Recalculation of MPS to Address the PSH Issues

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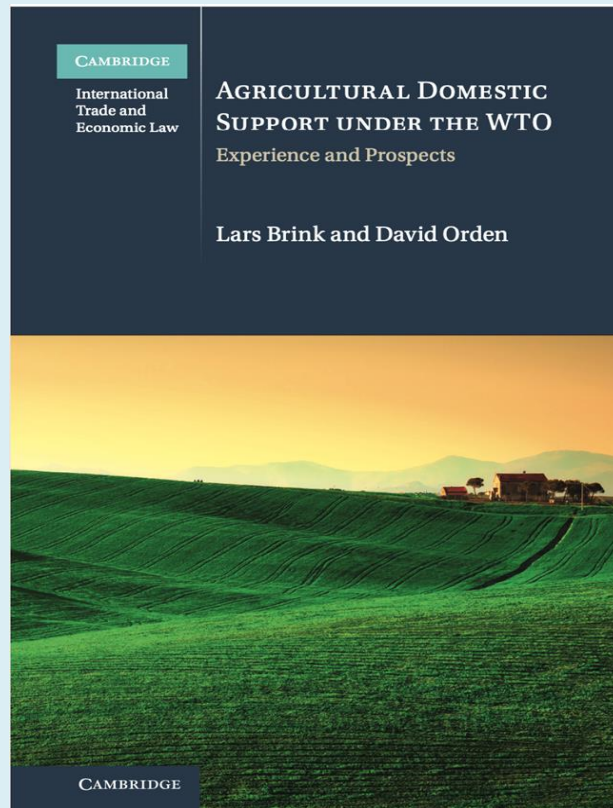## Lars Brink

Independent Policy Advisor

Public Stockholding (PSH) Rules to Promote Food Security of All WTO Members
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International Food Policy Research Institute (IFPRI)

Presentation draws on two resources

CAMBRIDGE
International Trade and Economic Law

AGRICULTURAL DOMESTIC SUPPORT UNDER THE WTO
Experience and Prospects

Lars Brink and David Orden

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Measurement of MPS at issue in the PSH negotiations and recent disputes

- Assessing the reference price included in MC12 Draft Decision and members continue with discussions and proposals

- China – Agricultural Producers (MPS for wheat, rice, corn)
  - Initiated 2016 by United States; Panel Report 2019 (adopted)

- India – Sugar and Sugarcane
  - Initiated 2019 by Brazil, Australia, Guatemala; Panel Report 2022 (appealed)

- At issue in the disputes is the measurement and level of MPS under the Agreement on Agriculture

  - Agreement $MPS_t = [AAP_t - FERP_{fixed\ years}]$
    $\times [Eligible\ Production_t]$

