

# WTO Support Commitments and U.S. Farm Policies

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Conference on Domestic and Trade  
Impacts of U.S. Farm Policy

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# Introduction

U.S. WTO commitment on the most trade-distorting (Amber Box) support – \$19.1 billion

We examine the implications of:

1. A new Farm Bill
2. Challenges by other countries to U.S. classification of support under its farm policies
3. A new Doha agreement on agriculture

# Introduction

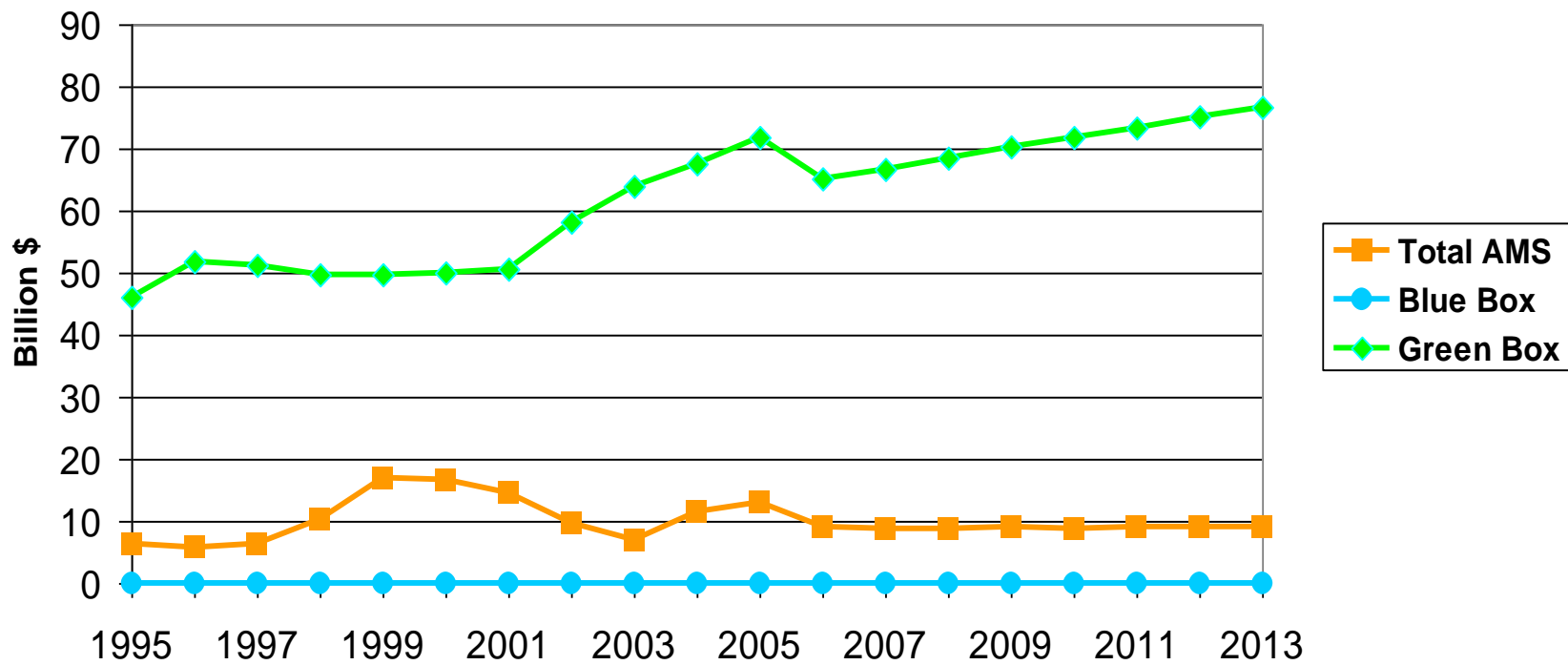
- We use official notifications to the WTO as a basis – latest year is 2005
- We derive projections for 2006-2013 based primarily on USDA Baseline data
- Farm Bill assumptions (commodity programs) based on House version (HR 2419) of July 2007

