indonesia -90% in 1998 replaced by average of 1997 and 1999
Source: calculated from WTO Transparency Toolkit (support) and TN/AG/S/21/Rev.5 (VOP); some VOP from FAOSTAT
Green box support as % of Value of prod’n: Braz, China, India, Indo

Source: calculated from WTO Transparency Toolkit (support) and TN/AG/S/21/Rev.5 (VOP); some VOP from FAOSTAT
Non-Green-box support as % of Value of prod’n: EU, Japan, Russia, US

Source: calculated from WTO Transparency Toolkit (support) and TN/AG/S/21/Rev.5 (VOP); some VOP from FAOSTAT
Non-Green-box support as % of Value of prod’n: Braz, China, India, Indo

Source: calculated from WTO Transparency Toolkit (support) and TN/AG/S/21/Rev.5 (VOP); some VOP from FAOSTAT
Rising support in large developing countries

• From very low levels to levels not seen before
  – Support levels now rival or may soon rival those of some large developed countries

• “High-support” and “Low-support” developing countries
  – Need to recognize emerging differentiation
  – Diverging international interests – how to reconcile?
Farm support to rise with economic growth?

• Policy choices decide size and nature of support
  – Follow path of Korea and Taiwan (earlier figure)?
  – Follow path of, say, Chile and South Africa?
    • Competitive and growing world exporters in agriculture and food
    • No AMS* support; no or very little Article 6.2 support
    • Emphasis on Green Box support

• WTO limit on only one type of support
  • No limit on certain investment and input subsidies (Article 6.2)
  • No limit on price support without administered prices
    – Can be large if tariff bindings are large
  • No limit on Blue Box and Green Box support

* Aggregate Measurement of Support: support through measures not meeting any criteria for exemption from WTO commitment
Emphasize what kind of domestic support?

- Support that remunerates production directly, e.g.,
  - Input subsidies
  - Output subsidies
  - Administered pricing

- Support that meets WTO Green Box criteria, e.g.,
  - Research, marketing and promotion and infrastructural services
  - Providing relief from natural disasters
  - Implementing environmental programs

- Which mix of agricultural policy support is more apt to underpin development that is sustainable?
<econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTTRADERESEARCH/0,,contentMDK:21012395~pagePK:64168182~piPK:64168060~theSitePK:544849,00.html>Documentation of estimation methods; estimates for Brazil, China, European Union, India, Indonesia, Japan, Russia, United States (also for more than 70 other countries).</econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTTRADERESEARCH/0,,contentMDK:21012395~pagePK:64168182~piPK:64168060~theSitePK:544849,00.html>


<www.oecd.org/agriculture/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>Documentation of estimation methods; estimates for Brazil, China, European Union, Indonesia, Japan, Russia, United States (also other OECD countries and some other non-OECD countries).</www.oecd.org/agriculture/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>

<www.wto.org/english/tratop_e/agric_e/transparency_toolkit_e.htm>Data from notifications of Brazil, China, European Union, India, Indonesia, Japan, United States (also from more than 90 other Members; no notification from 2012 new Member Russia).</www.wto.org/english/tratop_e/agric_e/transparency_toolkit_e.htm>
Thank you for your attention!

Lars.Brink@hotmail.com