

**BALANCING AGRICULTURAL SUBSIDIES FOR FOOD SECURITY: INDIA'S  
POSITION IN THE WTO**

**POSITION PAPER BY GREAT MISSION GROUP CONSULTANCY (GMGC)**

**Abstract:**

*India's stance on agricultural subsidies within the framework of the World Trade Organization (WTO), focusing on the Agreement on Agriculture (AoA). As a founding member of the WTO, India navigates the delicate balance between ensuring food security and complying with WTO regulations. The disparities in subsidies provided by developed countries versus those granted to developing nations, the categorization of subsidies into Green Box and Amber Box, and the call for correcting historical inequalities form the core of India's position.*

**Introduction:**

The AoA, negotiated during the Uruguay Round (1986-1993), seeks to create a fair and market-oriented agricultural trading system. As part of this agreement, WTO members commit to specific disciplines on domestic support, export subsidies, and market access. For India, where agriculture plays a crucial role in livelihoods and sustenance, the challenge lies in navigating these regulations while safeguarding its food security objectives.

Balancing food security and compliance with WTO regulations is a complex task for India. On one hand, the country seeks to protect its farmers and ensure a stable food supply for its population. On the other hand, WTO regulations, particularly those related to subsidies, necessitate adherence to international trade norms to prevent trade distortions and maintain a level playing field among member nations.

India's commitment to the WTO reflects its recognition of the importance of global trade cooperation. However, the nation also contends with the responsibility of addressing the socio-economic needs of its citizens, especially in the context of a predominantly agrarian society. Striking a harmonious balance between these objectives requires nuanced policy approaches and collaborative efforts within the WTO to address the unique challenges faced by developing economies like India.

## **Categorization of Subsidies:**

### **Green Box Subsidies:**

The Green Box represents subsidies that are considered non-distorting and are permissible under the Agreement on Agriculture (AoA). These subsidies have either no or minimal trade-distorting effects and are deemed compatible with fair trade practices. Green Box measures include support for research and development, environmental protection, and direct income support to farmers that doesn't distort production or trade.

Examples of Green Box subsidies include investments in infrastructure, pest control, and income support that is decoupled from current production levels. The rationale behind allowing Green Box subsidies is to encourage practices that contribute to sustainable agriculture and environmental protection without adversely affecting global trade dynamics.

### **Amber Box Subsidies:**

The Amber Box represents subsidies that are considered trade-distorting and have the potential to distort production, trade, and investment. These subsidies are subject to reduction commitments under the AoA to prevent unfair advantages in international trade. Amber Box measures include price supports, input subsidies, and payments based on current production levels.

## **Disparities in Subsidies:**

The disparities in subsidies provided by developed and developing countries are a central concern within the WTO. While Green Box subsidies are meant to promote sustainable and non-distorting practices, the issue arises when examining the significant levels of Amber Box subsidies granted by developed nations. These subsidies can create an uneven playing field, as developing countries may face challenges in competing with the artificially subsidized agricultural products from developed economies.

Developed countries, with larger financial capacities, often provide higher levels of trade-distorting subsidies, impacting the global agricultural market. This disparity has economic implications for developing countries, affecting their ability to compete fairly, protect domestic industries, and ensure the livelihoods of their farmers.

Addressing these disparities is crucial for fostering equitable trade practices and promoting the sustainable development of agriculture in developing nations. It calls for collaborative efforts within the WTO to reform subsidy policies and establish a more level playing field for all member countries.

### **Historical Inequalities and AMS Entitlements:**

The Aggregate Measure of Support (AMS) entitlements, as outlined in the Agreement on Agriculture (AoA) within the World Trade Organization (WTO), quantifies the level of support provided to the agricultural sector by member countries. It includes both domestic support and export subsidies. The analysis reveals a significant disparity in global AMS entitlements, with developed countries holding over 90% of the total entitlements.

Developed nations, characterized by their higher economic capacities, have historically been able to allocate substantial resources to support their agricultural sectors. This disproportionate distribution of AMS entitlements underscores the challenges faced by developing countries in competing on a level playing field in the global agricultural market. The sheer magnitude of entitlements held by developed countries can distort market dynamics, giving them a competitive advantage that may undermine the agricultural sectors of less affluent nations.

### **India's Call for Correcting Historical Imbalances:**

In response to the observed historical imbalances in AMS entitlements, India has consistently advocated for corrective measures within the WTO framework. The call for correction is grounded in the recognition that these imbalances perpetuate an uneven playing field, hindering the fair treatment of developing nations, particularly those with agrarian economies.

