



# India Calls for Permanent Solution for Public Stockholding

**For Prelims:** [World Trade Organization](#), [Public stockholding](#), [Minimum support price](#), [Social welfare programs](#), [WTO Agreement on Agriculture](#).

**For Mains:** Advantages and issues associated with public stockholding

**Source:** [LM](#)

## Why in News?

At the 13<sup>th</sup> ministerial conference of the [World Trade Organization \(WTO\)](#), India asserted a robust position concerning the **permanent solution for public stockholding for food security**.

## What are the Key Points Highlighted by India?

- **Broadening Focus of WHO:** India has called for a shift in the WTO's focus, urging it to move beyond catering solely to the trade interests of agricultural exporters.
  - Instead, the organisation should prioritise **addressing fundamental concerns such as food security and sustaining livelihoods**.
- **Developing Country Needs:** India argues that public stockholding programs are essential for developing countries to ensure **food security for their populations**, especially for vulnerable sections of society.
  - The current WTO rules allow some leeway for developing countries regarding **public stockholding** programs.
  - However, these provisions are temporary and **India seeks a permanent** solution that acknowledges their development needs.
  - Recently, **G-33 nations** also upheld the right of the developing country to use the **Special Safeguard Mechanism (SSM)** as an important instrument against major import surges or sudden price declines.
- **Call for Level Playing Field:** India stressed the necessity of **creating a level playing field in international agriculture trade**, especially for low-income or resource-poor farmers across the globe. This aligns with the broader goal of promoting fairness and equity in trade practices.
  - India pointed out the glaring **disparities in domestic support** provided by countries to their farmers.
    - Notably, subsidies in some developed countries are reported to be up to 200 times higher than those in developing nations.
  - Also, India as a member of **G-33 nations** also urged WTO to find a permanent solution to public stockholding.

## What is Public Stockholding?

- **About:** Public stockholding refers to the practice of governments **purchasing, storing, and eventually distributing food grains**. India along with many other countries uses this system to ensure food security for its population.

#### ▪ **Advantages:**

- **Food Security:** Public stockpiles ensure a **buffer against potential food shortages** caused by factors like droughts, crop failures, or market disruptions.
  - This helps maintain food availability for the population, especially during emergencies.
- **Price Stabilisation:** By releasing stocks when prices rise due to short supply, governments can **moderate price fluctuations** and prevent sharp spikes that can burden consumers, particularly low-income households.
- **Supporting Farmers:** Governments can buy grains at predetermined **minimum support prices**, offering some income security for farmers. This can incentivise production and maintain agricultural output.
- **Social Welfare Programs:** Stockpiled food can be used for **social welfare programs**, providing subsidised food to vulnerable populations and those facing food insecurity.

#### ▪ **Disadvantages:**

- **Fiscal Burden:** Maintaining large stockpiles can be expensive for governments. Storage and maintenance costs can **strain public finances and divert resources** from other development priorities.
- **Market Distortion:** Subsidised food grains from public stockpiles may **undercut market prices**, discouraging private sector investment in agriculture and potentially impacting overall production efficiency.
- **Spoilage and Waste:** Improper storage leads to **spoilage and wastage of food grains**, causing economic losses and undermining the program's effectiveness.
- **Corruption Risks:** The management of public stockpiles is **vulnerable to corruption and mismanagement**, leading to inefficiencies and leakages within the system.
- **International Trade Issues:** Subsidised stockpiling practices can create friction in international trade.
  - Some countries argue such practices **distort fair market competition** and disadvantage exporters from other nations.
  - For instance, **Thailand recently accused India** of using its public stockpiles of rice, meant for domestic food security, to gain an unfair advantage in the export market.

## What is the WTO Agreement on Agriculture?

- **About:** The **WTO Agreement on Agriculture (AoA)** is a set of international rules established during the **Uruguay Round of trade negotiations** that came into effect in 1995.
  - It aims to promote fair trade in agricultural products by:
    - **Reducing Trade Barriers:** The AoA encourages member countries to reduce tariffs, quotas, and other restrictions on agricultural imports.
    - **Domestic Support:** It regulates the types and levels of subsidies that governments can provide to their domestic agricultural producers.
    - **Market Access:** The AoA promotes greater market access for agricultural exports by reducing import barriers.
- **Agriculture Subsidy:** As per WTO norms, agri subsidy should not exceed **10% of the value of agricultural production** for developing countries. But developing nations receive certain protections.
  - However, under the **Peace Clause of December 2013**, WTO members agreed to refrain from challenging any breach in the prescribed ceiling by a developing nation at the dispute settlement forum of the WTO.
  - India's subsidy on rice had exceeded the threshold on multiple occasions forcing it to invoke the **'peace clause'** .

