

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

**C. Edwin Young
Mary Burfisher
Frederick Nelson
Lorraine Mitchell**

**Economic Research Service
United States Department of Agriculture**



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**

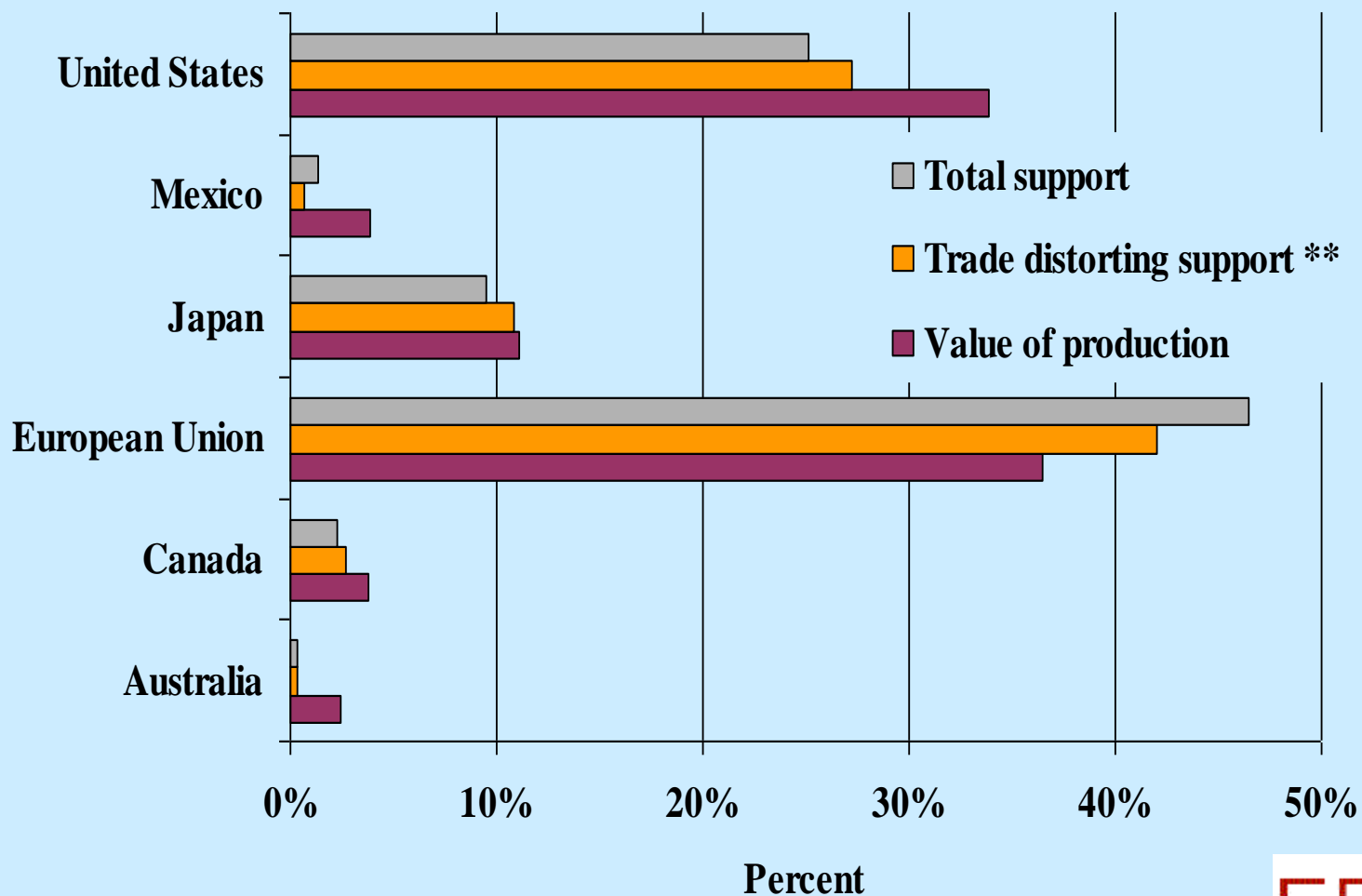
Combined data set

- **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**

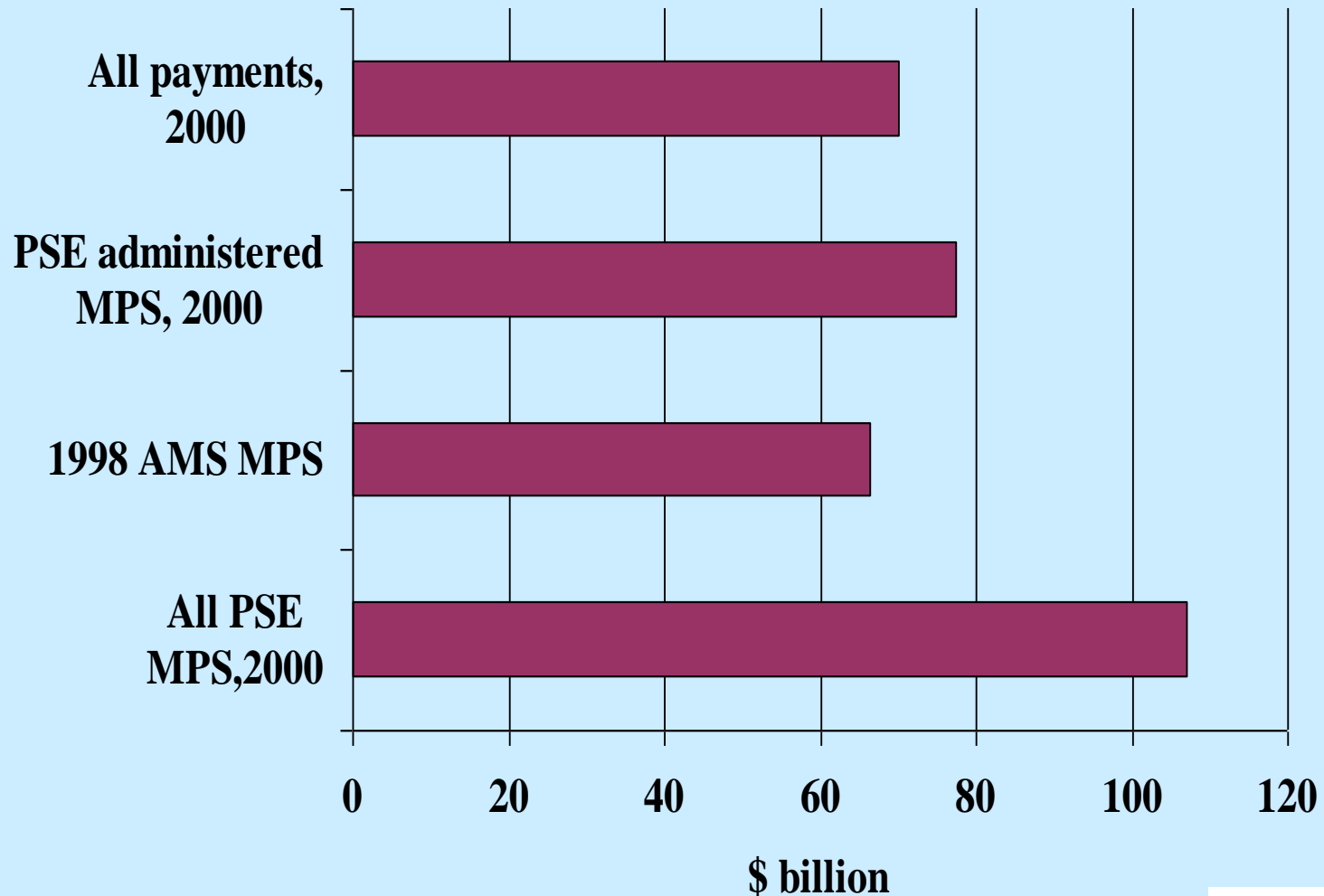
Share of total support and value of production: selected OECD countries and commodities, 2000*



