# How well do programs in WTO's green box fit the green-box definition?

The World Trade Organization (WTO) utilizes the Agreement on Agriculture (AoA) which provides the rules that govern agricultural trade and how the rules apply to the current US farm program as well as the rules that govern the export and import of agricultural products. An obvious place to start is to examine the colored boxes that are used to describe the way the WTO classifies various domestic agricultural support programs.

One of the clearest descriptions of the AoA rules can be found in the April 22, 2015 Congressional Research Service report, "2014 Farm Bill Provisions and WTO Compliance," prepared by Randy Schnepf, Specialist in Agricultural Policy (https://tinyurl.com/y78dhuqz). In that publication he provides a description of "WTO Classification of Domestic Support Programs" and the "SCM [Agreement on Subsidies and Countervailing Measures] Rules on Adverse Effects in International Markets."

Domestic agricultural programs under the AoA are grouped into "boxes" according to the degree to which the policies and/or payments distort international trade either directly or indirectly with the implicit goal of opening up all markets to the lowest cost producer. It is unstated but assumed that the purchaser also includes quality as a part of the import decision-making-process.

To make the meaning of each box somewhat clear, they are given colors drawn from the standard stoplight—red, yellow, and green, with blue thrown in because three are not enough colors on a traffic light. Placing a policy into a box is not as simple as placing a point is in geometry. In geometry, a point is either "in" the box, "on" the line that defines the box, or "outside" the box. The placing a policy into an AoA box, however, is a human endeavor with all that that entails.

In this column we want to make a more detailed examination of the green box than you usually see. We want to look at it from the perspective of two agricultural policy analysts in the tradition of Adam Smith and a long list of analysts of political economies.

As Schnepf writes, "**Green box** programs are minimally or non-trade distorting and **are not** subject to any spending limits. Environmental programs are an example of a green box program. Similarly, prohibiting tainted products or products of diseased animals is not considered a restraint that would put the policy outside the green box.

But have these green box programs been used by countries as a means of protecting their domestic producers? Certainly, and that often ends up in a drawn-out trade dispute.

Government funded agricultural research programs are considered to be green box programs. Do these programs provide an initial advantage to the farmers in a country that engages in a robust well-funded agricultural research program? And if the funding has continued over decades and even a century-and-a-half, does that funding provide a long-term advantage to domestic producers with farmers elsewhere always struggling to keep up with the technological treadmill?

If so, should these types of research programs be subject to limitations?

It could be argued, for instance, that crop research results in increased yields or decreased losses and therefore gives the farmers who benefit from that research a price-advantage over farmers in other countries. So, is that bad?

Certainly, crop research has resulted in enabling supply to increase at a faster rate than demand, resulting in lower prices for farmers not only in the country funding the research, but also in every country in the world given our relatively low-cost worldwide logistics network. Then again, the low prices benefit consumers, allowing people in developed countries to spend a historically low portion of their household budget on food. Is that a bad thing?

From a humanitarian perspective do we want to limit agricultural production and risk a Malthusian world in which food production increases arithmetically while population increases geometrically, leading to mass starvation? Or do we want the world's agricultural production potential to always run ahead of current food needs?

If we slack off on agricultural research and are confronted with a crop or animal disease outbreak that drives prices sky high and results in malnutrition, stunting, and increased death, is that acceptable?

This may sound like an exercise in histrionics, but let us remind you that it is not.

If the computer industry fails to make the next breakthrough, we all suffer the inconvenience of having to pay the same price for next year's computer or memory card that we paid last year or two years ago, but is that really problem? After all, we pay more for our automobiles than we did even two years ago.

If, from a humanitarian perspective, we choose to publicly support green box agricultural research, how do we manage that increased capacity in a way that protects the world's population from starvation yet does not subject farmers to repeated bankruptcies?

While for some it is a simple exercise, we believe that making the decision of where to place a policy with regard to a trade box is not as simple as it was in high school geometry class when we had to determine whether a given point on a plane was inside, outside, or on the line that defines a given box.

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