# Domestic support in the WTO

- Amber box limit expressed through the total Aggregate Measure of Support (AMS)
- AMS components subject to a *de minimis* exclusion
  - Product-specific support < 5 percent of commodity's value of production
  - Non-product-specific support < 5 percent of total value of agricultural production

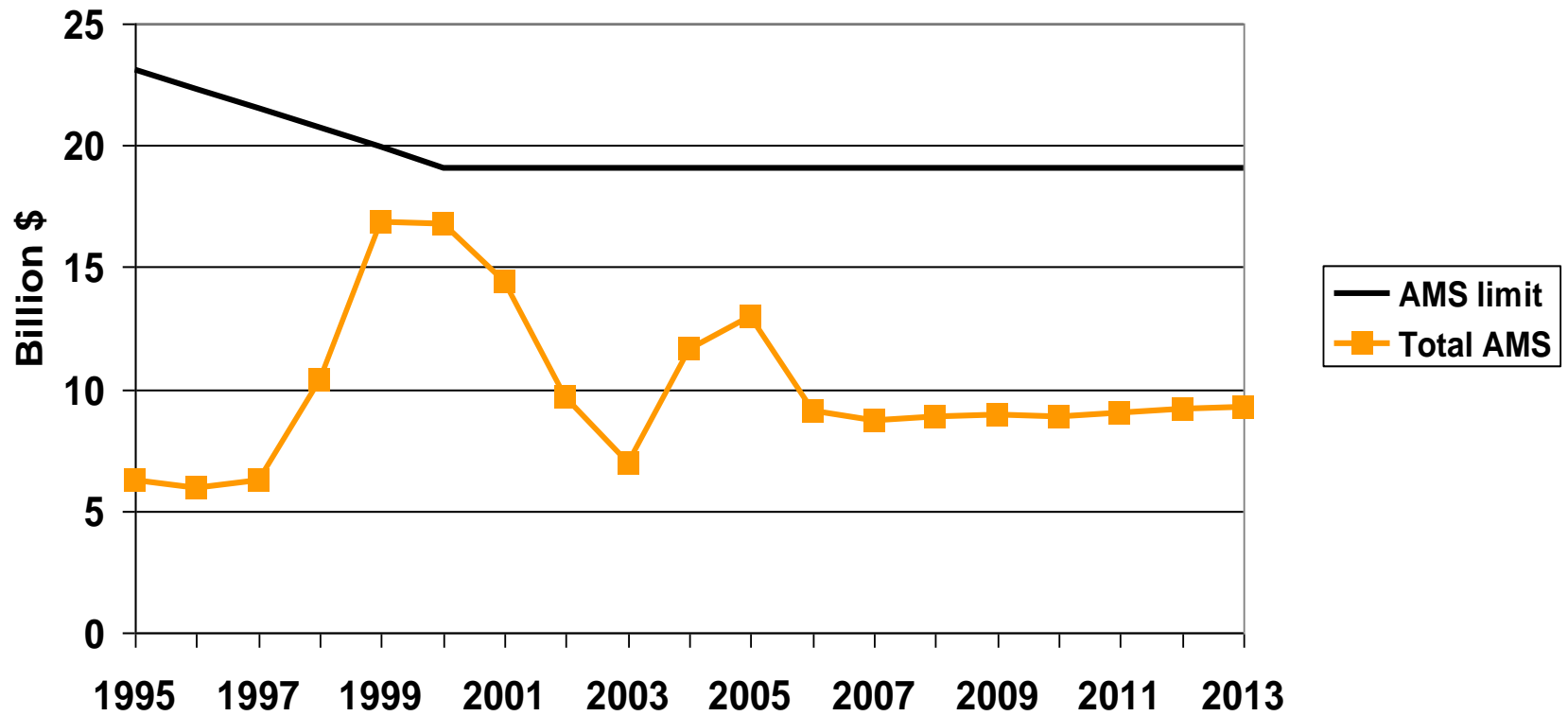
# Amber, Blue and Green Box

Figure 1: U.S. WTO Notifications of Domestic Support  
1995-2005 Actual, 2006-2013 Projected (No DDA)



# Amber Box support

Figure 2: U.S. Total AMS and WTO limits (no DDA)

