The AMS and Domestic Support in the WTO Trade Negotiations on Agriculture:

*Issues and Suggestions for New Rules*

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Abstract

This paper takes a hard look at developments in agricultural policies since the Uruguay Round in the context of commitments made under domestic support. An overview of policy developments is presented to evaluate the effectiveness of the disciplines imposed. Issues and suggestions for new multilateral rules are presented in order to improve disciplines in domestic support for the current WTO trade negotiations.

The aggregation of the AMS commitment into a single measure covering all products and non-product specific support reduces the effectiveness of support reduction commitments. Spurious methods of measuring official administered support and world baseline prices result in over or under estimates of true support, or redundancy in support. The baseline is inflated because of low world prices in the baseline time period and because blue box payments are included in the baseline only but not for the reduction commitments. The conflation of AMS support with that of market access and export subsidy commitments, requires the need for a “flashing amber” box that focuses on domestic support with market effects (independent of market access and export subsidy support) so that its reduction results in meaningful trade liberalization.

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The findings, interpretations, and conclusions of this paper are the authors’ own and should not be attributed to the World Bank, its management, its Board of Executive Directors, or the countries they represent.
Agriculture: Issues and Suggestions for New Rules

1. Introduction

The effect of domestic subsidy programs on world trade has become an important policy issue, not least for the current agricultural trade negotiations. In an unprecedented act, the World Trade Organization (WTO) disciplines on agricultural support include domestic programs that encourage production. In particular, "amber" and "green" policy "boxes" are used to differentiate those policies that seriously distort trade from those with minimal trade effects. A key issue in the current WTO negotiations on agriculture will be the domestic support reduction commitments (measured by the "aggregate measure of support" or AMS) and the determination of which policies go in the "green" versus "amber" or "blue" box categories. Given the reform efforts of governments in agricultural policies for efficiency concerns and the ongoing trade negotiations, it has become increasingly important to understand the effect of domestic support programs on output response (OECD 2000; Blandford).

The Uruguay Round’s Agreement on Agriculture (URAA) established commitments to limit and reduce baseline domestic support, as measured by the “Aggregate Measure of Support” (AMS). Many commentators argue that this was the most innovative element of the URAA because trade distortions arising from domestic support policies alone were formally recognized. A key aspect of the commitment reductions in the Agreement for domestic support was the distinction between domestic policies that distort trade and those that do not. This makes it possible to focus on trade distorting policies, negotiate reductions in their magnitude and provide an incentive for governments to re-instrument their domestic policies towards non-distorting measures. However, most countries could circumvent their AMS commitments because of an extremely high base period upon which commitments were made and because of the sector-wide nature of the support commitments. Hence, the AMS has been the least binding element of the URAA commitments for most countries. Moreover, the "rice clause" exemption from tariffication for some specific negotiated cases and the establishment of the ‘blue box’ and ‘green box’ which were both exempt from reduction requirements further weakened the domestic support element of the Agreement.

In WTO terminology, “boxes” which are given the colors of traffic lights in general identify subsidies: green (permitted), amber (slow down — i.e. be reduced), and red (forbidden). The URAA has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programs that limit production. There are also exemptions for developing countries (sometimes called an “S&D box”). Hence, the “amber box” is for policies deemed to have the largest effect on production and trade and a “green box” for policies that have minimal effects on trade. The (supposed) temporary “blue box” is for amber box payments related to production limiting programs or for payments based on no more than 85 percent of the base level of production. Total support provided by amber policies on production was measured by the AMS which countries agreed to reduce by 20 percent in the 1995-2000 implementation period.

A major reform is needed in the way in which the “aggregate measure of support” (AMS) is defined and measured. The AMS was designated to be a measure for trade distorting domestic support policies. It was assigned the “amber box” in the Agreement on Agriculture. Reduction commitments agreed to were supposed to measure domestic support, independent of that due to import barriers and export subsidies. In reality, however, the AMS is double counted with support derived from trade policies. In some instances, total support as measured by the OECD’s “producer support estimate” (PSE) is less than total domestic support. Does this mean border support is negative in those cases, with no reductions required in import barriers and export subsidies? Or are credits for the implied negative border support need to be transferred to the AMS? Clearly, rebalancing the support reduction commitments between import access, export subsidies and domestic support measures is required before negotiations
can begin on a level playing field. Hence, a “flashing amber” box should be created that includes only domestic support that is trade distorting and is not conflated with trade border measures.

