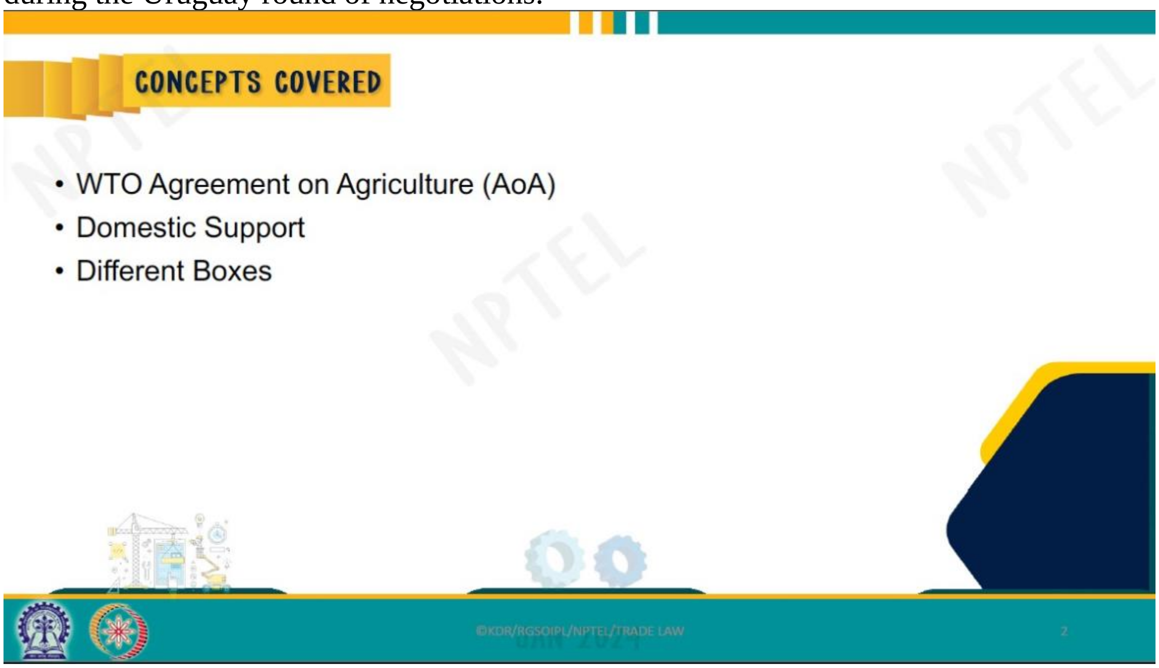
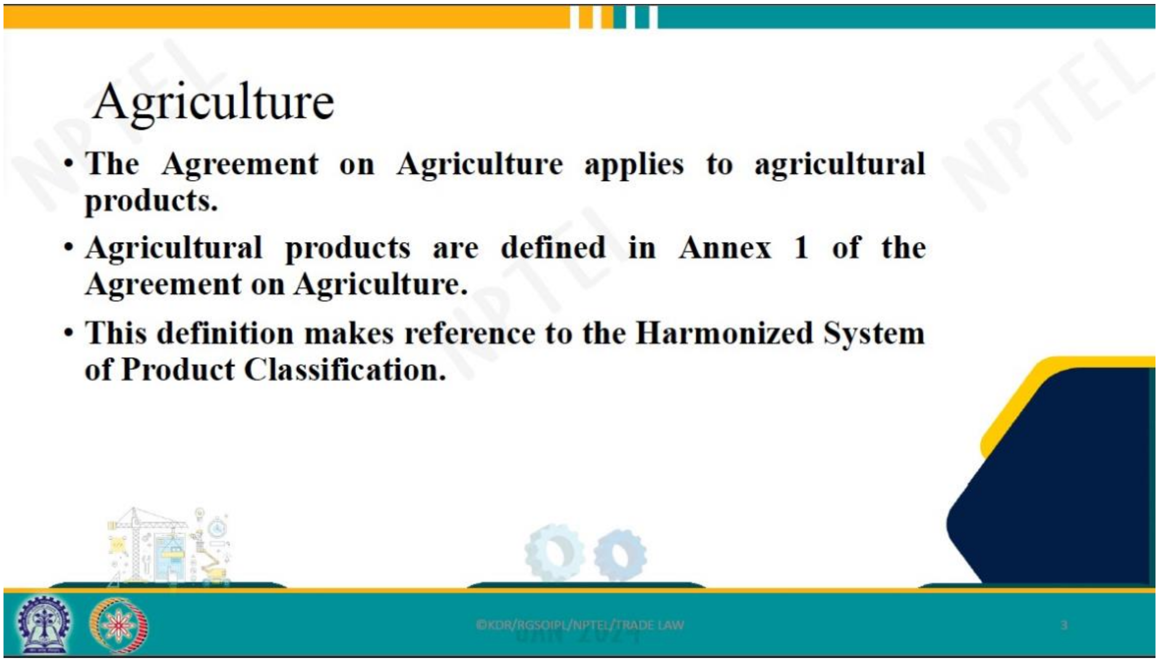
Lecture 07: The WTO Agriculture Agreement Objectives, Domestic Support and Different Boxes

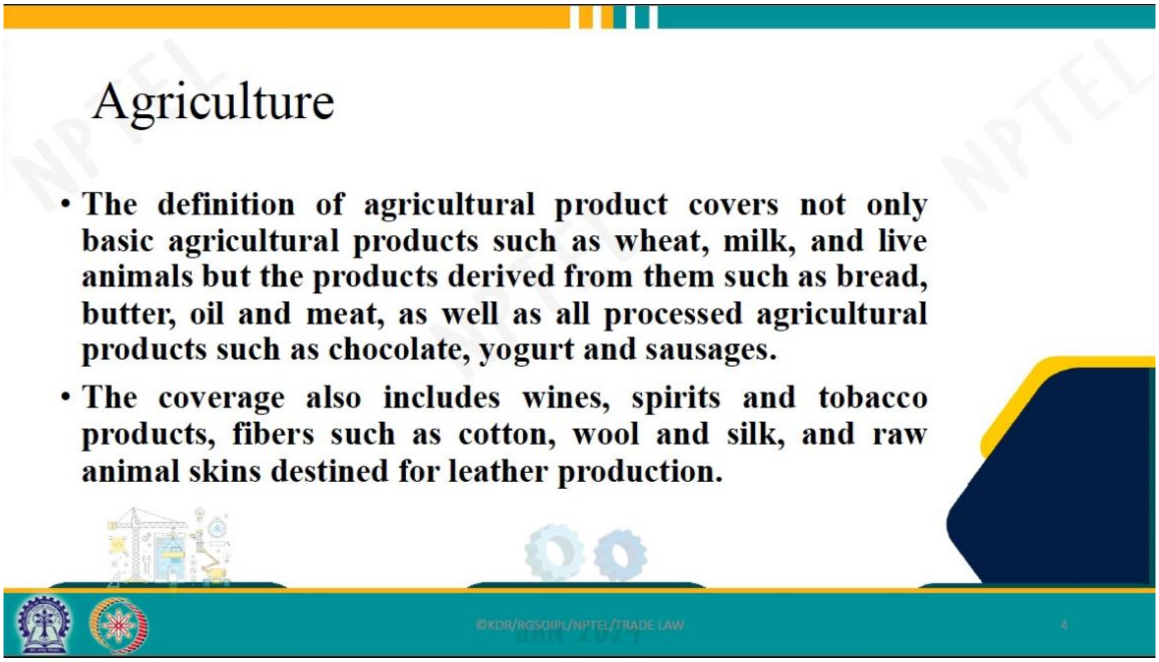
Dear students, today we are going to discuss the WTO Agreement on agriculture and this is very important. This agreement was one of the contentious agreement which was concluded in the Uruguay round of negotiations and why it is contentious we saw the provisions as well as the problems which were faced by the countries immediately after the Second World War. So, these discussions continued during the entire negotiating period of GATT, in the Kennedy round of negotiations, in Tokyo round of negotiations and finally, in the Uruguay round of negotiations and some kind of consensus came only during the Uruguay round of negotiations.