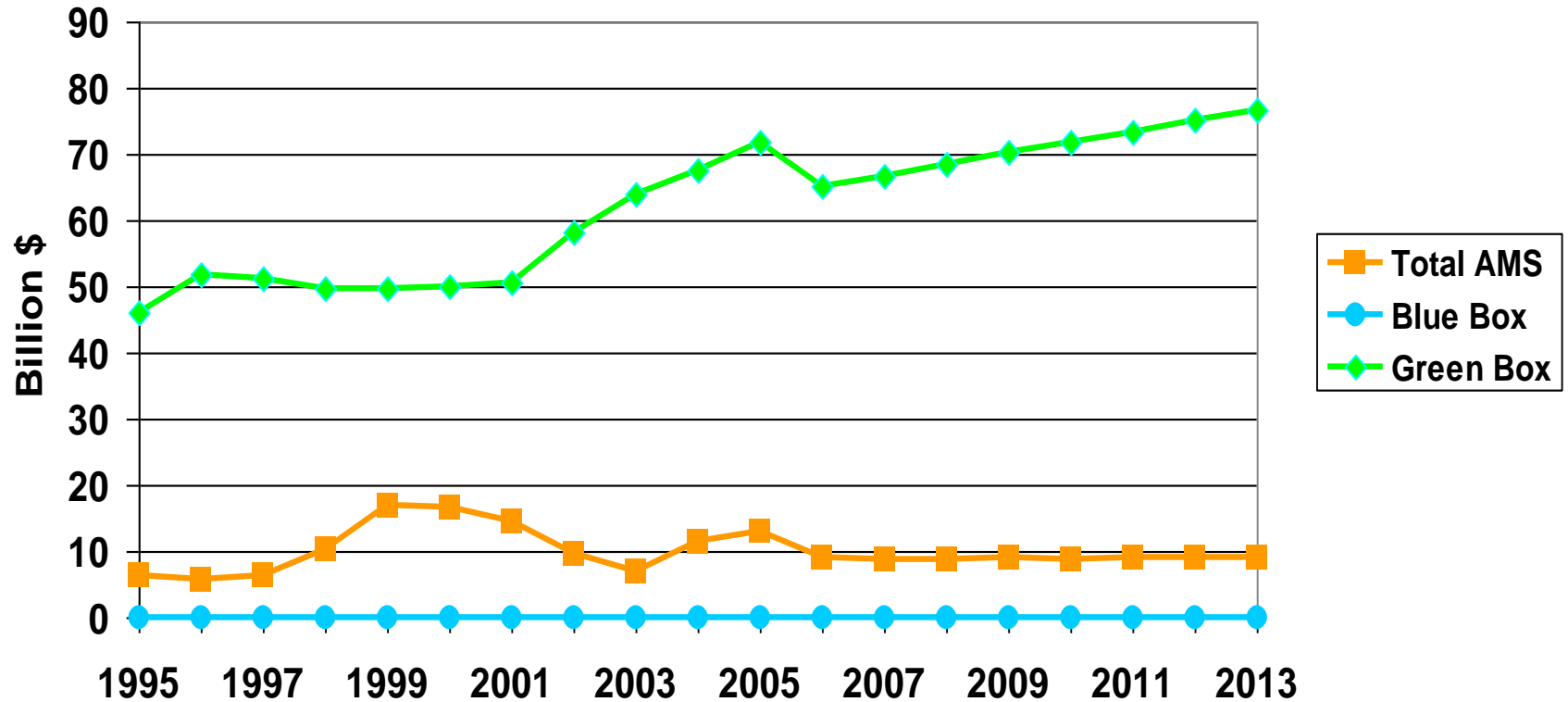


# WTO Challenges

- Brazilian cotton panel ruling of 2005
  - Direct payments not consistent with Green Box due to production linkage
- Canadian and Brazilian challenges of 2007
  - U.S. total AMS not notified correctly
  - Direct payments and CCPs should be included as product-specific support and counted against total AMS limit

