Negotiating Global Rules on Agricultural Domestic Support:

Options for the World Trade Organization's Buenos Aires Ministerial Conference

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Issue Paper

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ICTSD welcomes feedback on this publication. This can be sent to Jonathan Hepburn, Senior Programme Manager, Agriculture (jhepburn@ictsd.ch) or to Fabrice Lehmann, ICTSD's Executive Editor (flehmann@ictsd.ch).

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LIST OF ABBREVIATIONS

ACP	African, Caribbean, and Pacific Group of States
AMS	aggregate measure of support
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
LDC	least developed country
NFIDCs	Net Food-Importing Developing Countries
OECD	Organisation for Economic Co-operation and Development
OTDS	overall trade-distorting support
PSE	producer support estimate
SCT	single commodity transfer
SDGs	Sustainable Development Goals
SVEs	Small, Vulnerable Economies
TDS	trade-distorting support
US	United States
US$	United States dollar
VoP	value of production
WTO	World Trade Organization

FOREWORD

In recent decades, huge progress has been made throughout the world in lifting vast numbers of people out of poverty, creating jobs, and protecting our fragile planet. At the same time, however, millions of people still do not live dignified lives in which their basic needs are met, and cannot be sure that their children and future generations will have a safe place to live in which they can survive and prosper.

Since the Second World War, governments have collaborated to develop institutions and common legal frameworks which in retrospect can be seen to have provided the basis for the steady growth in prosperity that has since transformed so many peoples' lives. In the area of trade, as elsewhere, the agreements that have emerged from this process have been far from perfect; indeed, they have often been unfair in important ways. At the same time, because they have built on a legal framework that centres on principles of equal treatment and non-discrimination, they have nonetheless been widely seen to provide an enduring basis for closer economic integration between countries and world regions.

Despite recent achievements, there is no room for complacency. As climate change threatens to intensify the common challenges we face in the years ahead, countries will need to redouble these efforts to collaborate, rather than mistakenly assume that any one country can succeed alone. Working together across national borders will be critical to ensuring respect for fundamental rights and ensuring that people are free to live meaningful and fulfilling lives.

In September 2015, governments at the United Nations took a major step towards defining a common framework for future action when they adopted 17 Sustainable Development Goals as part of the new Agenda 2030. Among other things, this included a commitment to end hunger and all forms of malnutrition by 2030. Better functioning markets for food and agriculture are integral to this bold new vision: governments agreed, for example, to "correct and prevent trade restrictions and distortions in world agricultural markets" as one of the measures they would take to help achieve this goal.

In December of the same year, members of the World Trade Organization (WTO) took an important step towards this objective when they agreed to eliminate agricultural export subsidies at the global trade body's Nairobi ministerial conference. The agreement built on other recent developments at the WTO, such as the outcomes on trade facilitation and food security at the Bali ministerial conference two years previously.

Negotiators are now exploring options for further progress ahead of the December 2017 conference in Buenos Aires, Argentina. While the vast majority of governments have expressed a desire to see progress in addressing the trade distortions caused by agricultural subsidies, a few countries remain concerned about the impact of new commitments on their own domestic producers.

This paper therefore seeks to provide trade negotiators and other relevant policy actors with an analysis of the main options that have been put forward for negotiating agricultural domestic support, and an assessment of the possible implications of different approaches, especially for products that are important to low-income countries. As such, we hope it will be a useful contribution in helping governments ensure that policies and rules affecting the global food system are equitable and sustainable—both in the run-up to the Buenos Aires ministerial conference and beyond.

Ricardo Meléndez-Ortiz
Chief Executive, ICTSD

EXECUTIVE SUMMARY

At the United Nations, governments have agreed to end hunger and all forms of malnutrition by 2030, as part of the 17 Sustainable Development Goals (SDGs). Among other things, these commit countries to “correct and prevent trade restrictions and distortions in world agricultural markets.” Many World Trade Organization (WTO) members see the organisation’s upcoming ministerial conference in Buenos Aires as a major opportunity to make progress towards this goal.

As many countries have reformed their domestic support schemes since global farm trade rules were agreed upon over two decades ago, some WTO members now have a significant gap between existing ceilings on trade-distorting support and actual applied levels. Meanwhile others, such as some large developing countries, have increased trade distorting support from low levels. This paper explores various ideas that have been put forward at the WTO on this subject recently, with a view to helping negotiators and others better understand how these might affect actual levels of agricultural domestic support as well as the maximum permitted ceilings under WTO rules.

A first set of ideas involve cutting support using the categories under the WTO’s existing Agreement on Agriculture, including highly trade-distorting “amber box” subsidies calculated using the Aggregate Measure of Support; *de minimis* support—i.e. amber box support falling below a minimum threshold; and production-limiting “blue box” support. However, concerns remain that this approach has been tested in the past with limited success and might also do little to correct current imbalances in the maximum permitted support levels across countries.

A second set of ideas focus on a cap on all trade-distorting support as a basis for future gradual cuts over time. This could either be a fixed limit (e.g. based on a past reference period) or a variable ceiling (e.g. a share of the value of production (VoP)). Many developing countries have said any new ceiling should lower the gap between current permitted maximum levels and actual applied levels of trade-distorting support. While some countries would like to include all types of trade-distorting support listed under the Agreement on Agriculture, others have explicitly excluded input and investment subsidies for low-income, resource-poor farmers. Negotiators would also need to agree on whether countries could provide *de minimis* support on top of the overall cap. This paper examines these options by looking at historical support levels provided by major economies, based on government data reported to the WTO. It explores scenarios with a fixed cap set at 5, 10, or 20 percent of VoP, either in a fixed base period (2008-10), or as a share of the current VoP.

On the basis of the most recent WTO notifications, only some negotiating options would seem to lead to a reduction in countries’ maximum permitted trade-distorting support levels under WTO rules. While a low cap set at 5 percent of farm output would not require the European Union (EU) to reduce actual applied trade-distorting support levels, this would nonetheless be below current applied support levels in Japan (and possibly also Canada), and would be only slightly above those in the United States (US). At the same time, a much less restrictive cap set at 20 percent of farm output might actually be higher than the existing ceilings some countries have agreed to respect at the WTO under existing rules: this would be the case for Canada, the US, Russia, and (in the case of a floating cap) also the EU.

Although China and India have not submitted official farm subsidy data to the WTO for the years since 2010, applied levels of trade-distorting support are considerably lower than 5 percent of the VoP—unless India’s input and investment subsidies to low-income, resource-poor producers are also included in the calculation. For those countries, none of the tested scenarios would require effective cuts in applied support. However, with the exception of a scenario in which *de minimis* is capped at 20 percent of current VoP (i.e. the status quo), all scenarios would impose additional constraints on those countries. This would be a significant departure from draft-negotiating texts tabled in the past. Proposals for a cap would therefore need to accommodate the specific circumstances of different members and be phased in gradually over a multi-year implementation period. A hybrid approach between a fixed and a floating cap could also usefully be considered.

A third set of ideas have focused on avoiding excessive concentration of support by establishing disciplines on product-specific support. Here again, developed and developing countries support agriculture differently, with a larger share of developed countries' trade-distorting support being devoted to product-specific interventions and developing countries preferring non-product-specific support (e.g. fertiliser subsidies). In South Korea, rice alone accounted for 70 percent of all trade-distorting support, while in the EU this share represented 35 percent for dairy and nearly 20 percent for wheat. In the US, dairy and corn accounted for nearly 40 percent of all trade-distorting support, while in Japan the share for pork and beef together represented nearly two-thirds of the total level. Negotiators have suggested several options for such product-specific disciplines (e.g. based on a fixed or floating limit or a limit defined as a share of total trade-distorting support entitlements). Overall, however, the high variations in the level of product-specific support across commodities and countries may make it difficult in the short term to set a uniform limit for all products, unless specific exceptions or flexibilities are envisaged. A possible way to overcome this problem could be to set limits based on historical levels with gradual reduction commitments.

Finally, several ideas have focused on calibrating the levels of commitments based on different factors. As in the past, numerous members continue to emphasise the need for special and differential treatment for developing countries, Least Developed Countries (LDCs), Small Vulnerable Economies (SVEs), and Net Food-Importing Developing Countries (NFIDCs). However, other options include taking into consideration factors such as the significance of trade flows, production volumes, or the impact on poor countries when designing disciplines on support. Countries could consider developing an index combining different variables such as the volume of production, the share of domestic production being exported, the share of world exports the country accounts for, and the support intensity, probably defined as product specific support as a share of the VoP. Under this approach, the index would provide for each WTO member a coefficient which would in turn inform the level of commitment to be undertaken by the country.

Similarly, countries could also consider developing stronger disciplines on distortions affecting products of particular significance to LDCs. Using analysis in the OECD-FAO Agricultural Outlook, it is possible to identify a set of products which are of particular importance to the group, either because they are expected to be produced in large volumes by LDCs, or because they are exported or imported in large volumes. While rice and maize stand out as being especially significant in this respect, other heavily distorted products are seemingly less important to the group (such as beef, pork, and dairy).

1. INTRODUCTION

In September 2015, world leaders agreed a new framework for action on shared goals ranging from ending poverty and hunger to tackling climate change and insecurity. Set out in 17 Sustainable Development Goals (SDGs), the new agenda commits governments between now and 2030 to achieving specific targets, many of which have implications for how trade and markets function. As part of their commitment to ending hunger and achieving food security, governments also agreed to "correct and prevent trade restrictions and distortions in world agricultural markets."[1]

While World Trade Organization (WTO) members have struggled to reach agreement in this area under the Doha Round of trade negotiations, ministers nonetheless confirmed that "all members" of the global trade body were strongly committed to advance negotiations on remaining Doha issues, including agricultural domestic support, market access, and export competition.[2] Ministers were able to reach agreement on this point despite being unable to agree to reaffirm the Doha negotiating mandates.[3] At the ministerial, governments also took decisions on a number of agricultural trade issues including agricultural export subsidies and similar measures; cotton; public food stockholding; and a "special safeguard mechanism" for developing countries.[4]

Since the Nairobi ministerial, negotiators from different countries and groups have put forward a number of different ideas and suggestions on agricultural domestic support—including in the form of various proposals and other submissions—despite parallel efforts by some countries to address disagreements in this area through the WTO's dispute settlement process. The chair of the agriculture negotiations has observed repeatedly that the bulk of the organisation's membership favours an outcome in this area at the WTO's 11th ministerial conference due to be held in Buenos Aires, Argentina in December 2017.

While some negotiators argue that new disciplines need ultimately to lead to lower levels of applied trade-distorting support, others emphasise that any new rules ought to redress historical imbalances in allowable support levels—with many considering both objectives to be important.

In mid-2016, several groups and countries responded to an invitation from the chair of the agriculture negotiations to submit questions on domestic support to help guide the talks. A number of these asked for more information on trade distortions affecting specific products and markets of importance to them.

In subsequent discussions and informal papers, WTO members have explored a number of different possible approaches to answering these and related questions and to addressing distortions affecting markets for food and agriculture.[5]

1 SDG 2.b reads: "Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round."

2 Paragraph 31 of the WTO's Nairobi Ministerial Declaration, WT/MIN(15)/DEC.

3 In the 2001 Doha Ministerial Declaration (WT/MIN(01)/DEC/1), WTO members had committed themselves to negotiations aimed at "substantial reductions in trade-distorting domestic support" as part of the efforts they were pursuing under article 20 of the WTO Agreement on Agriculture to establish a fair and market-oriented agricultural trading system.

4 For more analysis, see ICTSD (2016a).

5 The following analysis draws on these ideas, focusing in particular on those put forward in four recent submissions: a paper by the group of Least Developed Countries (LDCs) from January 2017 as well as papers from the African, Caribbean and Pacific (ACP) group, Australia and six co-sponsors, and Brazil and six co-sponsors, all of which were put forward in November 2016. These ideas are described in articles in *Bridges Weekly* dated 17 November 2016, 24 November 2016, and 2 February 2017 (ICTSD 2016b, 2016c, 2017a).

While the ideas put forward vary in their points of emphasis and structure, they also share a striking level of commonality. Broadly speaking, they can be divided into three main categories:

1. those exploring modified disciplines for different categories of support based on the existing structure of the WTO Agreement on Agriculture;

2. those contemplating an overall cap on the sum of trade-distorting support;

3. those seeking product-specific disciplines to minimise the concentration of support on particular products.

In these different areas, the various ideas put forward not only suggest different methods to reduce trade-distorting support but also consider possible approaches to calibrate commitments under future disciplines, according to factors such as the significance of trade flows, production volumes, or the impact on poor countries. Finally, numerous groups and countries continue to emphasise the need for special and differential treatment in the form of lower reduction commitments for developing countries or full exemptions for LDCs, SVEs, and NFIDCs. The following sections explore these issues in greater detail.

2. APPROACHES BASED ON THE EXISTING STRUCTURE OF THE WTO AGREEMENT ON AGRICULTURE

A number of countries have proposed exploring the extent to which members could discipline trade-distorting domestic support through measures targeting the different categories of subsidies already established under the WTO Agreement on Agriculture. These categories include: 1) highly trade-distorting support dubbed "amber box" subsidies by trade officials, calculated using the Aggregate Measure of Support (AMS) established under the Agreement on Agriculture;[6] 2) *de minimis* support conforming to the provisions of Article 6.4 of the Agreement on Agriculture—essentially amber box support which falls below a minimum threshold of the value of production (VoP) for both product-specific support and non product-specific support;[7] and 3) production-limiting "blue box" support, defined under Article 6.5 of the Agreement on Agriculture.

In light of recent trends in such support based on WTO notifications, some agricultural exporting countries have argued that AMS and *de minimis* support need to be targeted aggressively and that the latter needs to be curtailed, especially for the world's largest producers and exporters. These members also argue that the concentration and level of input subsidies by some large producers and exporters need to be reduced, noting that this form of support can be provided under AMS, *de minimis* support or Article 6.2—a clause in the WTO Agreement on Agriculture which allows developing countries to provide certain types of input and investment subsidies without limits. Others, particularly developing countries, argue that the provisions of Article 6.2 of the Agreement on Agriculture should remain unchanged.

Besides AMS, blue box, and *de minimis* support, some have also put forward the idea that WTO members seek to clarify criteria for support programmes which are classified as "green box" under the global trade body's rules—meaning that they ought to cause no more than minimal trade distortion. In addition to this "fundamental" requirement, which is set out in paragraph 1, Annex II of the WTO Agreement on Agriculture, green box programmes also need to conform to a number of additional criteria set out in subsequent paragraphs.[8]

Overall, this approach is not really different from the one adopted in negotiations to date at the WTO, such as those conducted as part of the Doha Round of trade talks that was launched in the Qatari capital in 2001. While the approach may be considered simple and straightforward, a number of countries have observed that it has already been tested in the past and have questioned whether it would still be feasible in the current context. Arguably, another limitation is that this approach would also do little to correct inherited imbalances in the level of support which different countries are allowed to provide.

6 AMS is calculated according to the provisions set out in Annex III of the Agreement on Agriculture.

7 *De minimis* is set at 5 percent of the VoP for developed countries and 10 percent for most developing countries (both for product-specific support and non product-specific support), while China has to respect a limit of 8.5 percent as part of the commitments it made when joining the WTO.

8 In paragraph 16 of the 2004 "July Framework" agreement (WT/L/579), members agreed to conduct a similar review of green box support measures. For more details, see Hepburn and Bellmann (2009).

3. OVERALL CAP APPROACHES

Several countries and groups have put forward ideas for a cap or comprehensive limit on trade-distorting domestic support. A similar approach based on the notion of overall trade-distorting support (OTDS) was also included in draft negotiating texts that were tabled in 2008 by the chair of the agriculture negotiations at that time, as a possible blueprint for a trade deal under the Doha Round of talks on trade[9] (see Box 1).

Box 1: The Doha blueprint on overall trade-distorting support (OTDS)

In the Doha Round, negotiators anticipated reductions from a base OTDS level composed of the sum of three different elements:

- the final bound total AMS (or "amber box" support) which countries have agreed not to exceed, as part of their WTO commitments;
- *De minimis* support, i.e. 10 percent of the VoP for developed countries (composed of 5 percent of the VoP for both product-specific and non-product specific support in a predetermined base period), or double this level for developing countries; and
- either the average of blue box payments which countries had reported to the WTO or 5 percent of the average total VoP in a predetermined base period, whichever is higher.

This OTDS limit would then be subject to cuts, although developing countries which had not negotiated a maximum permitted ceiling on AMS under previous WTO talks would be exempt from any reduction, and the OTDS limit, after cuts, would subsequently represent the maximum ceiling allowed. Importantly, this cap would not constrain the ability of recently acceded countries, including China, to use fully their *de minimis* entitlement—a limit defined as a percentage of the VoP and not as a fixed and unchanging numerical ceiling.

More specifically, proponents have suggested establishing either a fixed and unchanging limit, possibly based on a specific reference period, or a variable ceiling expressed as a percentage of the VoP.

The type of support included under such a cap is also open for discussion. While some countries would like to include all types of trade-distorting support listed under Article 6 of the Agreement on Agriculture (i.e. amber box, blue box, *de minimis*, and Article 6.2), others have explicitly excluded Article 6.2 from the proposed ceilings. Nor is it clear whether countries would still be allowed to provide *de minimis* support on top of the new ceiling. Regardless of how it would be defined, however, the purpose of such an overall cap would be to bind existing levels of support and to serve as a basis for further gradual reduction over time.

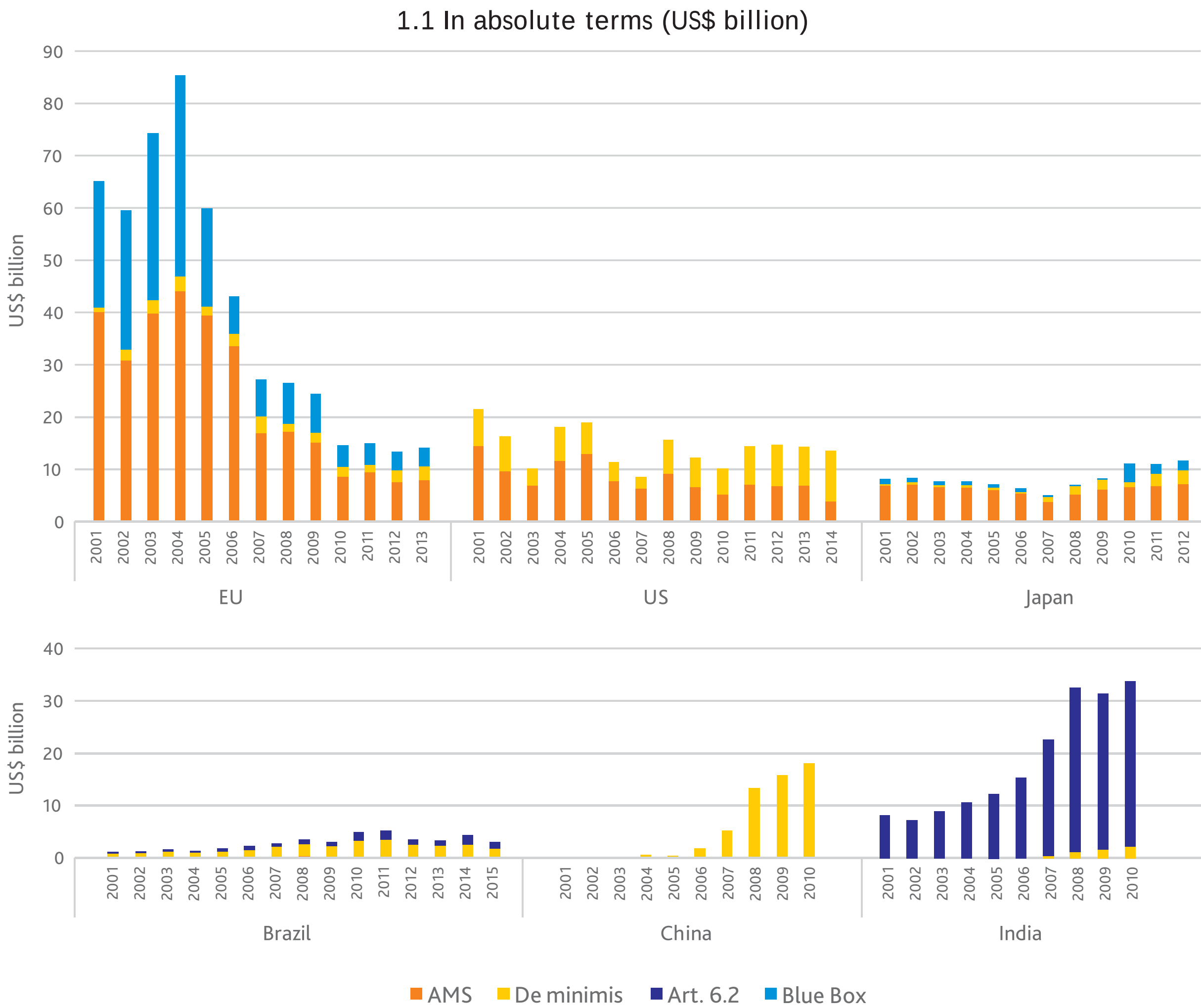
To illustrate the differences between a fixed limit or a limit expressed as a VoP, Figure 1 shows AMS, *de minimis*, blue box, and Article 6.2 support provided by some of the largest agricultural producers and traders in absolute and relative terms based on their most recent WTO notifications. The top figures show the evolution of non-green box support in US dollars (US$). It illustrates the continuous reduction in the most trade-distorting forms of domestic support provided in the European Union (EU) through successive reforms—even if, some would argue, this decline has been accompanied by a commensurate increase in green box measures. As a result of these

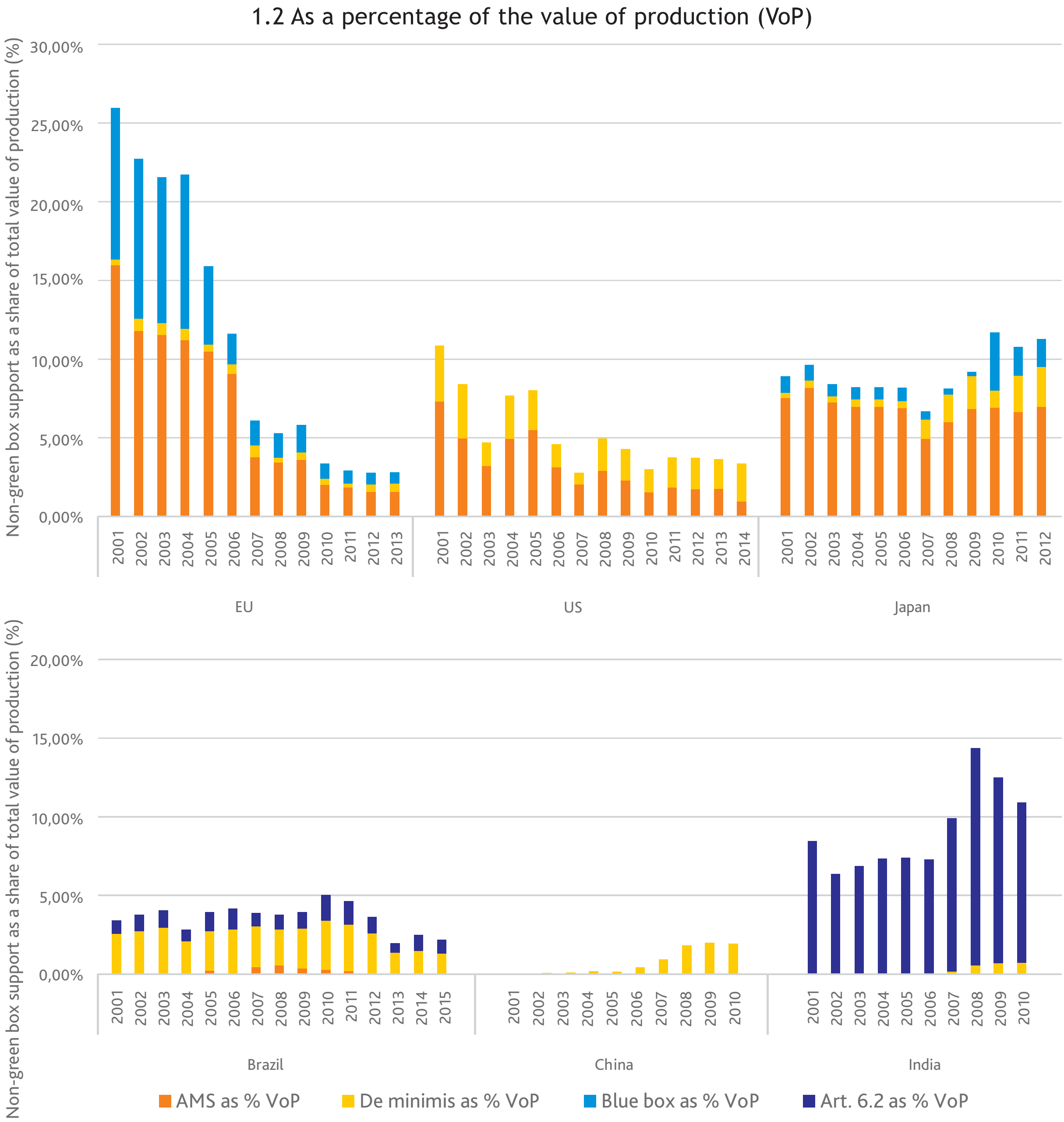
9 TN/AG/W/4/Rev.4

reforms, the EU's trade-distorting support was around US$14 billion in 2013, a level comparable to the US$13.6 billion provided by the United States (US) in 2014 or the US$11.7 billion provided by Japan in 2012. In contrast, large emerging economies such as China or India have seen a significant increase in the amount of support they provide over the last 10 years or so. This is particularly obvious in the case of China where total trade-distorting support exceeded US$18 billion in 2010. In the case of India, input and investment payments under Article 6.2 of the Agreement on Agriculture represent the bulk of the support provided and have increased steeply in recent years to reach over US$31 billion in 2010.

