Domestic Support and the WTO: Comparison of Support Among OECD Countries

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Where do you draw the line between benign policies and trade distorting policies?

- Classify support into categories
  - Show differences in the types of programs used to implement agricultural policy,
  - differences in the potential for each program type to distort production and trade, and
  - differences in WTO “color”.
- Develop a policy database for 12 OECD countries
  - from the OECD’s PSE data base for 2000
  - from the WTO’s domestic support notifications, and
  - best judgement based on program descriptions
- Compare distortions across countries and commodities.
Production and price impacts

- **Market price support**
  - Tariffs
  - Export subsidies

- **Output subsidies**
  - Fixed per unit
  - Deficiency payments
  - Area payments

- **Input subsidies**
  - Capital and credit
  - Other inputs

- **Supply and payment limits**

- **Farm based payments**

- **Other minimally distorting payments**
AMS compared to the PSE

• Neither OECD data nor WTO data are sufficient for a consistent comparison of the use of domestic support policies.
• WTO notifications - considerable lags occur in reporting.
• PSE and AMS measures of market price support are different
• OECD classification
  – does not distinguish between production distorting and non-distorting programs.
  – allocates farm based payments to specific commodities
Combined data set

- 2000 OECD PSE database
- Twelve OECD countries
  - Australia, Canada, EU, Iceland, Japan, Korea, Mexico, Norway, New Zealand, Poland, Switzerland, U.S.
- Three countries accounted for about 80 percent of total AMS commitment levels
- Non-OECD countries are omitted
- Limit analysis to major commodities
  - wheat, coarse grains, oilseeds, rice, sugar, dairy, beef, sheep, poultry, hogs, EU support for horticulture, and U.S. support for cotton and peanuts
Developing the Domestic Support Database

• Differentiate impacts of different types of domestic support
  – subsidies linked to output;
  – subsidies linked to inputs;
  – whole-farm transfer payments;
  – sector-specific subsidies to capital inputs; and
  – subsidies with minimal trade impacts (e.g., R&D, extension).

• Decompose PSE data into WTO classifications

• Identify commodities with administered market price support

• De minimis
Share of total support and value of production: selected OECD countries and commodities, 2000*

* Shares are based on 12 countries and 13 commodities
** Trade distorting support includes all amber box type support, including de minimis
PSE vs. AMS market price support*

* Based on 12 countries and 13 commodities
Commodity share of trade distorting and blue type support: selected OECD countries, 2000 *

* Trade distorting support includes all amber box type support, including *de minimis*
Commodity share of trade distorting and blue type support: selected OECD countries, 2000

* Trade distorting support includes all amber box type support, including de minimis
Limiting support to 30% of value of production *

* Shares are based on 12 countries and 13 commodities, and 2000 levels of support
** Trade distorting support includes all amber box type support, including de minimis
### Limiting support to 30% of value of production

Where cuts need to be made in trade distorting support, including *de minimis*

Where cuts need to be made with blue box support

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Rice</th>
<th>Coarse grains</th>
<th>Oilseeds</th>
<th>Refined sugar</th>
<th>Milk</th>
<th>Beef &amp; sheep (pigs, etc.)</th>
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Concluding remarks

• Type and level of agricultural support varies widely across countries and commodities.

• Distorting effect of policies depends upon
  – the economic incentives created by programs
  – the total amount of support provided

• Milk, sugar and rice most heavily supported, in percentage terms (trade distorting)

• Milk, sugar, wheat and beef/sheep most heavily supported, in % terms (trade distorting plus blue)

• Commodity-based limits will achieve more reform than aggregate limits