# WTO Challenges

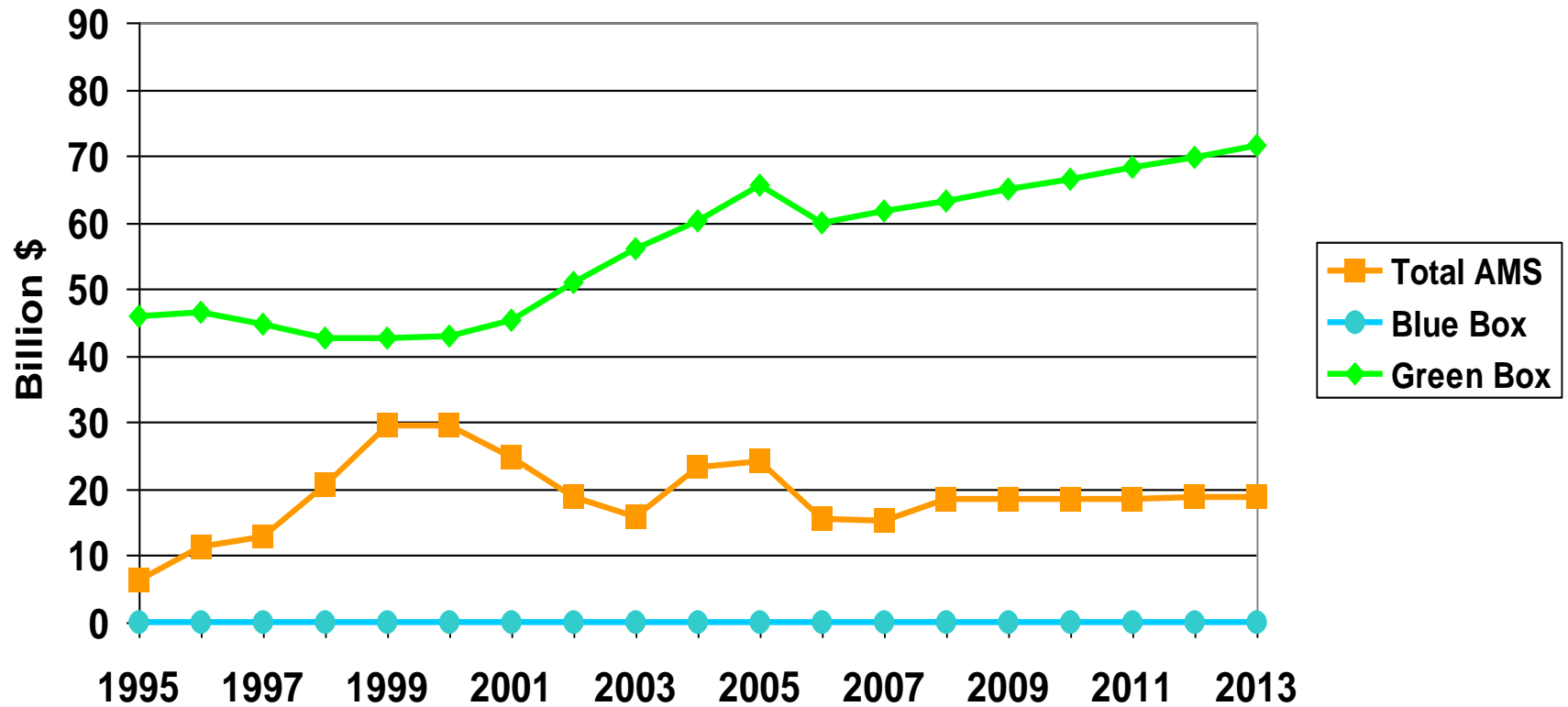
Figure 1: U.S. WTO Notifications of Domestic Support  
1995-2005 Actual, 2006-2013 Projected (No DDA)