The purpose of the Agreement on Agriculture was to define, quantify and reduce trade-distorting policies in the three areas of import access, export subsidies and domestic support. The rules in the Agreement are defined in terms of policy instruments, rather than trade effects. Hence, a major challenge for members in the current negotiations is to address the imbalances in the definition and quantification of agricultural support so that a level playing field and effective reductions in trade distortions are ensured.

The method of measuring domestic support through the AMS is misleading and penalizes some countries. The analysis will show the need for a major reform in the way in which domestic support is defined and measured in the “amber box” as measured by the AMS. Reduction commitments in the AMS were supposed to be in domestic support, independent of that due to import barriers and export subsidies. In reality, however, the AMS is conflated with support derived from border or trade policies. The baseline AMS is overestimated because it includes a substantial proportion of support already counted in market access and export subsidy measures, and ignores the fact that farm prices often diverge from the “administered price support” and that world market prices diverge from the world reference price used to calculate the AMS in the Agreement. This has implications for rebalancing the support reduction commitments between import access, export subsidies and domestic support measures. Indeed, this paper recommends that a “flashing amber box” be created that truly focuses exclusively on domestic support that is trade distorting.

This paper concludes that the logic of support measures and commitments in the Agreement on Agriculture is seriously flawed. New categories of support need to be introduced and wholesale changes in the current design of measuring and classifying support is required before balanced and fair support reductions can be negotiated. With the implementation time period of the Agreement on Agriculture near its end, the peace clause about to expire and new negotiations underway, it is important to put the public policies domestic support into perspective. In that way, one can address the disparities in support levels and trade distorting effects in such a way as to strengthen the reform process in general, and improve the fairness and effectiveness of future support reduction commitments.

2. Overview of Domestic Support

Amber box policies include transfers from consumers such as administered price supports but also taxpayer-funded subsidies for both inputs and output. The accounting method is either government expenditures or price gaps using the “equivalent method of support” (EMS) measure. Green box policies include decoupled payments (that purportedly do not affect production decisions) and policies to correct for market failures such as environmental programs, research, food aid, and crop insurance and income safety net programs. This class of policies is generally taxpayer funded that does not involve transfers from consumers.

Many perceive the URAA as a success in reducing the distortions of agricultural policies on international trade by bringing agriculture under GATT discipline, thereby eliminating or greatly reducing rent seeking activities. However, Figure 1 shows that the total PSE has in fact increased over the implementation period of the URAA, despite support reduction commitments in the Agreement. Column 1a in Table 1 shows that total producer support averaged $329 bil. From 1999-2001. Column 1c of Table 1 shows that rents to producers in agriculture for a subset of countries, policies and commodity sectors averaged $126 bil. Column (2) in Table 1 provides estimates of total rents to farmers from trade barriers, with a breakdown of import quota rents and tariff revenues. Annual average quota rents and tariff revenues are in the order of $44 bil. Column (3) gives an estimate of rents derived from domestic agricultural policy and indicates the significance of domestic support. The final column shows the proportion of rents that are self-defeating since world prices decline due to own and other country policies. A significant proportion of rents generated are therefore ‘phantom’ in that there is “mutual
assured destruction” amongst agricultural policies worldwide. Not only do much of these rents measured do not represent net gains to anybody, but also are subject to potential dissipation due to rent seeking.

The European Union, Japan and the United States account for over 85 percent of total domestic support under the AMS. Exactly 30 WTO members have commitments to reduce their trade-distorting domestic supports in the amber box as measured by their AMS. Members without these commitments have to keep within 5% of the value of production (i.e. the “de minimis” level) — 10% in the case of developing countries. All countries except Argentina and Iceland are below baseline for 1995-98. However, market and policy developments from 1999 onwards may show a very different picture, depending on which box will accommodate key new policy measures in some countries like the United States. Several countries are already between 80 and 100 percent of commitment levels for 1995 including Brazil, Korea, Slovenia, Switzerland and Tunisia (Nelson et al.). Although the AMS is non-binding, the potential for governments to reach their ceilings may have pressured them to re-instrument their policies towards the green box. It is important to note that baseline amber and hence AMS values include blue box payments but not for 1995 and each successive year for which reduction commitments in the amber box support have been made.

