



**HIGHER AND HIGHER – GROWTH IN DOMESTIC SUPPORT ENTITLEMENTS SINCE 2001**

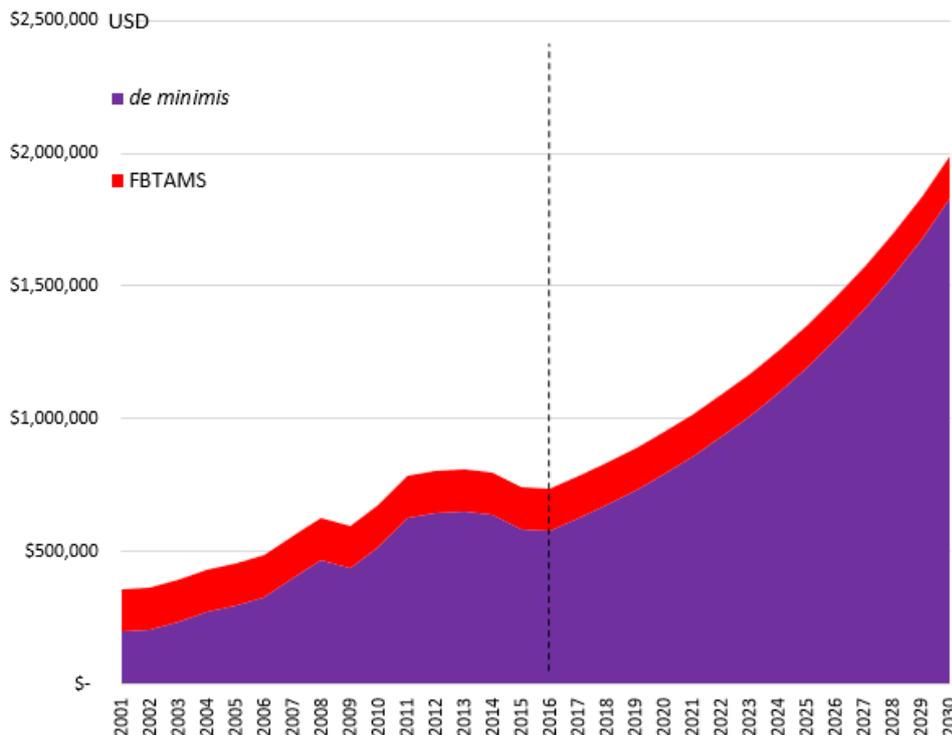
SUBMISSION FROM AUSTRALIA AND NEW ZEALAND

The following submission, dated 22 November 2019, is being circulated at the request of the delegations of Australia and New Zealand.

1.1. In November 2017, Australia, Canada, Chile, Colombia, Mexico, New Zealand, Thailand and Uruguay circulated a room document (RD/AG/63) illustrating the rising tide of domestic support entitlements of major agricultural producers. This paper extends the analysis to capture trade-distorting domestic support entitlements (Articles 6.3 and 6.4) available to all WTO Members up until 2030. This paper does not include currently uncapped trade-distorting support under Articles 6.2 and 6.5.