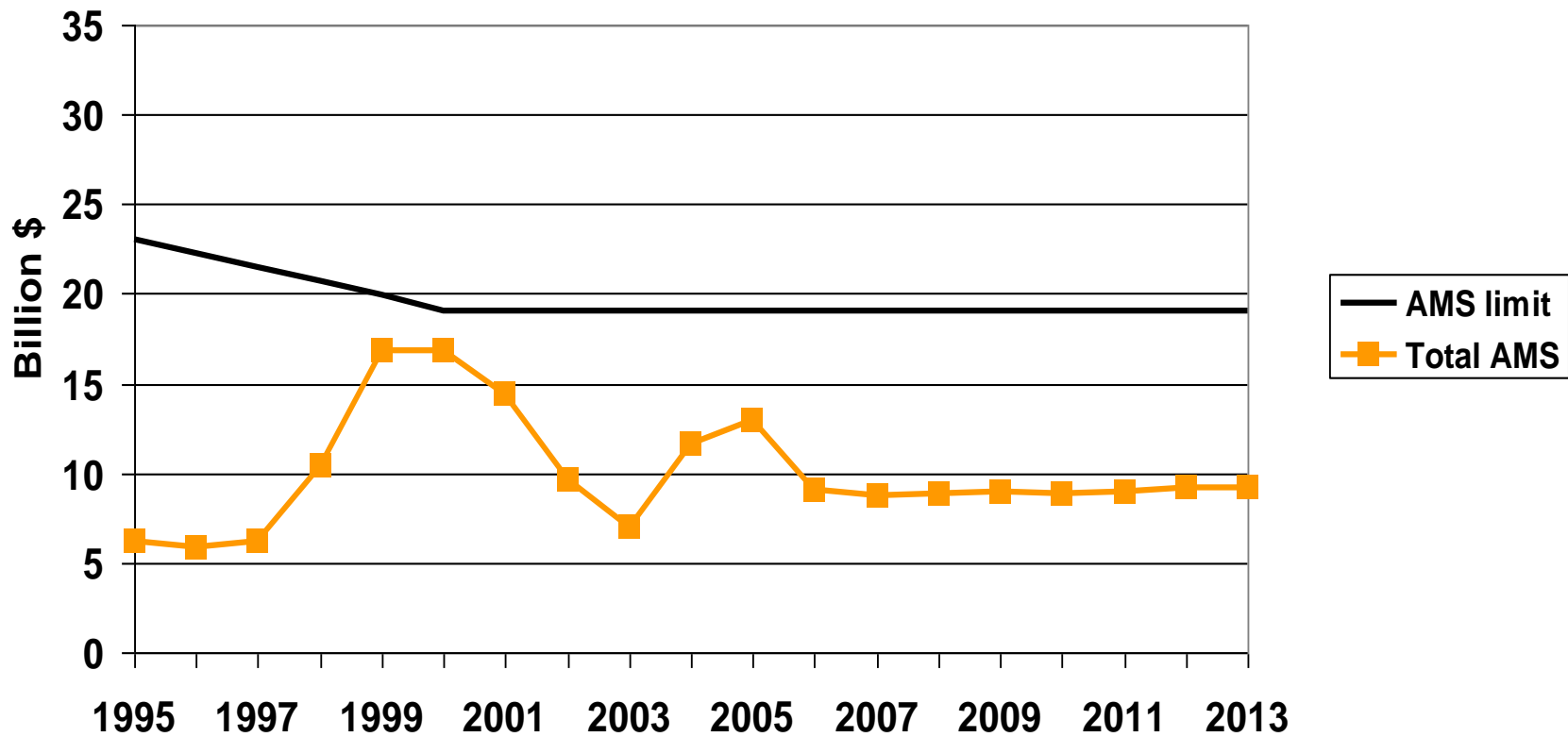
# WTO Challenges

Figure 3: U.S. WTO Re-Notifications of Domestic Support  
1995-2005 Actual, 2006-2013 Projected (No DDA, Loss of WTO cases)



