WTO and Indian Agriculture, Agriculture Subsidies at WTO

WTO is a global organisation to promote the **multilateral trade** and had played a pivotal role in facilitating the international trade after it came into force on January 1, 1995. However, it has got stuck in the market access initiative, as market access remains unaddressed due to stalemate of Doha round of talks. The bone of contention on Agriculture Subsidies and related issues, between developed countries in one hand and developing on the other has remained main culprit for th[illegible] of talks.

Agreement on Agriculture (AoA)

- As a result of Uruguay round of talks (last among the 8 round of talks held between 1986 to 1994), 20 agreements were signed which include Agreement on Agriculture (AoA), Trade Related Intellectual Property Rights (TRIPS), Trade Related Aspect of Investment Measures (TRIMS), General Agreement on Trade in Service.
- AoA calls for freeing the agriculture trade.
- **Article 20 of the AoA** - It commits countries to work towards the objective of substantial progressive reductions in support and protection in agriculture.

WTO-Impact on Agriculture and food security

- India's agriculture policies aimed at improving its food security have received increased scrutiny by developed countries.
- **Issues with India's Food Security Regime as claimed by Developed countries-**
  - India provides **MSPs to its farmer**. (Big corporate unable to get profit)
  - India also buys the produce from its farmers. (Protects farmers from the clutches of big corporates)
  - With the help of PDS India distributes subsidised food grains. (Big corporates deprived of its potenti[illegible] ers)

potential customers)

  - Due to NFSA, government holds control over Agriculture. (Prevent big corporates from assuming central role)

- **Special Products (SP)-** It has been agreed that there would be a category of agriculture products of livelihood concern over which there would be no reduction in tariffs, India has 700 tariff lines (products) in agriculture and not more than 2% would be covered as SP.
- **Special Safeguard Mechanism-** This provision is for weak economies who are net importers of food, to safeguard their ability to block import in adverse circumstances. This provision is not for India.

- **Aggregate Measure of Support-** It stands for total product based (given to a particular product like rice, wheat etc) and non-product based subsidies (subsidies given in general and not specific to any product such as fertilizer subsidy) provided by a country during a year. As far as India is concerned all subsidies are green box subsidies and does not require a roll back while the problem is with developed countries who are passing their subsidies in such boxes to avoid their roll back, which is trade distorting in nature.
- **Sanitary and Phyto Sanitary (SPS) Measures-**These are the conditions imposed on the agricultural goods to adhere the norms of sanitation, hygiene, use of Child Labour before exporting

use of Child Labour before exporting products to other countries. India has demanded transparent, uniform, non-discriminatory SPS.

- The following three dimensions of sustainable and equitable Agriculture Policy are threatened by the WTO induced Globalisation process
    - Ecological security;
    - Livelihood security and
    - Food security.
- **Denial to Market Access-**Developed countries high domestic support, export subsidies, and denial of market access through various tariff and non-tariff barriers has presented many challenges to India.

- **Vulnerability of Farmers to Crop Failure and Indebtedness**- The WTO agreement on agriculture combined with TRIPS agreement implies total monopoly over agriculture by a handful on global corporations, and total vulnerability of farmers to crop failure and indebtedness.
- **Impact upon the cropping pattern**- As farmers will opt for crops and commodities which will have comparative advantages this may distort the cropping pattern.
- **No benefit for weaker section**- Globalisation is a market-based concept and those who are unable to produce due to lack of capital, investment and entrepreneurship will have no gains from it.

- **Bali Ministerial Conference (Peace Clause)**-Under it, if India breaches the 10% limit, other member countries will not take legal action under the WTO dispute settlement mechanism.

Agriculture Subsidies at WTO

- The subsidies to the agriculture sector which are availed by the Government are termed as **Aggregate Measure of Support (AMS)** by WTO.
- **Aggregate Measure of Support=Product Subsidies (Wheat, Rice i.e. MSP) + Non-Product/input subsidies (Credit, Fertilizer subsidy etc).**
- In the calculation of AMS, the subsidies are not included when support is within

the **De-minimis level** (A level prescribed by AoA-**For developed countries it is 5% of the total value and for developing it is 10%).**

Boxes

Agricultural subsidies which are part of AMS as well as some other have been identified as the boxes by WTO.

Types of subsidies (Boxes)

- Green Box
- Amber Box
- Blue Box
- S&D Box

Green Box

- These subsidies **don t distort the free trade or distort the trade or production very minimally** and they must not involve any price support.
- The example of this kind of support include expenditure on **agriculture research, training and pest control etc.**
- This box is exempted from the calculation under subsidies under the WTO provisions as it is not meant to promote the production thus don t distort the trade, due to this reason **green box subsidies are allowed without limits (Green traffic light- Allowed).**
- Some developed countries are providing direct payments under the name of

green subsidies via programs like **income insurance and income safety schemes**, which leads to distortion of trade and need to be checked.

- They are generally given under the name of **livelihood and environment concerns.**

Amber Box

- These domestic subsidies result in **lower prices of the exported products and distort the free trade** and that is why they are named as Amber Box **(named after traffic light which means they should be slowed down/ minimised).**

- Government policies of **Minimum Support Price (Product based subsidy)** and Power, fertilizer, Pesticide, irrigation subsidy **(Non-product based subsidies)** come under this category.
- There is **5% and 10% limit on these subsidies** for the developed and developing countries respectively, of their total agricultural output.

Blue Box Subsidies

- These subsidies are given to **limit the production of certain crops**, any subsidy which is in amber box, is placed in the blue box if it requires famers to go for certain production level.

- These subsidies are direct payment under the **production limiting programs** and at present there are no limits on spending on these subsidies and they have enjoy an exemption from the general rule that all subsidies linked to production must be reduced or **kept within defined minimal (de minimis) levels.**

Special and Differential Treatment Box (S&D Box) (Development Box)

- The assistance which is essential for **rural development and uplift of poor farmers** are termed as S&D Box.
- These subsidies are not available for developed countries.

Export Subsidies

- Under WTO Export subsidies **deal with reduction on total budgetary support on export subsidies** and reduction in the total quantity of exports covered by subsidy.
- These are direct subsidies **given by Governments given in cash or in kind** to producers of the agriculture products against export performance and export of non-commercial agriculture products.