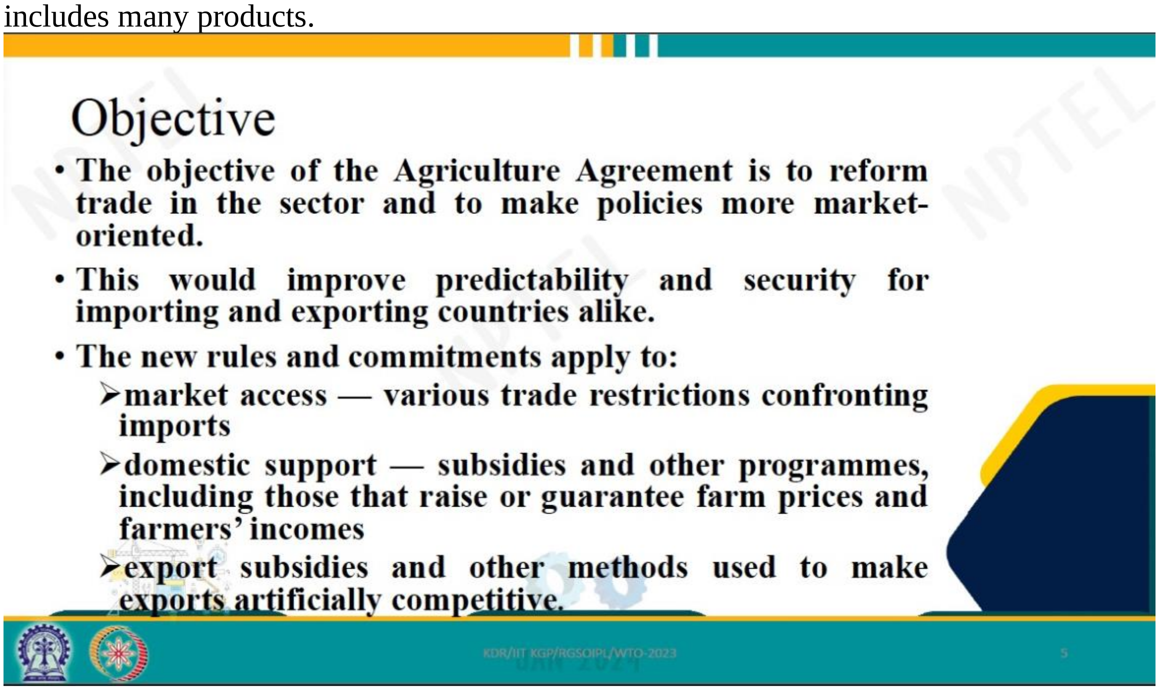
So, we will see what is the WTO Agreement on agriculture, what are the components, the bedrock of this particular agreement and which includes the market access, domestic support and export competition the three pillars of the WTO Agriculture agreement.



