

Policy space for farm support: India, China, US and EU

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Fourth Annual Canadian Agri-Food Policy Conference

Ottawa, Ontario 29-31 January 2014

Many countries say the WTO*
limits their policy space

* World Trade Organization

- What is policy space?
- How much is there?

Analysis

- WTO Agreement on Agriculture
 - Rules on domestic support in agriculture
 - Classify support policies
 - Measure support in particular ways

- Classify policies how? Use WTO criteria
 - Two kinds of policies
 - One kind is exempt from WTO limits
 - Green, blue and development “boxes”
 - **Unlimited space for support!**
 - Other kind is subject to limits
 - Must measure support: use AMS
 - Aggregate Measurement of Support

- Many AMSs
 - Several products: one AMS for each
 - One AMS for agriculture sector as a whole
 - Each AMS adds support of different types
- Limits on AMS support can be complex
- Limits on AMS support differ among countries

	Space for AMS support (= sum of limits)
India	20% of VOP in agriculture <small>Value of Production</small>
China	17% of VOP in agriculture
USA	10% of VOP + US\$ 19.1 billion
EU	10% of VOP + US\$ 100 billion <small>€ 72 billion</small>

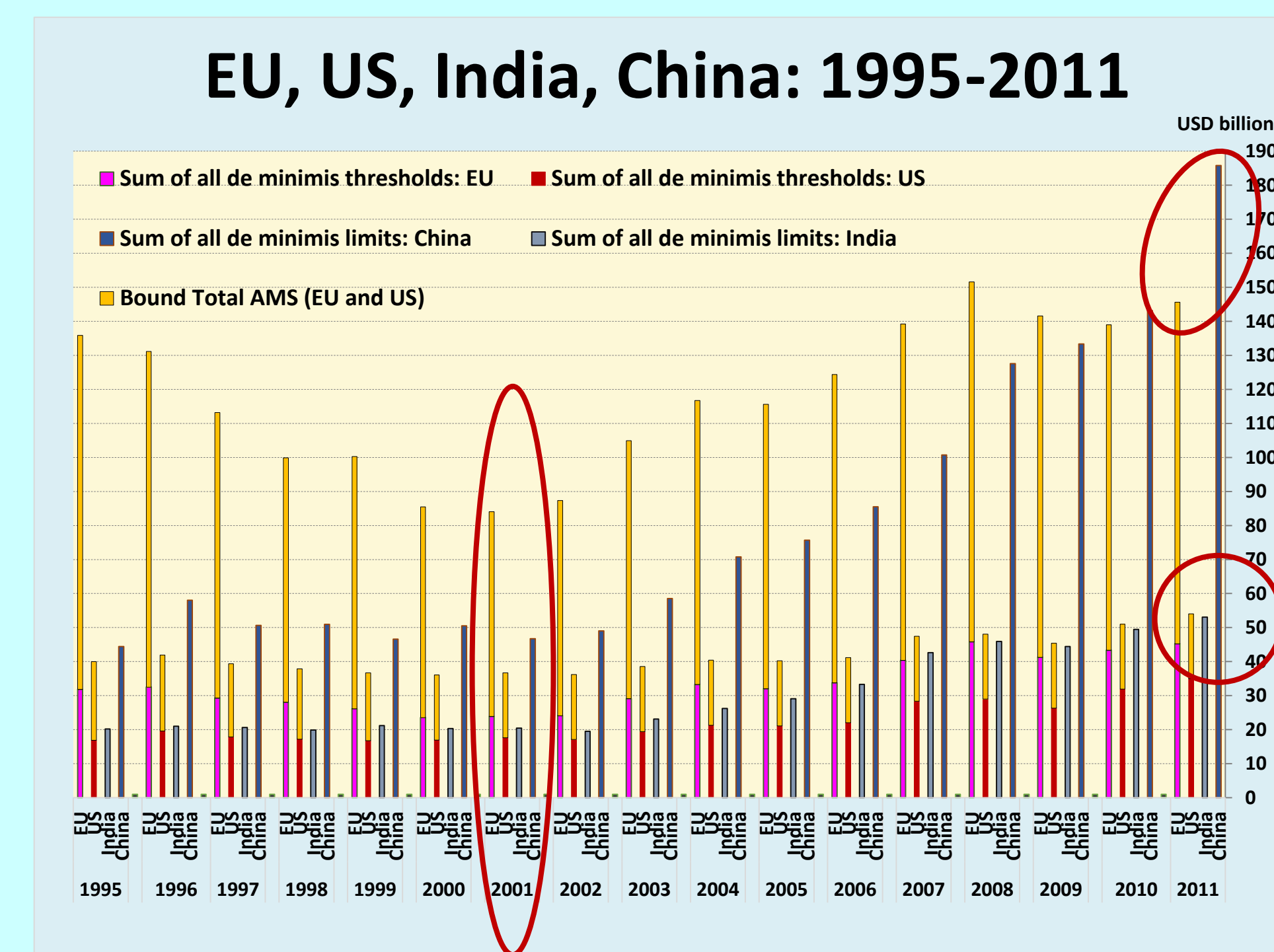
- This is potential space for AMS support
 - Is theoretical maximum for India and China
 - Assumes support for all products; perfect management of policies and support
- Overstates practically available space
 - Overstates even theoretical space for USA and EU: some double-counting