# WTO AGREEMENT ON AGRICULTURE (AoA)

A WTO treaty negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT); formally ratified in 1994 at Marrakesh, Morocco; Came into effect in 1995

## FEATURES

- Market access (Promote market access for agricultural products by reducing trade barriers)
- Domestic support (Subsidy Boxes are included in this)
- Export subsidies (Reduce the use of export subsidies, which can distort trade)

## SUBSIDY BOXES

### Amber Box Subsidies:

- Can distort international trade by making a country's products cheaper in comparison to those of other countries
  - Examples: Subsidies for inputs such as fertilisers, seeds, electricity, irrigation, and Minimum Support Price (MSP)
- Amber box is used for all domestic support measures that are deemed to distort production and trade
  - As a result, the signatories are required to commit to reducing domestic supports that fall into the amber box
- Members who do not make these commitments must keep their amber box support within 5–10% of their value of production. (*De Minimis Clause*)
  - 10% for developing countries
  - 5% for developed countries
- India's MSP program remains under scrutiny, as it exceeds 10% ceiling

### Blue box Subsidies:

- "Amber box with conditions" – designed to reduce distortion
- Any support that would normally be in the amber box is placed in the blue box if it requires farmers to limit production
  - These subsidies aim to limit production by imposing production quotas or requiring farmers to set aside part of their land
- At present there are no limits on spending on blue box subsidies

### Green Box Subsidies:

- Domestic support measures that don't cause trade distortion or at most cause minimal distortion
- These subsidies are government funded without any price support to crops
  - Also include environmental protection and regional development programmes
- Allowed without limits (except in certain circumstances)



## What is WTO?

- Established in 1995, the WTO succeeded the [General Agreement on Tariffs and Trade \(GATT\)](#) post-World War II.
  - It promotes smooth, free, and predictable trade among its **164 members, representing 98% of global trade.**
- Developed through trade negotiations, its rules aim to eliminate quotas and reduce tariffs, with the current framework largely shaped by the 1986-94 Uruguay Round negotiations.
  - The WTO Secretariat is headquartered in **Geneva, Switzerland.**

### Drishti Mains Question:

Discuss the impact of agricultural subsidies on global trade and food security, considering their role in promoting domestic agriculture versus their potential to distort markets and create trade imbalances.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Prelims:

**Q1. India enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999 in order to comply with the obligations to (2018)**

- (a) ILO
- (b) IMF
- (c) UNCTAD
- (d) WTO

**Ans: (d)**

**Q2. The terms 'Agreement on Agriculture', 'Agreement on the Application of Sanitary and Phytosanitary Measures' and 'Peace Clause' appear in the news frequently in the context of the affairs of the (2015)**

- (a) Food and Agriculture Organization
- (b) United Nations Framework Conference on Climate Change
- (c) World Trade Organization
- (d) United Nations Environment Programme

**Ans: (c)**

**Q3. In the context of which of the following do you sometimes find the terms 'amber box, blue box and green box' in the news? (2016)**

- (a) WTO affairs
- (b) SAARC affairs
- (c) UNFCCC affairs
- (d) India-EU negotiations on FTA

**Ans: (a)**

**Q4. Consider the following statements: (2017)**

1. India has ratified the Trade Facilitation Agreement (TFA) of WTO.
2. TFA is a part of WTO's Bali Ministerial Package of 2013.
3. TFA came into force in January 2016.

**Which of the statements given above is/are correct?**

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Ans: (a)**

**Q5. With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct? (2020)**

1. Quantitative restrictions on imports by foreign investors are prohibited.

2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

**Select the correct answer using the code given below:**

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3 only

**Ans: (c)**

### **Mains**

**Q1.** WTO is an important international institution where decisions taken affect countries in a profound manner. What is the mandate of WTO and how binding are their decisions? Critically analyse India's stand on the latest round of talks on Food security. **(2014)**

**Q2.** "The broader aims and objectives of WTO are to manage and promote international trade in the era of globalization. But the Doha round of negotiations seem doomed due to differences between the developed and the developing countries." Discuss in the Indian perspective. **(2016)**

**Q3.** What are the key areas of reform if the WTO has to survive in the present context of 'Trade War', especially keeping in mind the interest of India? **(2018)**

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