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Committee on Agriculture

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TRENDS IN DOMESTIC SUPPORT

COMMUNICATION FROM THE CAIRNS GROUP¹

The following communication, received on 25 February 2015, is being circulated at the request of the Cairns Group.

1 INTRODUCTION

1.1. The Committee on Agriculture is effective in reviewing individual domestic support notifications submitted by Members. However, this process is not designed to capture broad policy trends and their evolution over time. Observation and analysis of policy trends can help to better inform the review process and aid Members in developing effective questions that reflect current developments in global agricultural trade and the policies of Members.

1.2. Various data sets maintained by the WTO Secretariat and available online through the Members' Transparency Toolkit contain much of the information required to observe agriculture policy trends.² However, due to the comprehensive and expansive nature of these data sets, the Cairns Group identified a need to extract certain key elements and present them in a format that is more easily accessible to Members. To this end, the annex to this paper presents domestic support data from 2001 to 2013 for the top ten global traders of agriculture products (sum of exports and imports). This sample is designed to focus on Members that have the largest impact on world trade, but by no means presents a complete picture. Numerous important exporters and importers are not covered by the sample, including several Members with AMS commitments. Further studies could add value by expanding or otherwise modifying the sample or focusing on specific products.

1.3. Achieving reform of agricultural policies in accordance with the Doha Round Mandate remains our ultimate goal. However, the aim of this paper is not to track progress toward this goal or judge policy developments among Members. The trends in domestic support reported below may reflect policy changes, fluctuations in international prices or various other factors. The summary of findings below does not take account of these factors and is solely intended to provide a factual reflection of available domestic support data.

1.4. Additionally, while the country sample of the top ten global traders of agriculture products includes a number of large users of domestic support, the paper is not designed to demonstrate a relationship between these two variables. Establishing causality or even a correlation between domestic support levels and trade flows would require much more detailed analysis. The paper is also not intended to reflect the impacts of long term or historical high levels of domestic support on agriculture trade patterns.

2 METHODOLOGY

2.1. The data set presented in the Annex to this paper focuses on the top ten global traders of agriculture products in 2012, the most recent year for which data is available. The ranking is

¹ Argentina does not support this paper. Indonesia and the Philippines are still completing their domestic clearance processes in capitals.

² http://www.wto.org/english/tratop_e/agric_e/transparency_toolkit_e.htm.

based on total trade turnover (i.e. the sum of imports and exports) measured in United States dollars (USD), using United Nations Comtrade data with product coverage from the WTO Agreement on Agriculture. According to these parameters the top ten global traders of agriculture products in 2012 were the United States, the European Union, China, Brazil, Canada, Japan, India, the Russian Federation, Indonesia and Australia. The Annex to this paper shows levels of green box support (Annex 2 of the AoA), "special and differential treatment" support (Article 6.2 of the AoA), blue box support (Article 6.5 of the AoA) and amber box support (including product specific and non-product specific support) from 2001 (the launch of the Doha Round) to 2012 for each of these Members.³ Various summary tabs are also included to facilitate comparisons across Members and over time. Domestic support data is sourced from the Members' Transparency Toolkit and complemented by recent DS:1 notifications. More detailed methodological notes, including all data sources, can be found in the Annex.

3 SUMMARY OF FINDINGS

3.1 Summary by Country

3.1. The **United States'** (US) level of current total aggregate measurement of support (CTAMS) declined dramatically from 2001 to 2011 from 14.5 billion (7.2% of value of production (VOP)) to 4.7 billion (1.2% of VOP), and then rebounded to 6.9 billion (1.7% of VOP) in 2012.⁴ This was accompanied by a commensurate increase in green box support from 50.7 billion (25.3% of VOP) in 2001 to 127.4 billion (32.1% of VOP) in 2012. The US did not use any blue box support during the sample period. Total support (sum of all other types including AMS that are *de minimis*) increased from 72.2 billion to 139.6 billion. Relative to VOP total support remained relatively stable, hovering between 34.1% and 39.7% (except for 2007).