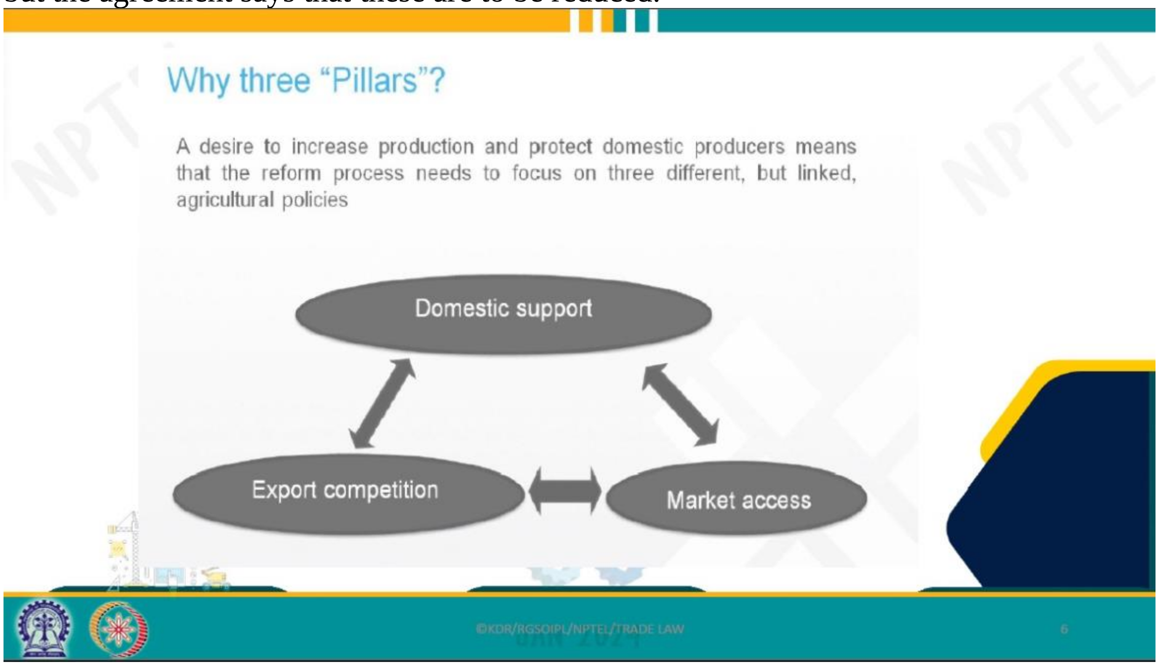
So, when we start talking about the agriculture agreement we know that it applies to all agricultural products. In the first class, we saw that there are so many agricultural products whether it is cereals or it is millets or it is oil or it is egg or it is meat or meat and meat products etcetera. So, these agricultural products are specifically defined in Annex-1 of the Agriculture agreement. So, this definition will go to the harmonized system of product classification. So, it is the UN classification of products so that the customs valuation authorities can easily put the HS codes, that is the harmonized system of product classification. So, that all over the world these products have the same HS codes or the harmonized system which is developed by individual countries. So, whenever you export a particular product now it must have an HS code based on the Agriculture agreement of the WTO and these HS codes are developed by different countries, on different modes, but there is a common system of HS code classification of products. It means that every WTO member can identify this particular product with a product classification number.



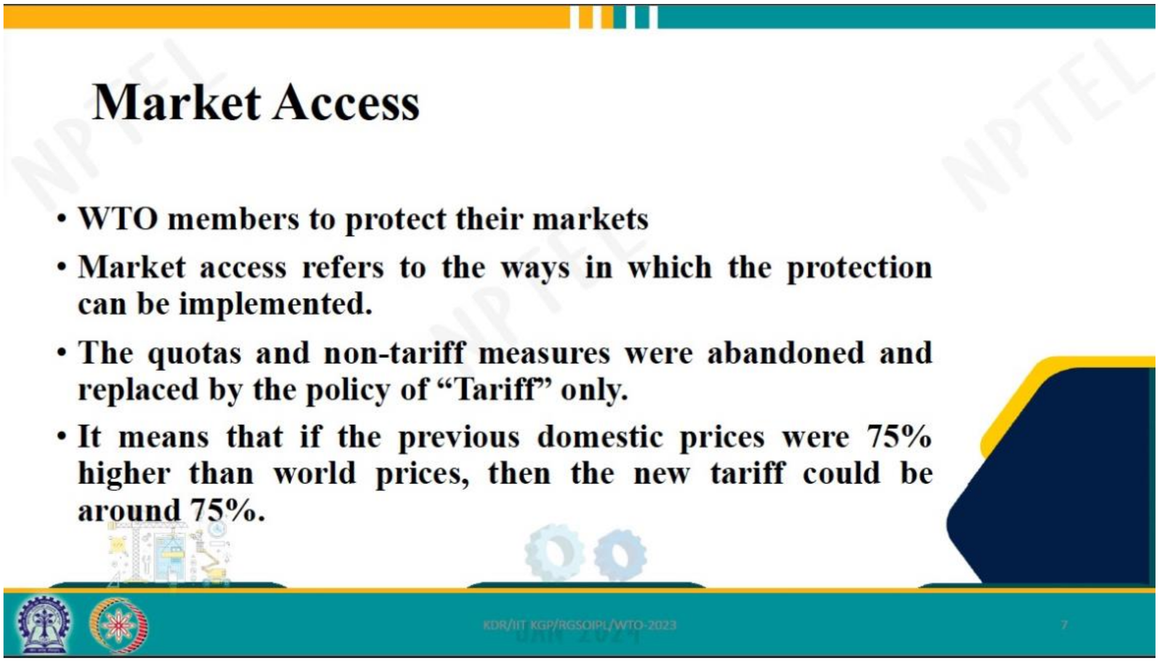
So, the definition of agricultural products is not only covering the basic products for example, our perception of agricultural product is wheat, rice, milk and other products or whether it is oil, meat, egg etcetera. It also includes