* Shares are based on 12 countries and 13 commodities

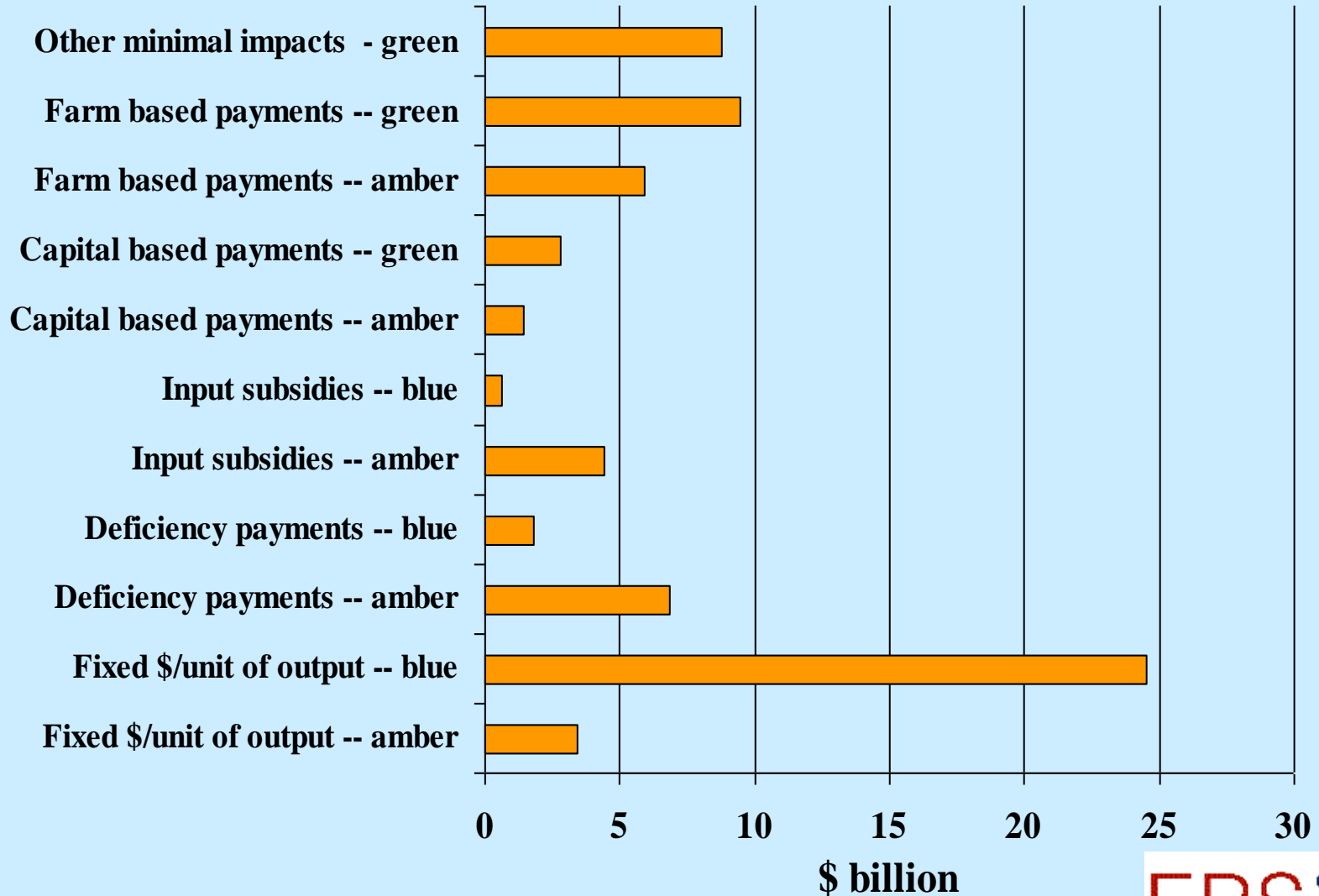
** Trade distorting support includes all amber box type support, including *de minimis*

