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**"Global Challenges and Prospects of the Modern Economic Development"****FEATURES OF DOMESTIC STATE SUPPORT FOR**  
**AGRICULTURE IN THE WORLD ECONOMY**

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*Abstract*

The current state of world agricultural production, the export and import of agricultural products goes beyond the problems of international trade and relates to the issue of priority policy and national security of both highly developed and developing countries. The rules of world trade are drawn up with the participation of most countries in the framework of the WTO. Agricultural products are an essential component in the world trade system. The authors are to identify the problems and prospects of domestic state support for agriculture in highly developed countries and Russia, and they use general scientific and special methods and techniques of economic and statistical research to do this. The study showed that the system of internal state support for agriculture in highly developed countries and Russia should be based on the international standards and classifications. And it should be taken into account whether the country is annuity-holder (agricultural annuity in its two forms - differential annuity 1 and form 2) or its annuity-payer and plays the role of industrial investment in agriculture at the expense of regional budgets and regional productive assets. It was concluded that the effect of government support for agriculture can seriously affect the annuity development of financial resources of the budgets of countries. Subsidies under the green box distort market relations, while the share of the green box in total government support should constantly increase, increasing the competitiveness of agricultural products.

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**Keywords:** Consumer annuity, quasi-annuity, domestic state support of highly developed countries, de minimis level, false social value, annuity in the balance of payments.



## 1. Introduction

An important role in agriculture development, as a strategically important sector of the national economy, is played by two groups of the main measures carried out by the WTO, in the form of state domestic support and export subsidies. Many countries different in terms of market maturity continue to apply measures that adversely affect the international trade in goods and services, despite the fact that all of the above measures are regulated by the WTO (Kirwan & Roberts, 2016). All this negatively affects reporting and evaluation processes.

Agricultural subsidies in Russia are explained by high risks in this industry, low profitability and a slow extended reproduction cycle. The subsidizing body often prefers the interests of budget efficiency (Henning & Breustedt, 2018). The largest amount of subsidies from budgets of all levels was in the Republic of Tatarstan (9279 million rubles), the Nizhny Novgorod region (2458 million rubles) and the Penza region (1913 million rubles). The smallest amount of subsidies was in the Ulyanovsk (494 million rubles) and the Orenburg regions (1400 million rubles) and the Chuvash Republic (1257 million rubles).

The concept of domestic government support for WTO agriculture implies the division of all measures into three levels: “amber”, “green” and “blue” boxes. The structure of the boxes, their percentage ratio depends on whether the country, the sovereign state is annuity-holder or annuity-payer. If the country holds agricultural annuity, then the amber, green and blue baskets are qualitatively and quantitatively different from the baskets of countries that act as agricultural annuity-payers.

World experience shows that countries use the resources of amber and green boxes in different ways. In Russia, the emphasis is on maintaining the amber basket at all budget levels, which is not entirely justified, while in the USA the green box resource is used to the greatest extent, and this fully contributes to strengthening the country's competitiveness in the agricultural market. In turn, the European Union has successfully used the quasi-transformation of amber basket instruments into green measures (Czyzewski & Smedzik-Ambrozy, 2017). This is one of the approaches to the realization of intellectual annuity - a necessary condition for the development of mankind in the 21st century, when the contradiction between the availability of a food base and the increasing population of the Earth is constantly growing.

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## **2. Problem Statement**

An analysis of domestic state support development for agriculture in Russia and highly developed countries revealed a number of serious problems:

- Insufficient internal government support for agriculture for developing countries;
- Poor interaction with development institutions;
- Prevalence of the amber basket over the green one in domestic state support for countries that act as agricultural annuity-payers;
- Subsidizing body of countries gives preference to the interests of budget efficiency;
- Lack of a uniform approach of countries to the classification and accounting of subsidies.

## **3. Research Questions**

The authors consider domestic government support for agriculture in highly developed countries using the example of the USA and Russia. A quantitative and qualitative difference is shown in the composition of the amber, green and blue baskets for countries holding agricultural annuity and countries that pay agricultural annuity. The authors analyze the current state of the problem and the prospects for developing this form of state support for agriculture through annuity relationships. It requires a unified approach to the classification of countries and accounting for subsidies.

## **4. Purpose of the Study**

The main purpose of the study is the following:

- To analyze state domestic support for agriculture in highly developed countries and Russia using three baskets: amber, green and blue;
- To identify the obstacles and directions in domestic state support development for agriculture in highly developed countries and Russia;
- To propose measures and directions for strengthening domestic state support for agriculture of the above countries and increased opportunities for agricultural annuity.

## 5. Research Methods

In the course of the study the authors used the following methods: dialectic, abstract-logical, comparative analysis, research of economic and social processes based on statistical analysis. Information base of the study: WTO data, country balances, data of the Federal State Statistics Service of Russia, the Ministry of Agriculture of the Russian Federation, information from portals of infrastructure organizations involved in the development of internal state support for agriculture on the Internet.