agricultural value added products like chocolate, yogurt, sausages. We saw some of the figures which shows that most of the food trade is on value added products. So, these value added products are also common under the definition of agriculture. More importantly, you can see that wines and spirits, tobacco products, fibers such as the cotton, bolts, silk, etcetera and then some of the raw materials like animal skins which is mostly produced as leather products are also included under the definition of agriculture. So, the definition of agriculture is wide and includes many products.



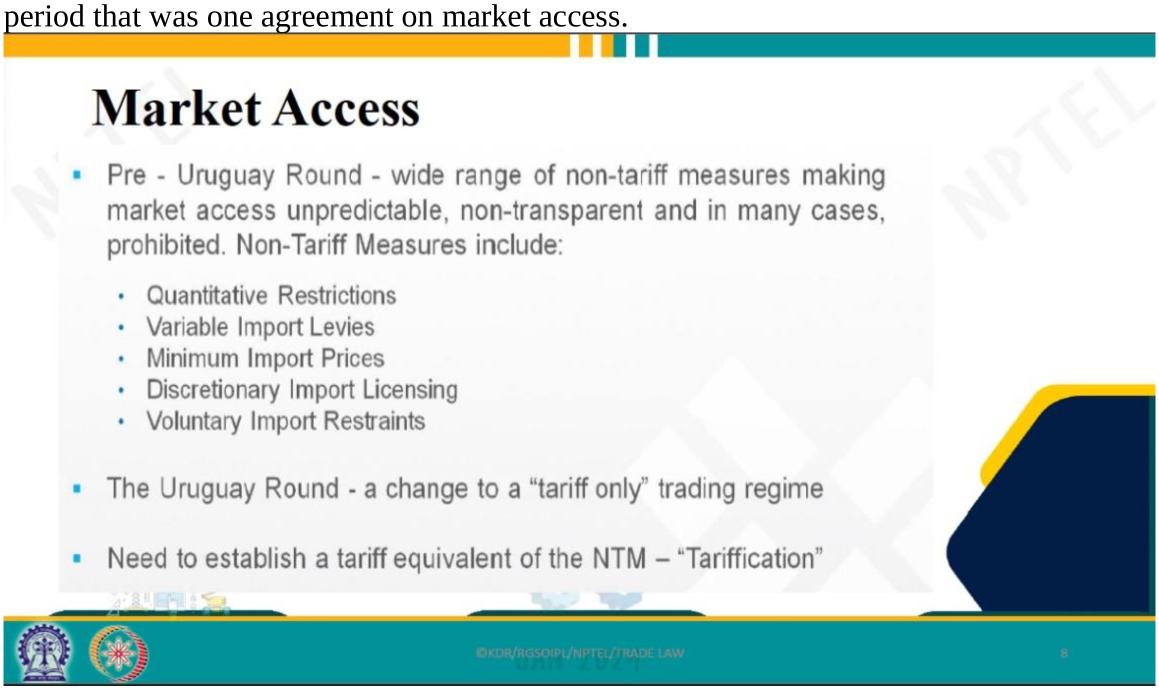
What is the objective of this particular agriculture agreement, agreement on agriculture. So, it has a single objective which says that it is to reform the agricultural markets and to improve the predictability and security for importing and exporting countries. So, the commitments are specific to three pillars of agriculture agreement, first the market access - market access includes the removal of old trade restrictions, second reduction of domestic support - domestic support talks about mainly the subsidies and other elite programs which affects the prices of farmers' production and the third pillar is export subsidies. So, we will what the agriculture agreement says about these three pillars market access, domestic support and export subsidies. These are not blanketly prohibited, but the agreement says that these are to be reduced.