The second figure shows support provided by the same countries, but this time expressed as a percentage of the total VoP. Japan clearly stands out as the country with the highest intensity of support, at 11.3 percent of the total VoP in 2012, followed by the US at 3.4 percent in 2014 and the EU at 2.8 percent in 2013. China's support appears much lower, at levels comparable to Brazil, at around 2 percent, reflecting the large size of agriculture production and the relatively lower amount of support provided on a per capita basis. If Article 6.2 support is considered, India appears as one of the largest providers of subsidies, second only to Japan, whereas non-Article 6.2 support remains negligible at 0.7 percent in 2010.

Figure 1: Non-green box support





Source: Authors' calculations based on WTO notifications

Going one step further, some members, including the ACP, have put forward more specific targets which they believe should be achieved by the Buenos Aires ministerial. Developed countries that benefit from an AMS entitlement should agree to an overall limit to the sum of all trade-distorting support, the group says, so as to reduce the difference between the maximum AMS entitlement and the current applied levels of domestic support.[10] Other countries should also agree on an overall comprehensive limit to the sum of all trade-distorting domestic support without undermining the development and food security needs of developing countries, including LDCs, SVEs, and NFIDCs.

10 The full list of WTO members with AMS entitlements includes: Argentina, Australia, Brazil, Canada, Colombia, Costa Rica, the EU, Former Yugoslavia Republic of Macedonia, Iceland, Israel, Japan, Jordan, South Korea, Mexico, Moldova, Montenegro, Morocco, New Zealand, Norway, Papua New Guinea, Russia, Saudi Arabia, South Africa, Switzerland-Liechtenstein, Chinese Taipei, Tajikistan, Thailand, Tunisia, the US, Venezuela, and Vietnam.

Figure 2 graphically represents possible options to achieve such an outcome for nine major agricultural producers and exporters. For each country it considers two possible approaches. The first consists in establishing a fixed and unchanging numerical limit to trade-distorting support. In the examples below, such limits are defined as either 5, 10, or 20 percent of the average VoP during the 2008–10 base period. The second option consists in defining the limit as a percentage of the current VoP (here again we use 5, 10, or 20 percent). In this case, the limit would change every year and fluctuate with evolutions in the total VoP. For those countries that have an AMS entitlement, the red line in both examples refers to the maximum AMS ceiling established under the Agreement on Agriculture. In order to meet the requirements envisaged under the ACP proposal, the sum of trade-distorting support would have to be capped at a level below the red line. However, whether the cap should only constrain AMS and blue box or whether it should also limit the *de minimis* or even support provided under Article 6.2 remains to be defined.

When looking at these hypothetical scenarios, fairly different situations emerge. Continuous reforms of trade-distorting support in the EU have resulted in a significant gap between the AMS ceiling and applied levels. A new cap set either as a fixed limit or as a percentage of the VoP would not require the EU to make effective cuts in applied levels of support under any of the scenarios. A cap expressed as 20 percent of the current VoP would, however, be higher than the bloc's AMS limit and would therefore not result in an overall limit below the current AMS entitlement. The situation is more complicated for the US, not least because the country has not undertaken significant reforms in recent years. As a result, the new cap would only be set below the existing AMS ceiling under a scenario in which a fixed limit is set at 5 percent of the average VoP in the 2008-10 base period. In nearly all other scenarios, the new cap would arguably increase the scope the US has to provide trade-distorting domestic support. A cap set at 5 percent of the current VoP would result in a slightly higher level than the AMS ceiling in recent years. It might, however, still be seen as desirable by other WTO members compared to the *status quo* if the cap is defined as a constraint on both AMS and *de minimis* as the US arguably could otherwise provide support equal to 10 percent of the VoP under current rules (5 percent in product-specific support plus 5 percent in non product-specific support). In the case of Japan, all of the approaches examined here would result in a cap set below the Uruguay Round ceiling. A limit set at 5 percent of the VoP or as a fixed limit based on the 2008–10 period would, however, imply effective cuts in applied AMS if this cap is not phased in gradually over time. In the case of Canada, the only scenarios resulting in a cap below the AMS ceiling are those which involve a 5 percent limit (either fixed or based on the current VoP). If such a cap is designed to constrain both AMS and *de minimis*, these scenarios may well imply effective cuts in applied levels. The cases of Korea and Brazil are different still insofar as any of the scenarios would result in limits set at a level higher that the AMS ceiling. Finally, in the case of Russia, the only scenarios meeting the ACP conditions would be the ones with a limit set at 5 percent. It should be noted here that the apparent decline in the VoP largely reflects exchange rates variation as the value of the rouble has declined in recent years, but the Russian Federation had earlier decided to notify its support in US$.[11]

In the case of India, none of the tested scenarios would require effective cuts in applied support unless the cap is defined as constraining Article 6.2 support. However, with the exception of a scenario in which *de minimis* is capped at 20 percent of the current VoP (i.e. the current situation), all of the scenarios would impose additional constraints on India's policy space compared to its Uruguay Round commitments. The same consideration applies to China: even if a fixed limit set at 20 percent of the average VoP in 2008 to 2010 might temporarily increase

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China's entitlement, this limit would likely become constraining in years to come as the VoP increases.

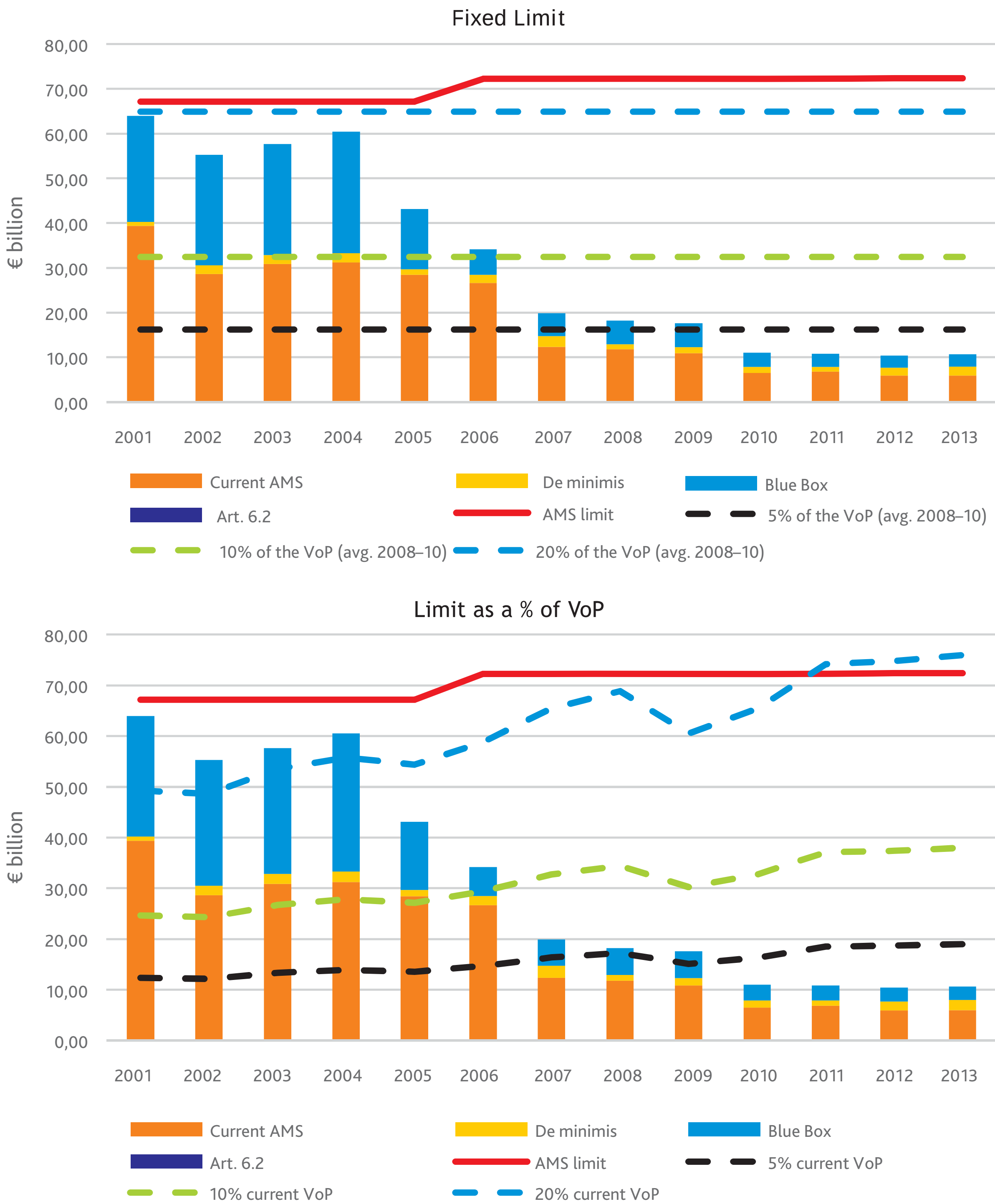
Based on this analysis, and assuming that any outcome implying effective and immediate cuts in applied support by the next WTO ministerial in Buenos Aires is unlikely to generate consensus among WTO members, proposals for a cap will probably need to be modulated to reflect the specific circumstances of different members and phased in gradually over a multi-year implementation period. Another possible approach would be to set a new cap by letting members choose between, for example, a 5 percent cap (defined either as a fixed limit based on a reference period or as a share of the VoP) or a limit defined as a certain percentage reduction in their AMS ceiling, whichever is higher. A similar formula with higher limits or a lower reduction could apply to developing countries with AMS entitlements.

For countries without any AMS entitlement, the situation is relatively straightforward, as virtually all the scenarios would result in cuts in the permitted maximum level of trade-distorting support but would likely not imply any effective cuts in applied support levels.

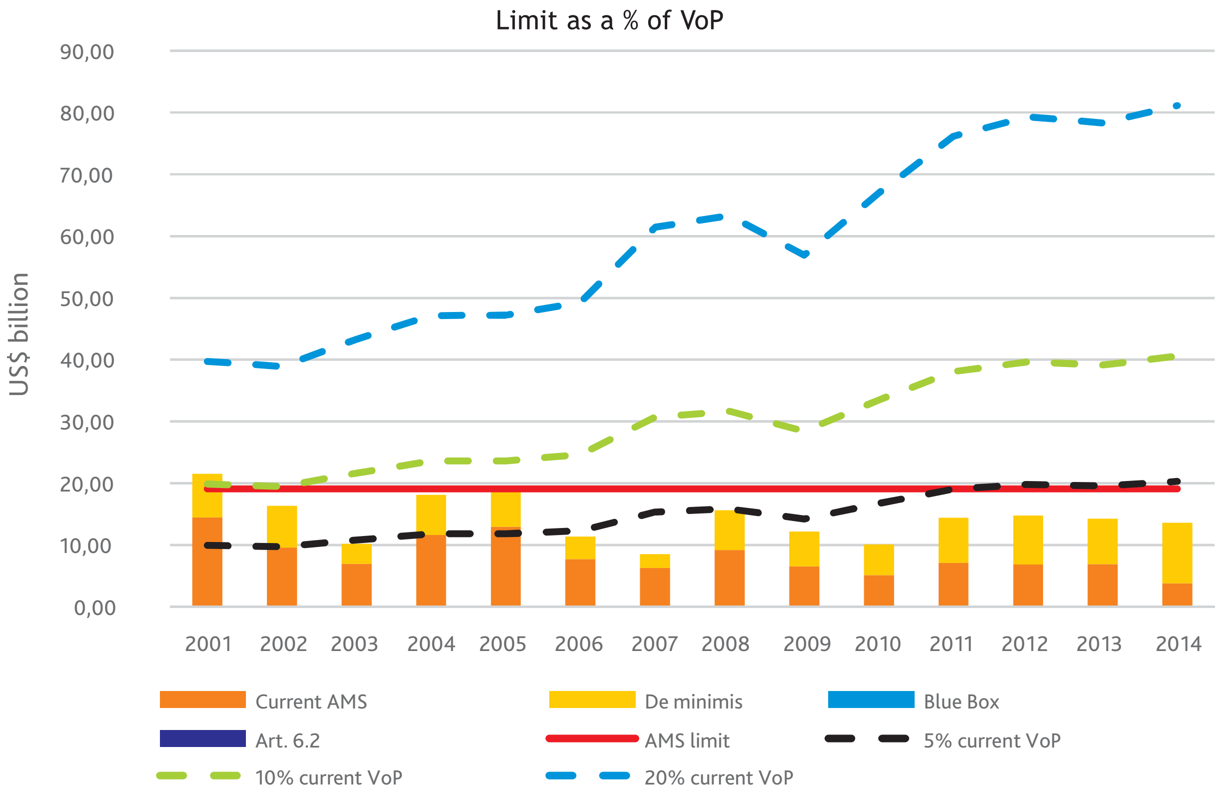
While some countries and groups have expressed an initial preference for a cap based either on a fixed or floating share of the VoP, some negotiators have also suggested that a hybrid approach could be usefully considered. For example, this could include a different approach for developed and developing countries; agreeing that countries would be able to choose the approach they preferred—possibly subject to other conditions such as deeper or lower cuts, or adopting a floating ceiling during an initial implementation period—to be followed by a fixed cap thereafter. While many groups perceive a fixed ceiling as being intrinsically more likely to constrain actual applied levels of domestic support, especially in the long term, others have questioned the validity of this assumption, noting that this would depend on the extent to which price declines could compensate future increases in the VoP. In some members, where volumes of production are expected to be stagnating if not declining, a floating limit might even end up being more stringent.