An important problem with the effectiveness of amber policy reductions in liberalizing trade is the aggregation of all policies and commodity sectors (including sector wide policies) into a single AMS. This gives countries the ability to increase support (or not reduce it) in specific sectors if support is reduced in other sectors. This possibility is constrained somewhat by the “peace clause” which states that policies are exempt from WTO policy challenges like countervailing duties provided support does not exceed those levels for that particular sector in 1992. Hence, consideration should be given in the current negotiations to have support reduction commitments on a policy type and commodity sector basis rather than on a single AMS for all policies and sectors. This will secure a more meaningful reduction in trade distortion arising from amber box policies and prevent countries from shifting support from sector to sector as market conditions change.

The blue box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal (“de minimis”) levels. It covers payments directly linked to acreage or animal numbers, but under schemes that also limit production by imposing production quotas or requiring farmers to set aside part of their land. Only a few countries use these subsidies in the blue box: the European Union, Iceland, Norway, Japan, the Slovak Republic, Slovenia, and the United States (although the US has now changed its respective policies such that they fall in the “green box”). The blue box is temporary and to be renegotiated by the year 2003. Blue box payments were included in the baseline AMS only and are excluded in the AMS for the implementation period. This overstates the base AMS and makes it easier for countries to reach their reduction requirements.

Finally, “de minimis” subsidies are defined as those that fall within small limits. There is a general willingness to look at de minimis levels for developing countries and possibly transition economies (most of these countries are bound by de minimis levels rather than AMS reduction commitments). A possible loophole in the AMS are de minimis rules which allow for exemption of 5 percent (10 percent for developing countries) of total value of production for each commodity plus another 5 percent for non-commodity specific support. In the case of Canada in 1995, de minimis support accounted for 28 percent of the total AMS. However, it is not possible to offset support above the de minimis level for one product by transferring it to another commodity that is below its de minimis level. Unlike the AMS itself, the de minimis clause operates on an individual commodity basis only.

3. Issues and Problems with the ‘Amber Box’ and the AMS

The AMS provision was meant to focus on and distinguish distortions in border policies from that of domestic support policies. The AMS is designed to measure domestic support. However, most policies in the AMS provision include protection from that afforded by market access commitments and
export subsidies as well. Because WTO rules in agriculture are defined in terms of policy instruments and not on trade effects, current WTO measures and reduction commitments are inaccurate and unbalanced. New rules are required.

In the case of taxpayer financed government payments like LDPs in the United States and area payments in the European Union, the AMS is measured in a rather straightforward manner (although still unable to distinguish relative trade distorting effects because of output restrictions in the case of the EU like set-aside requirements). On the other hand, consumer financed transfers to farmers in the form of price supports pose all kinds of measurement problems for the AMS and results in misleading comparisons and conclusions. In many cases, the AMS is overstated or understated, or meaningless because it is double counting support already provided by import barriers or export subsidies.

For example, the EU intervention price is considered an administered price, so there is “market price support” for many products in the EU’s calculation of the aggregate AMS. The reason for measuring “market price support” only for administered prices is that members could not be committed to reducing something over which they do not have direct control. Setting an administered price at a particular level needs a government decision of some kind. However, such reasoning leads to difficulties in comparing the AMS across commodities and countries because it is conflated with import barriers and export subsidy measures, and if the actual market price is not equal to the support price, inaccuracies arise.

The Agreement on Agriculture requires each country to identify “market price supports” in the form of “administered prices” which are required to be included in the calculation of the AMS. On the other hand, if there are import barriers in place that keep domestic prices high, but there is no administered price, then no “market price support” is estimated for the AMS. For example, Canada has not been able to identify an administered price for chicken (or turkey or eggs), so there is no “market price support” for Canada’s AMS for these products. This is ridiculous, of course, because it is arbitrary if an official price is reported or not. The United States reports an administered price support for dairy products. However, the US dairy price supports are mostly inoperative as market prices for these products are well above support in the implementation period because of export subsidies and import barriers.

