Is WTO's AoA unfair?

What is news?

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A recent India-China collaborative study on farm subsidies highlights how the rules in the WTO's 'Agreement on Agriculture' have been rigged to suit the developed countries.

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What is 'Agreement on Agriculture'(AoA)?

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- It is a treaty of the World Trade Organization.
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- It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with the establishment of the WTO on January 1, 1995.
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- The agreement focuses on elimination of the so-called 'trade distorting' agricultural subsidies.
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- The agreement has garnered fixed commitments from all WTO nations on three aspects of agro supply chain namely - Improving market access (by removing trade barriers), capping subsidies (given for enhancing domestic production) & providing export doles.
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- The most controversial of all these is the domestic subsidies for production enhancement, as it is the one that most directly affects the livelihoods of a large chuck of the population in the developing world.
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What are the contours of ‘Domestic Production Enhancement’ subsidies?

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- In WTO terminology, domestic subsidies in agriculture are identified by “Boxes” namely Green Box, Amber Box & Blue Box.
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- **Green Box** - In simple terms, subsidies that not distort trade or at most cause minimal distortion are in this box.
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- Usually these subsidies are not directed at specific products.
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- They are of a general nature like, ‘direct income support’ for farmers who are distressed due to crop loss or market breakdown.
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- Examples - environmental and conservation programs, research funding, inspection programs, domestic food aid including food stamps, and disaster relief , farmer training programs, pest-disease control program
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- There is no limit on governments for giving this kind of subsidies to their farmers.
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- **Amber Box** - The subsidies that distort the international trade by making products of a particular country cheaper in the international market as compared to same or similar product from another country is slotted under this box.
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- They distort trade balance because they encourage excessive production.
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- Example - Input subsidies such as subsidy on electricity, seeds , fertilizers , irrigation etc. Market support price (MSP) subsidies also fall under this box.
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- WTO limits this subsidy by capping it at 5% of their total agriculture production for developed countries & 10% for developing countries.
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- Developed countries exercised an option of either accepting a product specific ceiling of 5 per cent, or an overall cap.
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- **Blue Box -** These are basically Amber Box subsidies but they tend to limit the production.
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- Countries argue that Blue box subsidies are crucial for ushering in agricultural reforms.
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- Currently only few countries like Norway, Iceland , Slovenia etc use this kind of subsidies.
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- Example - For example subsidies linked with capping of acreage or number of animals.
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- There is no WTO cap for blue box subsidies.
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Has the AoA allowed the developed world to give out more subsidies?

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- The India-China study shows that developed members including the US, the EU and Canada have been using the flexibility subsidised a large number of items heavily at some point of time over the past two decades.
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- Their give out several times higher subsidies to their farmers than the rest of the world.
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- Currently, in effect, the developed world can give as much as $160 billion of trade-distorting subsidies that affect prices and production without attracting penalties.
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- In the US, the product-specific support was 10 per cent or more of the value of production for around 30 products in some years during 1995-2014.
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- The study further shows that even the latest figures of 2014 reveal that product-specific support for items such as sugar and sesame in the US was over 50 per cent, while for items such as peanuts, millet and cotton it was 14-16 per cent.
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- In the EU, for 43 products, the product-specific support was 10 per cent or more of the value of production in at least one year during 2000-13.
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How are the clauses in AoA rigged?

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- The developed world has the intellect to cleverly classify most of the sops as non-trade distorting subsidies (green-box), which supposedly has minimal effect on world trade.
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- The recent study has also revealed that developed countries also cornered the right to a lion's share in the total trade distorting subsidies (amber box) too.
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- This is possible as most developed countries have adopted the overall cap on subsidies instead of the product specific one (5%), which helps them better target sops for specific crops.
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- Most developing countries, on the other hand, cannot risk increasing the amber box subsidies to more than the 10 per cent of their total production value of a specific commodity as they could then be penalised.
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- This exposes the hypocrisy of the rich nations which highly subsidise their farmers but routinely reprimand countries such as India and China for their 'minimum support price' programmes for poor farmers.
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- It is unfair that even with low over-all subsidies, India has to worry about breaching the 10 per cent ceiling for rice once the food subsidy programme is fully implemented as it could then get into trouble.
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What is the way ahead?

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- This outrageously unfair arrangement came about because at the time when the Uruguay Round (1985) was negotiated, very few countries, including India, understood its implications.
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- These unfair rules need to be challenged even if they seemingly have been democratically framed.
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- India hopes to get its long-standing grievances in the area of food security

and inadequate safeguards against import surges seriously deliberated upon at the forthcoming WTO ministerial meeting in Buenos Aires.
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- It can do that only if it manages to have developed countries on the defensive.
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- The joint paper with China on AMS could well be the first step in this direction.
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- It needs to keep up the momentum and adopt a more offensive posture by laying bare more such inequities in AoA, which is habitually brushed under the carpet by the powerful.
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Source: Businessline

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