Economic and Agreement measurements can differ widely

$$\text{Economic MPS}_t = [\text{ Domestic Price}_t - \text{Border Price}_t]$$
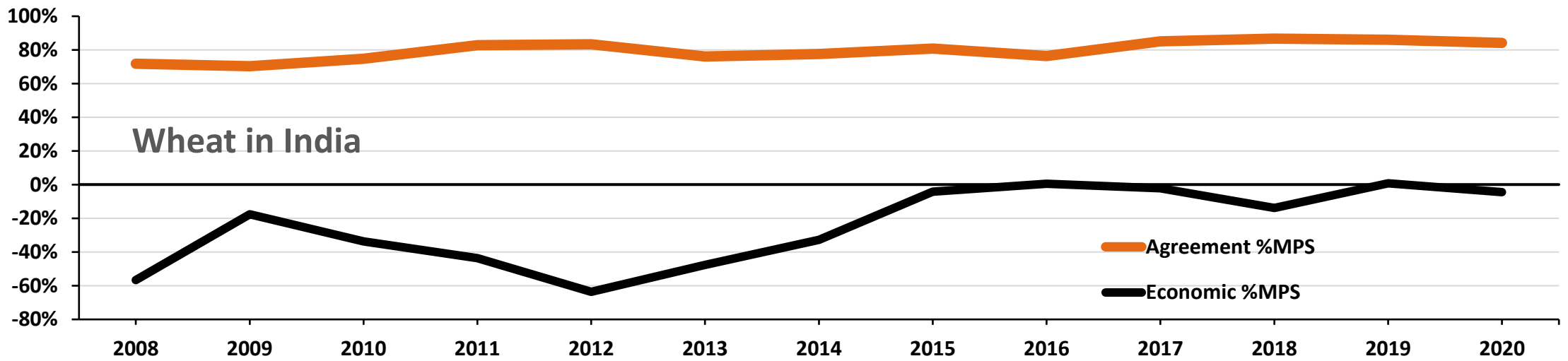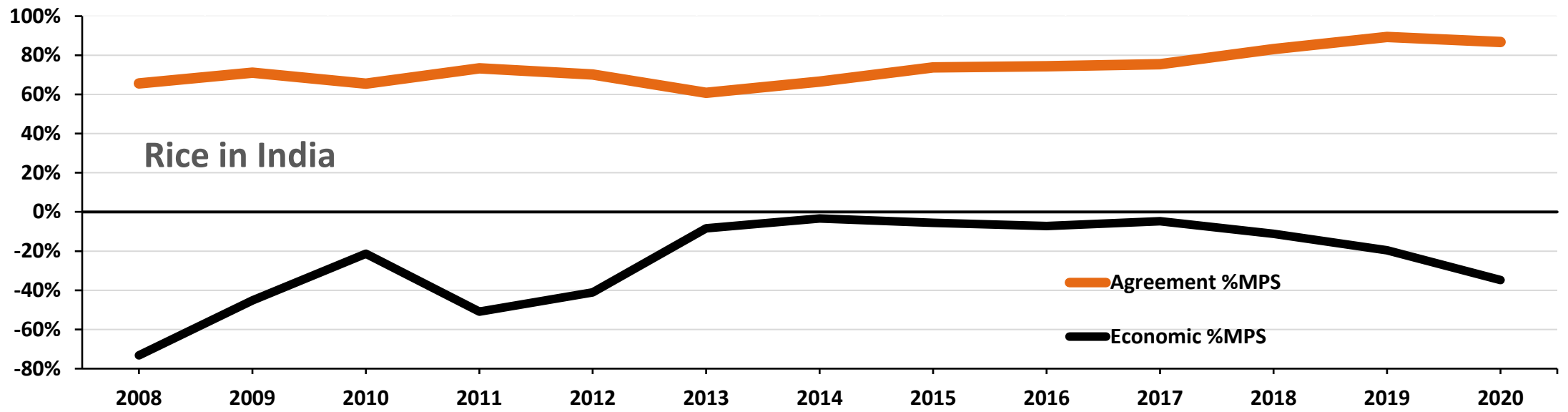$$\times [\text{ Total Production}_t]$$

$$\text{Agreement MPS}_t = [\text{ AAP}_t - \text{FERP}_\text{fixed years}]$$
$$\times [\text{ Eligible Production}_t]$$

For example, related to the dispute India – Sugar and Sugarcane

	Year				
MPS as percent of production value	2014	2015	2016	2017	2018
Economic %MPS (OECD)	13%	8%	-1%	28%	24%
Agreement %MPS (Dispute Panel)	94%	92%	86%	91%	90%

Arguments in the PSH negotiations

- Many developing countries argue for permanently exempting from limit MPS from PSH programs

- Other members consider that this support should remain subject to limit under rules of the Agriculture Agreement