Measures for domestic support suffer from, inter alia:

- Over counting
- Under counting
- Double counting
- Erroneous counting
- Non-counting
- Cross-counting neglect
- Oversize counting

The conflation of domestic support and border protection can be best summarized by the formula:

$$\text{Double counting} = \text{MPS}_{\text{official}} = (\text{Pd}_{\text{official}} - \text{PW}_{\text{Base}})\times \text{Qt}$$

where the gap in the official and base prices are not necessarily equal to the actual domestic and world market prices, respectively. If there is no difference between actual and formula prices, then the gap

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1 The specifics of how to measure “market price support” for AMS are in Annex 3 of the Agreement on Agriculture, para. 8.
measured is actual border protection and so is ‘double counted’ when measured in the AMS. The official AMS is given by:

\[ \text{AMS}_{\text{official}} = \text{Double counting} + \text{Flashing amber} \]

where ‘flashing amber’ is defined as that trade distorting domestic support not captured in the gap between domestic and world market prices i.e., distorting support independent of border protection). Double accounting occurs because border support (tariff quotas and export subsidies) are conflated with the AMS because \( \text{P}_{\text{official}}, \text{P}_{\text{actual}} \) and \( \text{PW}_{\text{actual}} \) are in themselves affected by border support. Double counting occurs in commitments by member countries in the WTO.

In terms of data reported by the OECD, flashing amber is the sum of output and input price subsidies

\[ \text{Flashing amber} = \text{OPS} + \text{IPS} = \text{AMS}_{\text{actual}} \]

Pure double counting occurs when \( \text{MPS}_{\text{actual}} = \text{MPS}_{\text{official}} \) but over(under)counting occurs when \( \text{MPS}_{\text{actual}} \) diverges from \( \text{MPS}_{\text{official}} \).

Define :

\[ \text{per unit MPS}_{\text{actual}} = (\text{P}_{\text{actual}} - \text{PW}_{\text{actual}}) \]

Then :

\[ \text{MPS}_{\text{actual}} = \text{per unit MPS}_{\text{actual}} \times \text{Qt} \]

If \( \text{P}_{\text{actual}} = \text{P}_{\text{official}} \) and \( \text{PW}_{\text{actual}} > (<) \text{PW}_{\text{Base}} \), then actual support has declined and so the \( \text{AMS}_{\text{official}} \) overcounts (undercounts).

If \( \text{PW}_{\text{actual}} = \text{PW}_{\text{Base}} \) and \( \text{P}_{\text{actual}} > (<) \text{P}_{\text{official}} \), then actual support has declined and so the \( \text{AMS}_{\text{official}} \) overcounts (undercounts).

The overestimate is defined as the gap between \( \text{MPS}_{\text{official}} \) and the flashing amber totals. The error in counting is:

\[ \text{Count error} = \text{AMS}_{\text{official}} - \text{AMS}_{\text{actual}} \]

while the over(under) count is defined as:

\[ \text{Over(under)count} = \text{MPS}_{\text{official}} - \text{MPS}_{\text{actual}} \]

Over or under counting can occur due to a change in the official domestic price support, the actual world price and the domestic actual market price.

There are implications for using a fixed external reference prices, given the volatility of some key agricultural commodities. With the AMS anchored to fixed world and domestic administered prices, domestic support can decline or increase as domestic and world prices vary or if official prices change. The AMS can decline (increase) for changes in these prices without changing policy, thereby rewarding (penalizing) countries.

Table 2 provides some evidence of double and over(under) counting for selected OECD countries and commodities. As can be seen, the flashing amber is a small percentage of \( \text{AMS}_{\text{official}} \) except for Norway (see line 5 in Table 2 reporting “% overestimate”). Except for the EU, all countries have undercounted the \( \text{AMS}_{\text{official}} \) (as seen in line 6). Line 7 presents the average change in the AMS due to changes in the world price alone. In all cases except Korea, the official AMS has declined because of changes in the world price alone. The last two lines of table 2 present the percentage change in the official AMS versus the non-double counted flashing amber domestic trade distorting support. The flashing amber has changed in much greater magnitudes than the official AMS and not always in the
same direction. These data highlight some of the inherent problems associated with the AMS and its true representation of domestic support relative to border protection.