Figure 2: Options for setting an overall limit on trade-distorting support

2.1 European Union

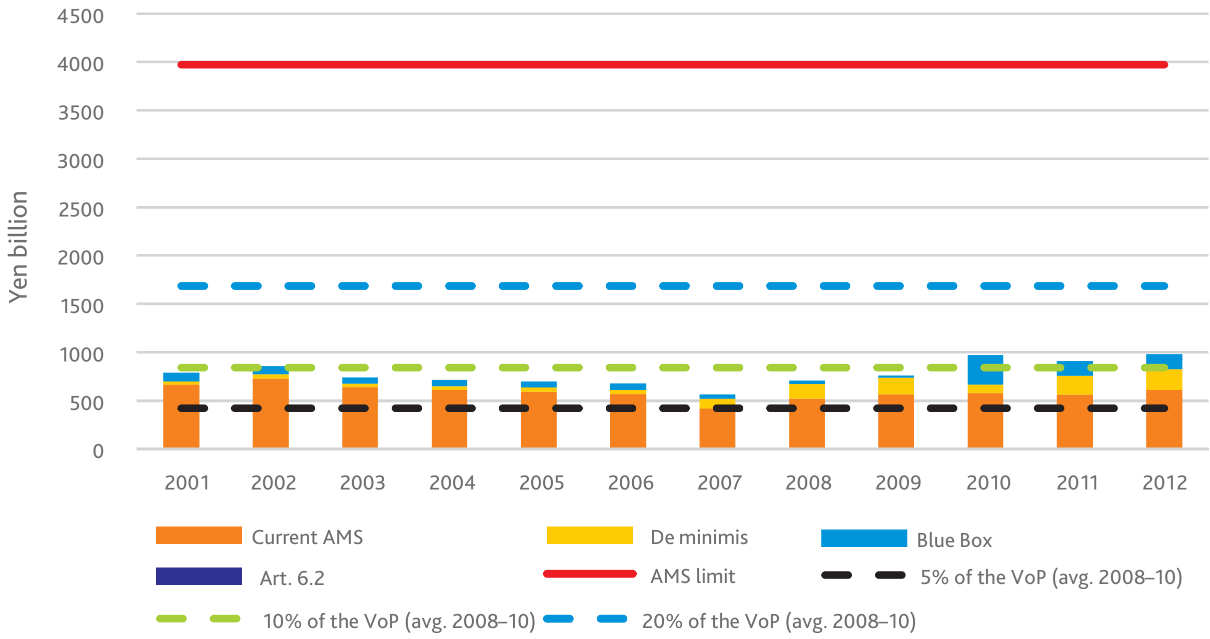


2.2 United States

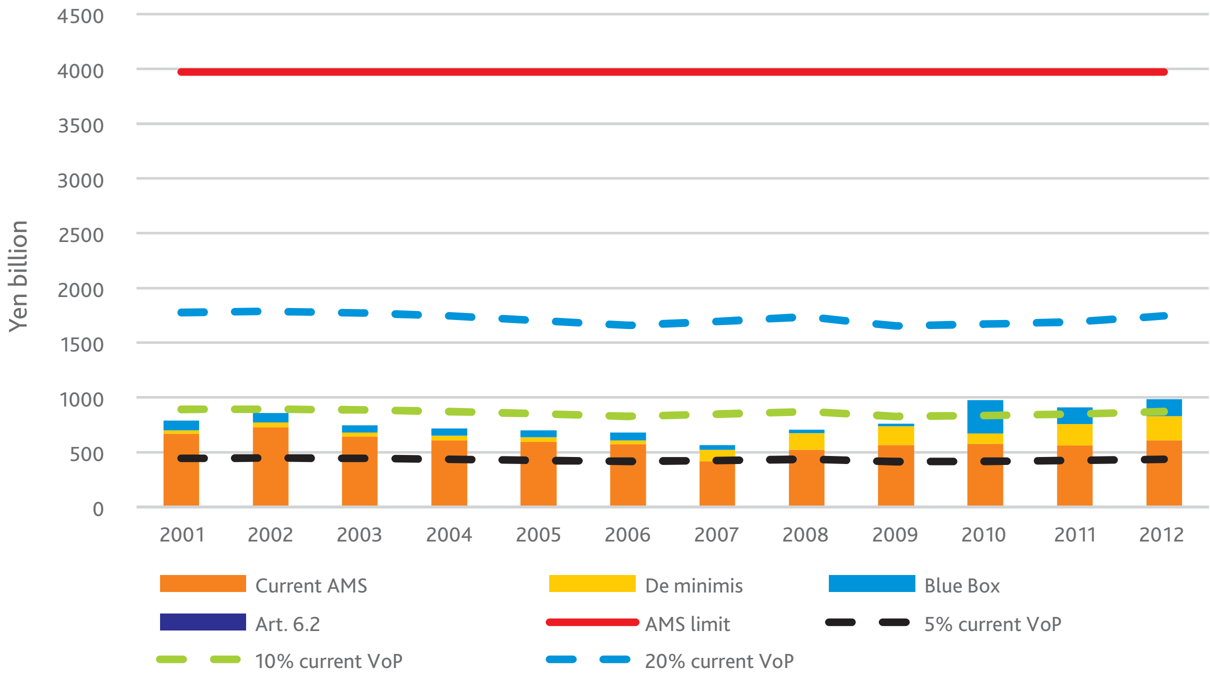


2.3 Japan

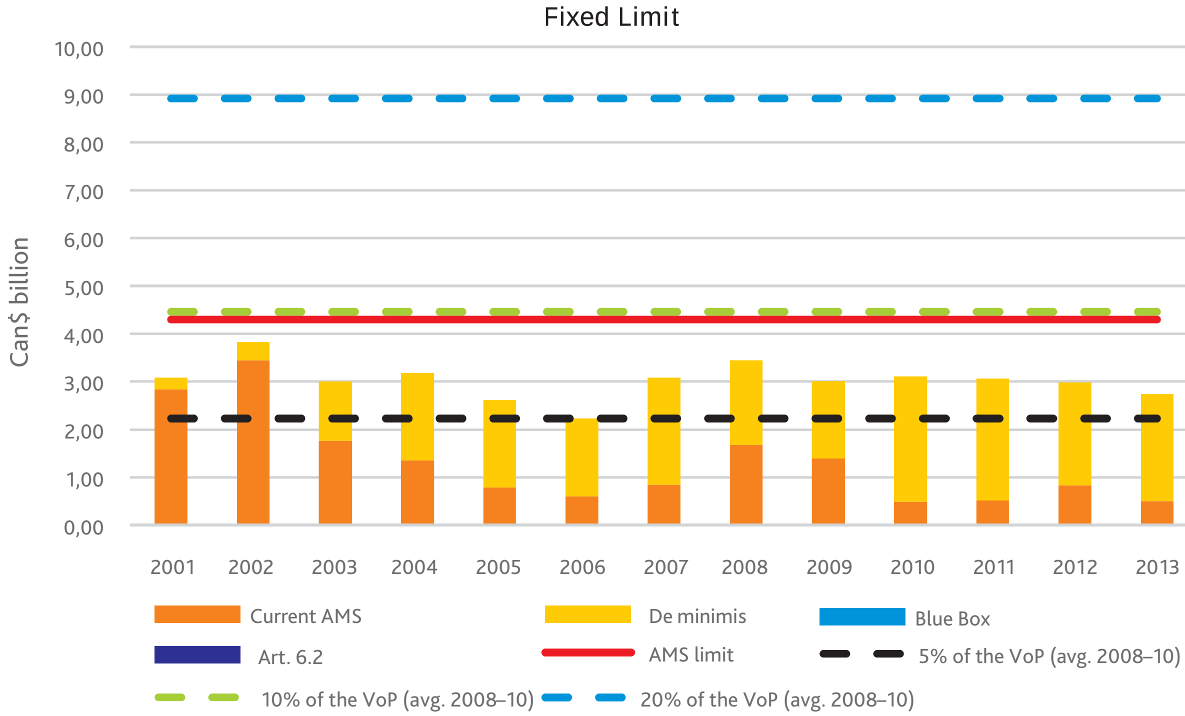
Fixed Limit

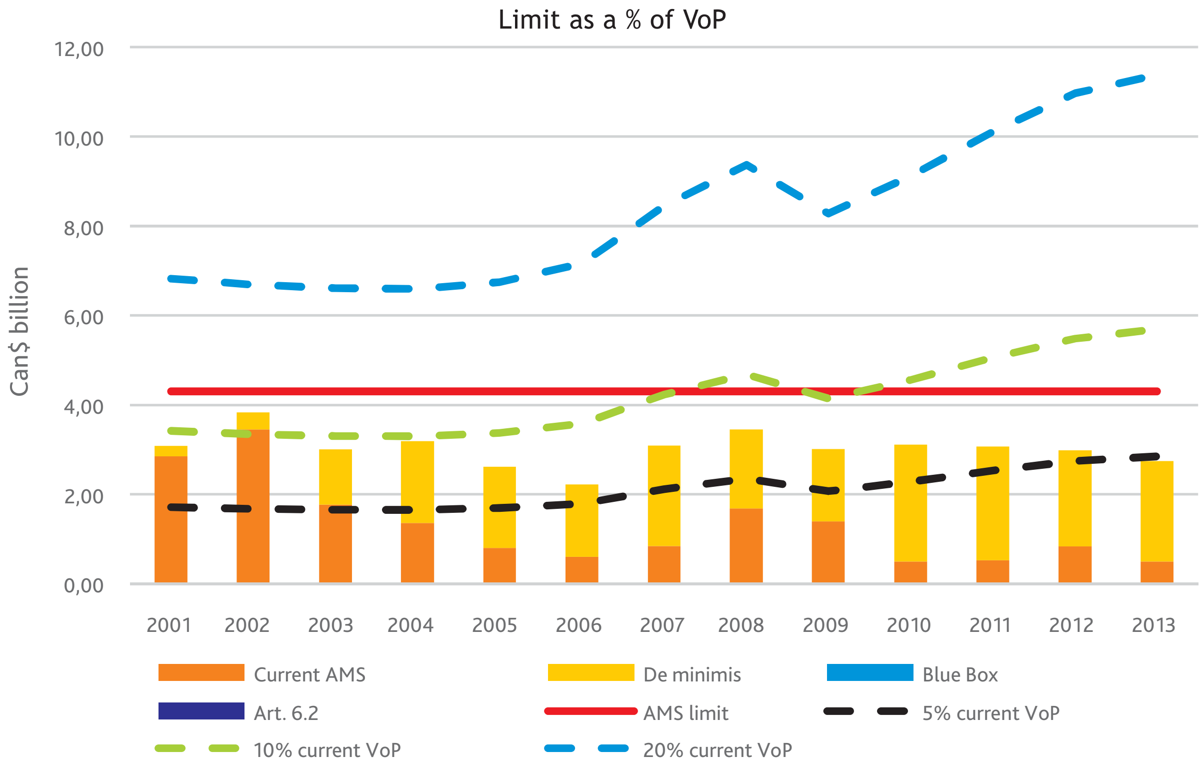


Limit as a % of VoP

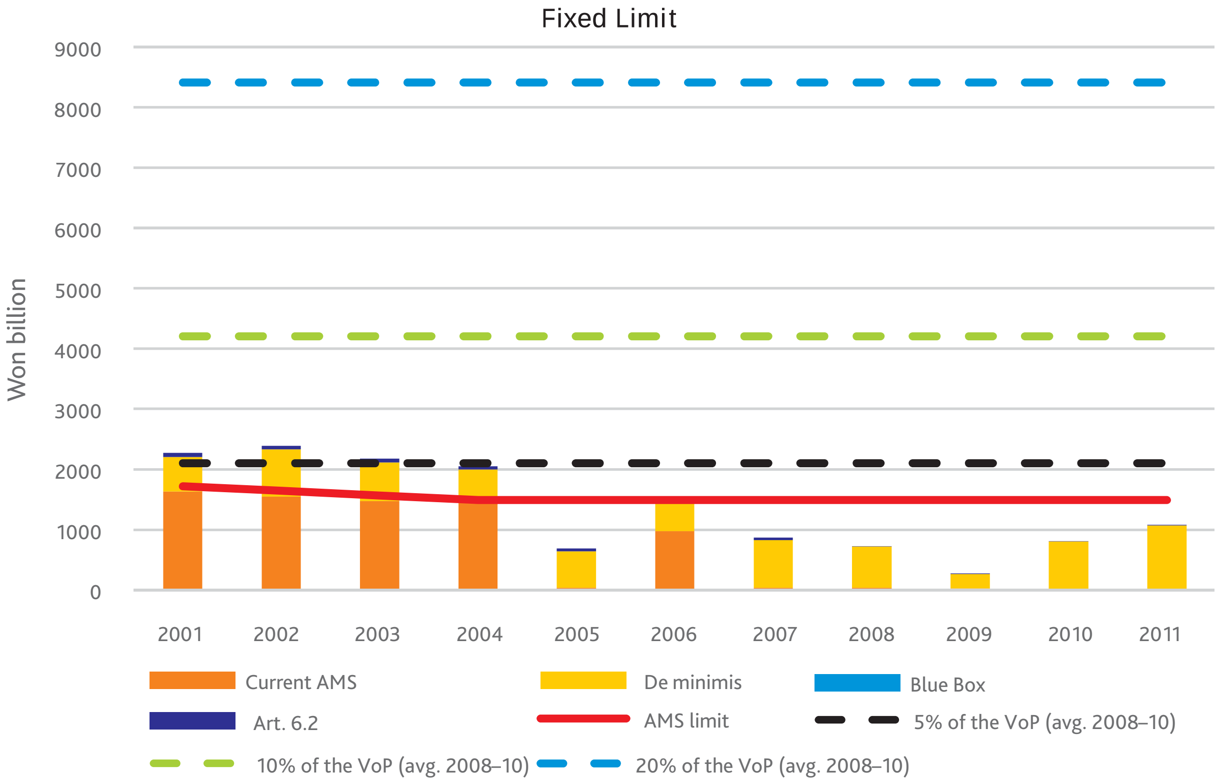


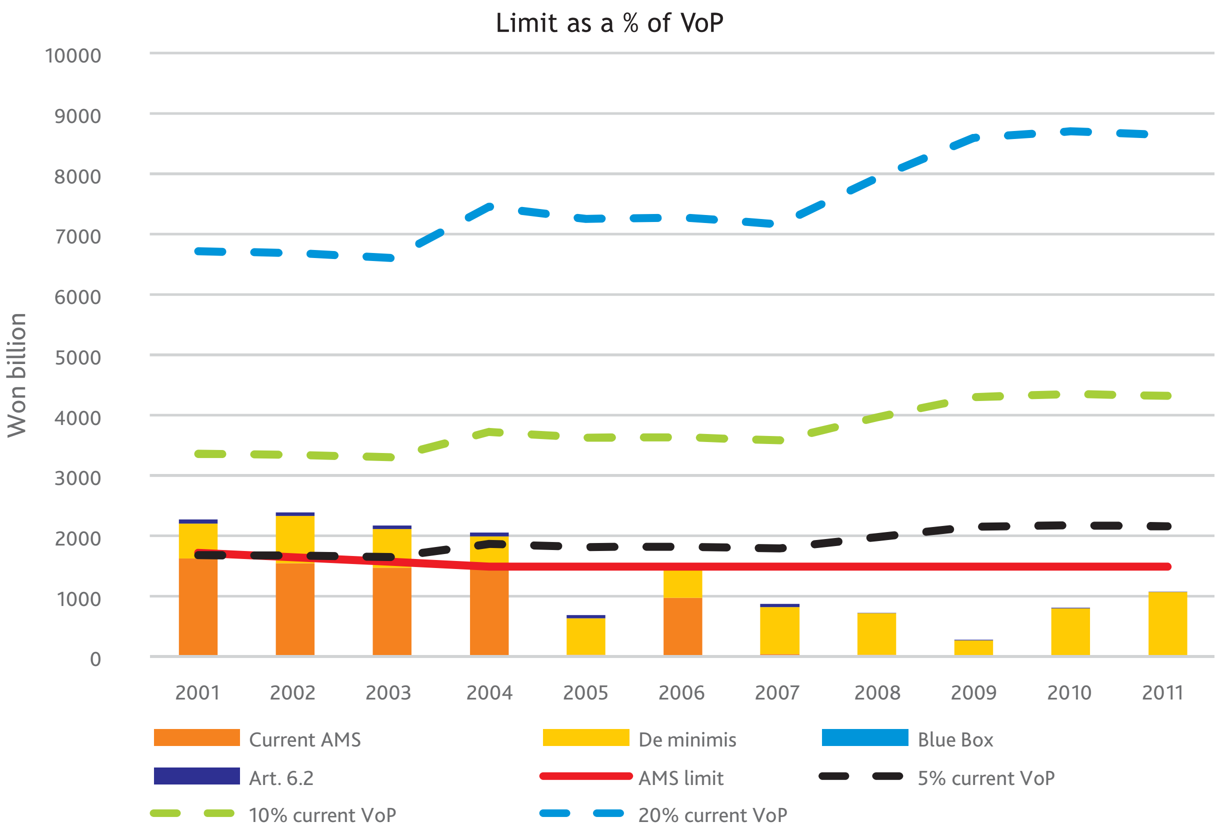
2.4 Canada


Fixed Limit
10,00
9,00
8,00
7,00
6,00
5,00
4,00
3,00
2,00
1,00
0,00
Can$ billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% of the VoP (avg. 2008–10)
10% of the VoP (avg. 2008–10)
20% of the VoP (avg. 2008–10)

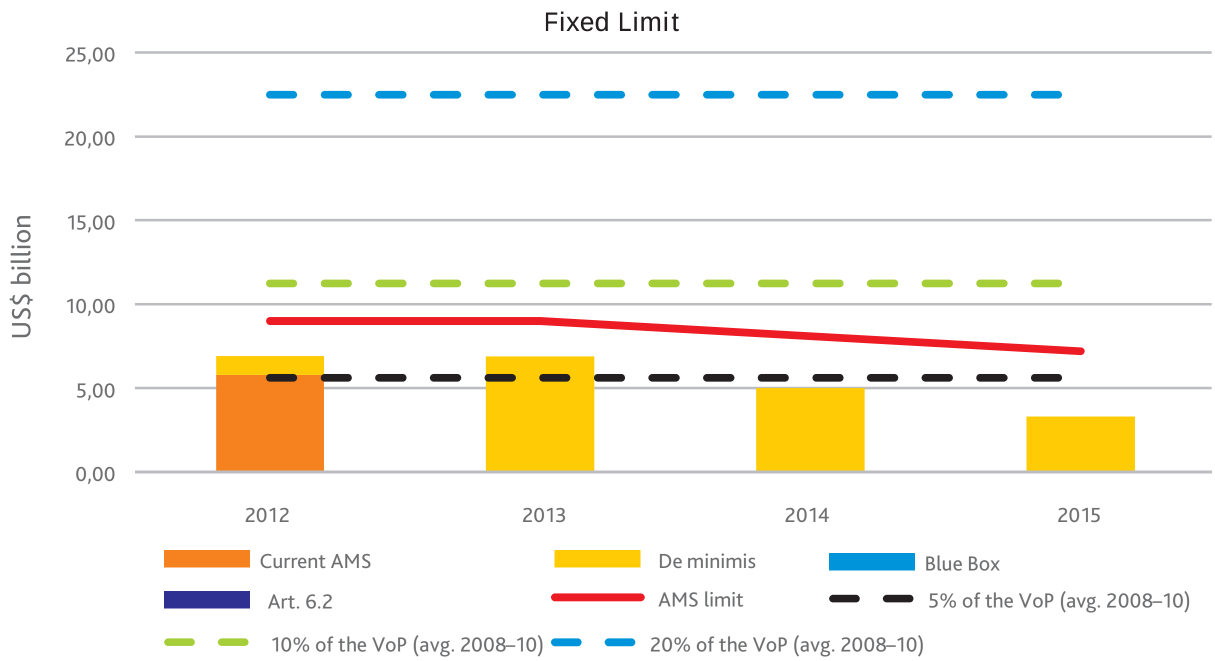

Limit as a % of VoP
12,00
10,00
8,00
6,00
4,00
2,00
0,00
Can$ billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% current VoP
10% current VoP
20% current VoP

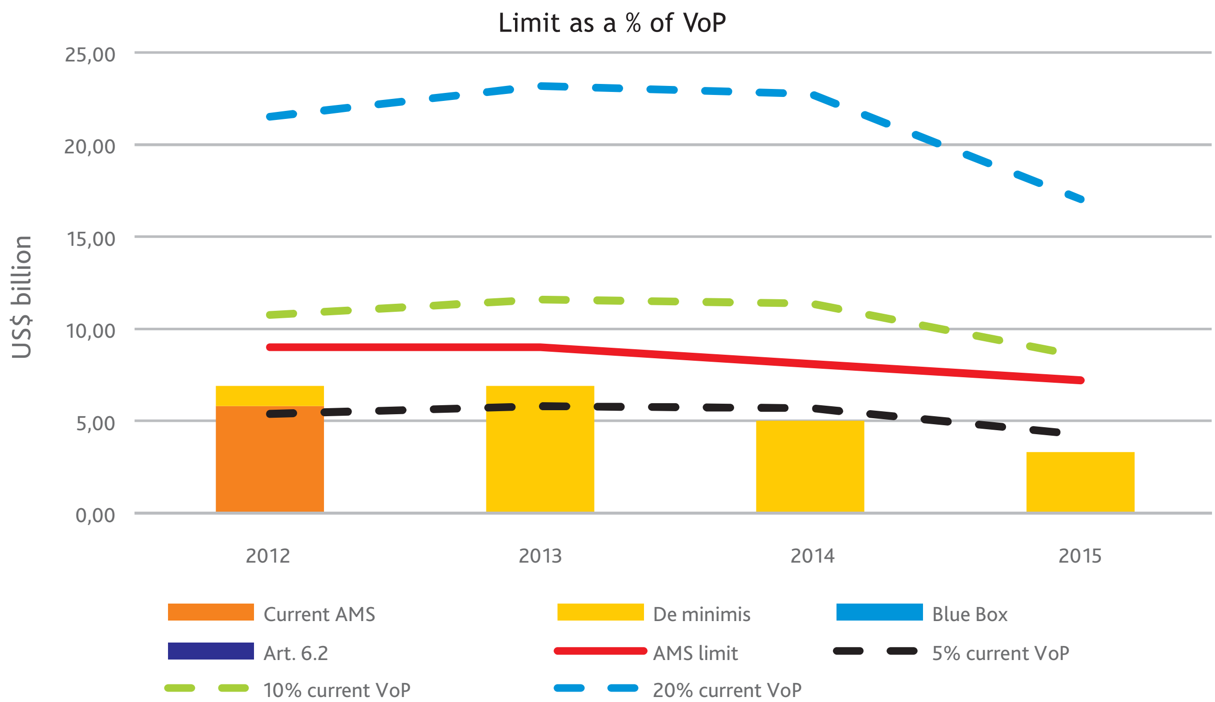
2.5 Korea


Fixed Limit
Won billion
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% of the VoP (avg. 2008–10)
10% of the VoP (avg. 2008–10)
20% of the VoP (avg. 2008–10)

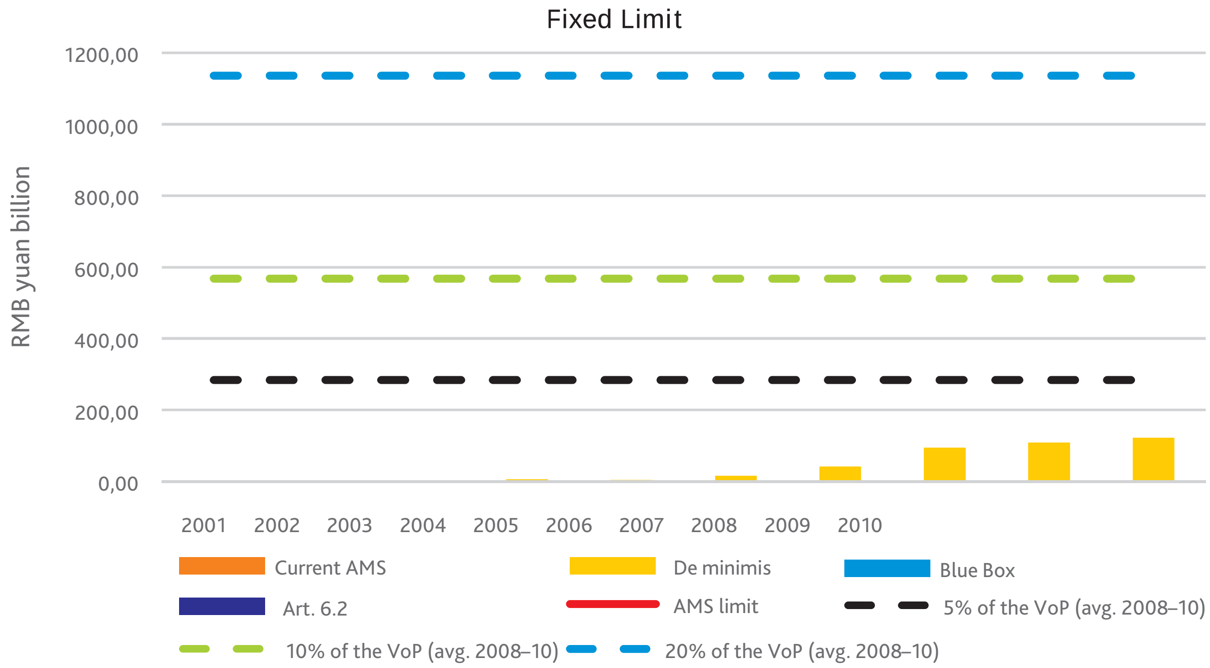

Limit as a % of VoP
Won billion
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% current VoP
10% current VoP
20% current VoP

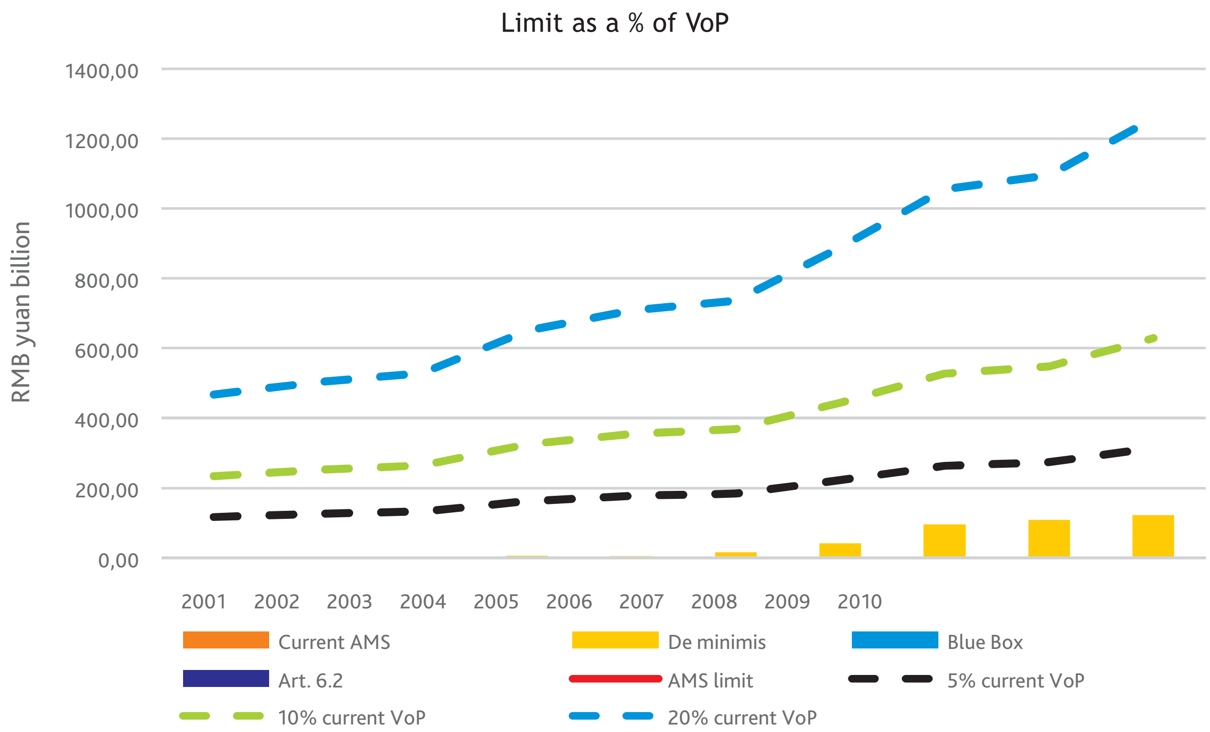
2.6 Russian Federation



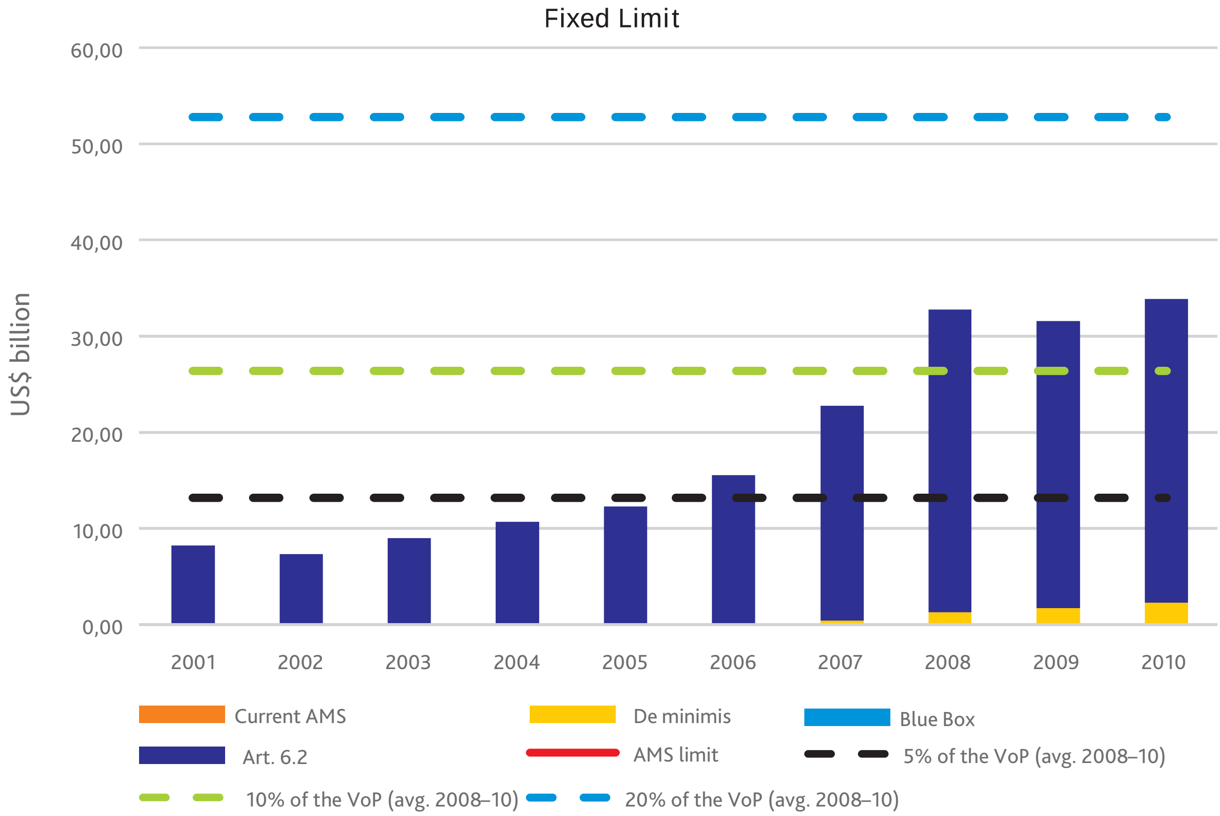


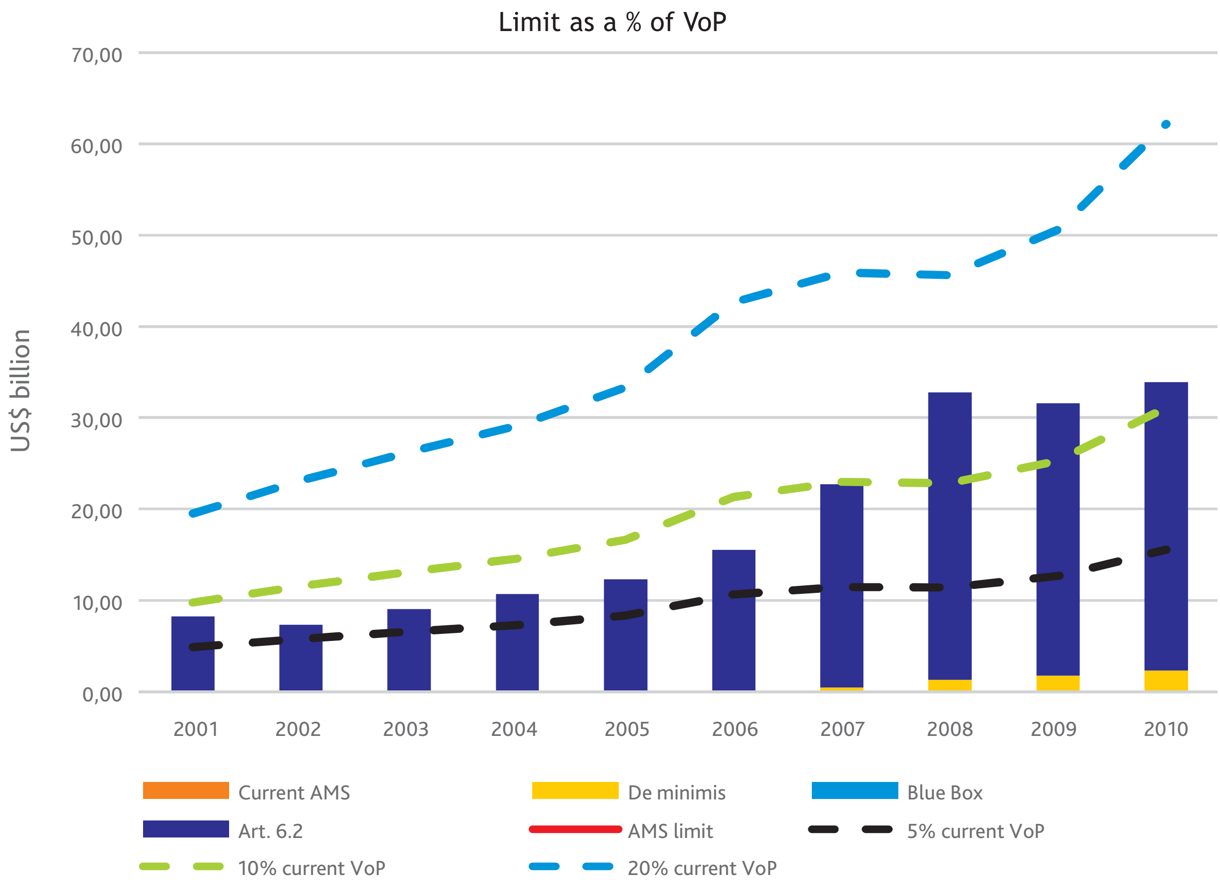
2.7 China


Fixed Limit
1200,00
1000,00
800,00
600,00
400,00
200,00
0,00
RMB yuan billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% of the VoP (avg. 2008–10)
10% of the VoP (avg. 2008–10)
20% of the VoP (avg. 2008–10)