3.2. The **European Union's** level of CTAMS also declined dramatically over the sample period (2001 to 2010) from 35.3 billion (13.5% of the value of agriculture production (VOP)) to 6.5 billion (2.0% of VOP). This was accompanied by a commensurate increase in green box support from 18.5 billion (7.1% of VOP) to 88.7 billion (20.8% of VOP). Blue box support decreased from 21.3 billion (8.2% of VOP) to 4.1 billion (1% of VOP). Total support increased from 75.9 billion (29.1% of VOP) to 103.1 billion (24.2% of VOP).⁵

3.3. **China** has a NIL AMS commitment and does not have recourse to Article 6.2. Green box support more than doubled during the sample period from 30.6 billion to 86 billion. However, relative to VOP, levels of green box support remained fairly constant between 8.7% and 11.7%. Total support increased from 30.9 billion in 2001 to 99.8 billion in 2008. Relative to VOP, total support remained relatively stable, hovering between 9.7% and 13.6%.

3.4. **Brazil's** reported level of CTAMS increased from 0 in 2001 to 520 million in 2008 and then dropped back to zero by 2013. From 2001 to 2013 the ratio of CTAMS to VOP remained below 1%. Green box support increased from 1.5 billion to 6.2 billion, fluctuating between roughly 1.7% and 4.8% of VOP. Similarly, "special and differential treatment" support (Article 6.2) increased from 332 million to 1.1 billion, fluctuating between 0.7% and 1.6% of VOP. Total support increased from 2.8 billion in 2001 to 9.7 billion in 2012. Relative to VOP, total support remained relatively stable, fluctuating between 4.5% and 9.8%.

3.5. **Canada's** reported levels of CTAMS decreased from 1.9 billion (8.3% of VOP) in 2001 to 513 million in 2011 (1.0% of VOP), although it fluctuated up and down in the intervening years. Green box support more than doubled in absolute terms from 1.1 billion to 2.7 billion, but fluctuated between 5.0% and 12% of VOP. Total support increased from 3.1 billion in 2001 to 5.7 billion in 2011. Relative to VOP, total support fluctuated between 11.5% and 22.1%.

³ References to specific notifications and use of the data therein do not constitute an endorsement of the reporting practices of the WTO Members in question and are without prejudice to the positions of Cairns Group Members on various methodological questions discussed in the Committee on Agriculture.

⁴ Monetary values for all Members are provided in USD as reported in relevant notifications. Where applicable, conversion from other currencies is based on IMF average annual real exchange rates. See annexed Excel file for details.

⁵ During the sample period the European Union expanded from 15 to 27 member States.

3.6. **Japan's** reported level of CTAMS decreased from 6.1 billion (7.5% of VOP) in 2001 to 3.3 billion (4.9% of VOP) in 2007, and then increased steadily to 6.4 billion in 2012 (7% of VOP). Green box support followed a similar pattern, decreasing from 23.4 billion (28.7% of VOP) in 2001 to 15.1 billion (22.2% of VOP) in 2007, and then gradually rebounding to 19.9 billion in 2012 (21.5% of VOP). After reaching a low of 213 million in 2009, blue box support increased sharply to 3.1 billion in 2010 (3.7% of VOP) and then fell to around 1.6 billion in each of 2011 and 2012 (1.8% of VOP). Total support decreased from 30.7 billion in 2001 to 19.6 billion in 2007 and then steadily increased to 30.3 billion in 2012. However, relative to VOP, total support decreased from 37.6% in 2001 to around 32.8% in 2012.

3.7. **India** has a NIL AMS commitment. Its levels of product specific trade-distorting domestic support increased steadily from 2001 to 2010, with the former shifting from negative to positive in 2007. "Special and differential treatment" support (Article 6.2) increased sharply from 8.3 billion (8.1% of VOP) to 31.6 billion (13.7% of VOP). Green box support increased by nearly fivefold in absolute terms from 4 billion to 19.5 billion and increased from 4.2% to 8.4% of VOP. Total support increased quite dramatically from 12.3 billion in 2001 to 53.2 billion in 2010. Relative to VOP, total support increased from 13.0% to 23.1%.