PSE vs. AMS market price support*

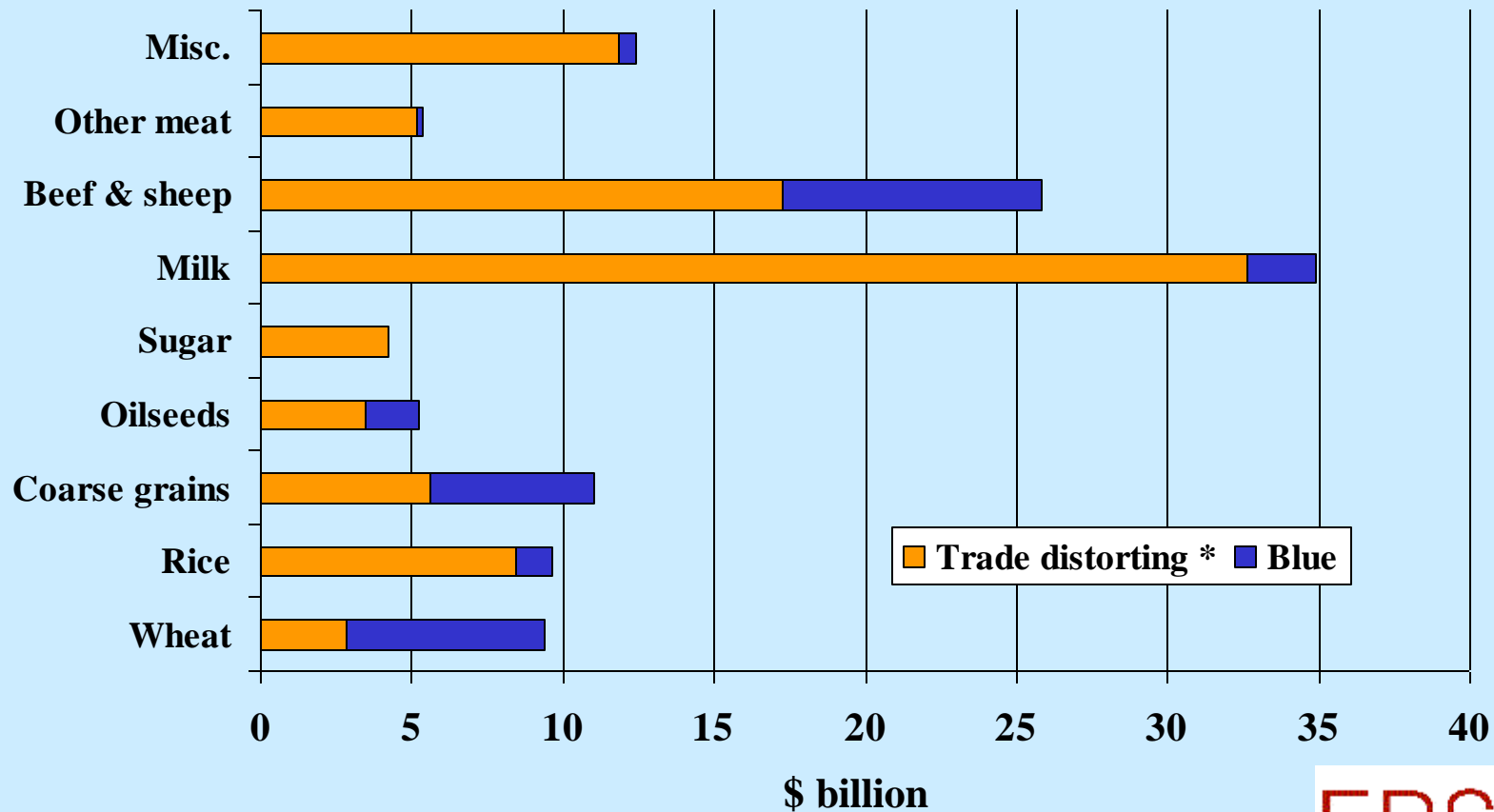


* Based on 12 countries and 13 commodities

Program payments: selected OECD countries, 2000