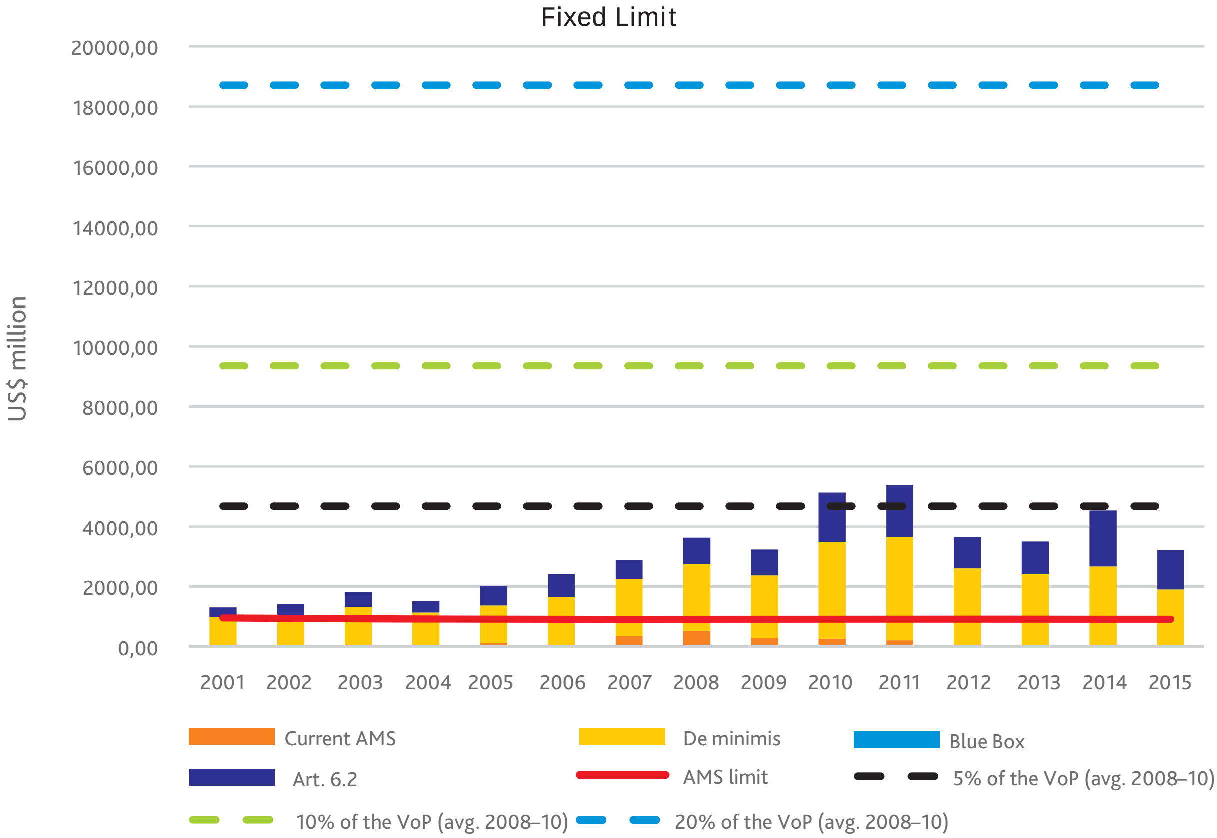

Limit as a % of VoP
1400,00
1200,00
1000,00
800,00
600,00
400,00
200,00
0,00
RMB yuan billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% current VoP
10% current VoP
20% current VoP

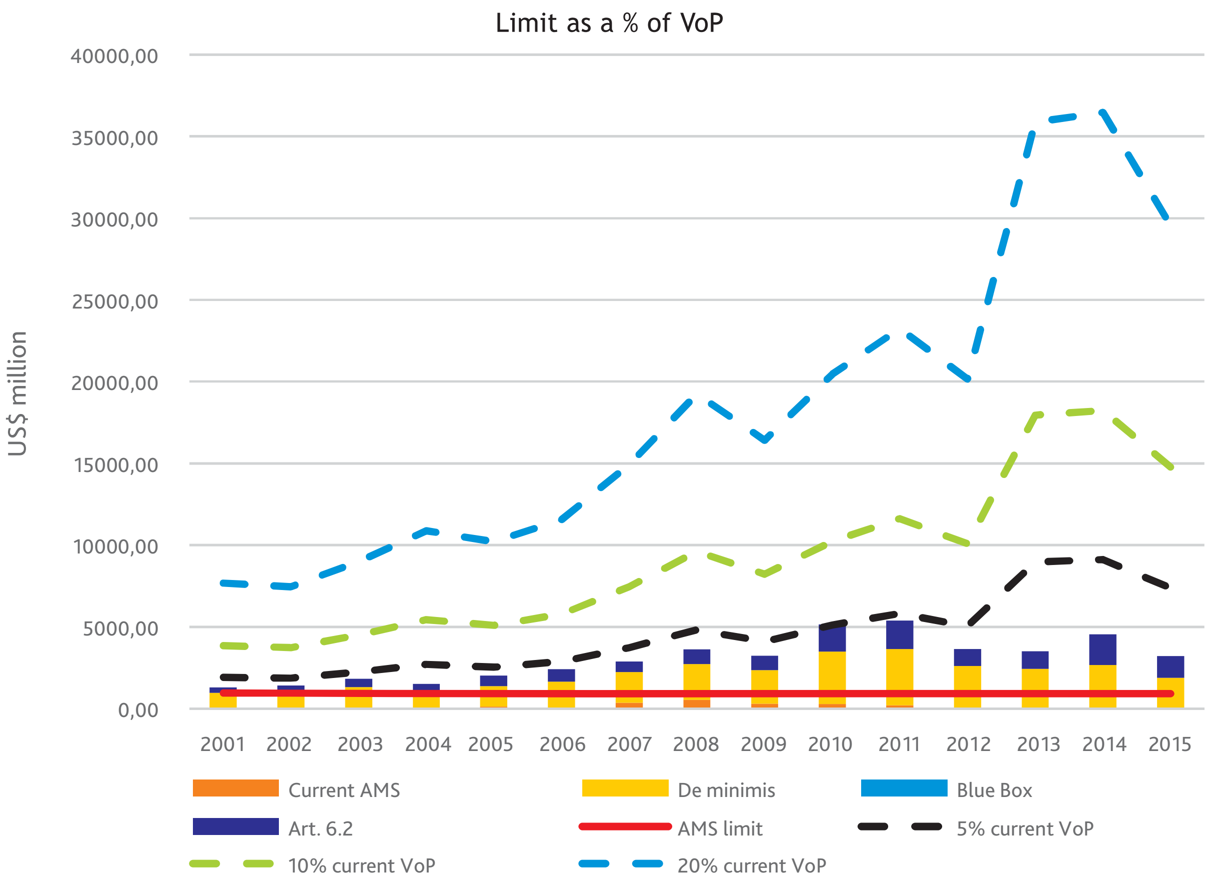
2.8 India


Fixed Limit
60,00
50,00
40,00
30,00
20,00
10,00
0,00
US$ billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% of the VoP (avg. 2008–10)
10% of the VoP (avg. 2008–10)
20% of the VoP (avg. 2008–10)


Limit as a % of VoP
70,00
60,00
50,00
40,00
30,00
20,00
10,00
0,00
US$ billion
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Current AMS
De minimis
Blue Box
Art. 6.2
AMS limit
5% current VoP
10% current VoP
20% current VoP

2.9 Brazil





Source: Authors' calculations based on WTO notifications

Beyond the options discussed above, members could also consider approaches to disciplining OTDS by adopting options recently put forward elsewhere in the negotiations. For example, LDCs have suggested establishing a limit on transfers to cotton producers, expressed as a percentage of gross agricultural revenue from cotton. Conceivably, WTO members could also agree to pursue such an approach in order to discipline OTDS in agriculture.

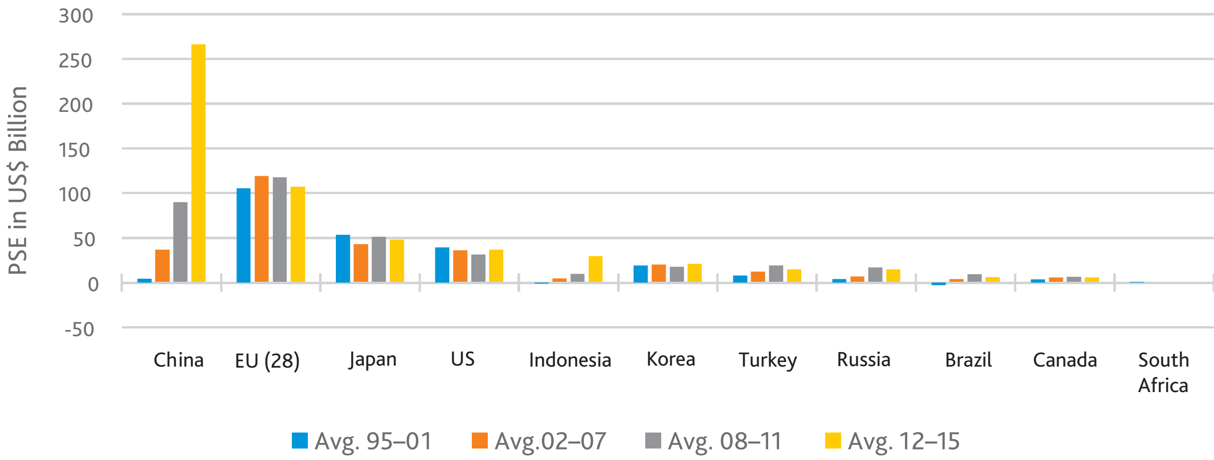
Figures 3 and 4 provide an indication of how such an approach might affect support levels in practice using the producer support estimate (PSE)—which is calculated by the Organisation for Economic Co-operation and Development (OECD). The OECD describes the PSE as "an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers, measured at farm gate level, arising from policy measures, regardless of their nature, objectives or impacts on farm production or income" (OECD 2000). The methodology used to calculate the PSE is therefore different from the one used to assess levels of trade-distorting support at the WTO (Greenville 2017). Firstly, the PSE takes into account market price support measures resulting from tariff protection, bringing in *de facto* a market access dimension which is currently absent from the WTO approach on domestic support. Secondly, it takes into account all types of support including some measures which would be classified at the WTO as green box programmes. It does not, however, include support provided to the sector in general (e.g. infrastructure development, extension services, research, and pest and disease control, which would also be categorised as 'green box' at the WTO).

Figures 3 and 4 illustrate this scenario using OECD PSE calculations both in absolute terms (US$) and as a percentage of gross farm income.[12] The figures show that although China has the highest PSE in absolute terms—reaching an average of US$266 billion for the 2012-15 period, followed by the EU (US$107 billion), Japan (US$48 billion), and the US (US$37 billion)—these figures are very different when expressed as a share of gross farm income. The most recent OECD data indicates that Japan and Korea's PSE represents around 50 percent of gross farm income, while this figure is closer to 20 percent for Indonesia, Turkey, China, and the EU. Levels in the US and Canada are lower still, at around 10 percent of gross farm income, while the share is lowest (among the countries in this sample) in South Africa and Brazil.

While this approach would represent a major departure from the traditional structure of the WTO Agreement on Agriculture, it could conceivably be used to define a limit on producer transfers—expressed either as a fixed numerical limit for each country (e.g. based on a common reference period), or as a percentage of gross farm income. The measure, particularly if expressed as a share of gross farm income, may in practice disadvantage smaller countries or arguably countries with lower farm income—although negotiators could conceivably agree to make adjustments to compensate for this. This approach nonetheless has the advantage of being comprehensive by including elements of market access and even certain types of green box measures such as decoupled direct payment.

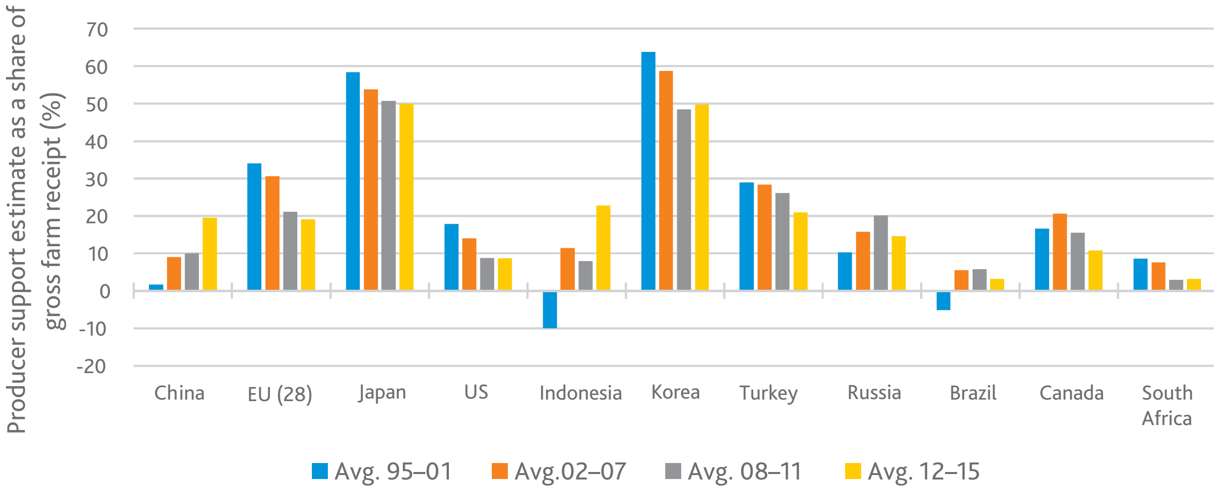
12 It is important to note that OECD data is not available for all countries; support levels in India, in particular, are among those excluded from the analysis below.

Figure 3: Producer support estimate (PSE) in US$ billion



Source: Authors' calculations based on OECD PSE database

Figure 4: Producer support estimate (PSE) as a share of gross farm income

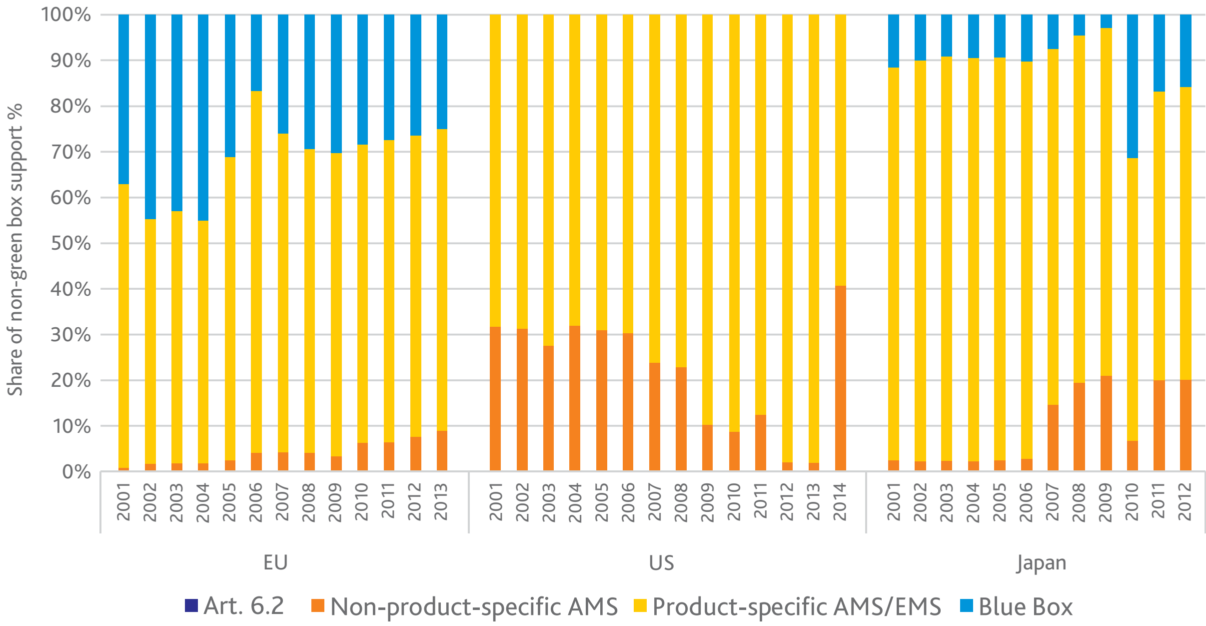


Source: Authors' calculations based on OECD PSE database

4. PRODUCT-SPECIFIC DISCIPLINES AND ANTI-CONCENTRATION APPROACHES

In addition to defining an overall limit on trade-distorting support, several WTO members have expressed concerns that disciplines should avoid excessive product concentration of support through the establishment of disciplines on product-specific support. This may be particularly relevant in cases where product-specific support represents an important share of total trade-distorting support. To illustrate this point, Figure 5 looks at how, in relative terms, six major economies target trade-distorting support to the agricultural sector.[13] Although the data it represents needs to be seen in conjunction with the significance of the absolute levels of support provided, the figure nonetheless provides some important insights into how, in recent years, countries have sought to direct trade-distorting support for farming. Notably, it suggests that the developed countries included below have tended to provide most of their trade-distorting support in the form of product-specific subsidies. This is notably the case in the EU and Japan, where 90 and 80 percent of trade-distorting support respectively is granted in the form of product-specific subsidies. Recent changes in US farm policy, introduced under the 2014 Agriculture Act, may mean that Washington will nonetheless provide more of its support in the form of subsidised crop insurance in coming years and will classify this as non-product specific at the WTO.[14] In contrast, the three developing countries have mostly tended to provide non product-specific support instead. This is particularly the case in India or Brazil—where over 90 percent of the support in recent years was provided as non-product-specific payments.[15]

Figure 5: Product-specific support vs. non-product-specific support

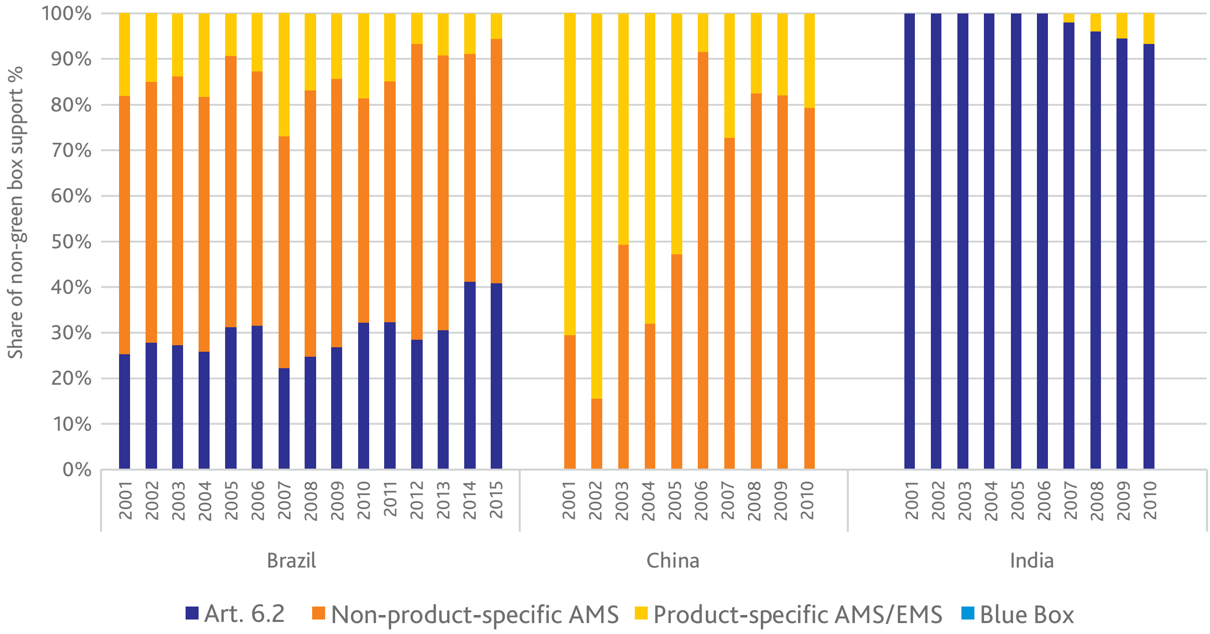


13 For this exercise, we consider blue box measures as product-specific support and Article 6.2 as non product-specific.

14 See also ICTSD (2017c).

15 It should be recalled, however, that notifications for India and China only cover the years up to 2010 and that significant changes have occurred since then, including in areas such as market price support, which is in the form of product-specific support.

Figure 5: *Continued*



Source: Authors' calculations based on WTO notifications

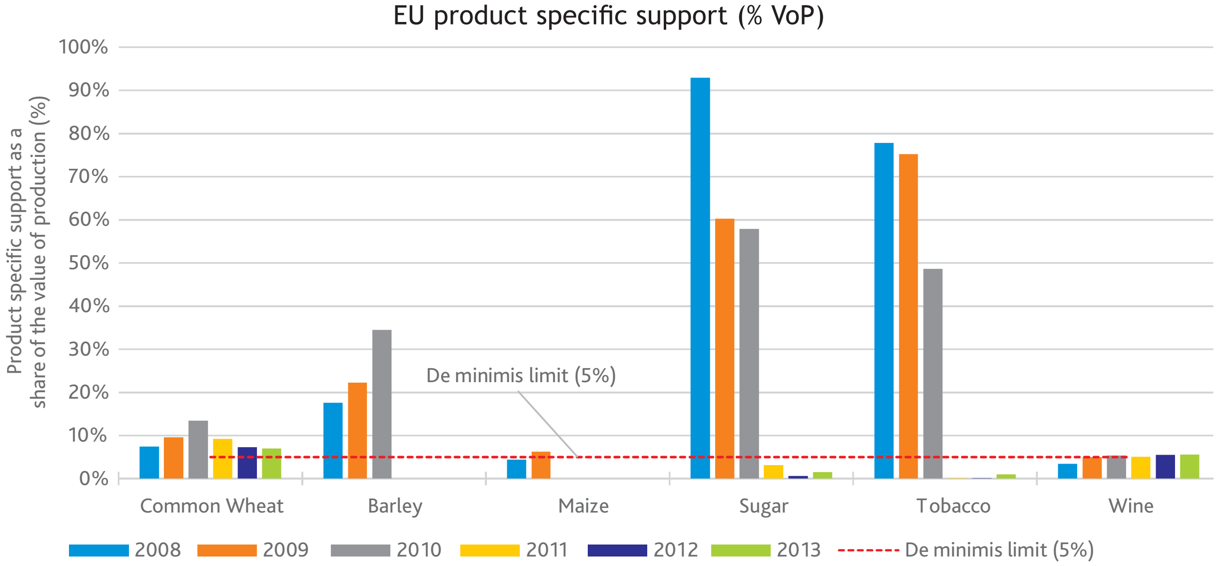
Under the Doha Round talks, the 2008 draft agriculture negotiating texts already envisaged separate product-specific limits for amber box and blue box support, on the basis of average support levels in a historical base period. The same draft texts would also have halved product-specific *de minimis* limits. In effect, this approach established a set of fixed product-specific support limits that each WTO member would agree to respect.

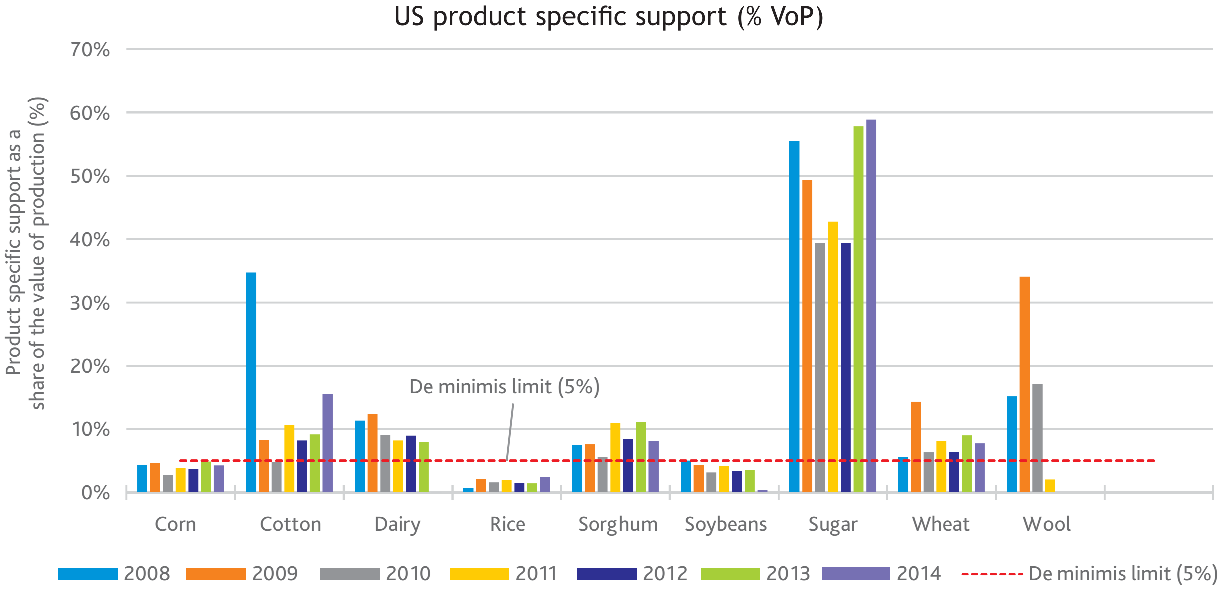
More recently, other countries and groups have put forward new ideas at the WTO on how best to establish disciplines on product-specific support with a view to reducing the concentration of trade-distorting subsidies on any given product. Several alternatives have been suggested so far. A first approach would consist in fixing a product-specific ceiling defined either as a fixed limit or as a percentage of the VoP. In this respect, some suggested that ultimately the *de minimis* limit could become the maximum ceiling, i.e. 5 percent for developed countries, 10 percent for developing countries, and 8.5 percent in the case of China. Another possible approach could involve defining a product-specific limit as a certain percentage of total trade-distorting support. Similarly, the product-specific limit could be defined as a certain percentage of the total trade-distorting support allowed under a new overall cap, as envisaged in section 3 above. Finally, an innovation proposed by the LDCs as one option to deal with cotton could consist in setting a limit on transfers to cotton producers expressed as a percentage of gross agricultural revenue from cotton. As noted above, this approach could conceivably also serve as a template for establishing disciplines on OTDS, but could arguably also be considered as a way to discipline product-specific support as well.

