



Thailand's Concern over India's Agriculture Subsidy

For Prelims: [World Trade Organisation \(WTO\)](#), [Public Distribution System \(PDS\)](#), Peace Clause, [Minimum Support Price \(MSP\)](#), Cairns Group

For Mains: Thailand's Concern Over India's Agriculture Subsidy, WTO reforms, Issues with Subsidy Boxes, India's suggestions on WTO reforms.

Source: [IE](#)

Why in News?

Recently, Thailand's ambassador to the [World Trade Organisation \(WTO\)](#) accused India of exporting rice at unfairly low prices funded by Government Subsidy.

- Thailand stated that India's [Public Distribution System \(PDS\)](#), under which the government procures essential food items from producers and sells them to the public at low rates, is not for the people but for "capturing" the export market.

What are Thailand's Concerns Regarding India's Agriculture Subsidy?

- Trade Distortion and Impact on Global Food Prices:**
 - Thailand views India's [Public Stockholding Programme \(PSH\)](#) as highly subsidised, distorting global food prices.
 - Trade distortion is a situation** where prices and production are higher or lower than levels that would usually exist in a competitive market.
 - Subsidized agricultural production can lead to overproduction and lower prices, making it difficult for unsubsidized competitors like Thailand to compete in the global market.
- Violation of WTO Regulations:**
 - India's breach of the **de minimis limit** for rice subsidies is a violation of WTO regulations. This breach not only affects the competitive landscape but also undermines the principles of fair trade established by the WTO's Agreement on Agriculture.
 - The WTO norms say that the **support given** should be **within the 10% de minimis limit**. India informed the WTO that the value of its rice production in 2019-20 was USD 46.07 billion while it gave subsidies worth USD 6.31 billion or **13.7%, as against the permitted 10%**.
- Desire for Agricultural Trade Liberalization:**
 - As part of the **Cairns Group**, Thailand advocates for agricultural trade liberalization.
 - The group seeks to reduce trade barriers and subsidies that distort global agricultural markets, including lobbying against India to dismantle or reduce the scope of its [Minimum Support Price \(MSP\) scheme](#).

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)



Development Box:

- Article 6.2 of the Agriculture Agreement under WTO, allows developing countries additional flexibility in providing domestic support.
- The type of support that fits into the developmental category are measures of assistance, **whether direct or indirect**, designed to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries.
- They include **investment subsidies which are generally available to agriculture** in developing country members, agricultural input subsidies generally available to low-income or resource-poor producers in developing country members, and domestic support to producers in developing country **members to encourage diversification from growing illicit narcotic crops**.

What is India's Concerns Related to WTO Subsidy Norm?

- Comparison with Developed Countries:**
 - India emphasises the **stark difference between the subsidies it provides** to farmers compared to developed countries **like the US and EU (European Union)**.
 - While India's subsidy per farmer is relatively low at USD 300, the subsidies provided by the US and EU can be as high as **USD 40,000 per farmer**.
 - This comparison highlights the **disparity in support provided to farmers between developed and developing countries**.
- Breach of De Minimis Limit:**
 - India acknowledges that **it breached the 10% de minimis limit** for subsidies, which triggered the "peace clause" established in 2013.
 - The interim peace **clause was put in place in 2013 under the Bali Agreement** to protect developing countries from being challenged for breach of subsidy levels.

- However, India has questioned the **way subsidies are calculated at the WTO**, saying it is calculated at a fixed and outdated 1986-88 price, which overestimates the subsidy.
- India is seeking to **change it at the WTO negotiations on agriculture**.
- **Need for Permanent Solution:**
 - India, along with a group of developing countries, advocates for a **permanent solution regarding public stockholding** for food grains.
 - This solution aims to provide greater flexibility to developing countries in providing farm support without facing challenges for breaching subsidy levels.

What are Cairns Group and G-33 Group?

- **Cairns Group:**
 - **Established:** 1986 in Cairns, Australia
 - **Members: 19 agricultural exporting countries**, including Argentina, Australia, Brazil, Canada, Pakistan, and New Zealand.
 - **India is not a Member of Cairns Group.**
 - **Stance:** Advocates for **liberalization of agricultural trade**, meaning they generally support reducing tariffs, subsidies, and other trade barriers that hinder the **free flow of agricultural products across borders**. They believe this will benefit all countries by promoting efficiency and economic growth.
- **G-33 Group:**
 - **Established:** Prior to the 2003 Cancun ministerial conference
 - **Members:** Originally 33 developing countries, currently around 48, **including India, China, and Cuba**.
 - **Stance:** Advocates for **special treatment for developing countries in agricultural trade negotiations**.
 - They argue that developing countries need more flexibility to protect their domestic agricultural sectors and ensure food security, even if it means maintaining some trade barriers.
 - They are also **concerned about the potential negative impacts** of full trade liberalization on their livelihoods and rural development.

What is the WTO's Peace Clause?

- As an interim measure, the **WTO** members agreed on a mechanism called the '**Peace Clause**' in **December 2013** and pledged to negotiate a permanent solution.
- Under the Peace Clause, 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**.
- This clause will **stay till a permanent solution** is found to the food stockpiling issue.

Way Forward

- India should continue engaging in negotiations within the WTO framework to push for its demands for a permanent solution on public stockholding. This may involve bilateral discussions with key stakeholders and active participation in WTO meetings and negotiations.
- India can strengthen **alliances with other developing countries** that share similar concerns and demands regarding agricultural subsidies and support mechanisms. By forming coalitions such as the **G-33 group**, India can amplify its voice and leverage collective bargaining power within WTO negotiations.
- India should continue advocating for its position on agricultural subsidies and support mechanisms through policy forums, research institutions, and international platforms. This includes highlighting the importance of food security and the need for flexibility in providing farm support for developing countries.

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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