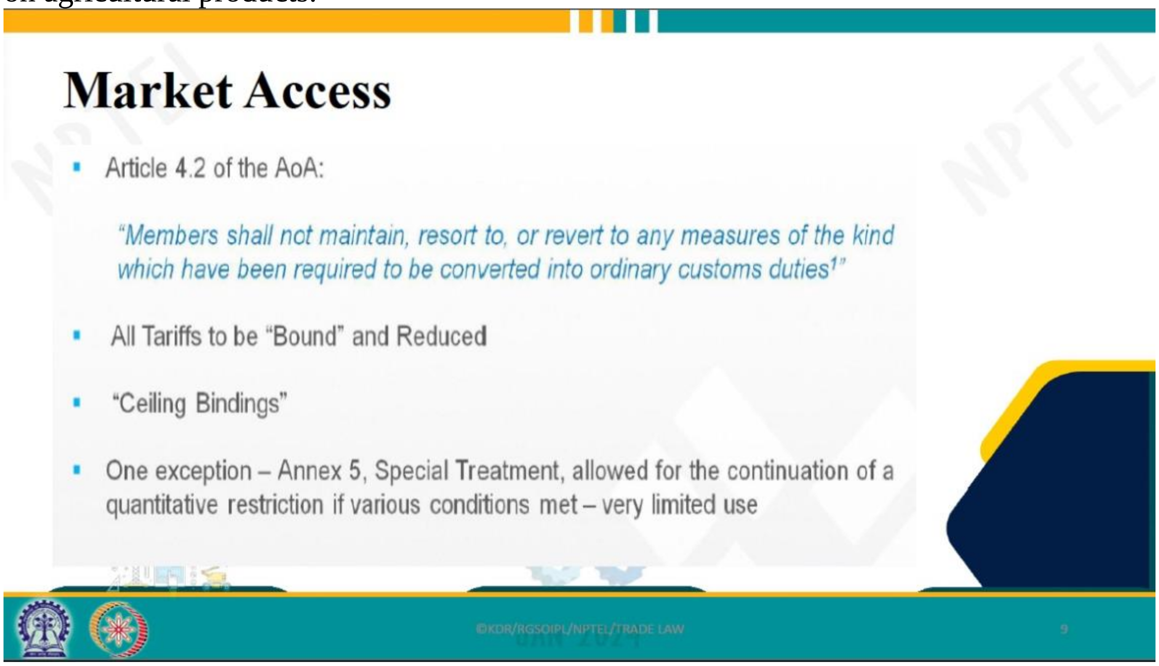
And it is very clear these three areas are considered to be the pillars. Why? Because the main commitments are under these three pillars and which includes the market access, domestic support and export competition. All these are connected and you cannot separate one component. So, that is why the commitments are in all three components. So, what are those commitments we will see in detail.



So, every WTO member country wants to protect their domestic markets. So, that is why they are not ready to open up their markets including India or China and even though the developed countries says that it has opened up, but our competitiveness with regard to developed countries are highly questionable. So, market access definitely refers to elimination of all non-tariff barriers from the market and now only allow these tariffication. That means that the earlier prices the previous prices were 75 percent higher than the world prices, now the new tariff will be 75 percent, the tariffication according to the base period. So, all the non-tariff barriers are converted into tariffs based on the base period that was one agreement on market access.