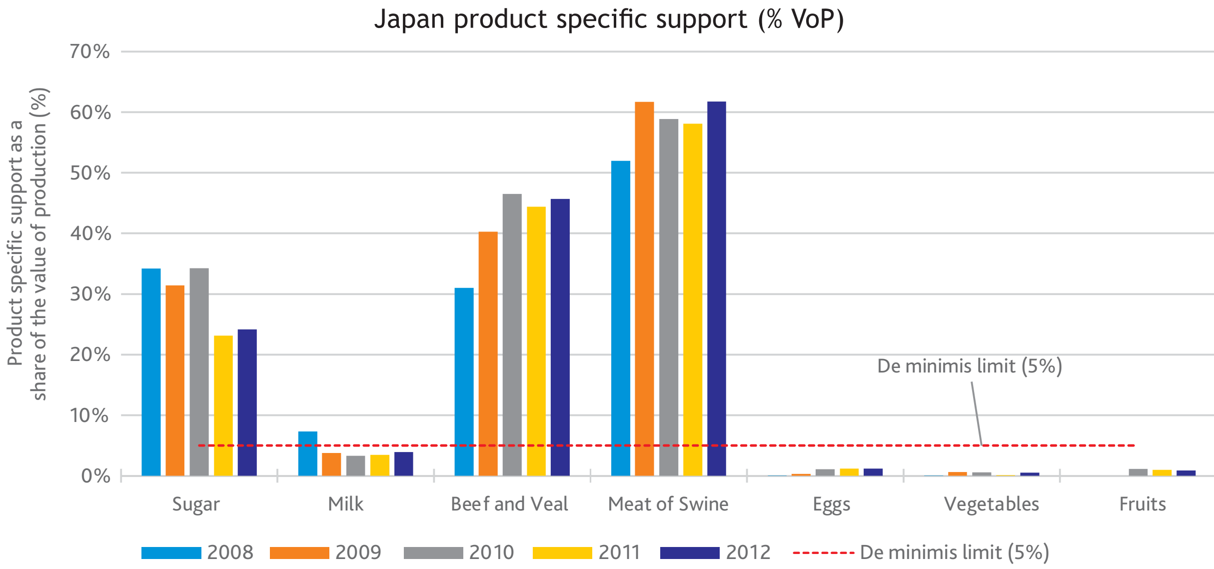
Figures 6 through 9 illustrate these different options. Figure 6 looks at product-specific support as a share of the VoP—using the most recent data which governments have submitted to the global trade body in this area. The graphs also show the current *de minimis* threshold.

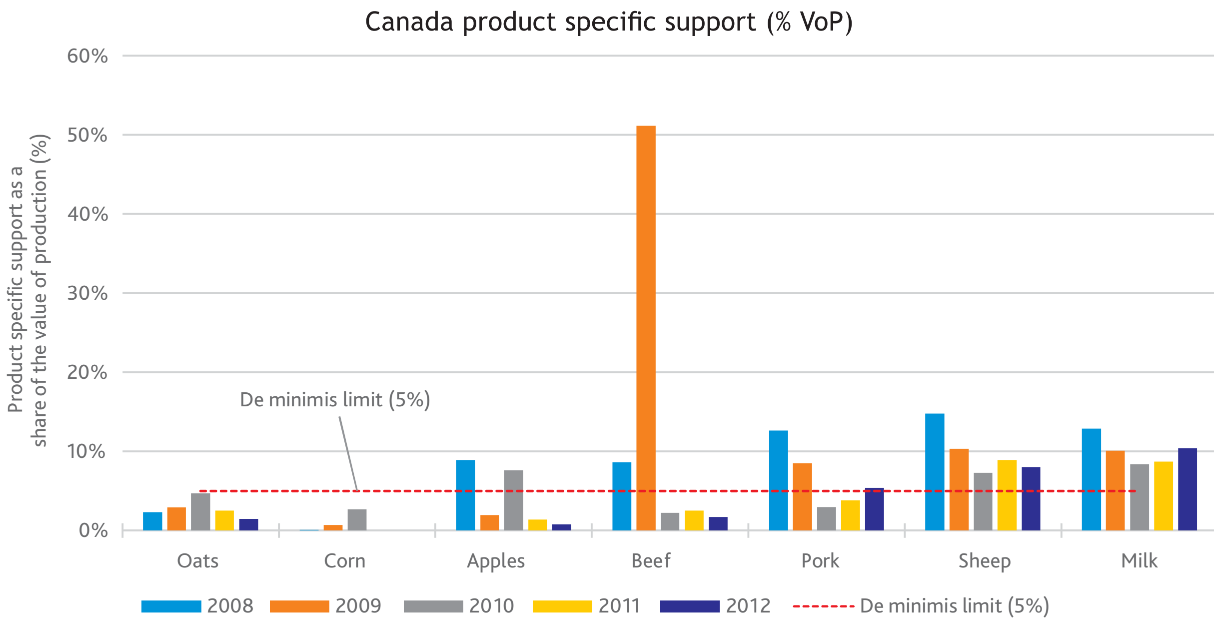
The figures show that the concentration of product-specific support varies considerably across the countries examined. The most recent government figures reported to the WTO indicate that all China's support fell below its *de minimis* threshold, for example, as did Brazil's and Korea's—although before 2010, support provided by Seoul for barley production amounted to a quarter of the VoP. In contrast, in the US, product-specific support was concentrated on sugar and cotton in particular, with support for the former representing as much as 60 percent of the VoP. Similarly, Japan's reported figures indicate substantial support to the sugar sector, as well as to beef and veal, and to swine meat producers. Again, support for the latter product category amounted to 60 percent of the VoP. While the EU has historically provided relatively high levels of support to particular products (such as sugar, tobacco, and barley), successive reforms have meant that the bloc's product-specific support now mostly falls within the existing *de minimis* limit. In Canada, although beef support reached around 50 percent of the VoP in 2009, product-specific support in recent years has tended to be far lower, with milk and sheep meat nonetheless exceeding the *de minimis* ceiling. Russia's product-specific domestic support is almost entirely below its 5 percent *de minimis* level, with high levels of support for reindeer as the only outlier.

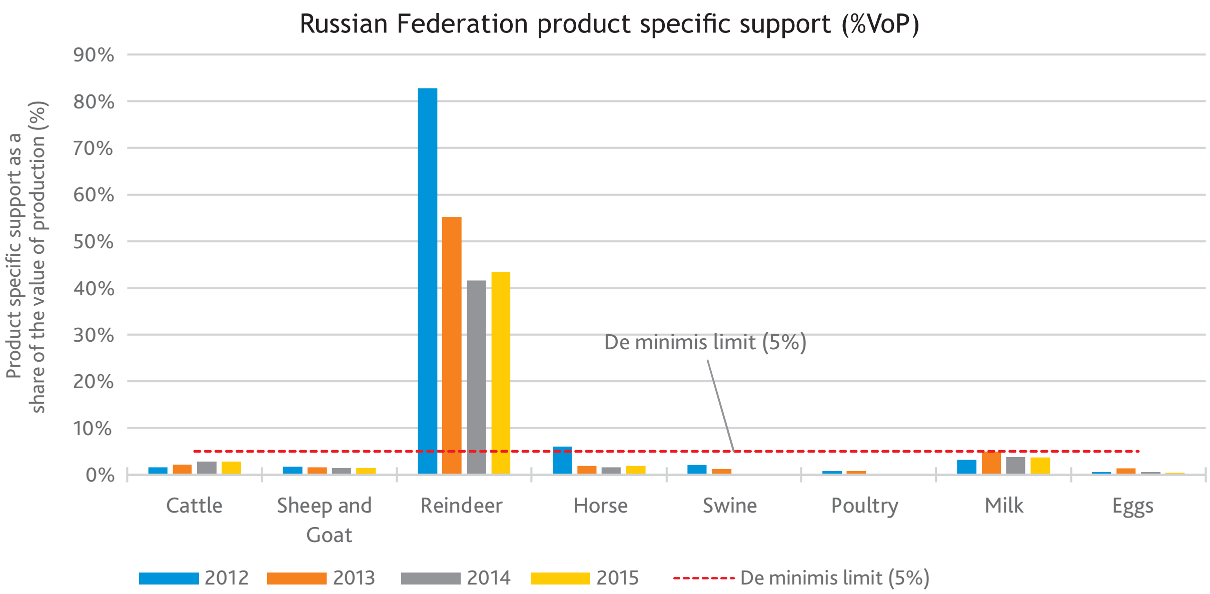
Figure 6: Product-specific support as a percentage of the value of production (VoP)

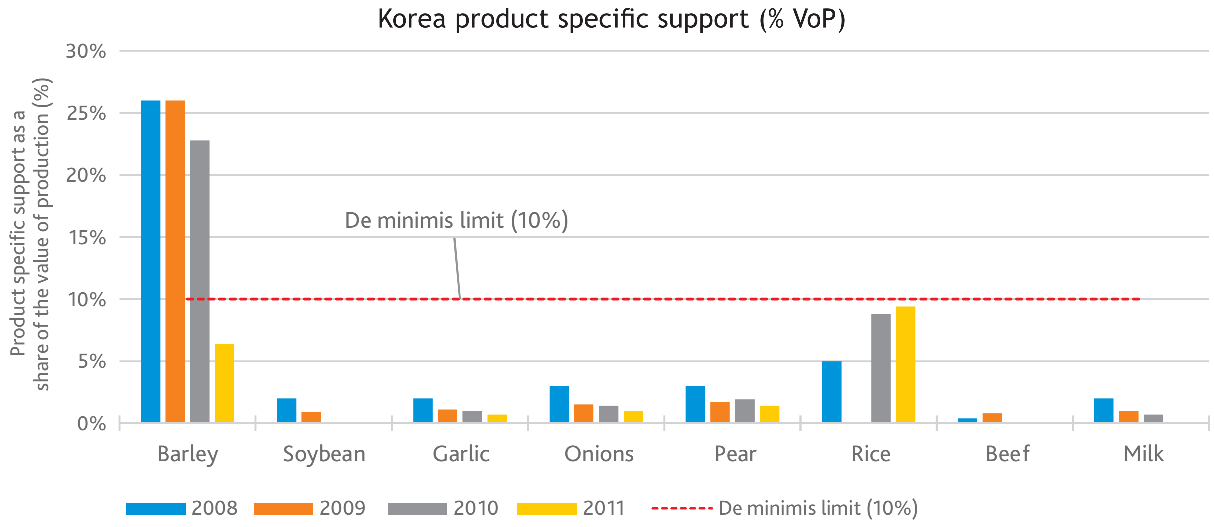


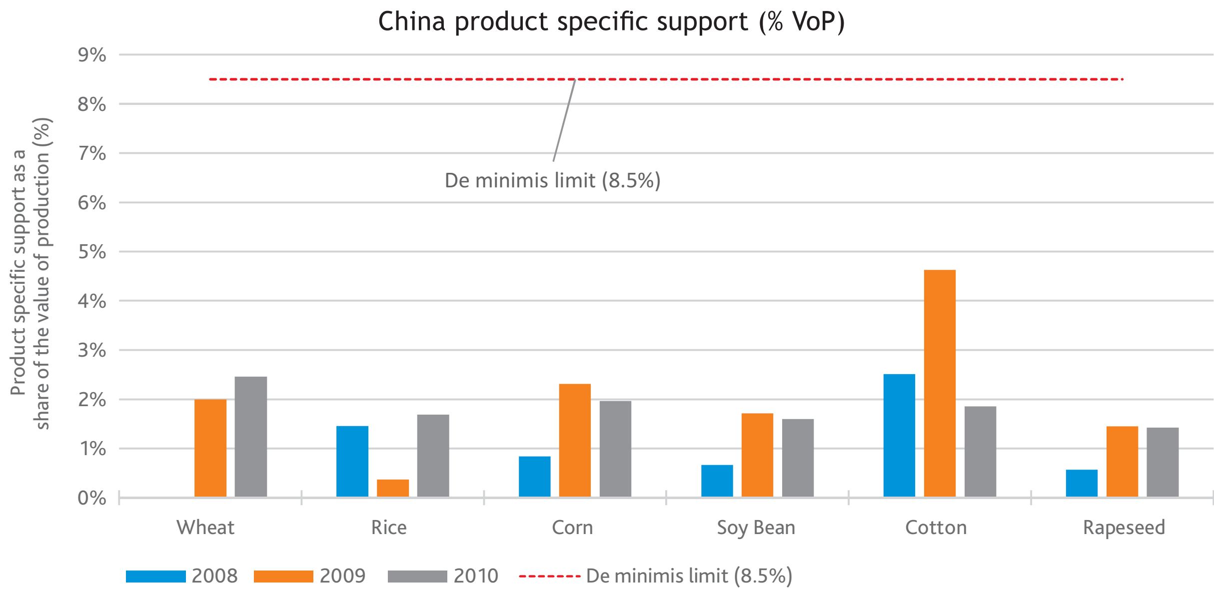



Japan product specific support (% VoP)
Product specific support as a share of the value of production (%)
70%
60%
50%
40%
30%
20%
10%
0%
De minimis limit (5%)
Sugar
Milk
Beef and Veal
Meat of Swine
Eggs
Vegetables
Fruits
2008
2009
2010
2011
2012
De minimis limit (5%)


Canada product specific support (% VoP)
Product specific support as a share of the value of production (%)
60%
50%
40%
30%
20%
10%
0%
De minimis limit (5%)
Oats
Corn
Apples
Beef
Pork
Sheep
Milk
2008
2009
2010
2011
2012
De minimis limit (5%)


Russian Federation product specific support (%VoP)
Product specific support as a share of the value of production (%)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
De minimis limit (5%)
Cattle
Sheep and Goat
Reindeer
Horse
Swine
Poultry
Milk
Eggs
2012
2013
2014
2015
De minimis limit (5%)


Korea product specific support (% VoP)
Product specific support as a share of the value of production (%)
30%
25%
20%
15%
10%
5%
0%
De minimis limit (10%)
Barley
Soybean
Garlic
Onions
Pear
Rice
Beef
Milk
2008
2009
2010
2011
De minimis limit (10%)


China product specific support (% VoP)
Product specific support as a share of the value of production (%)
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
De minimis limit (8.5%)
Wheat
Rice
Corn
Soy Bean
Cotton
Rapeseed
2008
2009
2010
De minimis limit (8.5%)

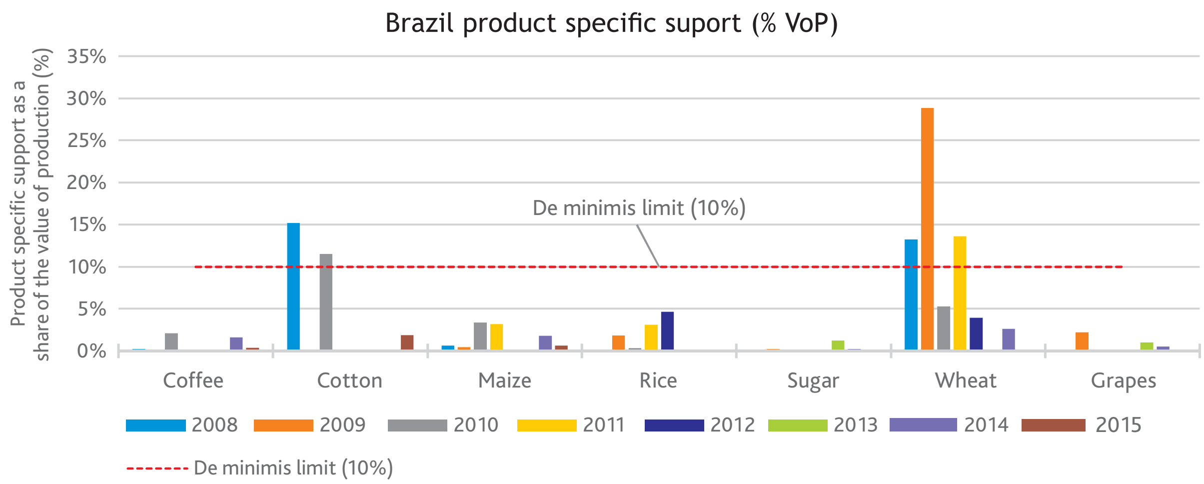

Brazil product specific suport (% VoP)
Product specific support as a share of the value of production (%)
35%
30%
25%
20%
15%
10%
5%
0%
De minimis limit (10%)
Coffee
Cotton
Maize
Rice
Sugar
Wheat
Grapes
2008
2009
2010
2011
2012
2013
2014
2015
De minimis limit (10%)

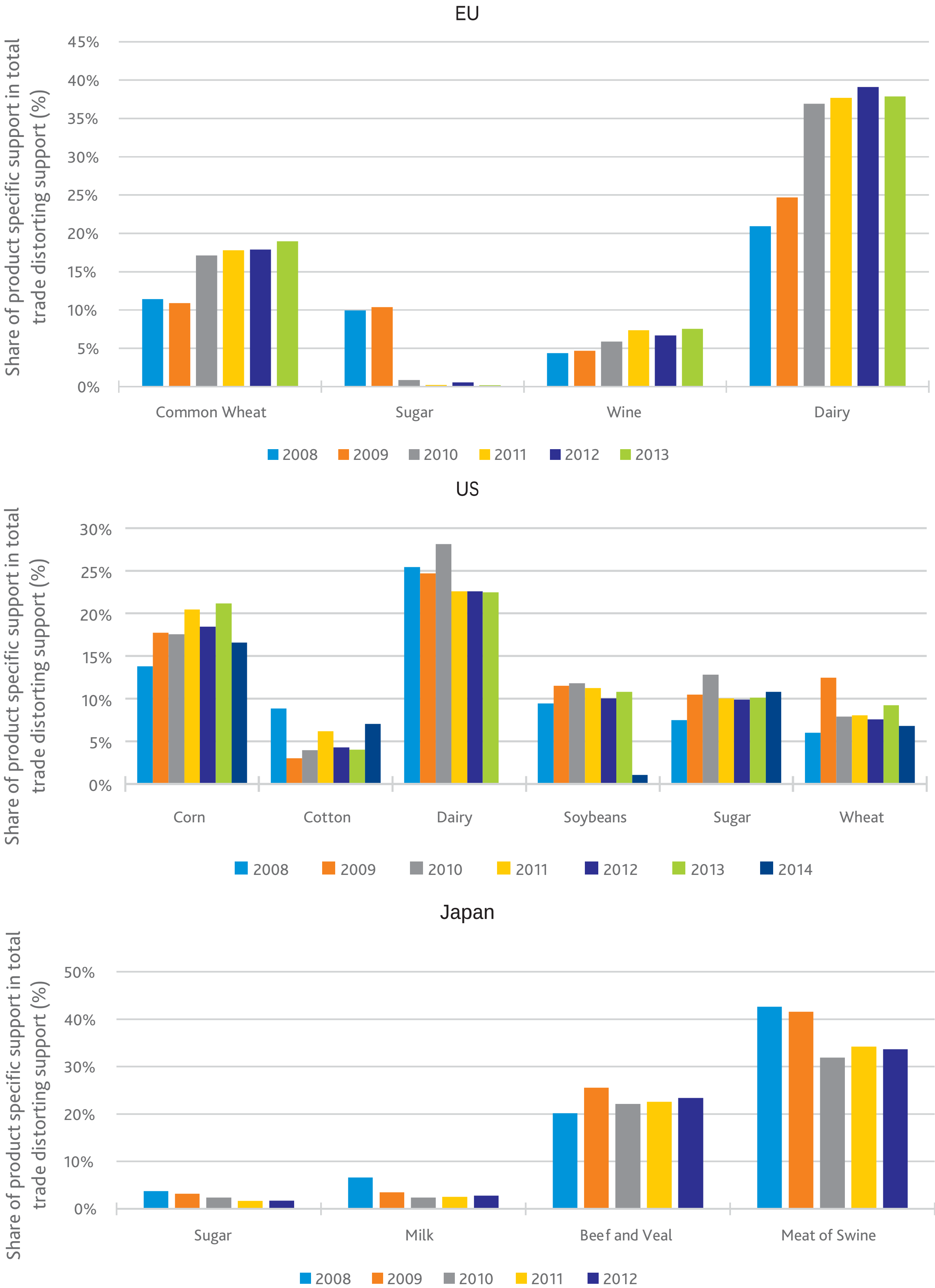
Figure 7 illustrates the option of a limit based on the percentage of total trade distorting support. It represents product-specific support granted for the top subsidised products as a share of the sum of AMS, *de minimis*, and blue box support. While China—at least up until 2010—barely exceeded 6 percent of total trade distorting support for its most intensively subsidised products, in Korea the level of this support reached 70 percent for rice in 2011. In the EU, dairy accounted for over 35 percent of all trade-distorting support in recent years and nearly 20 percent for wheat. Similarly, in the US, dairy and corn accounted for roughly 40 percent of all trade-distorting support. Pork and beef are particularly sensitive in Japan, together accounting for nearly two-thirds of total support.

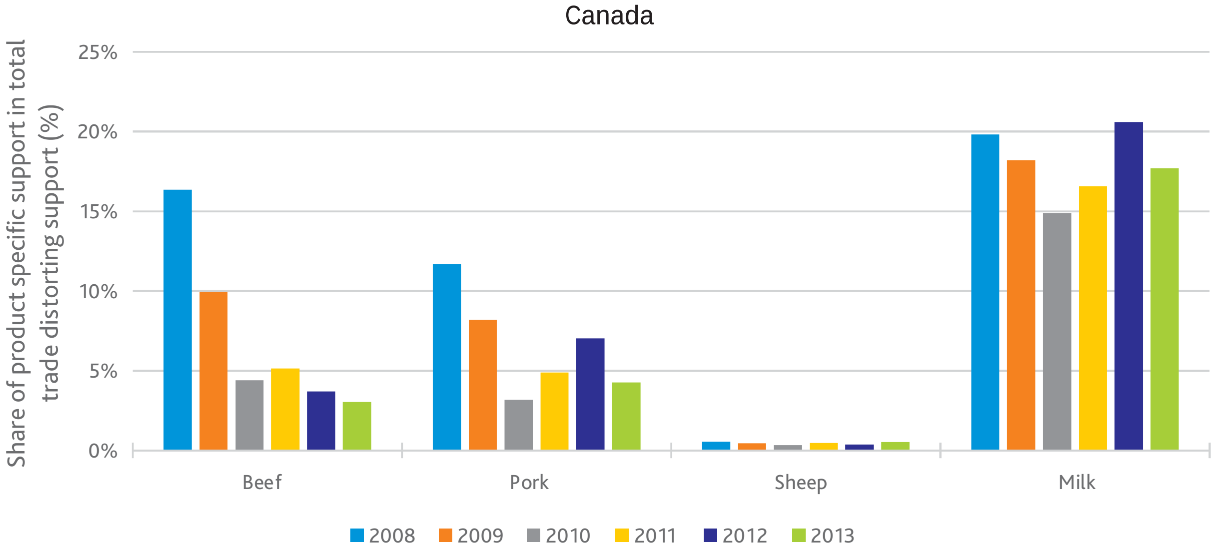
A third option for such anti-concentration disciplines would consist in setting a limit to product-specific support expressed as a maximum percentage of a new overall ceiling on trade-distorting support, as discussed under section 3 above. Figure 8 illustrates this option by looking at the top three subsidised products in eight WTO members. For each country, it shows three possible scenarios for an overall limit on trade-distorting support using the same figures as in section 3, i.e. a cap set at 5, 10, or 20 percent of the VoP. It then calculates the share of these overall caps represented by the top three products benefiting from product-specific support in the most recent years for which notifications are available.