By calling for corrective action, India aims to challenge the status quo and bring attention to the need for reforms that take into account the historical context of agricultural support. This aligns with the broader objective of promoting sustainable agricultural development and protecting the interests of farmers in developing countries.

### **G-33 Coalition Support:**

The G-33 coalition, comprising 47 WTO member countries, supports India's call for agricultural subsidy reforms. Aligned with India, the coalition advocates for a 'support-per-farmer' approach, emphasizing tailored support for diverse agricultural landscapes. This approach aims to address the specific challenges faced by farmers in developing nations. The coalition, in tandem with India, underscores the need to eliminate historic imbalances in Aggregate Measure of Support (AMS) entitlements. Together, they seek to reshape global agricultural trade policies for a fairer and more sustainable international trading environment.

### **Challenges Faced by Indian Farmers:**

The latest data as of January 31, 2024 by Time's newspaper, reveals a distressing reality in India, with 2,851 farmers having taken their own lives in 2023. This alarming increase in farmer suicides underscores the multifaceted challenges faced by the agricultural community, including financial burdens, crop failures, and mental health issues. Advocating for empathetic policies and initiatives is crucial to safeguard the well-being of farmers and recognize their indispensable role in ensuring the nation's food security.

India reported a total of over 1.7 lakh suicides in 2022, nearly one-third of whom were daily agricultural labourers and farmers, according to the National Crime Record Bureau's (NCRB) Accidental Deaths and Suicides in India (ADSI) 2022 report. The alarming increase in farmer suicides in India has highlighted the underlying issues plaguing the agricultural sector. Several factors contribute to this tragic phenomenon, including:

**Financial Distress:** Farmers often face immense financial pressure due to rising input costs, unpredictable market prices, and inadequate access to credit. This financial distress pushes them to the brink, with no viable solutions in sight.

**Crop Failure and Debt:** Crop failure due to natural calamities or pest attacks can be devastating for farmers who heavily rely on their harvest for income. In such situations, farmers often resort to loans to meet their immediate needs, leading to a cycle of debt that becomes increasingly difficult to escape.

**Emotional Stress and Social Stigma:** The burden of financial debt and the inability to provide for their families can lead to immense emotional stress for farmers. Moreover, the social stigma

associated with failure and mounting debts can further isolate them, leaving them feeling helpless and alone.

### **Humanitarian Grounds and Food Security:**

India's position on agricultural subsidies carries a humanitarian imperative, especially in the context of the alarming rise in farmer suicides. Recognizing the dire circumstances faced by farmers, India emphasizes the urgent need for reforms to alleviate their financial burdens and address the underlying issues contributing to this crisis. The humanitarian aspect underscores the responsibility to safeguard the well-being and livelihoods of those sustaining the nation's agricultural sector.

The Minimum Support Price (MSP) is positioned as a lifeline for farmers in India, ensuring fair compensation and serving as a crucial mechanism to safeguard their livelihoods. By establishing a floor price for agricultural produce, MSP acts as a safety net, shielding farmers from market uncertainties and exploitative practices.

### **Conclusion and call to action**

The rising number of farmer suicides in India is a distressing reality that demands immediate attention and action. Providing Minimum Support Price (MSP) on humanitarian grounds is crucial to address this crisis and ensure the well-being of farmers. Convincing the World Trade Organization (WTO) to shift MSP to the Green Box is an essential step towards creating a more equitable and sustainable agricultural sector.

Despite pressure, India defends its subsidies, highlighting the disparity between developed countries' high subsidies and developing countries' minimal support. India advocates for correcting inequalities like Aggregate Measure of Support (AMS) entitlements, arguing for fair treatment and emphasizing food security. This stance is backed by the G-33 coalition, promoting a 'support-per-farmer' approach to subsidies and urging the elimination of historic imbalances in agricultural trade policies.

Providing MSP to farmers on humanitarian grounds is not just an economic necessity but a moral imperative. Farmers are the backbone of our society, working tirelessly to feed and sustain the nation. The distressing trend of farmer suicides reflects a failure of our collective responsibility to protect those who provide for us.

By ensuring fair and reasonable prices for agricultural produce through MSP, we can uplift farmers from the depths of despair and offer them a ray of hope. This humanitarian gesture would not only improve the lives of farmers but also contribute to the overall well-being of society. It is our duty to stand alongside farmers, support their livelihoods, and create a more just and equitable world.

As individuals, we can contribute to this cause by raising awareness about the challenges faced by farmers and advocating for their rights. It is essential to support initiatives that promote fair trade practices, protect farmers' income, and prioritize their well-being. Together, we can make a difference and create a future where farmers are valued, respected, and provided with the support they need to thrive.