## 6. Findings

The need for internal state support of highly developed and developing countries will remain the most important and priority task of economic policy of these countries. An increase in agricultural production by 1 percent causes an increase in factors of production by 2-3 percent in the corresponding economic system. Under stable economic growth, the creation of one job in the agricultural sector leads to the creation of 20 new jobs in related economic sectors.

The structure of domestic state support for agriculture in the United States indicates a significant predominance of the green box, which amounted to 132.5 billion dollars in 2018, or 90.3 percent of the total support. In the same year, the volume of the amber box amounted to 9.9 billion dollars or 4.7%. The de minimis level was five percent for the United States, which is the threshold level for financing the amber box measures for highly developed countries.

If we analyze the structure of domestic state support for Russia, we will see the opposite situation in 2014-2018. The predominant growth of support was observed for the amber basket and amounted to \$ 6.1 billion in 2014 and \$ 7.1 billion in 2018, respectively. Currently, the amber basket measures in Russia are the main instrument of domestic state support for agriculture and their share is about 60 percent. The de minimis level for the Russian economy has decreased from 8.1 percent to 4.4 percent during the last four years, although this level should be 10 percent for developing countries and this is the threshold level for financing the amber box measures. The share of measures in the total volume of the blue box support is zero for the Russian and American economies. If we talk about EU countries, then the blue box measures are being actively implemented there.

Currently, Russia acts as agricultural annuity-payer in the world market of agricultural products, since the differential annuity of forms 1 and 2 is negative in most regions of the country. Russia is still the country with the lowest level of domestic state support for agricultural producers (Uzun, Shagaida, & Lerman, 2019). It is internal government support that should lead to differential annuity of forms 1 and 2, and to the production of technological quasi annuity.

Using the example of a specific region, the Samara region, we consider the structure of the amber and green baskets that reflect the types of internal state support for the region. Among the fourteen regions of the Privolzhskii Federal District, the Samara region is in 6th place in terms of subsidies from the budget of all levels attributable to the financial result for 2017. The amount of subsidies in the region amounted to \$ 1.8 billion (Table 01).

**Table 01.** Regional internal state support for agriculture in the Samara region using the example of the amber and green baskets (except for federal budget funds, percentage of the total)

Budget items (priority)	Amber basket	Green basket	Blue basket
1. Support for priority areas of the agricultural sector development	16,6	-	-
2. Implementation of leasing agreements in agriculture	37,1	-	-
3. Reimbursement of a part of credit expenses received by agricultural producers	4,7	-	-
4. Subsidizing the costs of agricultural producers for fertilizers and plant protection products	7,9	-	-
5. Subsidizing the costs of expanding the area of perennial grasses, legumes and green manure (annual grasses)	5,2	-	-
6. Subsidizing the costs of beef cattle and pig farming, based on agricultural productivity	5,3	-	-
7. Subsidies for the reimbursement of part of the costs of agricultural producers for insurance of agricultural crops	-	7,9	-
8. Content of agricultural institutions	-	30,0	-
9. Implementation of measures for land management and land use, maintaining the state cadastre and land monitoring	-	21,0	-
10. Research	-	3,1	-
Other	27,9	38,0	-
Total	100	100	-

Source: authors based on database of the Ministry of Agriculture of the Russian Federation, 2013.

Ideally, part of the costs of the green basket, despite the restrictive nature of this basket by WTO standards, should be directed towards applying the achievements of scientific and technical progress by the agricultural producer and contribute to holding differential annuity of the second form (Liebman & Tomlin, 2015). The dynamics of two types of annuity depends on changes in levels and the ratio of prices for agricultural products on world commodity markets. The volume and rate of annuity of the two forms increases in the period when the world or domestic prices for agricultural products, using a production factor such as land, are increasing (Nedumpara & Bhardwaj, 2019). However, the prolonged annuity as a false social value can lead the country to the simplest way to solve internal problems, namely replenishing the amber basket without worrying about the prospects for economic growth in the region (Tsvetkov, Dudin, Lyasnikov, & Zoidov, 2019).

World experience shows that the development of underdeveloped countries rich in natural resources is at risk of poor economic growth in terms of expanded reproduction, lowering the quality of life of the people and nations, the formation of industry imbalances, the dependence of the economy on external shocks associated with sharp fluctuations in commodity prices (Qin, 2019). This group of countries includes a number of countries in the Persian Gulf, Russia, and Africa. Besides the above risks, the most dangerous are the imbalance of economic and socio-political interests of the countries, the growth of corruption and the struggle to annuity seeking as a false social value.

## 7. Conclusion

The features of domestic state support for agriculture in Russia and the USA are the following:

- Stable growth of the green box volumes in countries holding agricultural annuity over many years (the United States and a number of highly developed countries);
- Traditional excess of state support in the green box over the amber box in Russia as a country that acts on the international stage as a payer of agricultural and technological quasi annuity during post-perestroika years;
- Reduction of product-specific support and the transition to the predominant use of subsidies for a number of individual goods (transition to preferential use of non-trade-distorting measures);
- Subsidizing as the main instrument of state support for agriculture;
- Quasi annuity (super income) as a possible source of development and one of the major areas of budgeting for the country and regions based on the use of scientific and technological progress.

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