

SUMMARY

What Could National Farm Policy Trends Mean for Efforts to Update WTO Rules on Domestic Support?

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Introduction

Global trade rules on the support governments can provide to their farm sector need urgent reform if countries are to make progress on Agenda 2030—and in particular on Sustainable Development Goal 2, which aims to end hunger and malnutrition, achieve food security, and promote sustainable agriculture. Trade rules must balance the need to ensure that domestic support does not harm producers elsewhere with the need to increase public investment in agriculture and food systems. With the coronavirus pandemic and climate-related volatility affecting global markets, improved rules on domestic support would also help improve stability and predictability in the global food system.

At the Twelfth Ministerial Conference of the World Trade Organization (WTO), governments will have a critical opportunity to take action in support of more equitable, sustainable, and efficient markets for food and agriculture, delivering on their commitment to trade reform under article 20 of the Agreement on Agriculture and their stated intention to address unresolved issues on the agricultural trade agenda.

This policy brief is based on a longer analytical paper by the International Institute for Sustainable Development and the International Food Policy Research Institute, which looks at agricultural support in a dozen WTO members and examines how these relate to public policy goals, the type of domestic support instruments chosen, and countries' current WTO limits on support.

Agricultural Domestic Support Trends

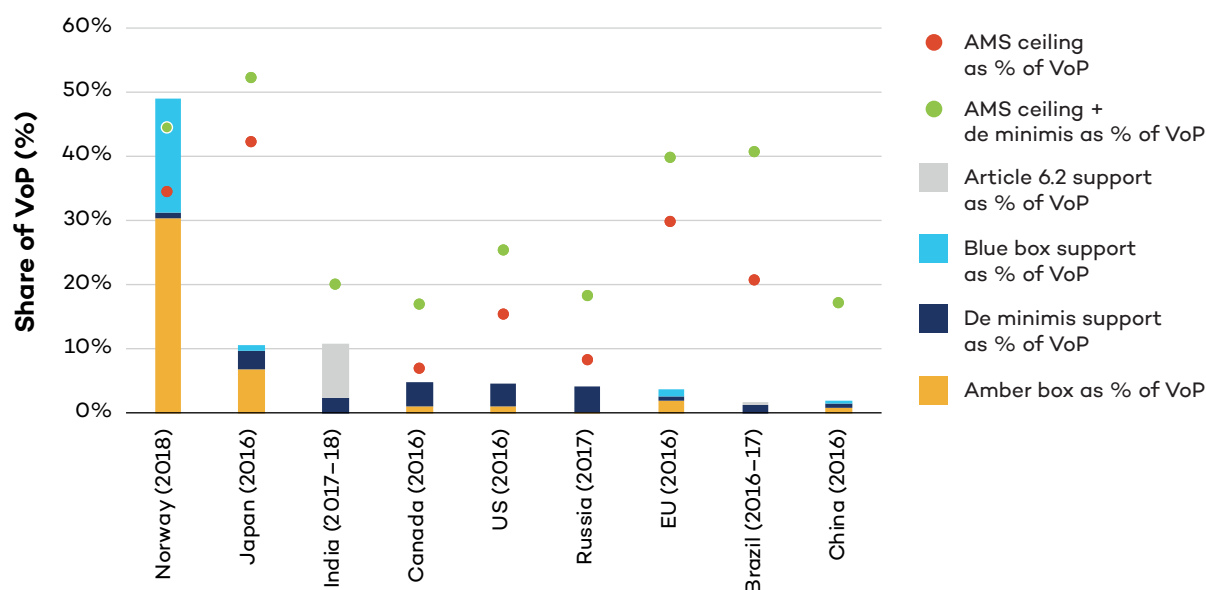
As much as three quarters of all support classed as trade-distorting by the WTO is concentrated in a handful of members—China, India, the United States, and the European Union. The study on which this brief is based also looks at support in a cross-section of other WTO members, including Japan, Russia, Indonesia, Brazil, Canada, Norway, Panama, and Togo, and examines what the evolution of agricultural domestic support implies for future WTO rules.

As Figure 1 shows, WTO disciplines today fail to discipline the considerable leeway to increase domestic support enjoyed by those members that historically provided the largest amounts, such as the United States and the European Union. The rules also have no answer to the fast-growing support in emerging economies, such as China and India. Nor have WTO members yet redressed underlying problems of inequity in the Agreement on Agriculture.



A large number of WTO members need to increase their public investment in agriculture and food systems if they are to have any chance of achieving the SDGs. Current rules allow ample room for this investment: in particular, the so-called green box (Annex 2 of the Agreement) allows unconstrained spending on programs that are thought to have limited effects on trade, including for research, pest and disease control, rural infrastructure, and extension and advisory services.

Figure 1. Notified domestic support relative to current WTO ceilings, as share of value of production



Source: IISD and IFPRI calculations based on WTO notifications (<https://docs.wto.org/>). Value of production (VoP) data for India is from Food and Agriculture Organization of the United Nations data available on FAOSTAT (<http://www.fao.org/faostat/>).

Ways Forward

The analysis by IISD and IFPRI proposes to simplify domestic support rules by allowing countries to provide a certain minimal level of trade-distorting support, based on a percentage of the value of production. It also makes the case for much stronger transparency requirements on government notifications. Specifically, it recommends:

1. New overall limits on domestic support that can harm producers in other countries, which are gradually cut over time. The aim is to redress inequalities among countries and harmonize support levels in the future. The new limits would be tied to an objective measurement of support as a share of agricultural output that reflects current market and policy realities, rather than using fixed levels that reflect past support.
2. By providing special and differential treatment to developing countries that require it, negotiators would provide these WTO members with a longer phase-in period, a higher initial cap, or both.
3. Limits on how much support can be focused on any one commodity, including agreement on product categories.
4. Food bought at administered prices fixed by governments under public stockholding programs will not count toward domestic support limits when the administered price is below an agreed international market price.