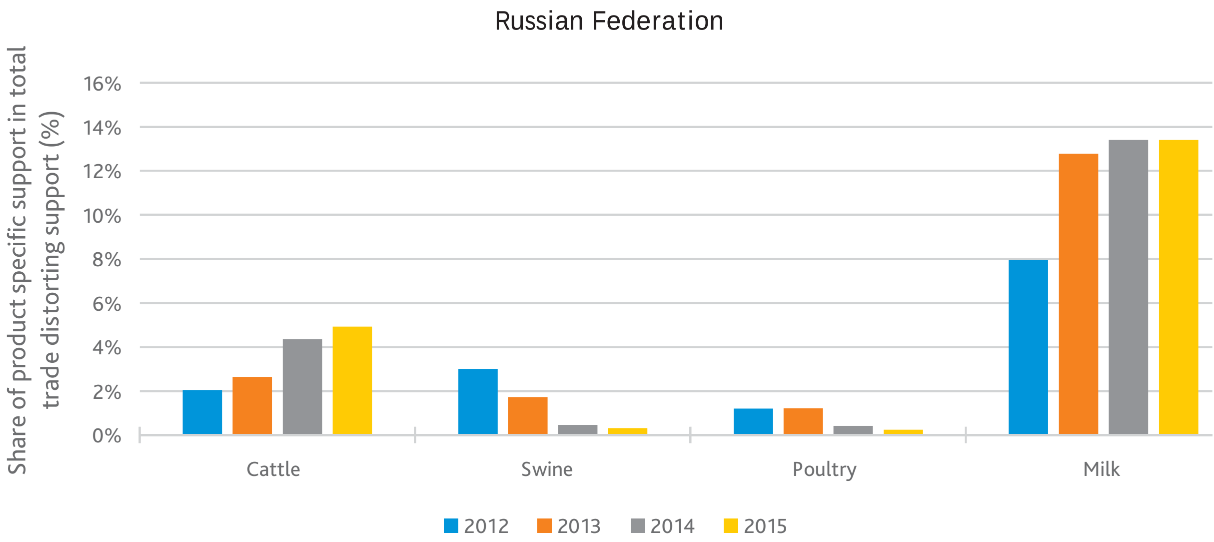
For example, if members agreed on a new overall cap for trade-distorting support set at 10 percent of the VoP, Figure 9 shows that product-specific support granted by the EU in the dairy sector represented between 10 and 15 percent of this entitlement between 2008 and 2013. In Japan, product-specific spending in recent years for swine corresponded to nearly 40 percent of such an entitlement capped at 10 percent of the VoP and over 20 percent for beef and veal. For all other countries, no product-specific support would have exceeded 15 percent of an overall cap set at 10 percent of the VoP, with the exception of Korea for rice in 2011. Logically, the share of the total entitlement that product-specific support represents is divisible by two if the overall ceiling is set at 20 percent of the VoP—and multiplied by two if the new overall cap is set at 5 percent.

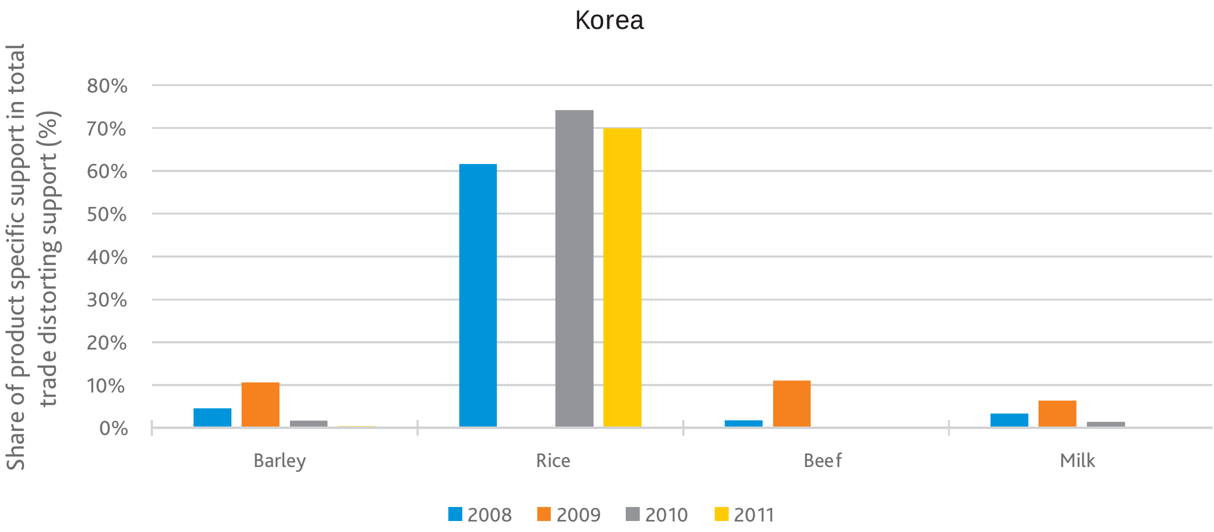
As with the previous set of graphs, developing countries such as China or Brazil which allocate the majority of their domestic support in the form of non-product-specific payments show much lower percentages than developed countries. Overall, however, the high variations in the level of product-specific support across commodities and countries may make it difficult in the short term to set a uniform limit for all products unless specific exceptions or flexibilities are envisaged. A possible way to overcome this problem could be to set the limits based on some historical levels with gradual reduction commitments.

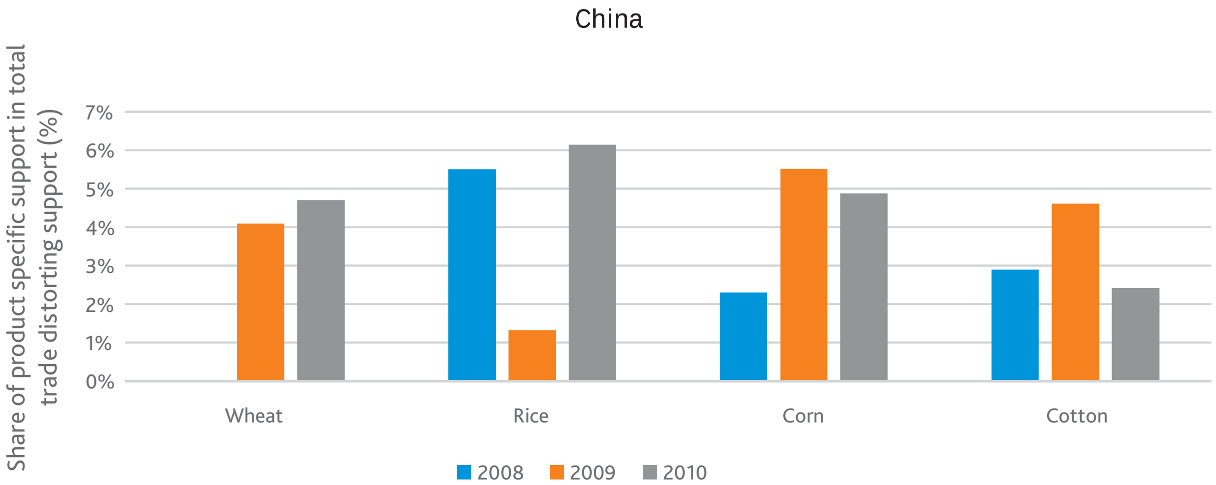
Figure 7: Product-specific support as a percentage of all trade-distorting support

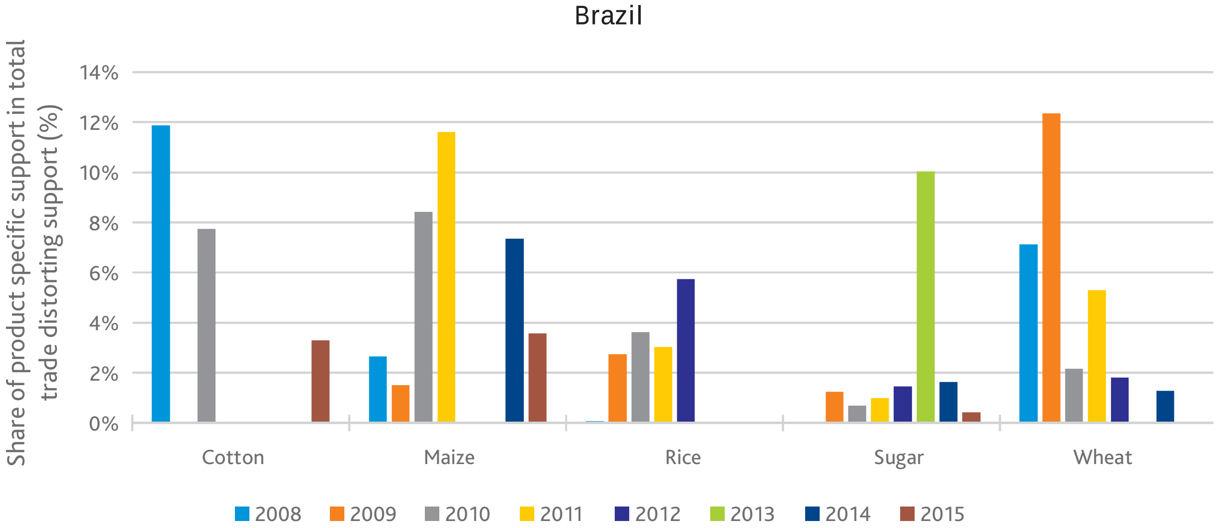



Canada
Share of product specific support in total trade distorting support (%)
25%
20%
15%
10%
5%
0%
Beef
Pork
Sheep
Milk
2008
2009
2010
2011
2012
2013


Russian Federation
Share of product specific support in total trade distorting support (%)
16%
14%
12%
10%
8%
6%
4%
2%
0%
Cattle
Swine
Poultry
Milk
2012
2013
2014
2015

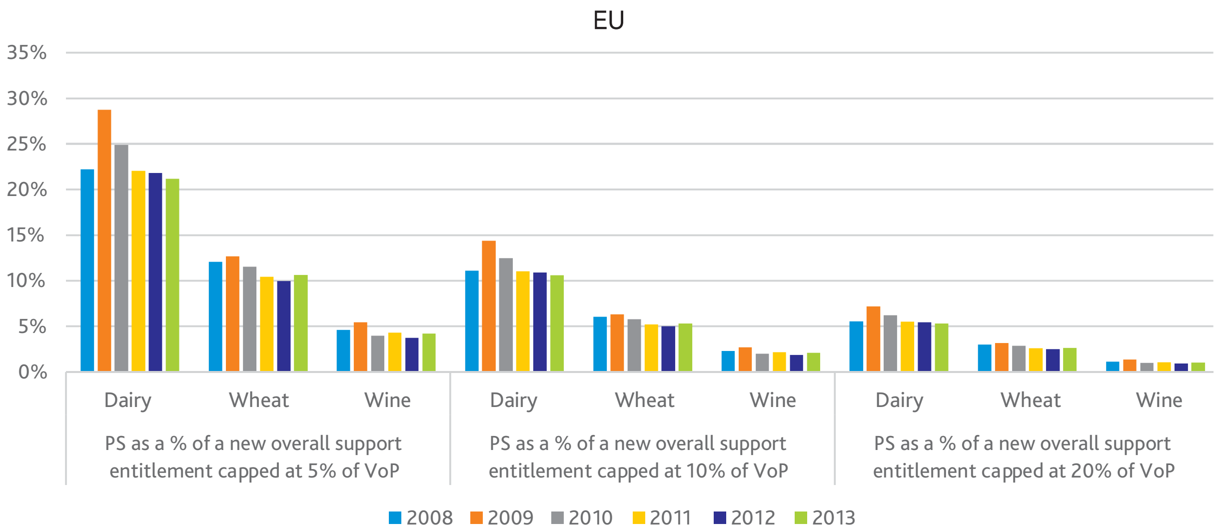

Korea
Share of product specific support in total trade distorting support (%)
80%
70%
60%
50%
40%
30%
20%
10%
0%
Barley
Rice
Beef
Milk
2008
2009
2010
2011

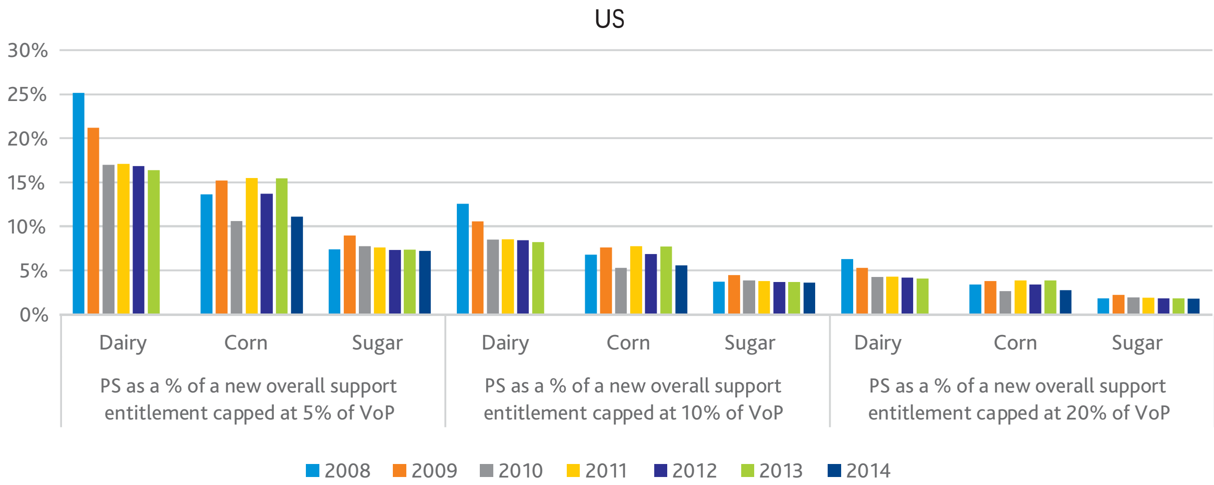


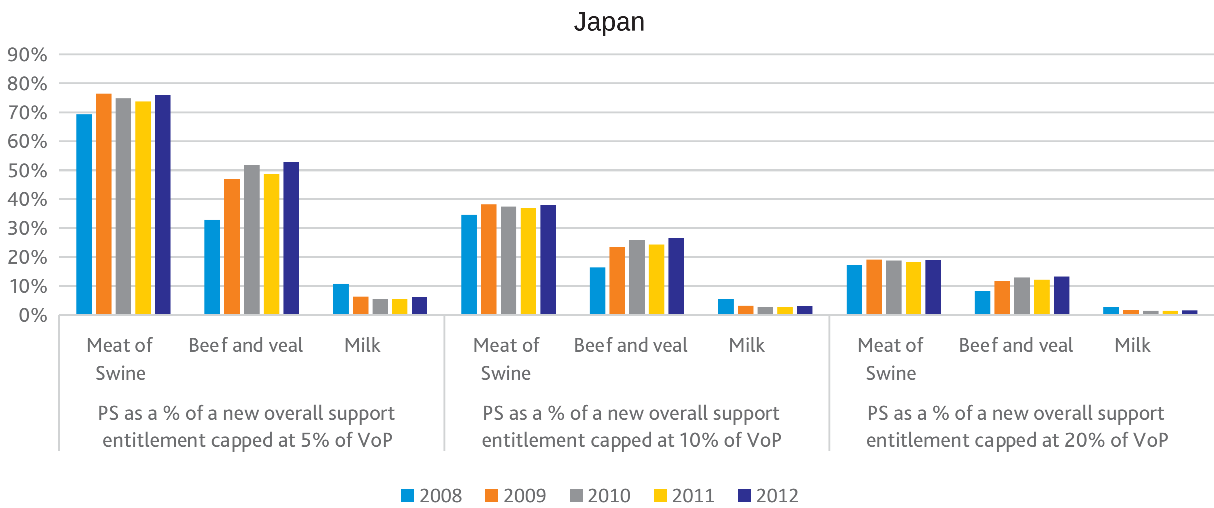


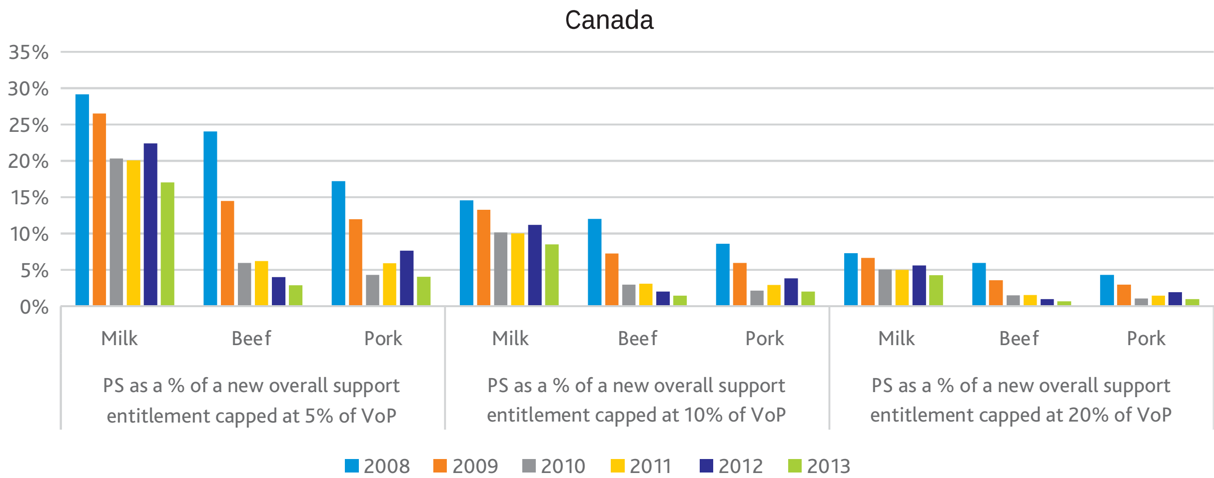
Source: Authors' calculations based on WTO notifications

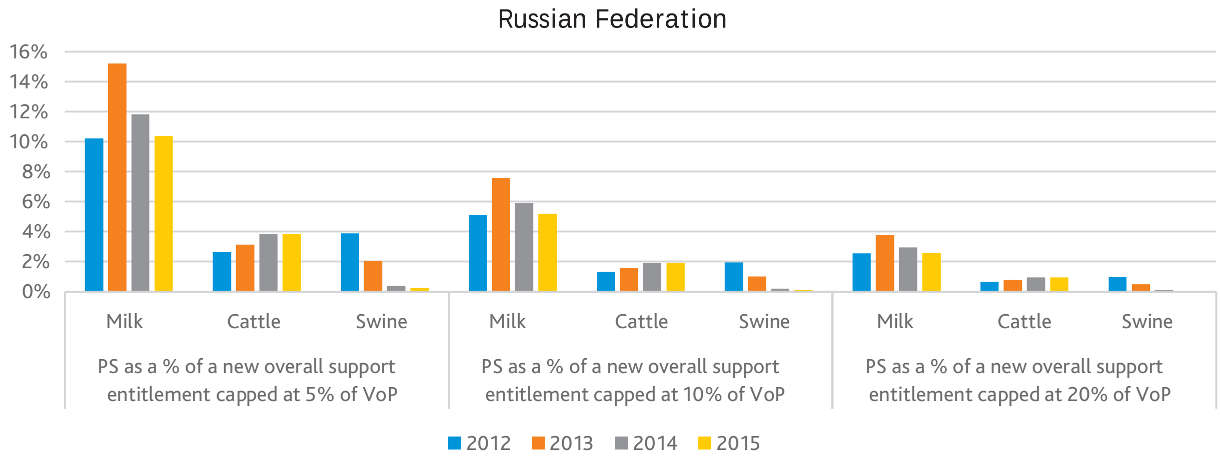
Figure 8: Product-specific support (PSS) as a percentage of a new overall cap on trade-distorting support

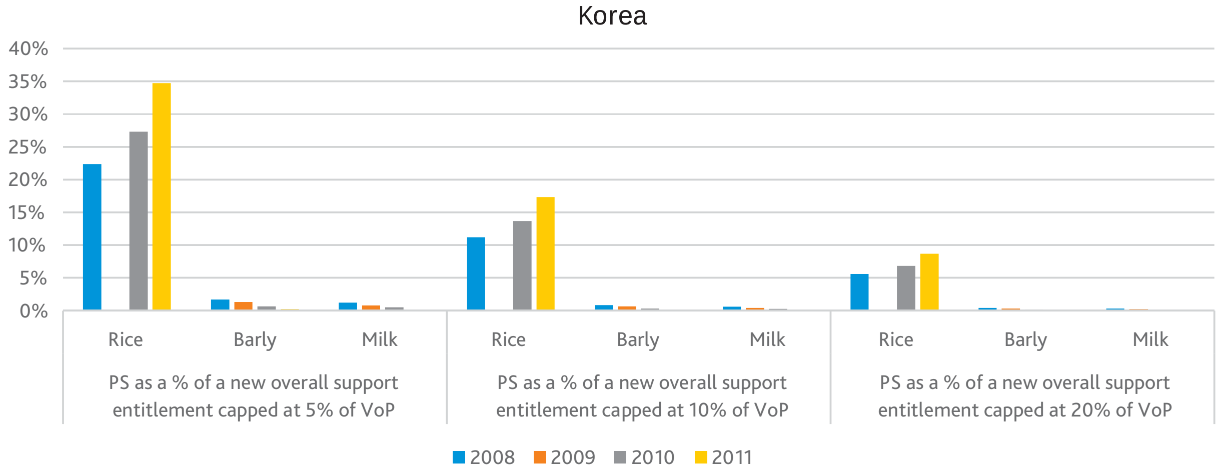


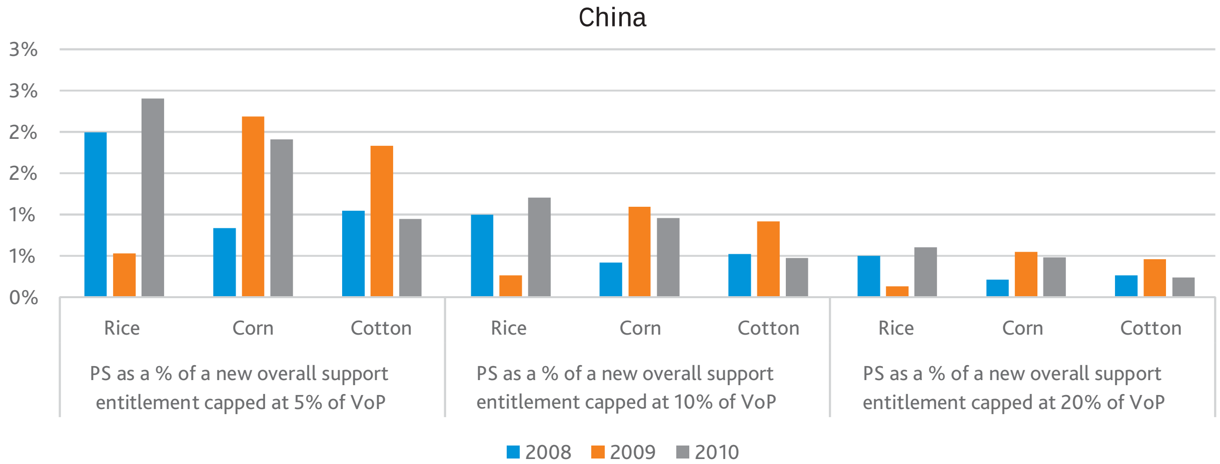

US
30%
25%
20%
15%
10%
5%
0%
Dairy
Corn
Sugar
PS as a % of a new overall support entitlement capped at 5% of VoP
PS as a % of a new overall support entitlement capped at 10% of VoP
PS as a % of a new overall support entitlement capped at 20% of VoP
2008 2009 2010 2011 2012 2013 2014

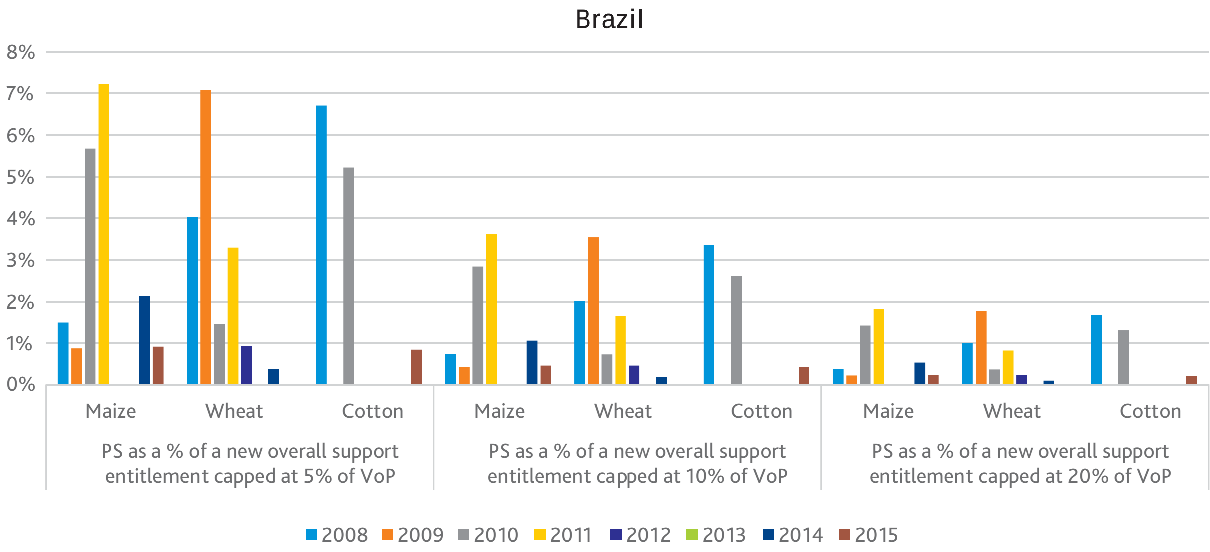

Japan
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Meat of Swine
Beef and veal
Milk
PS as a % of a new overall support entitlement capped at 5% of VoP
PS as a % of a new overall support entitlement capped at 10% of VoP
PS as a % of a new overall support entitlement capped at 20% of VoP
2008 2009 2010 2011 2012