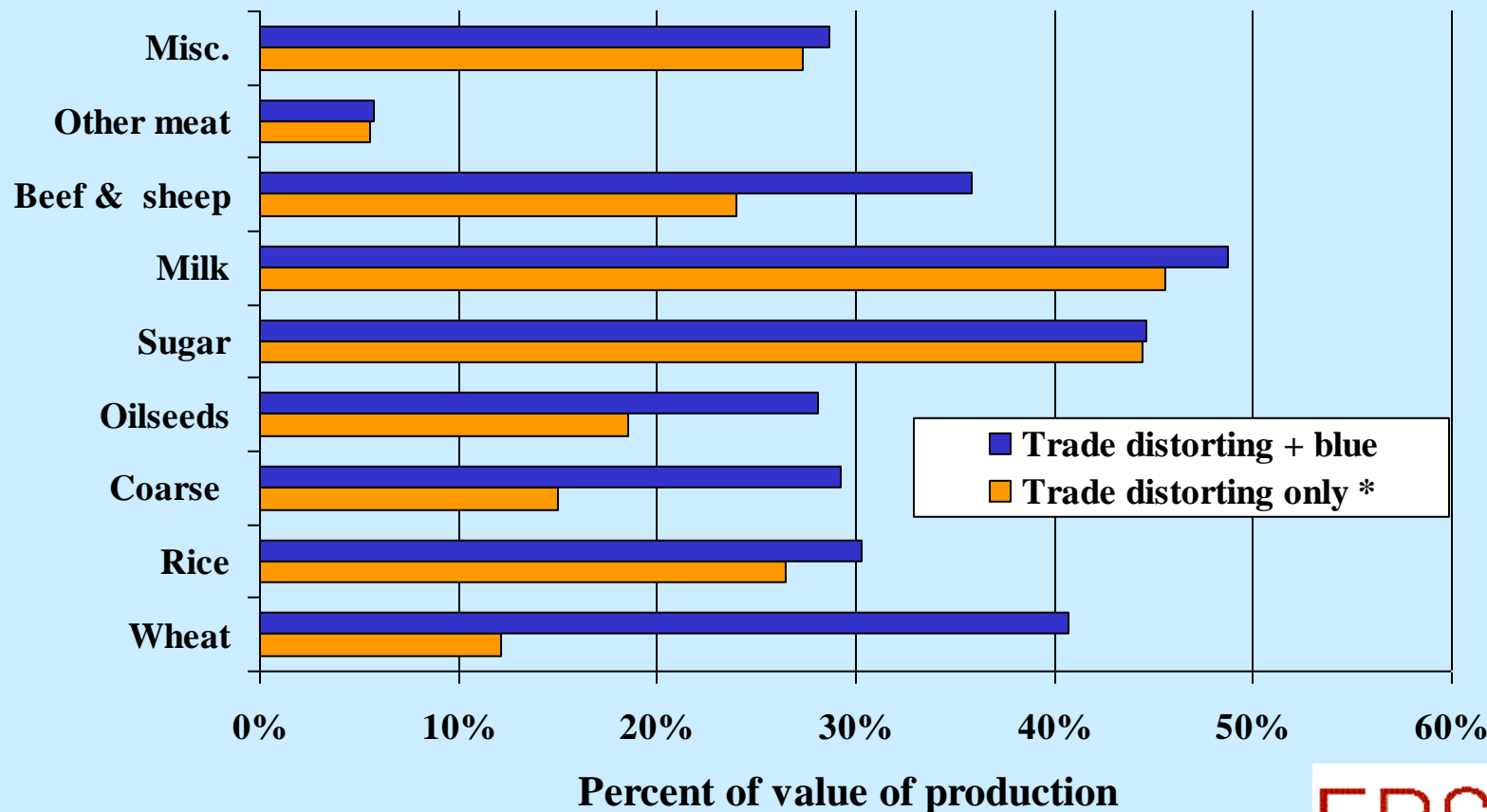


Commodity share of trade distorting and blue type support: selected OECD countries, 2000 *