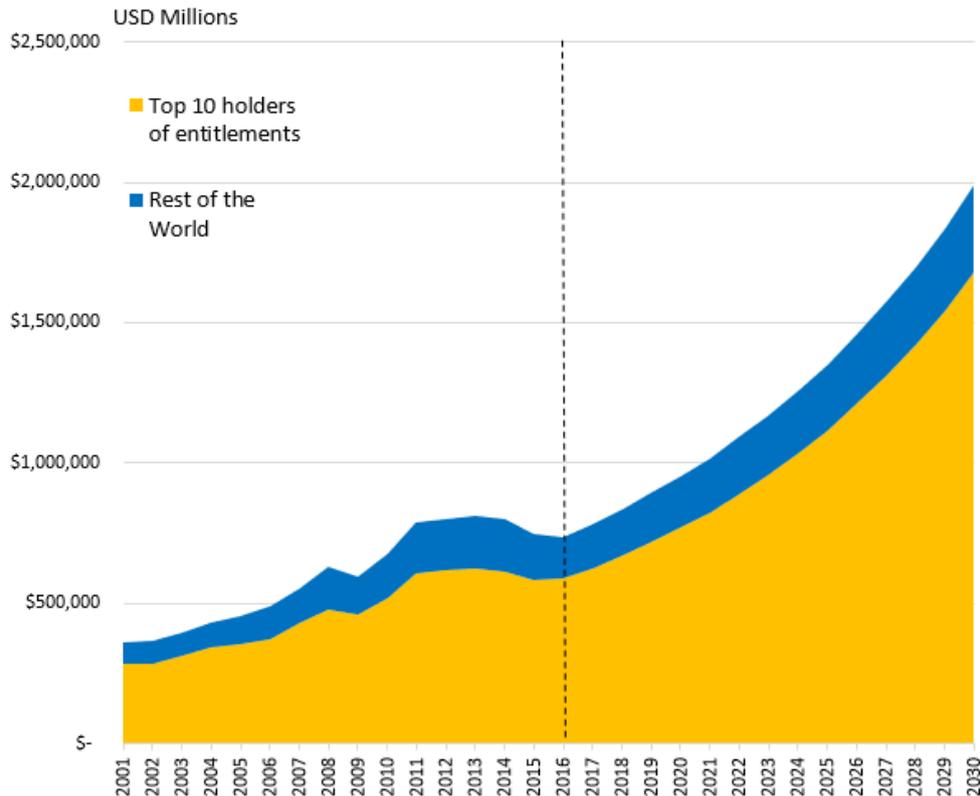
1.2. Since 2001, the growth in total trade-distorting domestic support entitlements for all WTO Members – measured by AMS and *de minimis* – has more than doubled from USD322 billion to approximately USD740 billion in 2016. If this trend continues, driven by growing values of production, the entitlements of WTO Members under AMS and *de minimis* could reach approximately USD2 trillion by 2030 (see Figure 1).

**Figure 1: Total trade-distorting domestic support entitlements (all WTO Members)**



1.3. Domestic support entitlements are highly skewed to the largest agricultural producers, with the entitlements available to the top ten WTO Members approximately 80% of the entitlements of the entire WTO Membership. Figure 2 compares the growth in AMS and *de minimis* entitlements for the top ten WTO Members with the rest of the WTO Membership. From 2001 to 2016, entitlements available to the top ten WTO Members increased from USD285 billion to approximately USD590 billion. Over the same period, entitlements available to the rest of the WTO Membership increased from USD75 billion to USD150 billion. If these trends continue, entitlements available to the top ten WTO Members will exceed USD1 trillion by 2024 and will reach USD1.68 trillion by 2030.

**Figure 2: Total trade-distorting domestic support entitlements (Top ten WTO Members (2016) vs. Rest of the Membership)**



## Conclusions

1.4. The domestic support commitments in Article 6 of the Agreement on Agriculture created a discipline to reduce subsidies and other forms of support for agricultural producers. In addition, another objective was to leave policy space for governments to design agricultural policies to deal with country-specific circumstances. However, the exponential growth in entitlements over the past 15 years is undermining key tenets of the Agreement.

1.5. We can make three observations from this analysis:

- It is vital that overall global domestic support entitlements are capped and reduced, to reassure farmers that billions of dollars of potential subsidies are not able to disrupt global agricultural markets.
- To make any substantive reduction in excessive global trade-distorting support entitlements, contributions by individual Members will need to be proportionate to the size of those Members' current and future entitlements.
- The above measured entitlements do not even include the currently uncapped forms of support under Article 6 of the Agreement on Agriculture, so it is vital that we consider new disciplines that would incorporate all forms of trade-distorting support.

**Technical note**

1.6. This analysis is based on the AMS and *de minimis* limits of all WTO Members based on the level of 2016 entitlements. The top ten holders of entitlements in 2016 were determined to be the following: China, the European Union, India, United States, Japan, Brazil, Indonesia, the Russian Federation, Turkey, and Mexico.

1.7. AMS entitlements are calculated based on the 2019 US dollar equivalent (*USDA data*) of the Final Bound Total AMS for each of the Members. *De minimis* entitlements are calculated based on the Value of Production (*FAOSTAT data – Gross Agricultural Production Value, current USD*) of each Member multiplied by their Product-Specific and Non-Product Specific *de minimis* entitlements.

1.8. Other forms of Article 6 support – production limiting subsidies under the Blue Box, and input and other forms of subsidies under Article 6.2 – are not included in the analysis given they are currently uncapped.

1.9. The growth rate of *de minimis* entitlements is based on the compound annual growth rate from 2001 to 2016.

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