Technical explanation – may be skipped

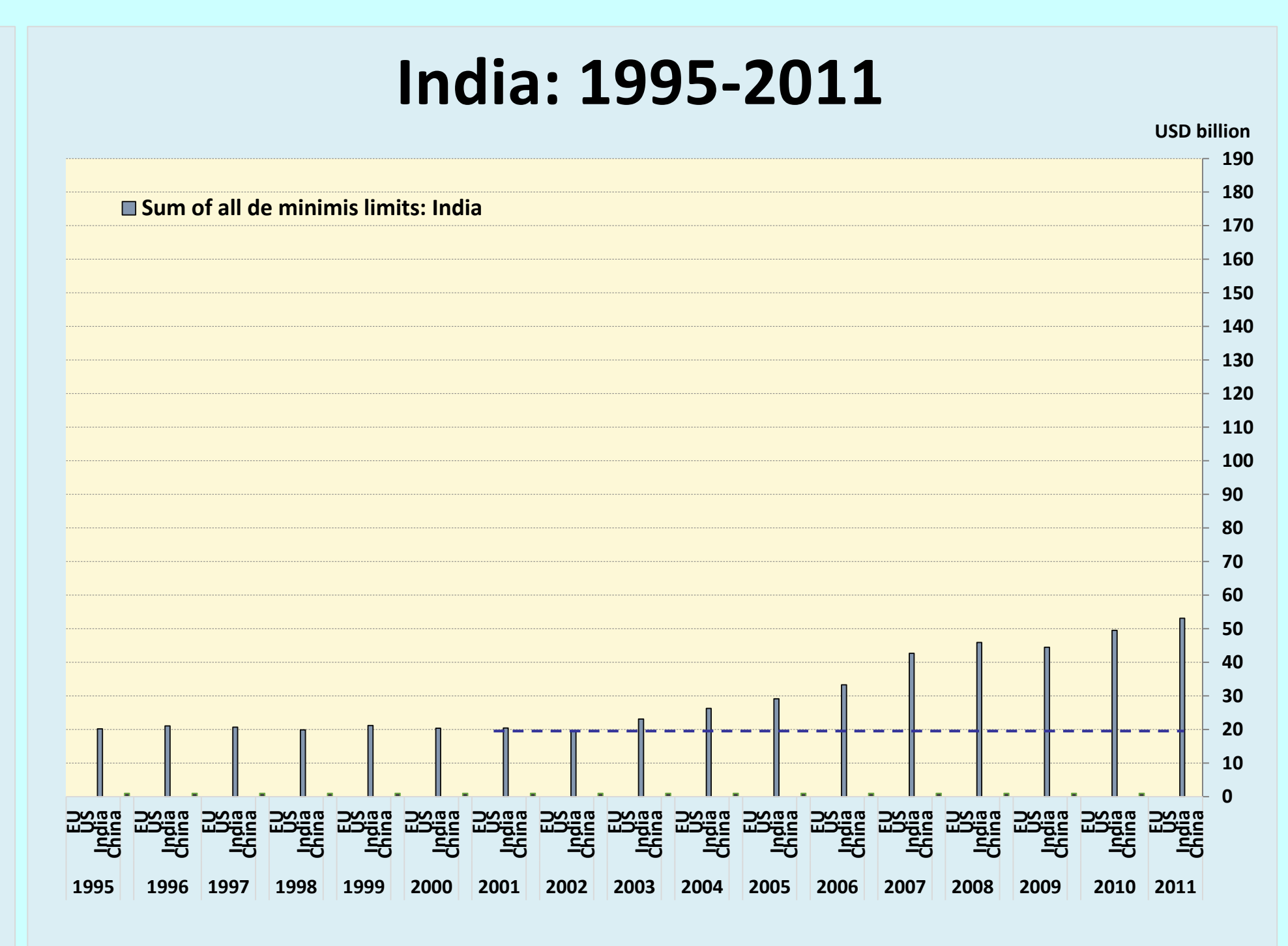
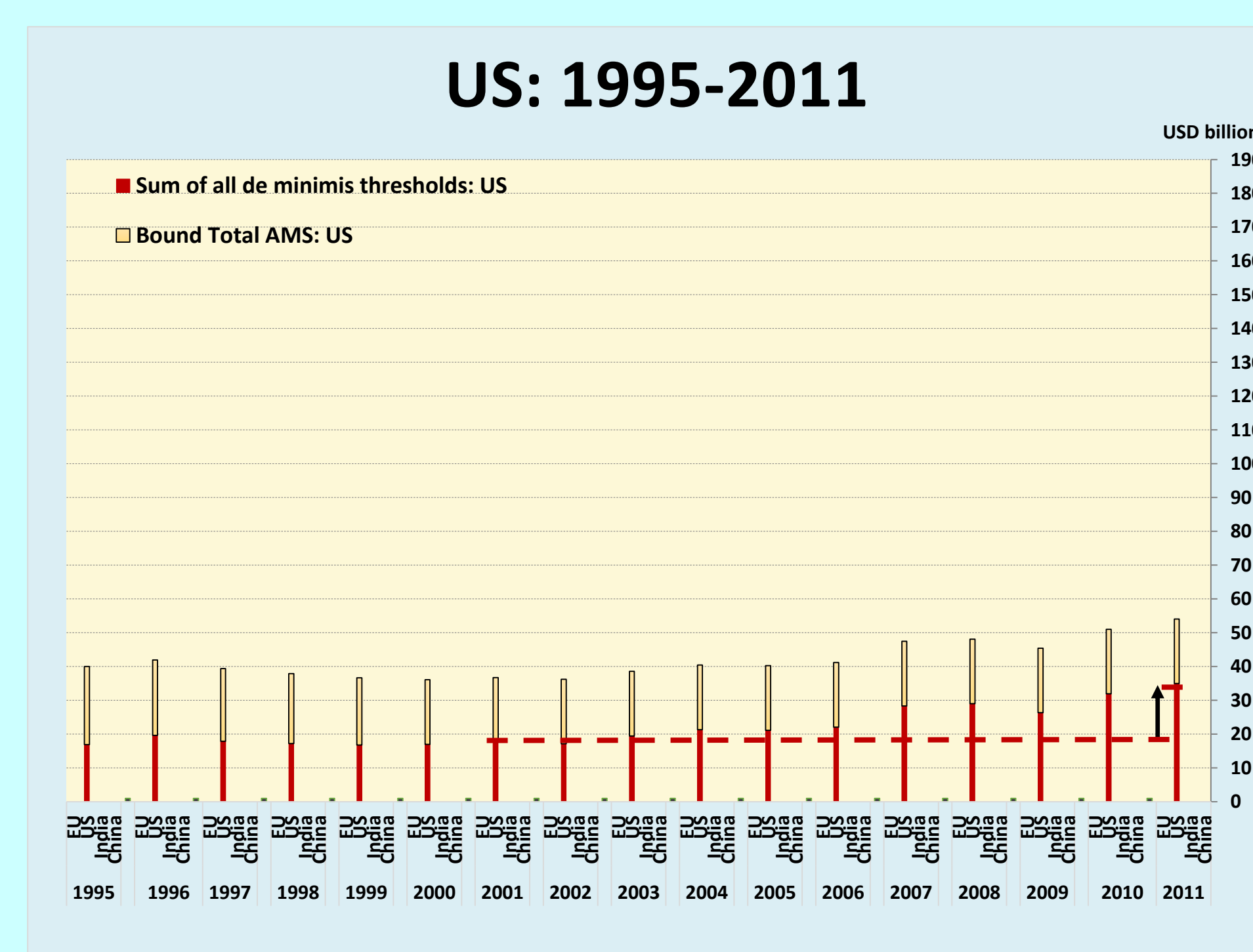
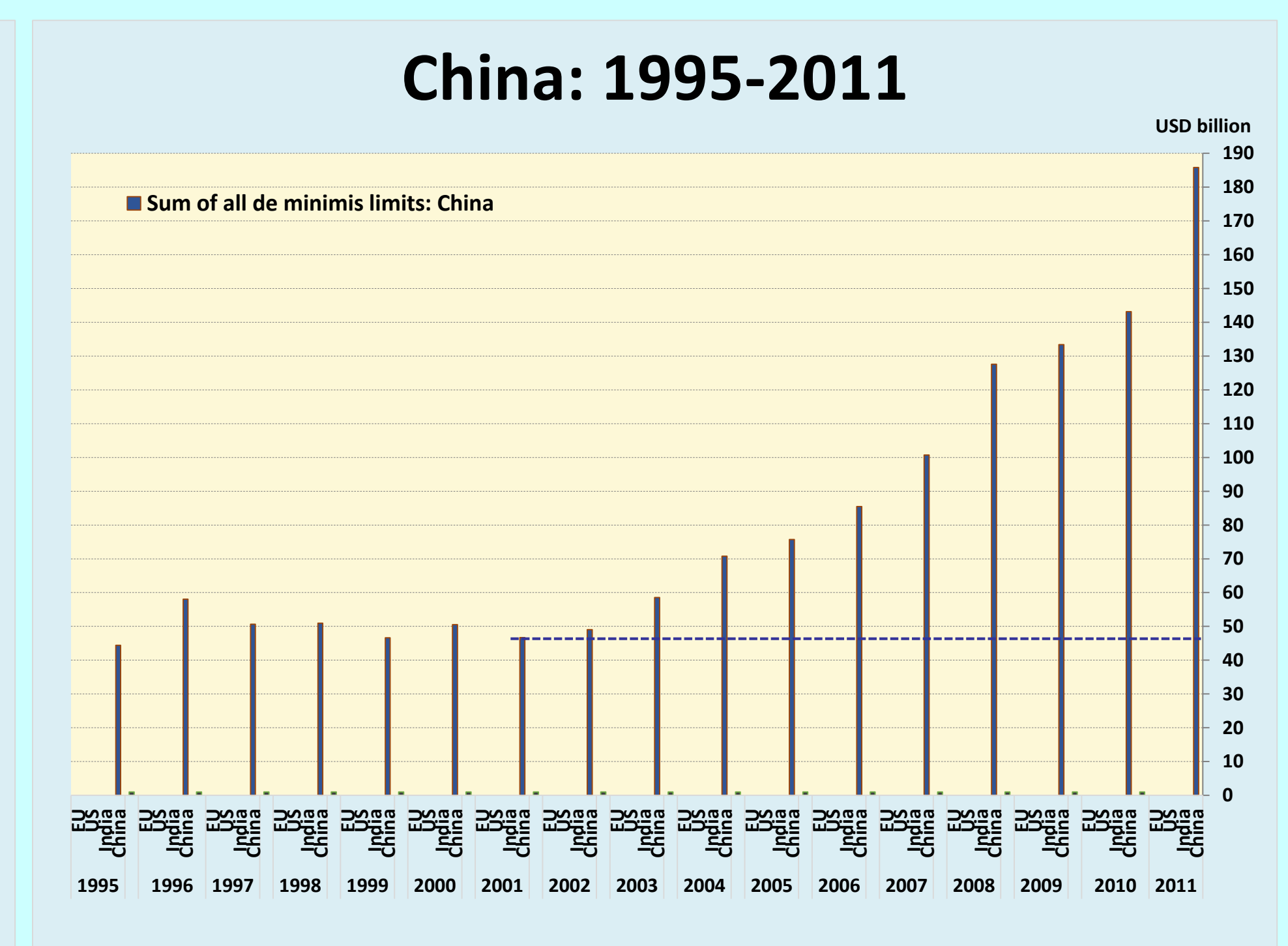
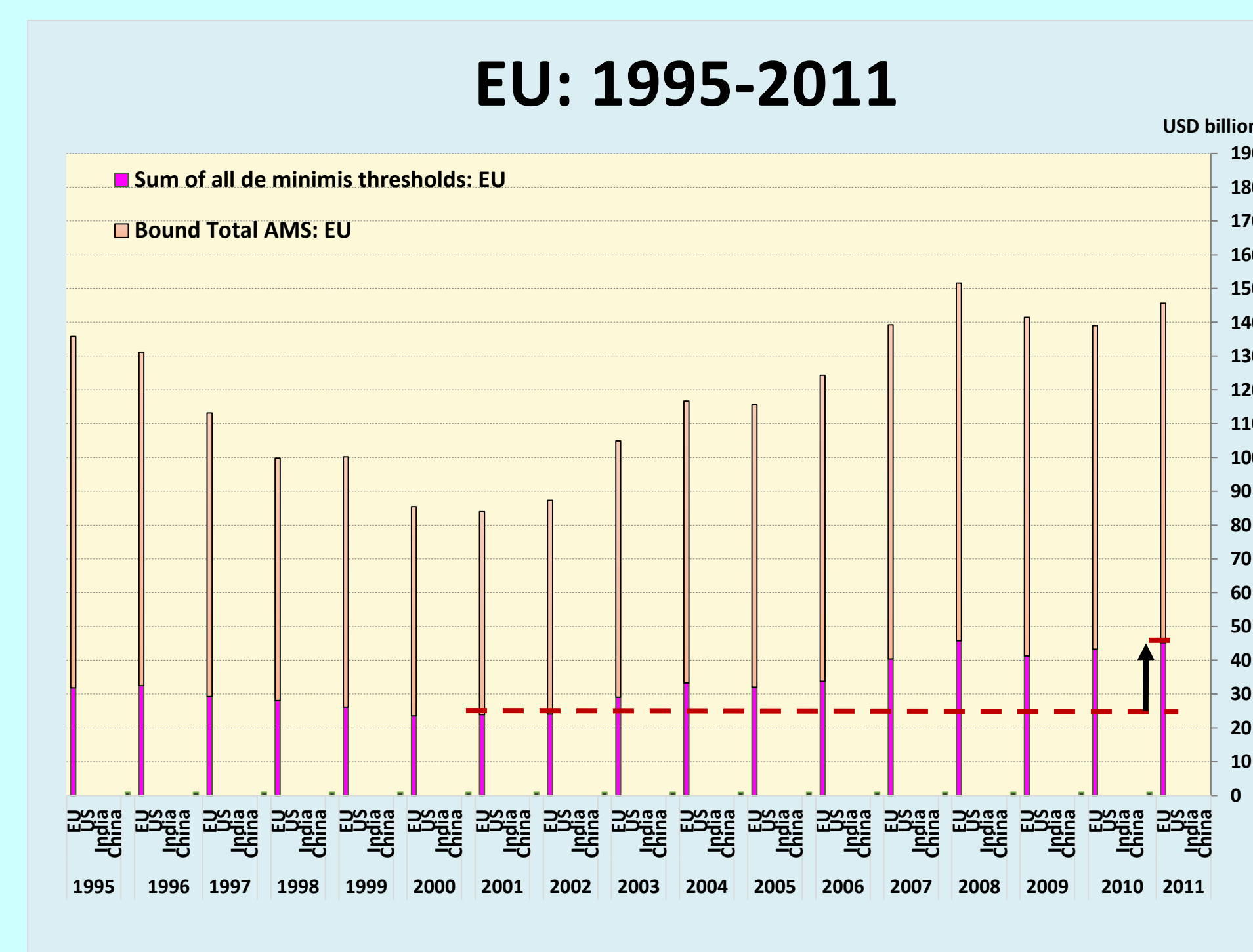
- *De minimis* percentage is 10%, 8.5%, 5% and 5%
- Count sum of all potential *de minimis* AMSs as policy space: agriculture US\$ VOP from FAOSTAT
- E.g., 10% of VOP of all individual products + 10% of VOP of agriculture sector = 20% of VOP in agr
- USA and EU: add Bound Total AMS in US\$ to all *de minimis* space

Findings

- Some kinds of farm support face no limits because of WTO policy criteria
- Other kinds: limits based on value of production have increased since 2001
 - Fastest increase in China’s and India’s limits
 - China now has more space than the EU for farm support subject to limits
 - India now has about same space as USA for farm support subject to limits
- Fixed WTO limits of the EU and USA are shrinking in relative importance
- Theoretical picture of limits: not all support space is or can be used in practice



Combine all four charts into one - same scale in US\$ billion



- How has policy space changed over time?
 - One part grows with growth in values of production of each product and agr sector
 - EU and USA also have a second part - it is fixed since year 2000 (in euros for EU)

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