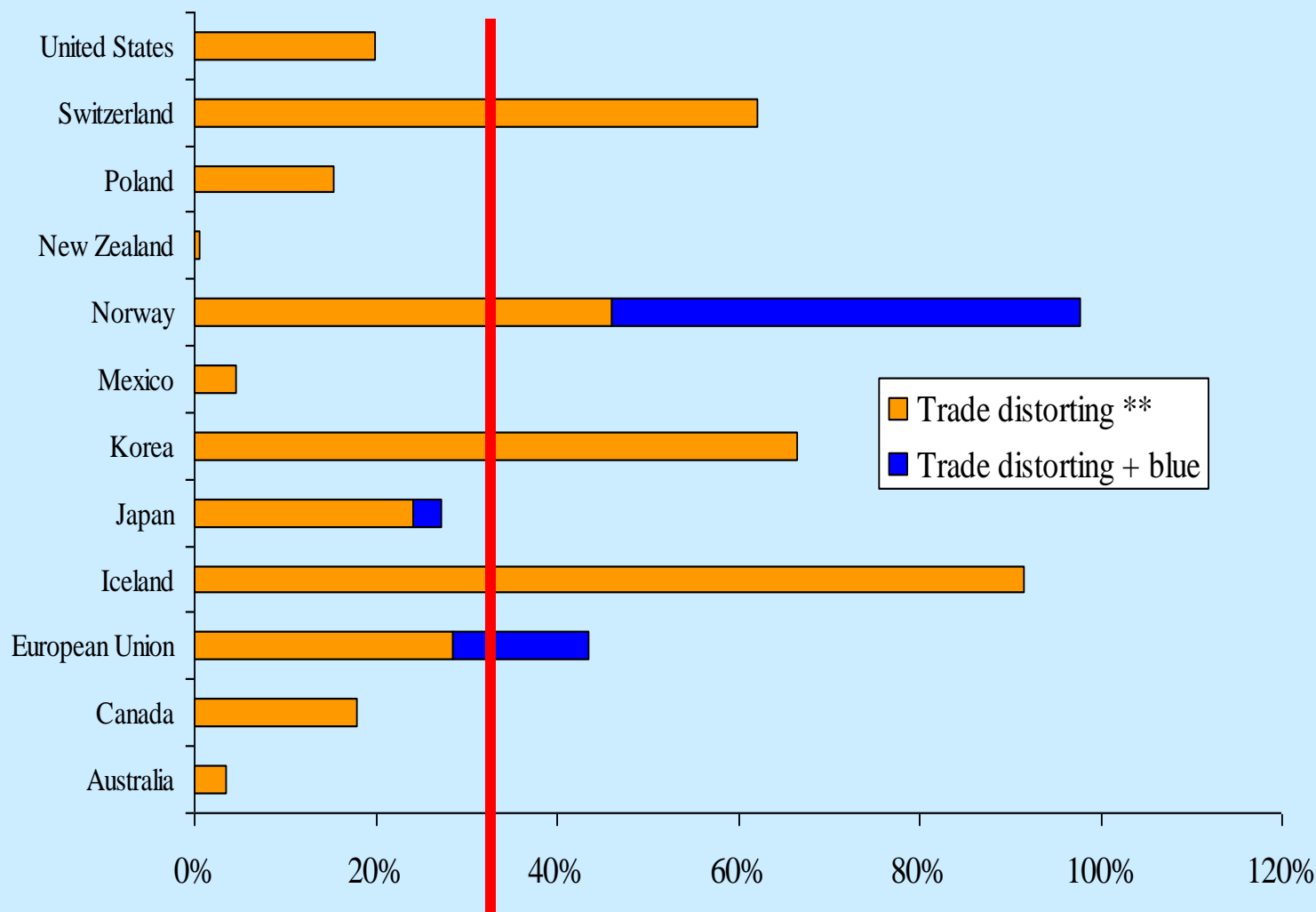


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Commodity share of trade distorting and blue type support: selected OECD countries, 2000



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

	Wheat	Rice	Coarse grains	Oilseeds	Refined sugar	Milk	Beef & sheep	Other meat (pigs, etc.)
Australia	2.1	1.1	1.1	1.1	6.4	4.1	1.0	0.9
Canada	5.9		14.4	7.2		60.4	2.9	5.2
European Union	2.7	-10.3	5.8	2.9	49.2	41.9	62.0	1.1
with blue box	67.7	8.7	61.5	62.3	49.6	42.3	96.4	1.4
Iceland	0.0					158.6	11.9	84.9
Japan	84.2	0.0	83.3	0.0	40.2	79.8	27.8	29.9
with blue box	84.2	5.2	83.3	104.9	40.2	83.4	27.8	29.9
Korea	0.0	85.7	82.8	91.7			69.4	1.3
Mexico	0.2	9.9	17.7	26.7	50.6	0.2	0.2	0.2
Norway	63.2		60.2			58.4	32.2	28.4
with blue box	63.5		60.5			137.0	119.6	35.7
New Zealand	0.0		0.0			0.3	0.6	1.2
Poland	16.1		21.0	4.8	3.1	5.2	3.3	24.8
Switzerland	54.0		61.4	60.3	74.0	67.5	68.0	45.9
United States	19.4	44.9	15.6	22.2	45.7	49.5	0.7	0.0



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



Where cuts need to be made with blue box support

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**