Canada
35%
30%
25%
20%
15%
10%
5%
0%
Milk
Beef
Pork
PS as a % of a new overall support entitlement capped at 5% of VoP
PS as a % of a new overall support entitlement capped at 10% of VoP
PS as a % of a new overall support entitlement capped at 20% of VoP
2008 2009 2010 2011 2012 2013


Russian Federation
16%
14%
12%
10%
8%
6%
4%
2%
0%
Milk
Cattle
Swine
PS as a % of a new overall support entitlement capped at 5% of VoP
Milk
Cattle
Swine
PS as a % of a new overall support entitlement capped at 10% of VoP
Milk
Cattle
Swine
PS as a % of a new overall support entitlement capped at 20% of VoP
2012
2013
2014
2015


Korea
40%
35%
30%
25%
20%
15%
10%
5%
0%
Rice
Barly
Milk
PS as a % of a new overall support entitlement capped at 5% of VoP
Rice
Barly
Milk
PS as a % of a new overall support entitlement capped at 10% of VoP
Rice
Barly
Milk
PS as a % of a new overall support entitlement capped at 20% of VoP
2008
2009
2010
2011


China
3%
3%
2%
2%
1%
1%
0%
Rice
Corn
Cotton
PS as a % of a new overall support entitlement capped at 5% of VoP
Rice
Corn
Cotton
PS as a % of a new overall support entitlement capped at 10% of VoP
Rice
Corn
Cotton
PS as a % of a new overall support entitlement capped at 20% of VoP
2008
2009
2010

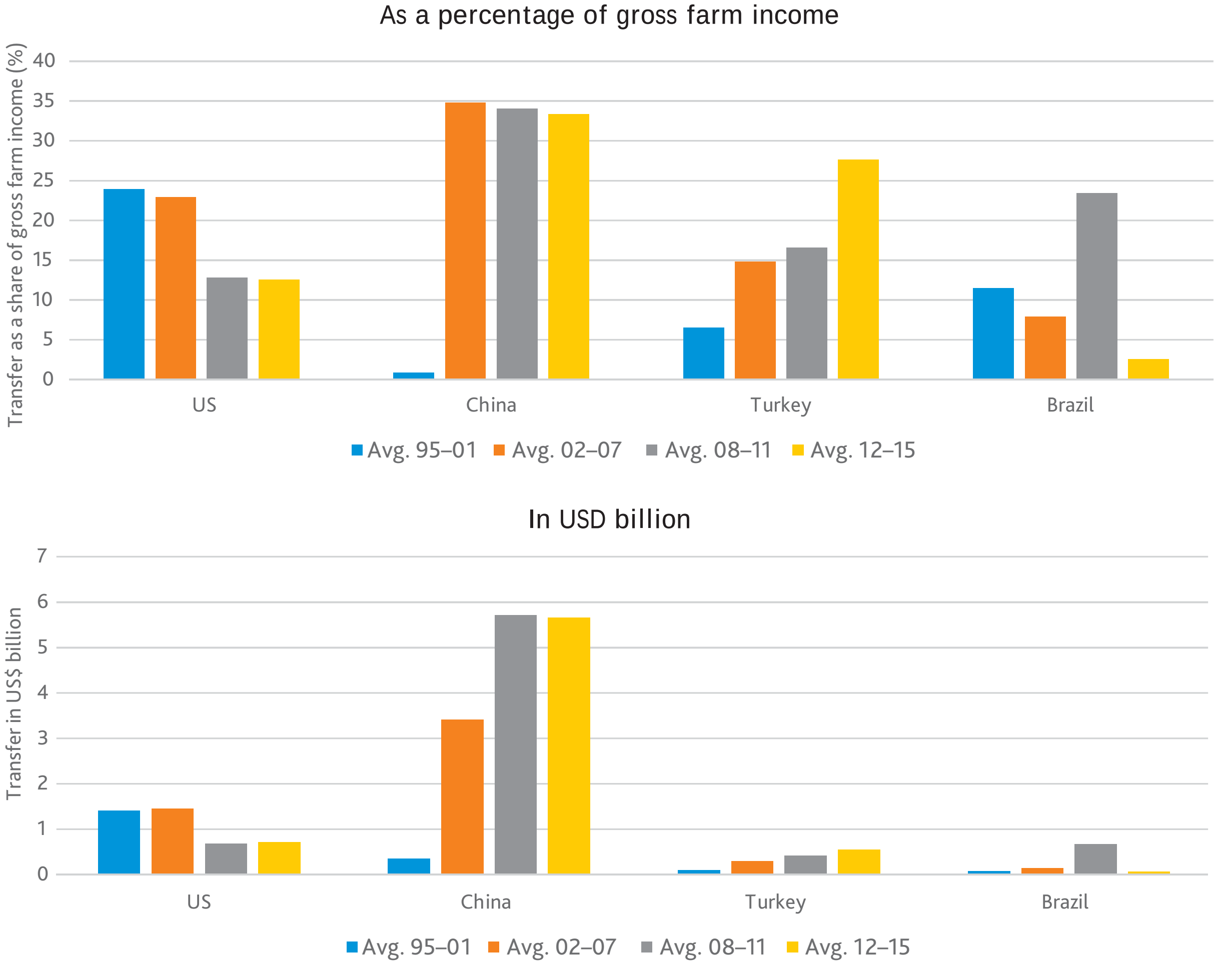


Source: Authors' calculations based on WTO notifications

Finally, it is possible to use OECD figures to make a preliminary assessment of the implications of setting a limit on transfers to cotton producers expressed as a percentage of gross agricultural revenue from cotton, as suggested by the LDC group. However, as noted above, this data set does not include all countries, and India in particular is among the economies that are not included. Figure 9 uses OECD data for Single Commodity Transfers (SCTs) as a share of gross farm income to explore how the LDC group's proposed disciplines could affect some of the countries that do provide support in the cotton sector. Since such an approach could, at least in theory, be applied to other commodities, Annex 1 provides similar data for other heavily subsidised products. The SCT represents the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers—measured at the farm gate level—arising from policies linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer. As with the PSE, it takes into account both subsidies and market price support effects, including those resulting from border protection.

The figure indicates that support to cotton producers in China reached US$5.6 billion on average for the 2012-15 period, followed by US$716 million in the US, and over US$540 million in Turkey. If expressed as a share of farm revenue, cotton transfers in China most recently represented over 33 percent of gross farm income, and a slightly lower share of 27 percent in Turkey—whereas it was around 12 percent in the US and less than 3 percent in Brazil. However, recent policy reforms (especially in China) may mean that the share of support in farm income evolves in subsequent years.

Figure 9: Single Commodity Transfers (SCTs) to cotton producers



Source: Authors' calculations based on OECD PSE database

5. APPROACHES TO THE TREATMENT OF TRADE DISTORTIONS

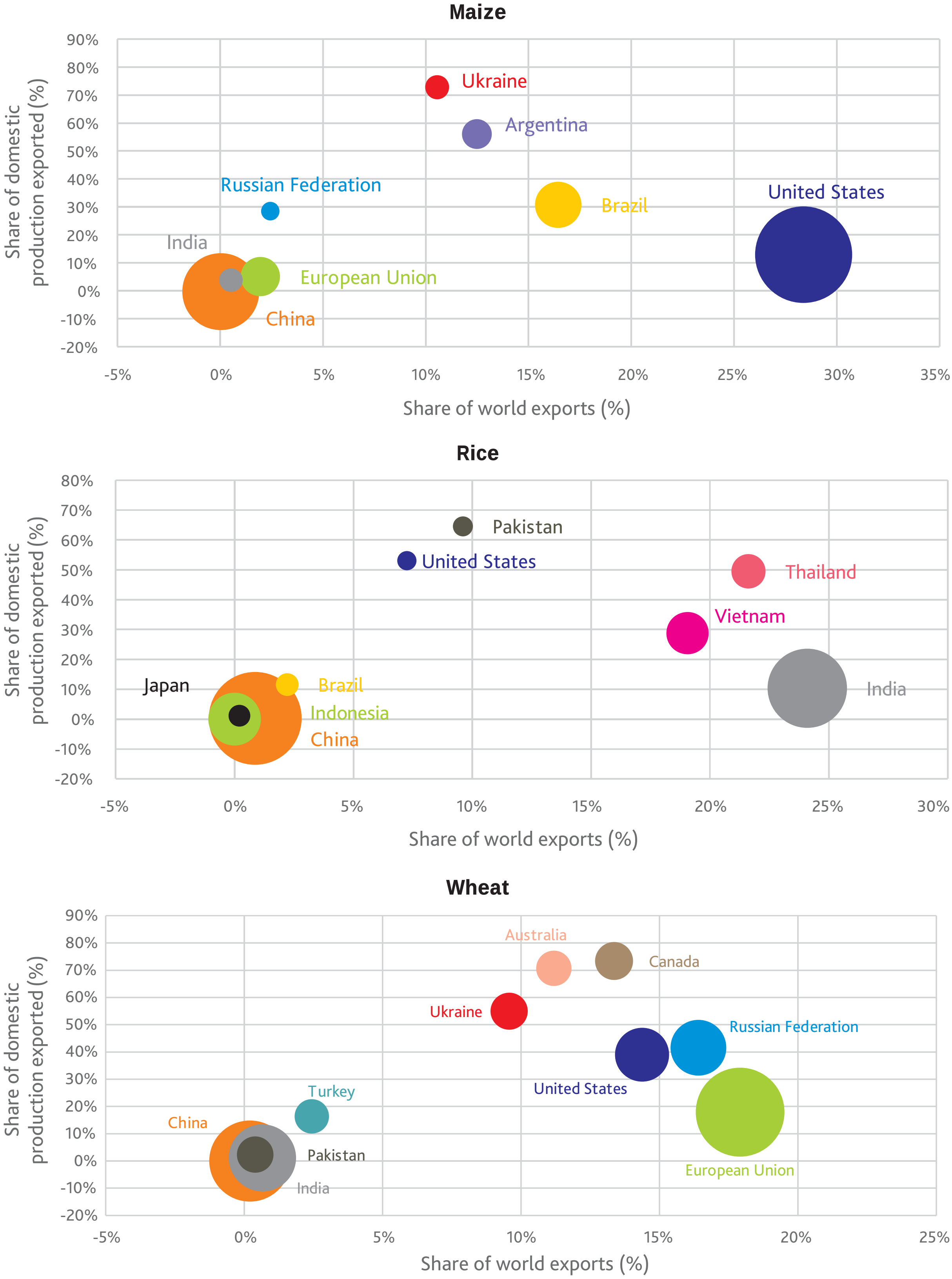
While the three types of approaches described above can be characterised as different ways to identify and define trade distorting support with a view to establishing subsequent disciplines, negotiators have also put forward a number of ideas regarding the treatment of trade distortions. As some negotiating groups have observed, many of the options described above could conceivably be combined in different ways—for example, by establishing limits both on the permitted level of OTDS and limits on product-specific support.

However, because the options discussed in the following section relate to the treatment of trade distorting support, they would necessarily need to be considered in conjunction with other approaches related to the definition (or scope) of the support to be disciplined. One idea put forward by agricultural exporters envisages tighter restrictions on trade-distorting support for products that the subsidising country exports in significant quantities. Those countries suggest that the effects of trade distorting support on exports could be addressed through various criteria, such as the intensity of subsidisation, market share, and volume of exports as percentage of production. Others have argued that support provided by large producers and exporters has a particularly harmful effect on producers abroad, and that these countries therefore need to undertake more ambitious commitments.

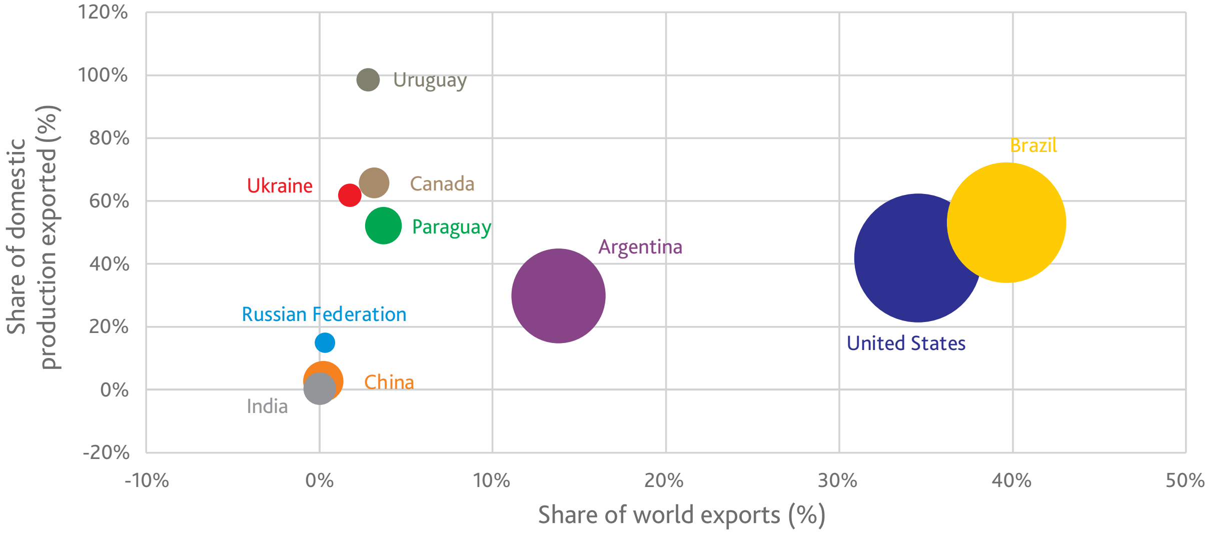
Figure 10 below examines the extent to which selected countries play an important role in the production and trade of eight heavily traded and subsidised commodities. Larger circles represent greater volumes of production in a given country, while those that are closer to the right-hand side of the horizontal axis account for a large share of world exports of the commodity concerned, and those that are closer to the top of the vertical axis export a greater share of their total production. Consequently, large countries represented through large circles in the top-right quadrant have the potential to affect global markets more significantly than others in the event that they provide substantial levels of trade-distorting support for the product concerned. These figures should therefore be combined with country-specific data on intensity of support provided to the respective products: on their own, they say nothing about the extent to which markets for particular agricultural commodities may be affected by distortions.

While this data could usefully complement other analyses on trade distortions, it is easy to see how negotiations that seek to integrate these dimensions could easily become very complicated at an early stage. A possible option might consist in developing an index combining the different variables highlighted here, including the volume of production, the share of domestic production being exported, the share of world exports the country accounts for, and the support intensity—probably defined as product specific support as a share of the VoP. Through this approach, the index would provide for each WTO member a coefficient which would in turn inform the level of commitment to be undertaken by the country.

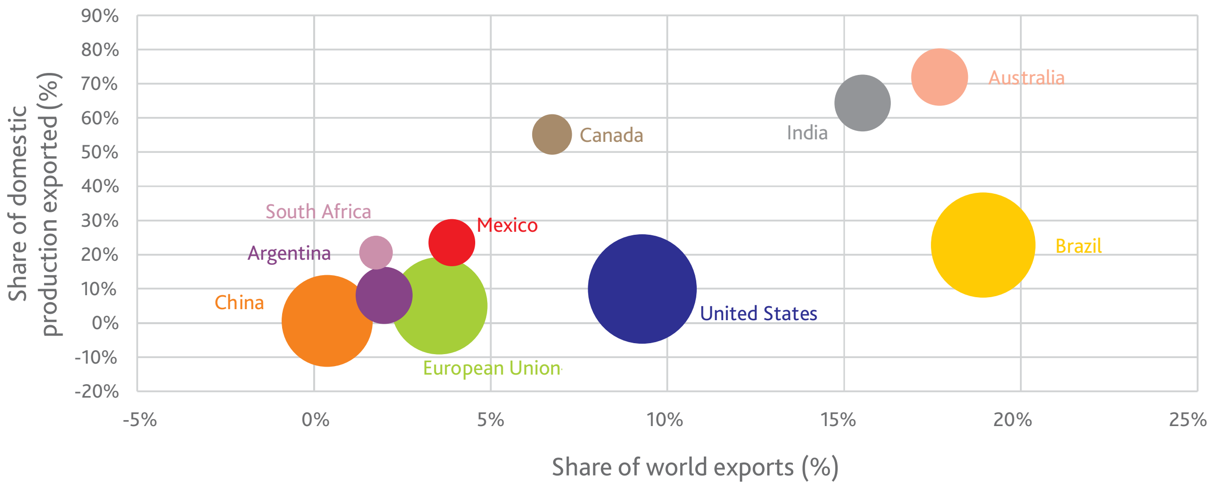
Figure 10: Top producers and exports as a percentage of production



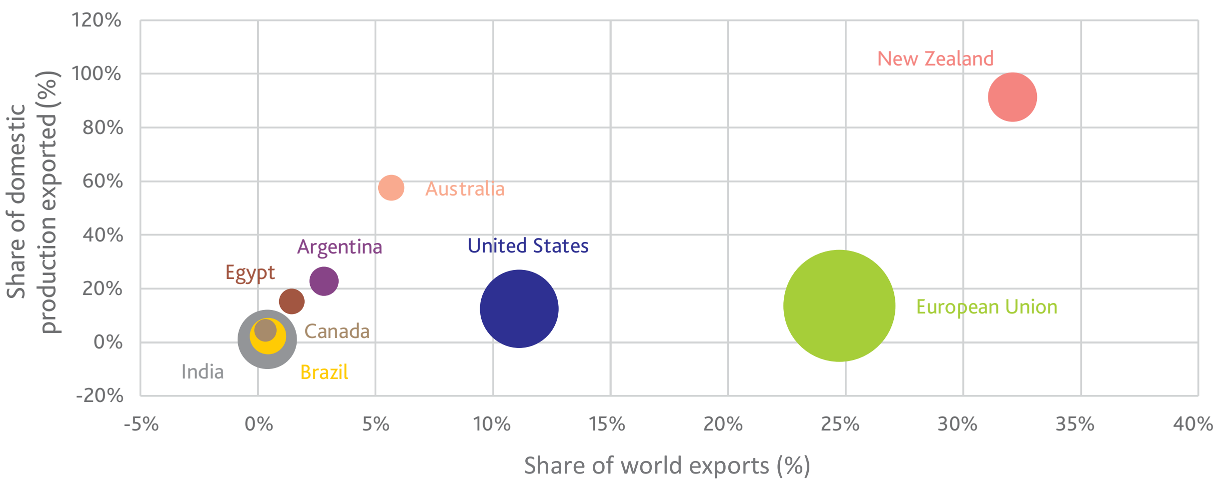
Soybean

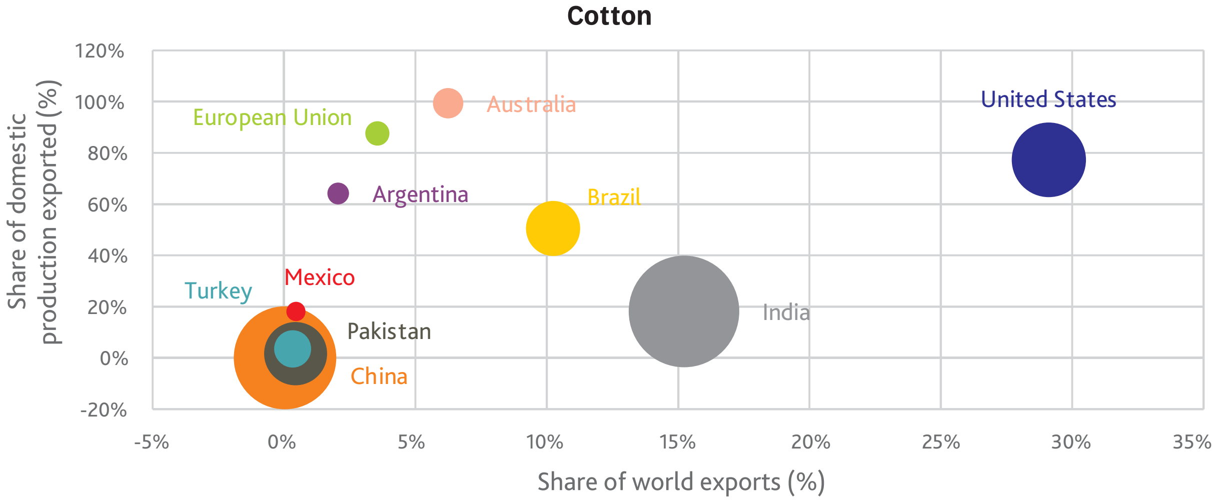


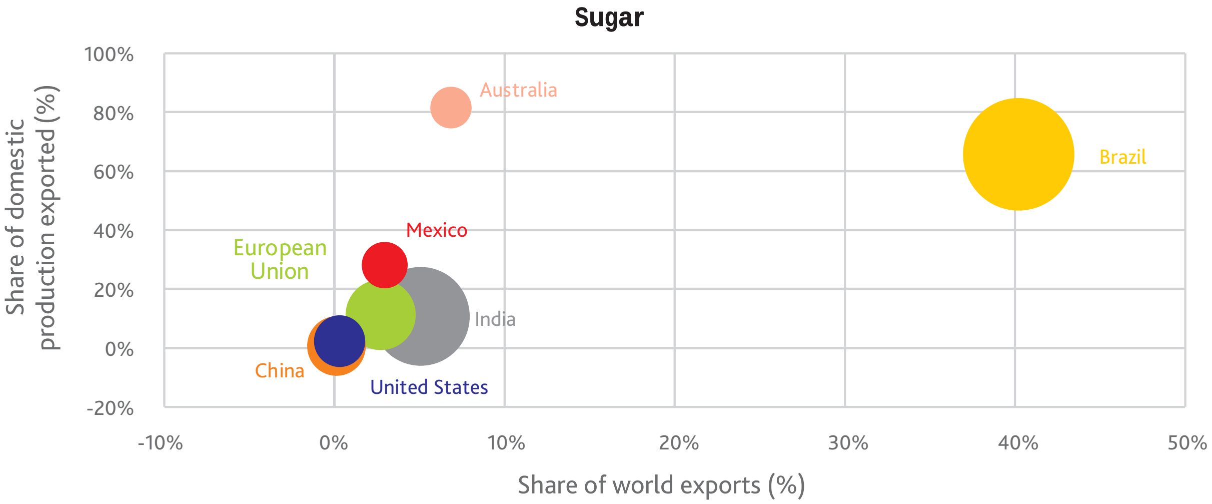
Beef and veal



Dairy







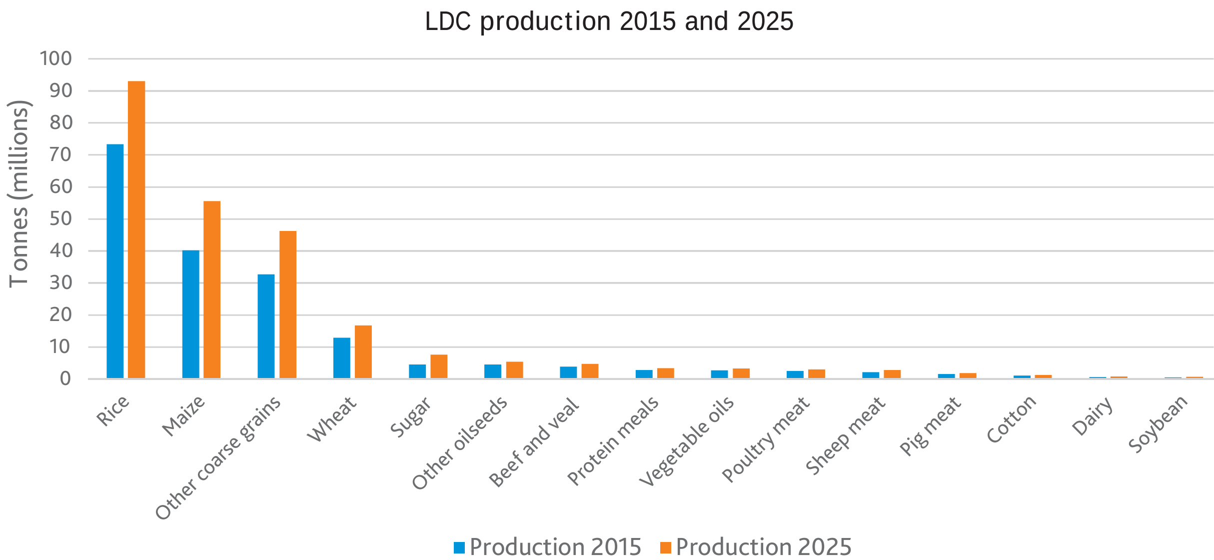
Source: Authors' calculations based on OECD-FAO Agricultural Outlook (data for OECD-FAO 2015)

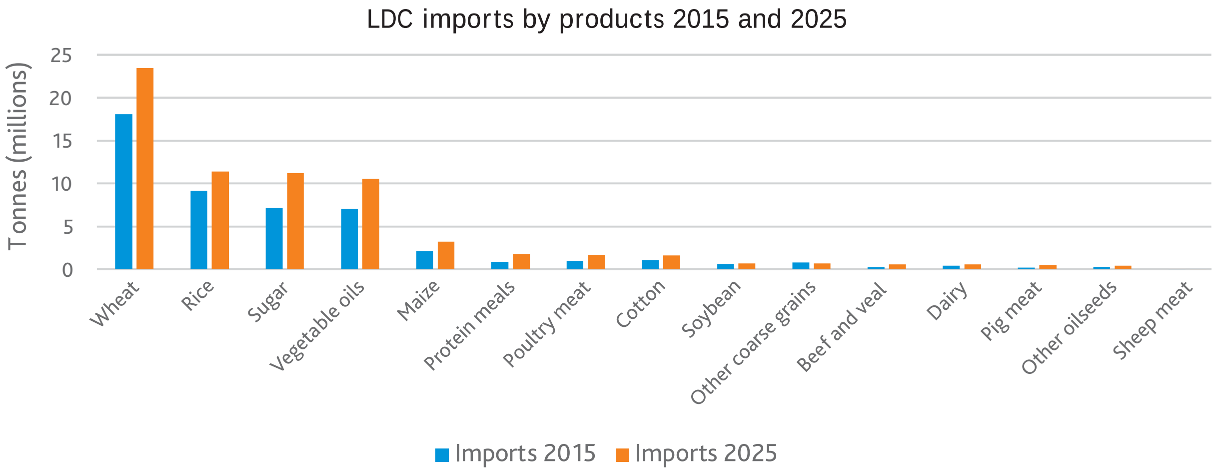
Another approach relates to "special and differential treatment" for developing countries. The LDC group, for example, has traditionally argued that its members should be exempt from any reduction commitments related to domestic support. However, the group also suggested that distortions affecting LDCs should be subject to special disciplines, for example, in the area of product-specific AMS. Others have proposed additional flexibilities for developing countries, as well as technical assistance and capacity building—but have also argued in favour of a particular focus on products of specific interest to LDCs, SVEs, and NFIDCs.