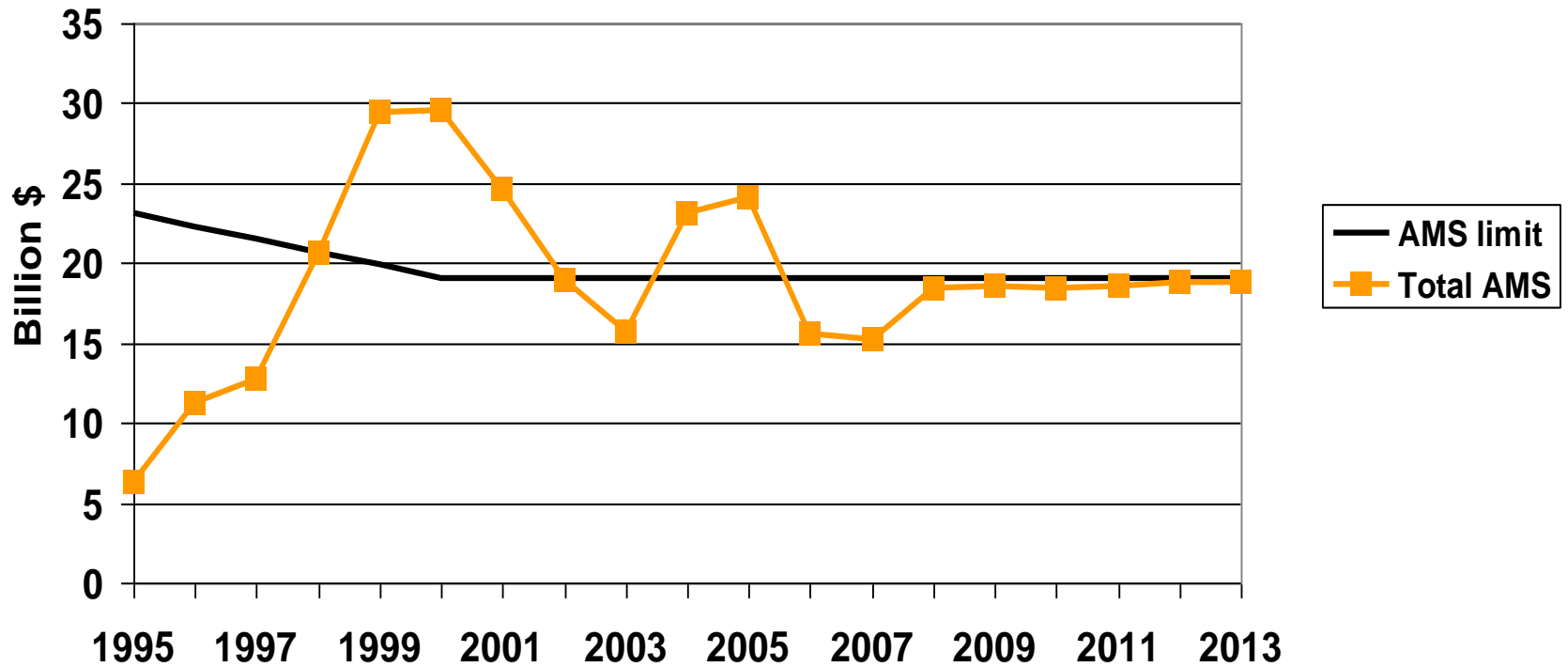
# WTO Challenges

Figure 2: U.S. Total AMS and WTO limits (no DDA)



# WTO Challenges

Figure 4: U.S. Total AMS and WTO limits, 1995-2013  
(no DDA but Loss of WTO cases)



# WTO Challenges: Bottom Line

- U.S. needs to “Green-Box Proof” its direct payments in order to ensure that it does not violate existing WTO commitments on domestic support
- Shifting other forms of support into the product-specific AMS would make it difficult for the U.S. to meet its commitments

# Doha Round Outcome

## The Falconer Proposals

- New concepts:
  - Overall Trade Distorting Support (OTDS) = total AMS + *de minimis* + Blue Box
  - Blue Box definition expanded to cover price-linked direct payments (CCPs)
- Continued limits on:
  - Total AMS
  - PS and NPS *de minimis*
- New limits on:
  - Overall Trade Distorting Support (OTDS)
  - Total Blue Box payments
  - PS AMS and PS Blue Box

# The Falconer Proposals

## Domestic Support Provisions

- Phased reductions in:
  - OTDS
  - Total AMS
  - PS and NPS *de minimis*
- Higher AMS reduction and lower Blue Box cap for cotton
- Base period for commitments 1995-2000