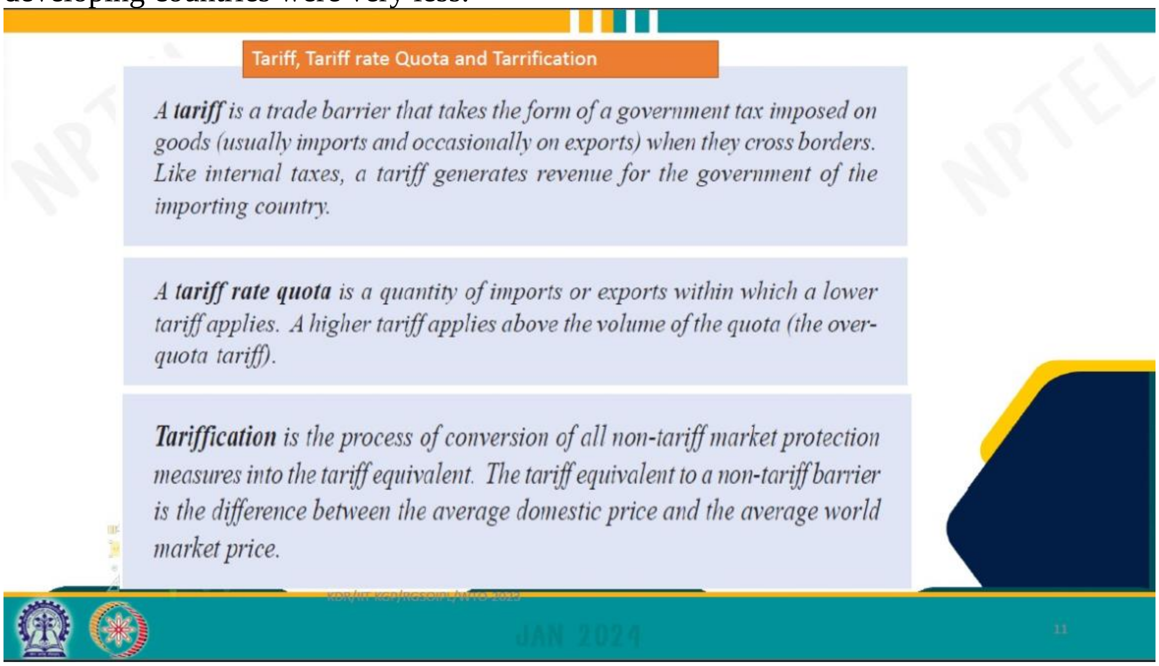
So, tariffication is done and then removal of various measures which are known as non-tariff measures. These non-tariff measures includes quantitative restrictions, variable import levies, minimum import prices, discretionary import licensing, voluntary import restraints, all these are non-tariff measures and the members agreed to remove all these by tariffs. So, the tariffication will be done and also to eliminate all non-tariff measures. Elimination of non-tariff measures is very important and the tariffication should be done and it is based on the base period. So, the market access is very clear that you remove all barriers, all barriers in terms of quantity, all barriers in terms of taxes, all barriers in terms of licensing and all barriers in terms of other restraints. So, market access should be given on agricultural products.