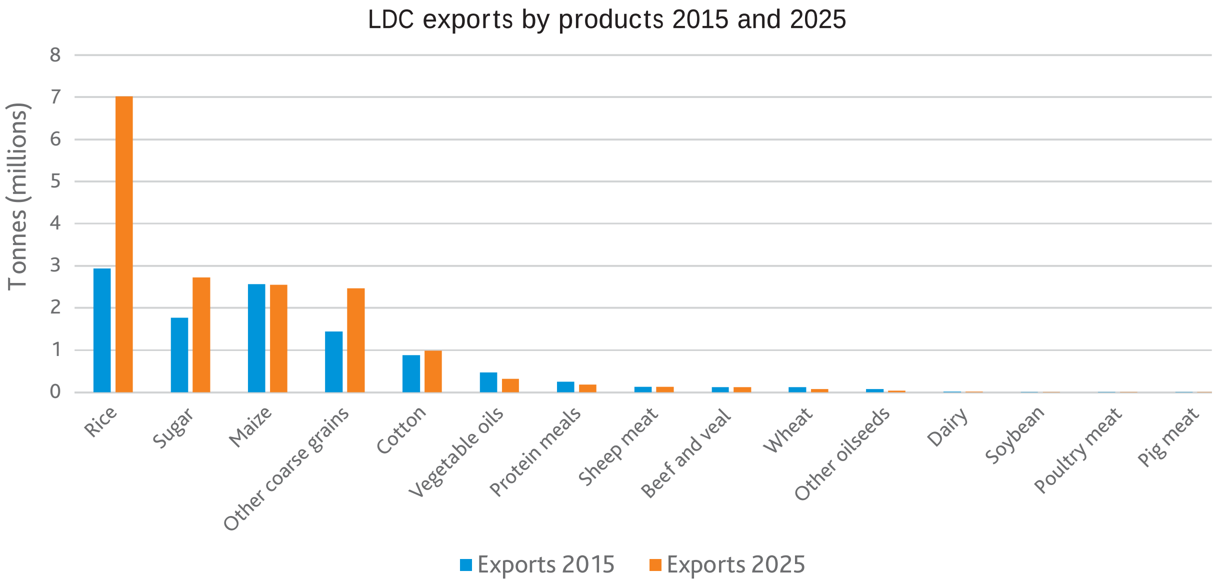
It is possible to identify a set of products which are of particular importance to LDCs in response to the group's suggestion that these be given special treatment in the design of future disciplines on trade distorting support. Using analysis in the OECD-FAO Agricultural Outlook, Figure 11 identifies those products which are projected to be particularly important for LDCs during the 2015-25 period, either because they are expected to be produced in large volumes by LDCs, or because they are exported or imported in large volumes (OECD-FAO 2015). This anticipates that the production of rice, maize, other coarse grains, wheat, and sugar will increase significantly over the 10-year period. All of these, with the exception of wheat, are expected to remain important exports for LDC countries, while exports of rice, sugar, and other coarse grains are due to grow rapidly. Many of the same products will also be important imports for LDC countries in the years ahead: in addition to wheat, rice, sugar, and maize, countries in the group are likely to import larger quantities of vegetable oils as well, and also to import larger amounts of protein meals and poultry.

OECD data indicates that five products are particularly affected by distortions on global markets: rice, maize, beef, pork, and dairy, with wheat and poultry also affected to a lesser degree (Greenville 2017). However, these only partially overlap with the products which the OECD-FAO Outlook projects will be of greatest importance to LDCs (OECD-FAO 2015). Among the most heavily distorted products on global markets, rice and maize would appear to be especially significant for production and trade in LDCs, whereas other subsidised products such as beef, pork, and dairy would seem to be less important in the coming decade.

Figure 11: Products of special interest to least developed countries (LDCs)







Source: Authors' calculations based on OECD-FAO Outlook database (OECD-FAO 2015)

6. CONCLUSION

Negotiators have a wealth of options on the table which could allow them to make progress on the long-standing issue of agricultural domestic support, with a view to improving the functioning of global markets for farm goods and contributing to the "fair and market-oriented agricultural trading system" that was foreseen by the drafters of the existing WTO Agreement on Agriculture.

Indeed, despite the apparent difficulties in moving forward in this area, recent progress in reaching agreements on packages of issues at the WTO's 9th and 10th ministerial conferences have raised cautious hopes among many negotiators that an outcome may also be possible at the organisation's 11th ministerial conference in Buenos Aires.

Negotiators will need to achieve a careful balance between agriculture and other issues in any eventual accord. At the same time, they will need to consider how best to achieve progress on agricultural trade issues while also giving due consideration to countries' sensitivities in this area, including in the area of domestic support.

In particular, there is widespread recognition that negotiators will need to take meaningful steps to redress historical imbalances in maximum permitted levels of trade distorting support, while at the same time establishing an adequate framework to discipline applied support levels in the future.

The ideas which countries and negotiating groups have put forward in the talks so far provide a useful starting point for further discussions on how best to shape future disciplines in this area. Policy makers and negotiators now need to consider how future global rules in this area can most usefully contribute towards more equitable and sustainable markets for food and agriculture.

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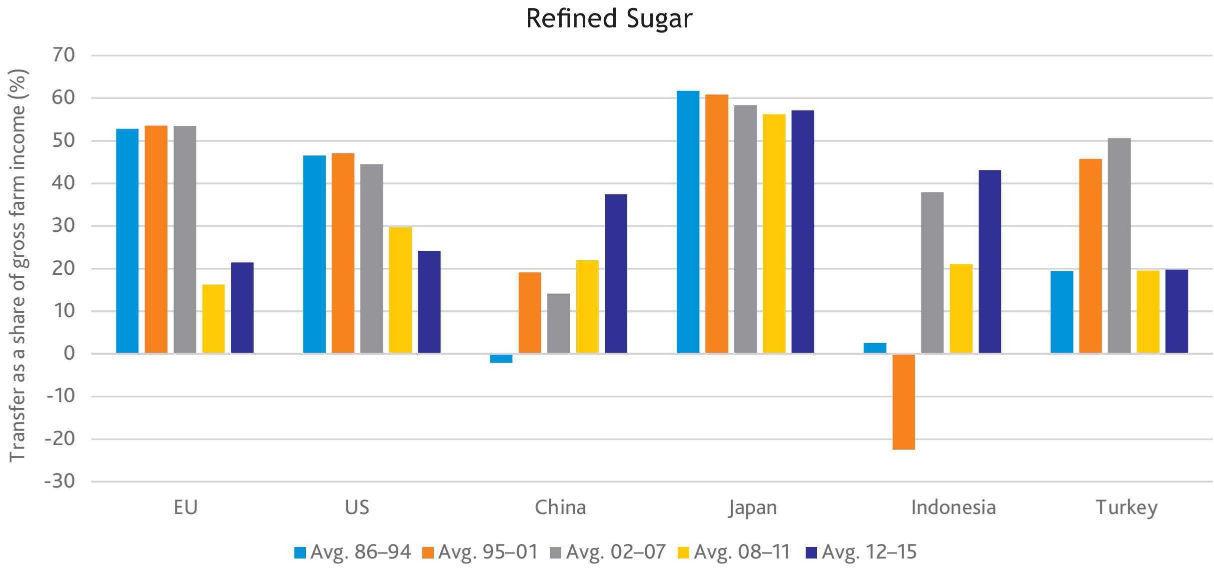
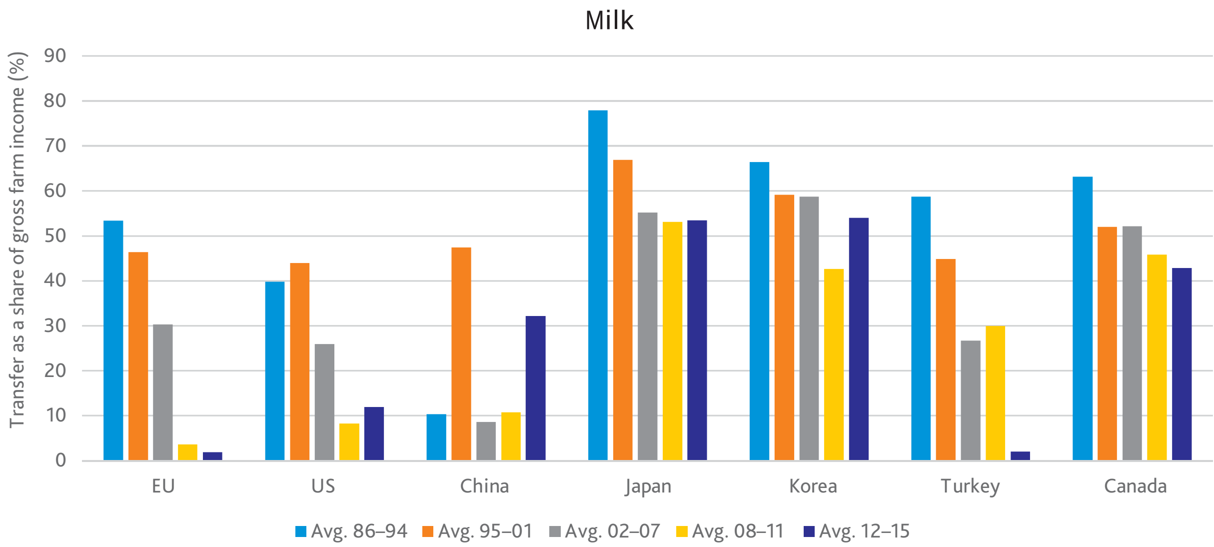
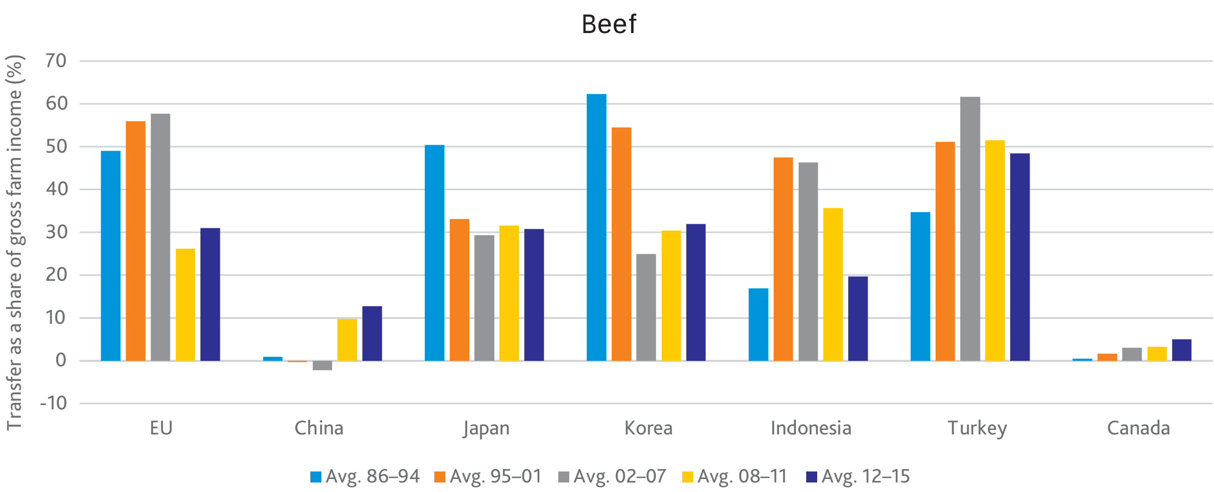
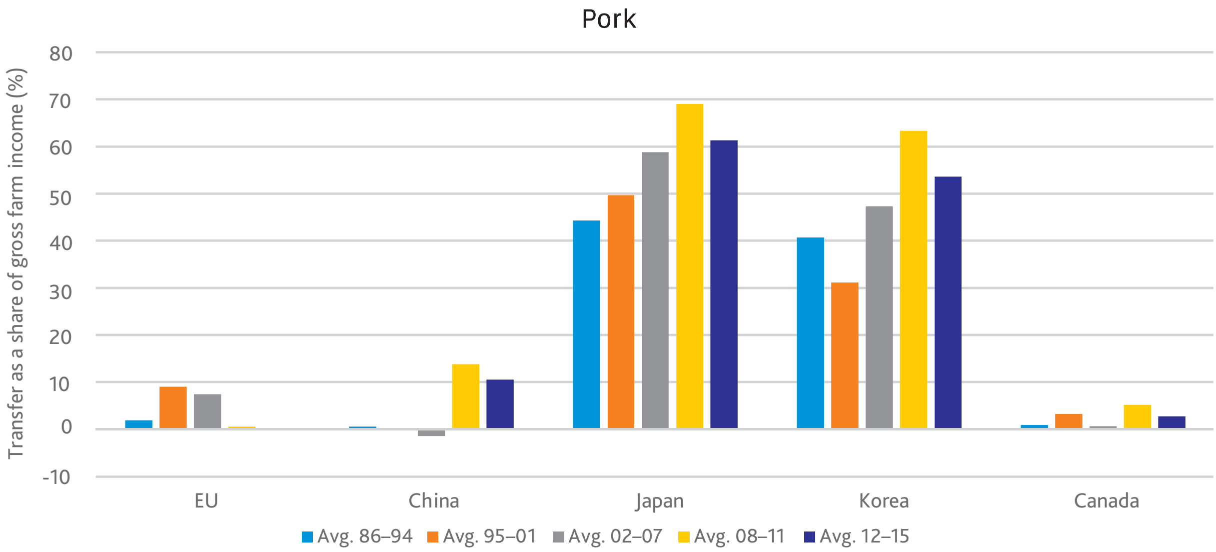
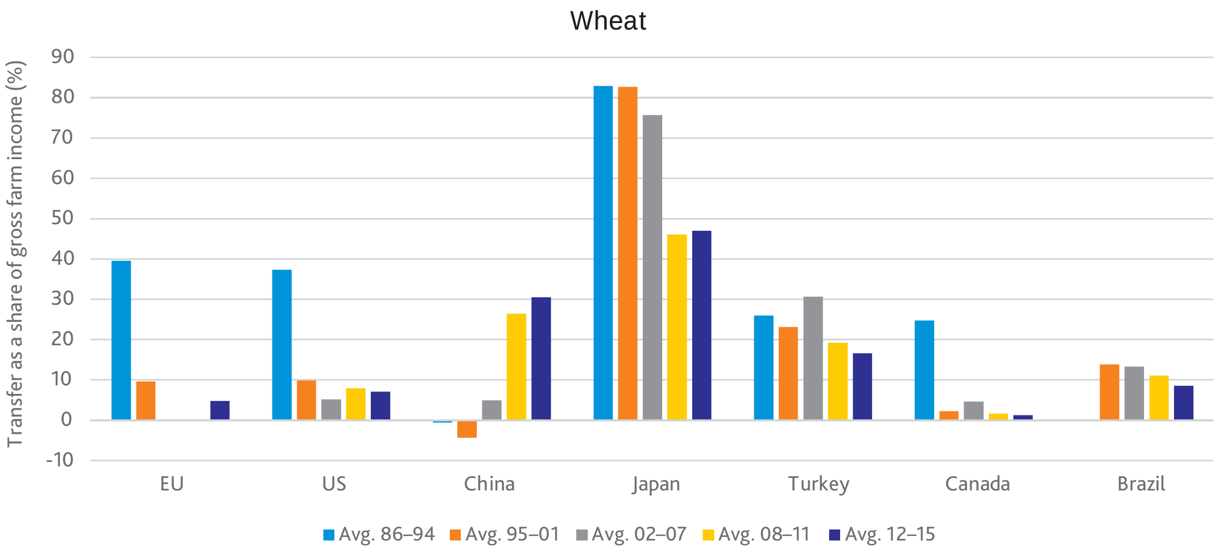
ANNEX 1: SINGLE COMMODITY TRANSFERS (SCTS) AS A SHARE OF GROSS FARM INCOME

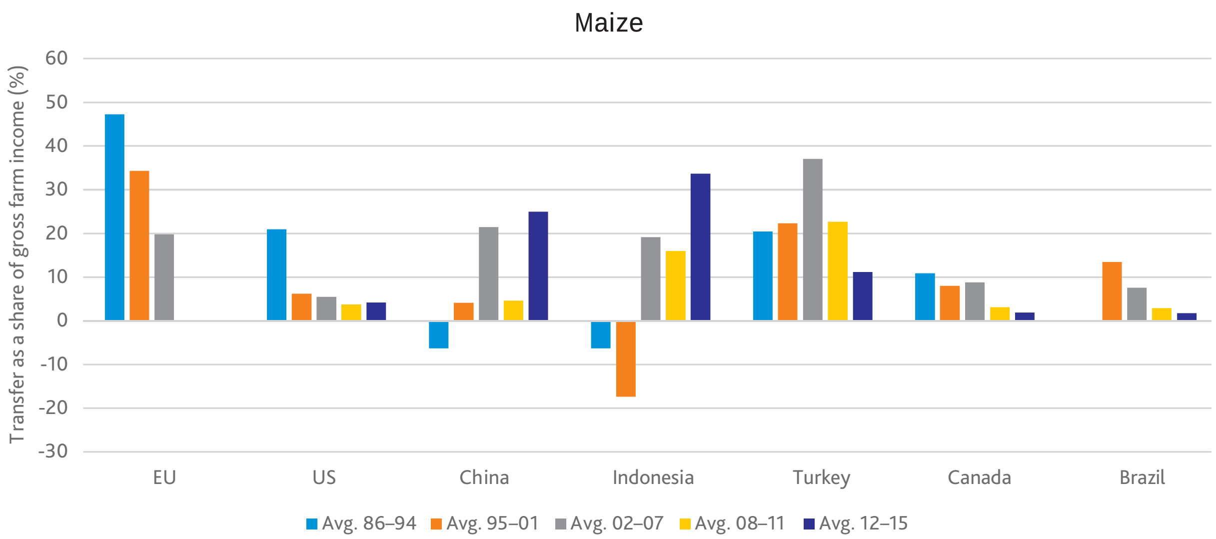


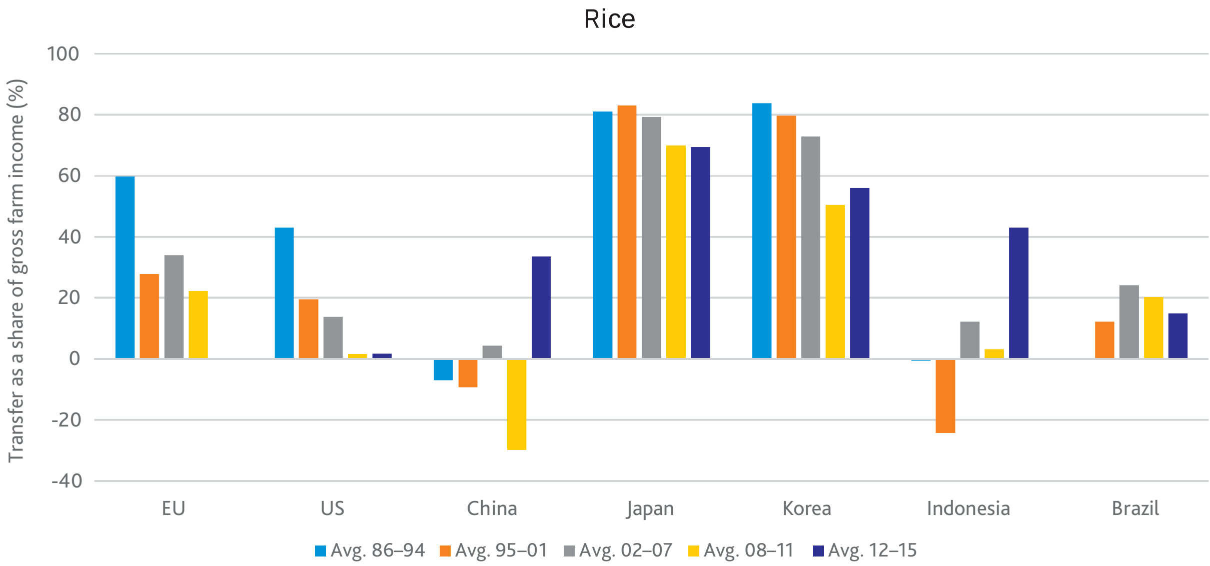


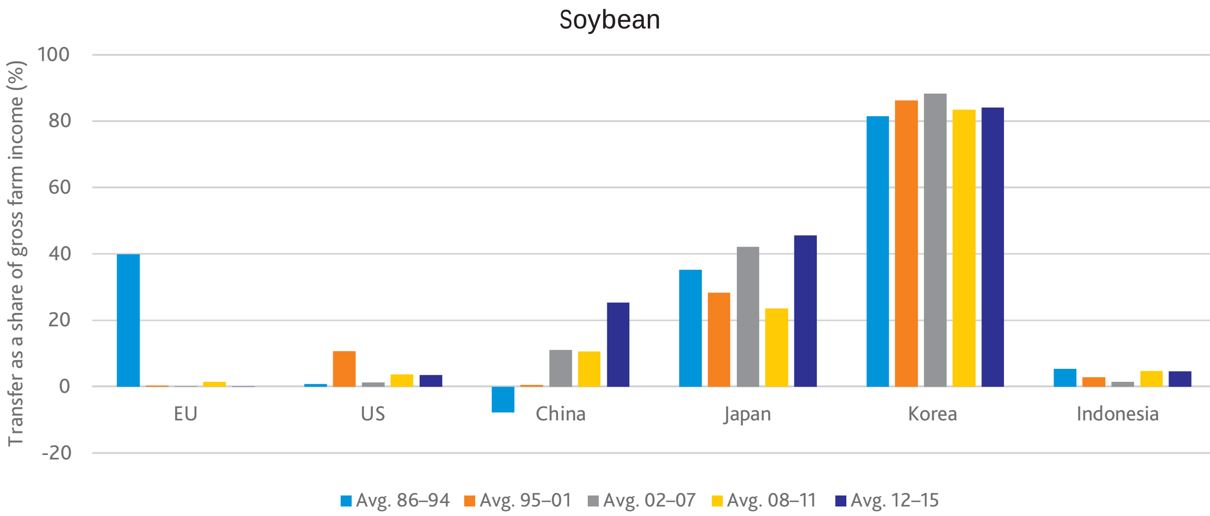



Pork
Transfer as a share of gross farm income (%)
80
70
60
50
40
30
20
10
0
-10
EU
China
Japan
Korea
Canada
Avg. 86–94
Avg. 95–01
Avg. 02–07
Avg. 08–11
Avg. 12–15


Wheat
Transfer as a share of gross farm income (%)
90
80
70
60
50
40
30
20
10
0
-10
EU
US
China
Japan
Turkey
Canada
Brazil
Avg. 86–94
Avg. 95–01
Avg. 02–07
Avg. 08–11
Avg. 12–15


Maize
Transfer as a share of gross farm income (%)
60
50
40
30
20
10
0
-10
-20
-30
EU
US
China
Indonesia
Turkey
Canada
Brazil
Avg. 86–94
Avg. 95–01
Avg. 02–07
Avg. 08–11
Avg. 12–15





Source: Authors' calculations based on OECD PSE database

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