WTO - Public Stockholding

Why in news?

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The G33, including India, has proposed for an amendment in the Agreement on Agriculture of the WTO, in regard to public stockholding.

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What is the problem in this regard?

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- Public stockholding (PSH) is a policy tool used by governments to procure, stockpile and distribute food when needed. Ex: MSP scheme.
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- Governments purchasing at prices higher than market prices are considered to be subsidising their farmers, under WTO rules.
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- Current rules suggest a fixed subsidy of 10% for food procurement from farmers to feed the poor.
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- Also, the methodology for subsidy calculation is based on a price index of 1986-88, and that does not account for inflation.
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- Currently, public distribution programmes of developing countries are included under trade-distorting Amber Box measures that attracts reduction commitments.
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What is the demand?

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- The G33 countries are thus demanding that these programmes for food security purposes be exempted from subsidy reduction commitments of WTO.
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- It suggested incorporating a new annexure to categorise foodgrains procured specifically for public distribution purposes.
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- It demanded that PSH programmes be included in the list of Green Box subsidies that are exempted from reduction commitments.
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- But there is opposition from the US, the EU, Australia, Canada, Brazil, among others to provide unlimited market price support under the banner of ‘public stockholding for food security’.
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What lies before India?

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- World Trade Organization’s 11th ministerial meeting is planned in the year end in Buenos Aires.
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- India, a major player in the G-33 group of developing countries, has repeatedly demanded a permanent solution for public stockholding issue.
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- India has already agreed to WTO's Trade Facilitation Agreement on the promise that the public stockholding issue be resolved.
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- India cannot afford to make another compromise in the coming meet, without a permanent solution to the issue.
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Source: Economic Times, BusinessLine

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