At WTO India gets platitude

At a meeting of the Agriculture Committee of the World Trade Organization (WTO) held on March 28, 2017, the developed countries lambasted India on its Minimum Support Price (MSP) programme for wheat and other key commodities such as sugarcane and pulses. While Australia raised concerns over an increase in India's MSP for wheat since 2006, the US and the EU questioned the subsidies on sugarcane, the buffer stock of pulses and price support for both rabi and kharif crops. But there was little movement on "permanent solution for legitimizing its food procurement subsidies", an issue of great concern to India.

◆ **By Uttam Gupta**

Ever since the World Trade Agreement (WTA) came into effect in 1995, the developed countries have been obfuscating issues concerning commitments of member nations. While the developed nations never allowed any discussion on subsidies given by them, the developing countries have been "unfairly" criticized for their subsidies given to protect poor farmers.

Ironically, the WTA itself was crafted in a manner so as to favour the developed countries. Under the Agreement on Agriculture (AoA), the developing countries can give subsidy on food for public stockholding operations - called aggregate measurement support (AMS) - up to 10% of the value of agricultural production. The corresponding figure for the developed countries is 5%.

Considering the advanced stage of agriculture in the developed nations, the smaller number of their farmers and a much higher level of their farm income, the 5% subsidy cap by itself is much too generous. Even this, they circumvented by putting most of their subsidies in "green box" which enabled them to secure exemption from reduction commitments. For the developing countries, given their predominantly subsistence farmers and measly income, even the 10% ceiling is much too stringent.

The AMS includes "product-specific" and "non-product-specific" subsidies, viz, subsidies on agricultural inputs, fertilizers, seed, irrigation, electricity, etc. The "product-specific" subsidy is computed as excess of MSP paid to farmers over international price – or external reference price (ERP) – multiplied by the quantum of agricultural produce whereas "non-product-specific" subsidy is the money spent by the Government on schemes to supply agricultural inputs at subsidized rates.

For computing the AMS, support on agri-inputs to resource poor farmers is "excluded" (on the basis that such support is not "trade-distorting"), but product-specific subsidies given to them are not. Second, for computing "product-specific" support, ERP is frozen at the level of 1986-88. With this, comparing the current MSP with the ERP of three decades before results in an "artificially" inflated subsidy.

INHERENT FLAWS

This juxtaposed with the treatment of product-specific subsidies as "trade-distorting" - even when these are to poor farmers – inevitably results in the AMS exceeding the 10% ceiling fixed under the agreement. It is these inherent flaws in computation and treatment

of subsidy that make the developing countries potentially vulnerable to non-compliance with WTO commitments.

These flaws have remained submerged in the cacophony of charges/allegations made by the developed countries at various meetings of WTO committees. Instead of getting to remove these (therein lies a permanent solution), they have literally turned the developing countries into pleaders who end up either getting nothing or some sop whose relieving effect is transient at best.

At the 9th WTO ministerial held in Bali (2013), they got a "peace clause" under which no member would challenge a violation (the AMS exceeding 10%) until 2017 when the WTO would look for a permanent solution. This meant that while the peace clause would go in 2017, there was no guarantee that a permanent solution would be in place by then.

The peace clause came with a plethora of conditions, viz, the submission of data on food procurement, stockholding, distribution and subsidies (including their computation). These also in-

es, no permanent solution

A file picture of Minister of State for Commerce NIRMALA SITHARAMAN at the 10th WTO Ministerial Conference in Nairobi

At the Nairobi ministerial, the developing countries wanted an amendment to an existing provision in Article 5 of the AoA to provide them the same benefit that the developed countries derive from Special (Agricultural) Safeguards. Yet, the declaration only recognized that they will have the right to recourse to the SSM as envisaged under the Hong Kong Ministerial Declaration. This was a hollow assurance!

cluded establishing that subsidies are not "trade distorting" which is nearly impossible to comply. In other words, even in the interim, any member could challenge if conditions are not met.

In 2014, the WTO General Council (GC), in a slight modification of the decision at Bali, approved extension of the peace clause till a permanent solution was found. But this leeway was of no use as the conditions appended to it were not dropped thereby making the developing countries vulnerable to challenge.

NAIROBI MINISTERIAL

The decision of the WTO-GC was reiterated at the 10th ministerial in Nairobi (2015). As regards finding a permanent solution, it merely agreed that "negotiations on the subject shall be held in the Committee on Agriculture (CoA) in a Special Session, which will be distinct from ongoing agriculture negotiations under the Doha Development Agenda". This meant postponing a solution indefinitely.

In other areas too, the developed countries have merely offered platitudes to the developing nations. An issue of fundamental interest to the latter is the special safeguards mechanism (SSM) which allows members to temporarily raise tariffs to deal with surging imports.

At the Nairobi ministerial, the developing countries wanted an amendment to an existing provision in Article 5 of the AoA to provide them the same benefit that the developed countries derive from Special (Agricultural) Safeguards. Yet, the declaration only recognized that they will have the right to recourse to the SSM as envisaged under the Hong Kong Ministerial Declaration. This was a hollow assurance!

With regard to agricultural export subsidies, the developed countries got away with a commitment from the developing nations for an aggressive cut in their subsidy support to agriculture and allied activities. A tighter deadline to phase out these subsidies (possibly by 2023) is on the cards. At the same time, they did not even let their own huge domestic subsidies to be put on the table for discussion.

The developed countries also managed a surreptitious entry of new issues like government procurement, competition policy, the link between trade and climate and trade-related intellectual property rights when the Nairobi Declaration recognized that "some (in an obvious reference to the developed countries) wish to identify and discuss other issues for negotiation, others do not". Now there are moves to expand this list by including e-commerce.

India should engage proactively with the WTO to ensure that issues of concern to the developing countries, including a permanent solution to food security, get sorted out in the upcoming ministerial at Buenos Aires in December, 2017. At the same time, it must not allow "new issues" to be brought to the table. ■

send your feedback to:
info@bureaucracytoday.com

(The author is a policy analyst based in Delhi.)