# The Falconer Proposals

## Domestic Support Provisions

	U.S. Reduction Percentage
OTDS	Between 66 and 73
Total AMS	60
<i>de minimis</i>	Between 50 and 60

“Lite” scenario

“Ambitious” scenario

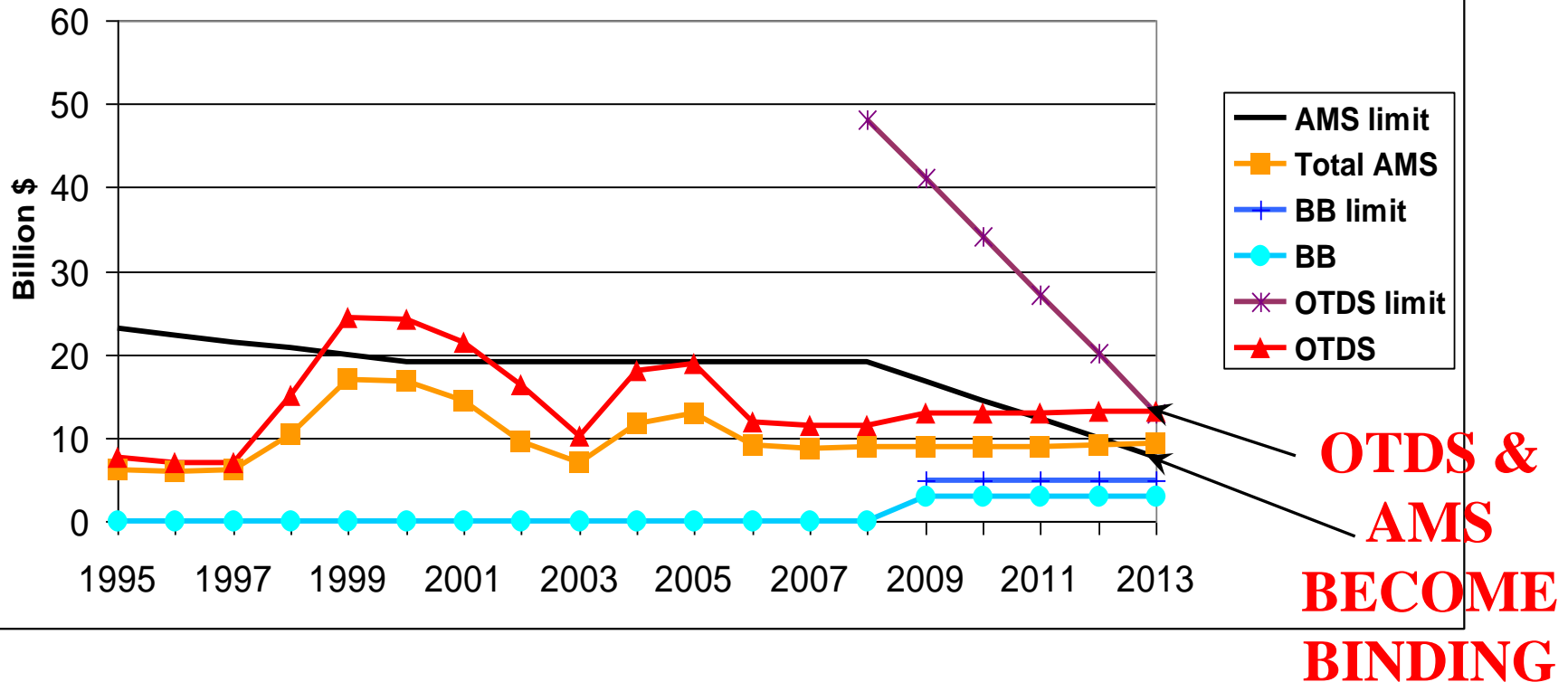
# Analyzing the Falconer Proposals

- We assume implementation of the proposals beginning in 2009, completed by 2013
- We compare projected notifications to 2013 to WTO commitments under most ambitious Falconer proposals
- We assume that U.S. can continue to declare direct payments as Green and that price-linked payments become Blue