3.8. The **Russian Federation's** CTAMS increased from 2.9 billion in 2001 to 5.5 billion in 2009, but relative to VOP decreased from 8.8% to 6.9% of VOP. Green box support displayed a similar trend increasing from 1.1 billion to 2.2 billion and generally staying between 2.4% and 3.6% of VOP. Similarly, total support increased from 4.2 billion in 2001 to 7.8 billion in 2009, but decreased from 12.7 % to 9.8% of VOP.

3.9. **Indonesia** has a NIL AMS commitment. It is currently working to fill in certain gaps in its domestic support notifications relating to AMS, including providing information on its public stockholding programs. Green box support increased from 241 million (1.1% of VOP) in 2001 to 3.6 billion (2.9% of VOP) in 2011. Levels of "special and differential treatment" support (Article 6.2) increased from 0 to 1.9 billion, ranging from 0 to 2.7% of VOP, but appear to be on an upward trend. Total support increased from 241 million in 2001 to 5.4 billion in 2010, from 1.1% to 4.4% of VOP.

3.10. **Australia's** level of CTAMS decreased from 158 million (0.7% of VOP) in 2001 to 0 in 2010. Over the same period, green box support increased from 722 million to 1.8 billion, ranging from 3.2% to 7.1% of VOP. Total of support increased from 887 million in 2001 to 1.8 billion in 2010. Relative to VOP, total support fluctuated between 3.9% and 7.8%.

3.2 Summary by Support Type

3.11. In absolute terms, the **total support** levels of all Members in the sample increased from 2001 to 2012, growing more rapidly in developing countries but starting from a much lower base. A similar trend can be seen when looking at total support as a percentage of VOP. Total support levels relative to VOP remained relatively stable in developed countries while they increased in developing countries. However, it should be underlined that in the last year reported, the average level of total support relative to VOP was 19.3% in developed countries and 12.4% in developing countries.

3.12. The **CTAMS** has declined in most (but not all) developed countries, in some cases very significantly. This has created a considerable amount of overhang between the Final Bound Total AMS (FBTAMS) and CTAMS for some Members. Among developing countries, only Brazil has a FBTAMS AMS and CTAMS has remained low. Reported AMS levels have increased steadily in India and China, but remain below *de minimis*.

3.13. Among the three Members in the sample eligible to report certain input and investment subsidies under **Article 6.2**, this type of support seems to be emerging as an increasingly favoured policy tool. Article 6.2 support has grown very rapidly, at least tripling in all cases, and also accounting for a growing proportion of VOP.

3.14. Only the EU and Japan reported **blue box support**. In the EU's case, support levels declined significantly and now accounts for less than 1% of VOP. In Japan's case, support levels declined gradually from 2001 to 2009 and then began to increase dramatically, far exceeding earlier levels in 2010, 2011 and 2012.

3.15. In most (but again not all) developed countries, reductions in AMS have been accompanied by significant increases in **green box support**. Among these countries, green box support now accounts for an average of 14.2% of VOP in the last year reported. Although it started from lower levels, green box support also increased among developing countries and accounts for an average of 7% of VOP in the last year reported.

4 COMPLIANCE WITH NOTIFICATION REQUIREMENTS

4.1. Even among the top ten global traders of agriculture products the lack of complete and timely notifications hampers Members' ability to observe current trends in domestic support. Despite recent efforts from some Members, lack of compliance with notification obligations remains a serious impediment to the review process in the Committee on Agriculture. The Cairns Group strongly urges all Members to re-double their efforts to meet all notification requirements.

5 CONCLUSION

5.1. The continual evolution of domestic support trends within and across Members highlights the need for a dynamic and robust review process under the Committee on Agriculture based on timely and complete notifications. The Cairns Group reaffirms its commitment to this process

5.2. While recognizing that negotiations fall under the purview of the Committee on Agriculture in Special Session, the Cairns Group underscores that the significant reductions in CTAMS since 2001 suggest that, from a policy perspective, fulfilling the Doha Round Mandate on agricultural domestic support should be easier to achieve than in previous years. This objective remains as relevant as ever as it would ensure that recent reductions of support are not reversed and inject a new impetus for reform into the multilateral system.

ANNEX

A spreadsheet¹, including data on domestic support, is available in electronic format (Microsoft Excel) from *Documents On-line*.

¹ In English only.