Erroneous counting occurs in many official studies that assume amber box support is independent of border support. For example, the Government of Canada reports 60 percent of support in Switzerland and Norway is amber box while the Government of United States publishes data to suggest that: 37% of support worldwide is in the amber box separate from border support and other boxes.

Non-counting occurs because ‘consumer financed export subsidies’ with price discrimination and revenue pooling (and not contingent on exports) are ignored. Indeed, pooling with exports of one product can be more trade distorting than an equivalent taxpayer financed export subsidy (Schluep and de Gorter). An export subsidy can still exist even if exports at world price but pooling with the price of a non-traded product (e.g., U.S. fluid premia & butter exports – these are not even mentioned in the URAA). Cross counting neglect occurs when interaction effects are ignored. For example, when analyzing direct payment programs on fixed costs and exit/entry and production, decoupled payments are more trade distorting with higher coupled subsidies (Chau and de Gorter).

Oversize counting occurs because the AMS includes blue box in baseline only and is aggregated across all commodities so manipulation is possible.

In addressing this issue of redundancy and inconsistency, it is instructive to analyze U.S. AMS commitments in the sugar, dairy and peanut sectors. In the case of sugar policy, an official administered ‘price support’ is declared for farmers at the beginning of each year. Import quota levels are adjusted throughout the year in attempting to achieve this level. However, the United States is constrained by market access commitments as to how much flexibility is given to them in achieving the price support. The final price is rarely equal to the declared price support. The market access commitments determine the domestic price in the United States relative to world levels. If the United States reduces the official price support but does not change import barriers, then the AMS declines but there is no trade liberalizing effect. On the other hand, if market access is liberalized, there is no change in the AMS (except indirectly in affecting $Q_t$) but trade is liberalized. If there are significant changes in market access, presumably the official domestic price support is adjusted and so a concomitant change in the AMS is achieved. In either case, the trade barrier affords the support, namely the import quota, and so the AMS measure double counts the support afforded by market access commitments.

A different anomaly on the relationship between the AMS and the other two pillars of the Agreement (market access and export subsidies) is exemplified by the AMS calculation for the U.S. dairy sector. The domestic support price is measured by the offer to purchase support price for each dairy product. In the past several years, the support price is non-binding and only a fraction of the actual support price received by farmers from import barriers and export subsidies. For example, the “official” support price is approximately $10/cwt whereas the average milk prices received by farmers from import controls and export subsidies range from $12-15/cwt. Consequently, the AMS measure is irrelevant for dairy. A reduction in the support price will reduce the AMS but have no market effect. A liberalization of market access will have a market impact but will not affect the AMS (except indirectly in affecting $Q_t$).

In the case of the U.S. peanut program, the AMS is measured by the price gap between the announced support price for quota peanuts and the world price. A reduction in the support price will require an increase in imports through market access liberalization. The peanut program is a non-production distorting consumer-financed infra-marginal production subsidy implemented via a marketing quota allocation scheme. It is therefore a truly “domestic” support program but the AMS measure is conflated with the market access commitments. A reduction in one will affect the level of the other and vice-versa. Hence, the entire issue of official and “applied administered” prices needs to be revisited.

Future trade negotiations are best advised to single out amber box policies that are truly “domestic” support policies and so are not conflated with market access or export subsidy policies. In
this way, AMS reduction commitments can give a maximum effect. In theory, there is no problem in having conflation where reductions in one category may liberalize trade with or without adjustments required in another support category. But there has been much confusion as to the precise nature of “domestic” support reductions and a failure to understand their relationships with other support categories. To distinguish policies that do have a market impact but are not part of the import access or export subsidy commitments, it would be fruitful to designate a flashing amber box of policies. So far, the only way a reduction in the AMS can have an impact is if (i) reduce a flashing amber type policy intervention; or (ii) increase market access or reduce export subsidies (because AMS measures are often conflated with the latter type of commitments).

