



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

State of Play in the Domestic Support Discussion

In preparation for the July 16th informal meeting of the committee on agriculture special session (COASS), Canada circulated a paper reviewing the state of play in the domestic support discussion.

The chair, Ambassador John Deep Ford of Guyana, told delegates he wants to keep Members in “focused, interactive and proactive discussions.” He asked them to brainstorm which proposals and ideas currently on the table are the most promising to help move the domestic support discussion forward.

In order to put things into perspective, Canada provided an analysis – co-sponsored by Cairns Group Members – e.g. Australia, New Zealand and Paraguay etc. – on “how distorting domestic support has evolved since 2001” based on recent data (2001-2014).

The analysis, which covers key WTO Members’ (agriculture exporters, importers or producers) support under Article 6 (including the aggregate measure of support (AMS), *De minimis*, Development Box or developing countries’ investment/input subsidies, Blue Box) and Annex 2 (Green Box) of the World Trade Organization (WTO) Agreement on Agriculture (AoA), is to help Members adjusting domestic support disciplines to “reflect the current trade reality and trends.”

The U.S. has lately claimed that the negotiations in that pillar should reflect the new reality of certain countries, namely China and India for instance, who have become powerhouses in the agriculture field. The U.S. said these countries – which are still considered developing countries – should contribute more in the negotiations based on their real status. China and India have thus far rejected these adjustments claiming, in the case of China, that they have already “paid” to enter the WTO.

Canada’s analysis, meanwhile, shows that the level of trade-distorting domestic support relative to the value of production of countries such as China, India, Indonesia,

and Russia, has increased over the years, whereas those of Brazil, Canada, the EU, and the U.S. have decreased since 2001. In fact, the order of the top five users of Article 6 support changed significantly over the first decade of the 21st century. In 2001 the EU, the U.S., India, Japan, and Norway were the top 5, whereas in 2010 India, China topped the list followed by the EU, Japan and then the U.S.

Norway’s Article 6 spending has remained stable over the years, going from roughly \$2B USD in 2001 to \$2.4B in 2014. The same goes for Canada (\$1.99B USD in 2001 to \$1.945B in 2014) with increases in 2007 to 2012 where the spending reached about \$3B on average.

The biggest changes meanwhile come from the EU and the U.S. who have significantly reduced their Article 6 outlays due to reforms in their respective agricultural policies (CAP and Farm Bill) going from \$57.2B (22% of VoP – value of production – in 2001) to \$15B (3% of VoP in 2014) in the case of the EU and \$21.5B (10.8% of VoP) to \$13.5B (3.4% of VoP) for the U.S. during the same period.

On the other hand, China’s and India’s respective spending has escalated, going from \$307 million in 2001 to more than \$18B in 2010 for the former. China has not notified the WTO of its Article 6 subsidies since 2010. In the case of India, the spending went from \$8.2B in 2001 to \$27.8B in 2014, although this has remained relatively stable as a percentage of VoP.

India’s Article 6 spending is mostly concentrated in Article 6.2 – i.e. investment/input subsidies reserved for developing countries and which are unlimited and exempted from the calculation of Total AMS – whereas China’s Article 6 spending originates from its 8.5% *de minimis* support as the country is not entitled to Article 6.2 supports. Both China’s product specific (amount linked to a given product’s total VoP) and non-product

specific (linked to the agriculture sector's total VoP) *de minimis* supports have increased significantly since its accession in 2001.

The levels of spending in these two categories (Article 6.2 and *de minimis* support) have led the U.S. to request that all aspects of trade-distorting domestic support be taken into consideration in the reduction of domestic support discussion. China and India have thus far opposed this idea.

Developed Countries First

To counter the U.S.'s suggestion, China and India tabled a joint submission calling for the elimination of AMS beyond *de minimis* entitlements looking for developed countries to first cap and then reduce their AMS beyond *de minimis* as product-specific support as an incremental first step in the reduction of the trade distorting support discussion.

The two said a special and differential treatment should be apply to developing countries who fall in that category. This proposal should be considered a pre-requisite for consideration of other reforms in domestic support talks, the two added, further suggesting that Members agree to "a work programme to thereafter start negotiations on further disciplines on domestic support."

Generally speaking, officials give very little chances that this proposal be accepted as the basis for discussion by the full Membership.

Green Box

Some developing countries – mostly African Caribbean and Pacific Countries (ACP) – have lately requested that Members also look at how Green Box support (Annex 2 of the AoA) can be disciplined.

Canada's analysis shows that Green Box support has increased since 2001 for key players like the EU (direct payment), U.S. (domestic food aid), China (general services such as agricultural research, pest and disease control), and India (public stockholding for food security purposes).

Over 70% of India's public stockholding programme has been notified under the Green Box support, surpassing even the 90 percent threshold several times early in the last decade e.g. 91.7% in 2001; 95.7% (2002), 93.1% (2003) and 92.7% in (2004). In 2014, 82.5% of Indian Green Box spending was notified as public stockholding for food security purposes. India has first demanded that support destined to public stocks be considered as Green Box subsidies, which was rejected by most Members.

Although countries have been shifting their domestic support toward the Green Box, it is unlikely that the ACP's request to discipline this category of spending will be looked at prior to the reduction/elimination of Article 6 support.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

For more information or comments, please visit: dairyfarmers.ca, chickenfarmers.ca, eggfarmers.ca, turkeyfarmersofcanada.ca, chep-poic.ca

Legal Deposit: National Library of Canada, ISSN 1496-9254