# U.S. Projected Notifications Falconer A

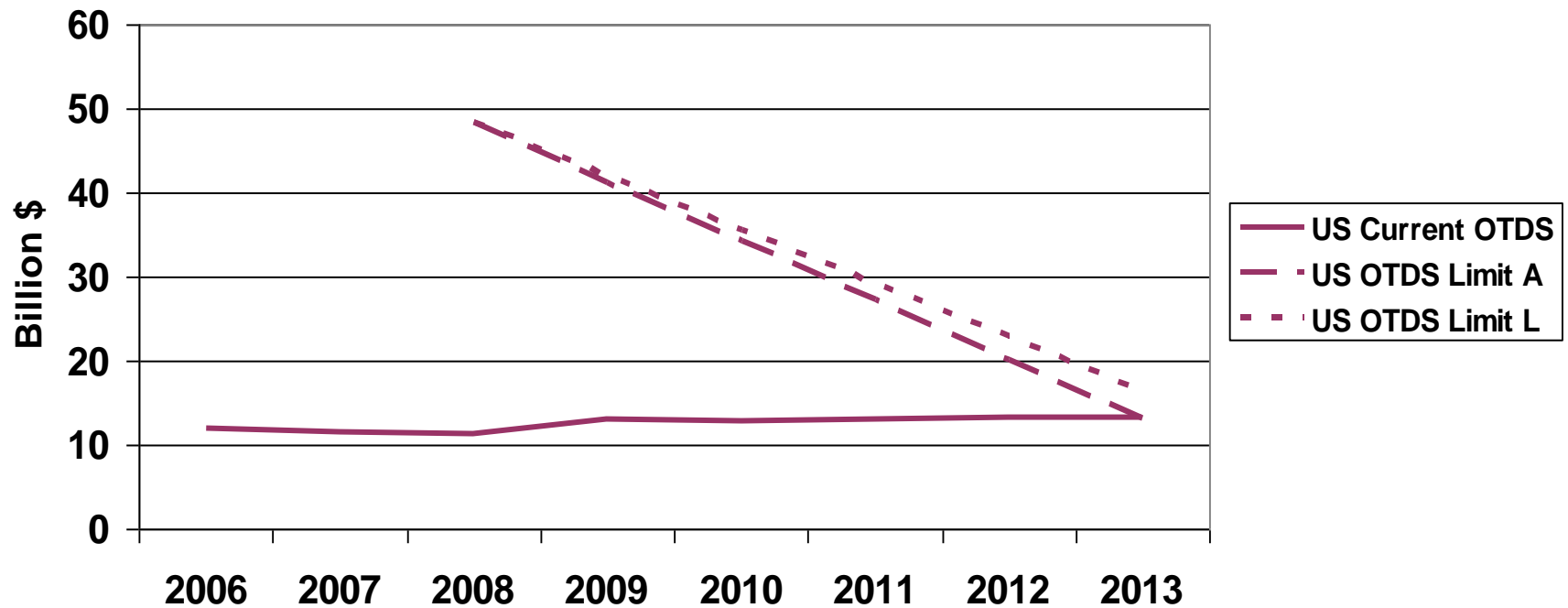
Figure 5: U.S. AMS, Blue Box and OTDS limits with largest reductions in bindings/allowances



# U.S. OTDS Commitments

## Falconer A and L

Figure 6: U.S. Projected OTDS and alternative OTDS limits (2006-2013)



# Falconer Proposals: Bottom Line

- Tighter disciplines on domestic support could largely be satisfied by the U.S. without major policy changes
- But U.S. cotton programs will need to be changed to meet product-specific constraints and additional cotton provisions in Falconer draft
- Also need to act to keep direct payments in Green Box and move CCPs or similar payments to Blue or Green Box (could be problematic for revenue insurance schemes as currently envisaged)

# Falconer Proposals: Bottom Line

- Commitments begin to “bite” at the end of the implementation period as “water” is eliminated
- Less optimistic price outlook would be problematic for the U.S., and may require policy shifts to stay within new limits
- U.S. commodity policies would be effectively constrained as the agreement is implemented (if the U.S. follows the rules!) and there would be pressure to continue to reduce trade-distorting support

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