Another issue is that the world price is fixed at the 1986-88 base period and so the AMS does not vary with world prices but does with changes in domestic production and support prices. Consequently, if the world prices of commodities continue their secular decline over time, the implied support from administered price supports (with consumer transfers and border protection) will increase but measured support in the AMS will not. This may have implications for the effectiveness AMS reduction commitments as negotiated in the Agreement. However, the baseline time period of 1986-88 had exceptionally low world prices, which coupled with dirty tariffication, results in more teeth to any AMS reductions because world prices in the implementation period are more likely to be higher than baseline values.

Aggregation of the AMS for all products and non-product specific support maximizes flexibility not to reduce support in some sectors and even increase it. A solution would be to make the domestic support commitments product-specific, rather than sector-wide

4. Concluding Remarks and Implications

The rules in the Agreement on Agriculture are defined in terms of policy instruments, rather than trade effects. Hence, the Agreement has not defined and quantified trade-distorting measures in an optimal manner. Several categories of support are inappropriately categorized as non-distorting. A major reform is needed in the way in which the “aggregate measure of support” (AMS) is defined and measured. The AMS was designated to be a measure for trade distorting domestic support policies. It was assigned the “amber box” in the Agreement on Agriculture. Reduction commitments agreed to were supposed to measure domestic support, independent of that due to import barriers and export subsidies. In reality, however, the AMS is double counted with support derived from trade policies. Total support as measured by the OECD’s “producer support estimate” (PSE) is often less than total domestic support. Hence, a “flashing amber” box should be created that includes only domestic support that is trade distorting (with perhaps adjustments downwards for output reducing measures), and is not conflated with trade border measures.

The method of measuring domestic support through the AMS is somewhat misleading and penalizes some countries. Furthermore, ‘green box’ government payments induce higher production because fixed costs are covered which induces less exit by farmers, production risk is reduced, input market constraints are removed, and expectations are formed for more support in the future. Hence, a major challenge for members in the current negotiations is to address the imbalances in the definition and quantification of agricultural support so that a level playing field and effective reductions in trade distortions are ensured.

The baseline AMS is also overestimated because it includes a substantial proportion of support already counted in market access and export subsidy measures, and ignores the fact that EU farm prices often diverge from the “administered price support” so defined in the Agreement.

Looking at the world as a whole, the AMS was 71 percent of the PSE in the baseline and averaged only 38 percent of the total domestic support reported in the amber, blue and green boxes (plus
de minimis) for 1995-98 (WTO 2000). It is therefore possible that the double counting with border support and the resulting overestimation of the AMS be such that the sum of the three boxes (plus de minimis) that are supposed to focus on “domestic support” exceeds the total PSE. Indeed, for the European Union alone in 1996 total “domestic support” (the sum of the three boxes) was $115 bil. (as measured by the WTO) while the total PSE as measured by the OECD was $109 bil. If one uses OECD data only, then total “domestic support” exceeds the total PSE for the European Union in 1996 by $12 bil. (OECD 2000a). This implies protection afforded EU agriculture from import access and export subsidies was negative and of the order of $12 bil. This renders the AMS as somewhat meaningless in measuring ‘domestic support’ as distinct form border support as so many commentators argue as a novel development in the trade negotiations on agriculture. These relative magnitudes between the AMS and PSE are even higher for some individual commodity sectors.

In general, reduction commitments suffer from over emphasis on border support vis-à-vis ‘amber box’ and under emphasis on ‘green box’ support. With the implementation time period of the Agreement on Agriculture near its end, the peace clause about to expire and new negotiations underway, it is important to put the public policies domestic support into perspective. In that way, one can address the disparities in support levels and trade distorting effects in such a way as to strengthen the reform process in general, and improve the fairness and effectiveness of future support reduction commitments. The logic of support measures and commitments in the WTO contains many inconsistencies and inaccuracies. In conclusion, effective and balanced support reductions can be negotiated only if new categories of support are introduced and wholesale changes in the current design of measuring and classifying support is undertaken.

