

# WTO Disciplines on Agricultural Support

Seeking a Fair Basis for Trade

EDITED BY  
David Orden  
David Blandford  
Tim Josling

CAMBRIDGE

# WTO DISCIPLINES ON AGRICULTURAL SUPPORT

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## PREFACE

Agricultural issues are particularly contentious in international trade negotiations. Many of the problems stem from the trade impacts of domestic support policies designed to maintain and stabilize farm incomes. When the World Trade Organization was launched in 1995, agricultural domestic support was brought under its disciplines. Certain trade-distorting support, evaluated in a specific manner, became subject to limits and all support measures to rules-based scrutiny. The economic objective underlying these legal disciplines was to reduce distortions in world agricultural markets. But the rules left countries with wide discretion over the forms and levels of support they provide to their farmers. Fifteen years later, subsequent negotiations in the Doha Round that have attempted to strengthen the initial rules and tighten the commitments have not resulted in an agreement.

This book examines in depth the many compliance and evaluation issues related to WTO disciplines on domestic support. Part one sets up the analysis. The key analytical questions that arise around disciplining domestic support are laid out in Chapter 1. The second chapter provides the necessary institutional background about the negotiation of the Agreement on Agriculture, its fundamental rules, the implementation experience through the WTO's Committee on Agriculture and dispute settlement cases, and the enhanced but complex proposals on domestic support that emerged in the Doha negotiations.

The second and third parts of the book (Chapters 3–10) present assessments of the domestic support notified to the WTO for compliance verification for eight developed and middle-income developing countries. The authors assess the political economy considerations that have driven domestic policy choices since the Agreement came into effect and estimate supplemental ("shadow") support notifications where countries have lagged in providing information. How each country has claimed to have met its WTO obligations given its policy decisions is examined, and evaluations made of the extent to which some of these claims can

be questioned. The relationship between support as notified under the Agreement and an economic interpretation of the implications of that support is a focus of the analysis throughout the book, especially in the crucial area of market price support. Looking forward, projected support through the mid 2010s is evaluated against the existing disciplines and those emerging in the Doha Round. These eight chapters provide a comprehensive assessment for a diverse set of countries of the interface between domestic support policies and the disciplines agreed to in the WTO that has heretofore not been available.

The fourth part of the book is a final chapter that summarizes the country experiences and draws together important lessons about the usefulness of international disciplines on domestic support. The Agreement has proven porous but some convergence of policies among countries has occurred. We conclude that an agreement in line with the Doha draft modalities that emerged by the end of 2008 (and remain the focus of negotiations) would significantly reduce the future scope for trade-distorting domestic support by developed countries that have provided the highest levels of this support. These proposals would be less restrictive for the emerging-market developing countries. This could eventually imply a significantly different pattern in the incidence of global support for agriculture. Many other issues will also remain to be addressed even if a new WTO agreement on agriculture is concluded in the Doha Round. Without a new agreement, agricultural domestic support policies and their effects will certainly continue to be contentious issues in trade relations among countries.

This book originates from a study of domestic support policies and disciplines conducted under the auspices of the International Food Policy Research Institute (IFPRI), Washington, DC. The study was initiated in June 2007 when the Doha negotiators were struggling to find consensus on new rules with incomplete information accessible by governments or publicly available. David Blandford and Tim Josling had been working on an assessment of domestic support and its notification to the WTO for the European Union and the United States. The three editors joined together in September 2007 to develop this book covering eight countries in the context of global agriculture and support policy disciplines.

The study was part of a research and public policy project on Foundation Analysis for Agricultural Trade Reform within IFPRI's Markets, Trade and Institutions Division. Financial support to IFPRI for this project from the Global Development Program of the William and Flora Hewlett Foundation (grants 2007-9399 and 2008-1886) is

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During the study opportunities arose for the authors to engage in a number of discussions related to the WTO negotiations. Several events were coordinated with the International Centre for Trade and Sustainable Development in Geneva. We thank Ricardo Meléndez-Ortiz, Christophe Bellmann, Jonathan Hepburn and Deborah Vorhies for their facilitation of these activities, and Joanna Hewitt (formerly with the Australian government) and Dimitris Diakosavvas (OECD Secretariat) for facilitating other engagements. Additional venues for presentations included the FAO, German Marshall Fund of the United States, International Food and Agricultural Trade Policy Council, IFPRI, OECD, World Bank, World Trade Institute (Bern), and WTO. At the WTO, we appreciate the participation in a session organized around the study at the 2009 Public Forum of David Walker, chairperson of the Special Session of the Committee on Agriculture, and Valeria Csukasi, chairperson of the Committee on Agriculture. Presentations during the study at professional annual meetings included the Chinese Economic Association in North America, International Agricultural Trade Research Consortium, UK Agricultural Economics Society, and US Agricultural and Applied Economics Association. We thank discussants and audience participants at these presentations and meetings, particularly Carol Goodloe and Anne Effland from the US Department of Agriculture, for many useful observations and comments, as well as those individuals acknowledged by the chapter authors for their contributions.

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chapter, with its support estimates and policy projections, was a challenge the authors undertook with diligence and commitment in the shifting context as the study proceeded of ongoing Doha deliberations, unilateral changes in domestic support policies, and intermittent new notifications by countries to the WTO.

Finally, we particularly express our gratitude to Lars Brink. He provided an invaluable perspective and guidance for the entire book drawing on his extensive and ongoing experience addressing domestic support issues for the Canadian government since early in the Uruguay Round. To turn the phrase we use in the context of the notifications, Lars Brink should be recognized in a shadow role as a fourth editor of the book.