- We take some issue with both arguments
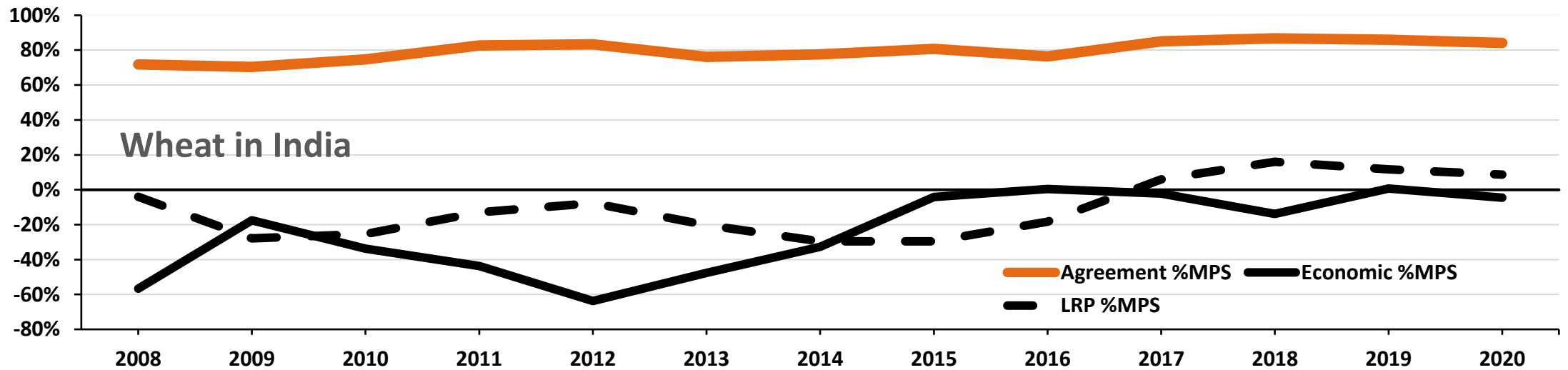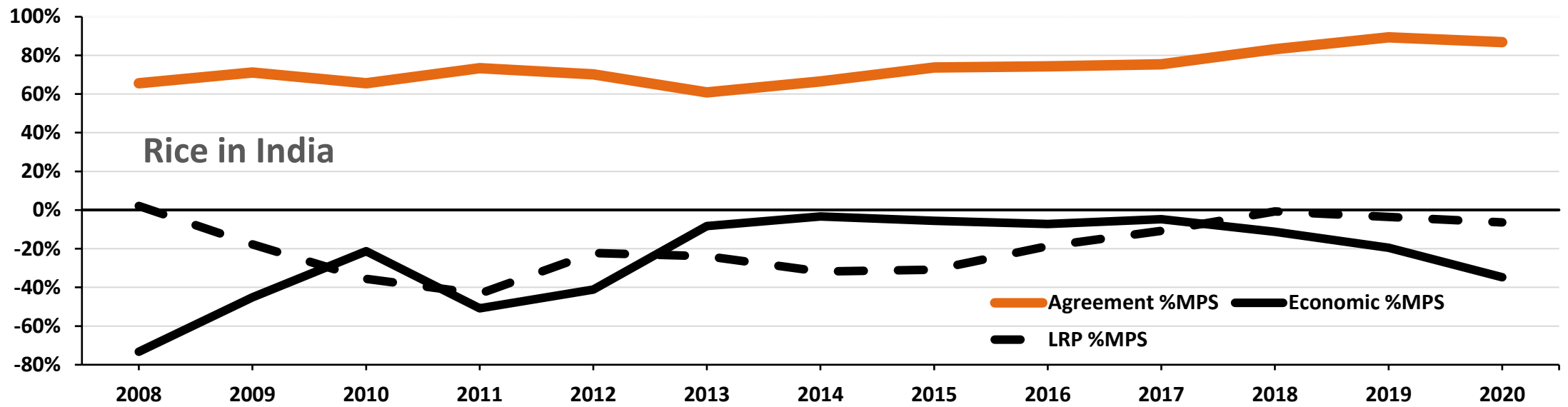
Gaps in MPS measurement

Note: In these figures the Agreement MPS is measured with annual AAPs and the 1986-88 FERP in nominal Indian Rupees and eligible production as total production. India notified lower values.

Can differences be narrowed?

- **Finding fault with arguments on both sides we explore a Lagged Reference Price MPS resolution**

$$\text{LRP MPS}_t = [\, \text{AAP}_t - \text{LRP}_t \,] \times [\, \text{Total Production}_t \,]$$

LRP_t = Moving Average of Lagged Border Prices
(e.g. average (t-1, t-2, t-3) or 5-year Olympic)

Rice in India

Agreement %MPS — Economic %MPS
LRP %MPS

Wheat in India

Agreement %MPS — Economic %MPS
LRP %MPS

Closing the MPS measurement gap

Note: In these figures the Agreement MPS is measured with annual AAPs and the 1986-88 FERP in nominal Indian Rupees and eligible production as total production. India notified lower values.

Better MPS measurement as a path forward

- **Revising measurement to bring Agreement MPS closer to its economic value would improve the rules for domestic support**

- **We argue this could largely resolve the PSH impasse**
  - ➢ **For developing countries complying with AMS limits would not require reducing artificially high measurements of MPS**
  - ➢ **Proponents of constraints on producer support would be assured that the disciplines have a sound economic basis**

- **Were this resolution on PSH adopted, other issues related to rebalancing and constraining trade-distorting domestic support also need to be negotiated**