To summarize, disciplines on domestic support should resolve issues like:

- the aggregation of the AMS commitment into a single measure covering all products and non-product specific support that maximizes the flexibility to not reduce support in some sectors and even increase it
- the spurious methods of measuring including official administered support prices that result in over or under estimates of true support, or redundancy in support
- baseline is inflated because of low world prices in the baseline time period and because blue box payments are included in the baseline only but not for the reduction commitments
- the conflation of AMS support with that of market access and export subsidy commitments, requiring the need for a “flashing amber” box that focuses on domestic support with market effects (independent of market access and export subsidy support) so that its reduction results in meaningful trade liberalization
- a revision of de minimis levels of support allowed and methods of application
- a fixed world reference price in calculating the AMS does not allow for an increase in implied support with a secular decline in world prices and so limits support reductions in the future
- the status of the peace clause and implications of being immune from WTO challenges

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2 The AMS is not the same as the “producer subsidy equivalent” (PSE) as measured by the OECD. Only part of the border support is included in the AMS for some countries and is excluded in others. In addition, fixed baseline reference prices are used to measure the current AMS (unlike for the PSE), and the AMS excludes de minimis support and that contained in the “blue” and “green” boxes.

3 The AMS can be greater than the PSE if world prices are above or below the AMS world reference price because the outcome also depends on the relative value of the domestic market price to the “Market Price Support”.

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<td>2,726.7</td>
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</tr>
<tr>
<td>United States</td>
<td>95,455.2</td>
<td>24,969.7</td>
<td>24,969.7</td>
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<tr>
<td>All Countries</td>
<td>329,413.1</td>
<td>128,942.0</td>
<td>126,081.3</td>
<td></td>
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</tbody>
</table>

**Source:** Estimates from OECD’s PSE/CSE database and OECD’s Agricultural Outlook database. Data corresponds to the 15 country coverage of the OECD Monitoring Report and the commodities covered therein.

* Data in columns 1c to 4 refer to commodities with gross imports only.

** World price changes taken from UNCTAD and IFPRI rmodel results presented at IATRC Conference, Whistler, Canada June 2002.
<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>Japan</th>
<th>Korea</th>
<th>Mexico</th>
<th>Norway</th>
<th>Switzerland</th>
<th>United States</th>
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<tbody>
<tr>
<td>1</td>
<td>MPSactual</td>
<td>36,848.2</td>
<td>27,348.9</td>
<td>9,119.5</td>
<td>546.4</td>
<td>686.8</td>
<td>2,338.8</td>
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<td>Flashing Amber</td>
<td>4,077.7</td>
<td>2,786.3</td>
<td>279.6</td>
<td>117.5</td>
<td>975.8</td>
<td>848.4</td>
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<tr>
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<td>MPS official</td>
<td>279,896.8</td>
<td>25,059.4</td>
<td>10,224.4</td>
<td>(1,197.5)</td>
<td>1,041.9</td>
<td>2,707.4</td>
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<td>4</td>
<td>AMS official</td>
<td>283,974.5</td>
<td>27,845.7</td>
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<td>2,017.7</td>
<td>3,555.8</td>
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<tr>
<td>5</td>
<td>% overestimate</td>
<td>6764.1%</td>
<td>799.4%</td>
<td>3556.6%</td>
<td>-1119.5%</td>
<td>6.8%</td>
<td>219.1%</td>
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<tr>
<td>6</td>
<td>Sum Over(under)count</td>
<td>218,073.7</td>
<td>(5,421.6)</td>
<td>(29.3)</td>
<td>(2,572.6)</td>
<td>(1.4)</td>
<td>(210.0)</td>
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<tr>
<td>7</td>
<td>chge in official AMS due to PW actual</td>
<td>(3,684.7)</td>
<td>(458.9)</td>
<td>25.4</td>
<td>(122.8)</td>
<td>(42.5)</td>
<td>(65.2)</td>
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<td>8</td>
<td>% chge in AMS official</td>
<td>-0.1%</td>
<td>-2.4%</td>
<td>2.4%</td>
<td>-1.3%</td>
<td>-3.3%</td>
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<tr>
<td>9</td>
<td>% chge in Flashing Amber</td>
<td>-7.7%</td>
<td>-4.5%</td>
<td>-3.6%</td>
<td>36.8%</td>
<td>-6.2%</td>
<td>-1.7%</td>
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</tbody>
</table>
Figure 1: Trends in AMS versus PSE (1986-2001)
References