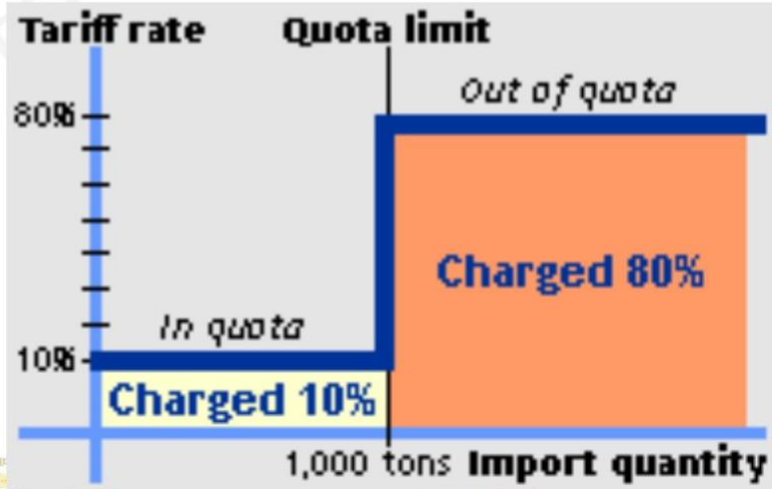
And also, we can see that article 4.2 of the agreement on agriculture very clearly says members shall not maintain or resort to or revert to any measures of the kind which have been required to be converted into ordinary customs duties. So, all the tariff rates are converted into bound rates, reduced rates or ceiling binding rates and the special treatment is allowed only on continuation of quantitative restrictions in case of certain conditions, limited use. So, QRs are allowed only in certain conditions and one such condition we talked about is balance of payment problems. So, article 4 very clearly says that members shall not maintain, the language is *shall* which is mandatory in nature. So, it is a hard law, every members should remove any kind of non-tariff measures they cannot keep them or they are to be converted into tariffs.

	Developed countries 6 years: 1995-2000	Developing countries 10 years: 1995-2004
Tariffs		
average cut for all agricultural products	-36%	-24%
minimum cut per product	-15%	-10%
Domestic support		
total AMS cuts for sector (base period: 1986-88)	-20%	-13%
Exports		
value of subsidies	-36%	-24%
subsidized quantities (base period: 1986-90)	-21%	-14%

And then you can see that what was the tariff that these members agreed. So, the developed countries agreed for one rate and developing countries agreed for another rate. So, starting from 1995 the developed countries agreed that within the next six years they will reduce the tariffs to some extent. And the developing countries were given 10 years transition period to reduce the tariffs. So, if we look into what are these tariffs, we can see that the average cut for all agricultural products by 36 percent by the developed countries. And at the same time, developing countries are also obligated to reduce the tariffs by 24 percent, even though they got a 10 year period and developed countries only got a 6 year period. Remember this, even for developing countries this transition period got completed in 2004; 1995 to 2004, all these transition periods are over by 2004, that means, up to 2005. Then, the minimum cut; minimum cut per product is very important for developed countries it is 15 percent and for developing countries it is 10 percent, there is not much change per product. And for the total aggregate measurement of support the base period is taken as 1986-88 period because the Uruguay round started in 1986. So, the developed countries agreed to reduce by 20 percent and at the same time the developing countries were also asked to reduce by 13 percent. Then all export subsidies, we already said that export subsidies are considered to be one of the trade distorting measures. And the developed countries were asked to reduce by 36 percent and developing countries were asked to reduce by 24 percent. Then subsidized quantities: 21 percent by the developed countries and 14 percent by the developing countries. So, all these obligations are implemented by 164 member countries. So, the prices of basic agricultural product are at least reduced by the developing countries by 24 percent when they committed to the WTO in 1995. So, I would say that from the perspective of developing countries these are huge drastic cut. Average tariff cut of 24 percent is a huge tariff cut when the first time they did it maybe for the last 50 years. So, these were the huge cuts that is 24 percent or product wise it is 10 percent or it is aggregate measurement of support also and then reducing subsidies also all these were huge cut from the perspective of the countries. So, the support to the agriculture sector is substantially reduced in case of developing countries. At the same time, you can see that the developed countries also reduced. The difference between these two you can see that for example, the total cut average cut of 36 percent and 24 percent, there is only 12 percent difference between developed countries and developing countries. So, if you take a developed country like US they are going to reduce 36 percent at the same time you take a poor countries like Pakistan, they have to reduce by 24 percent. So, the margin is very thin which is probably not noticed by the analysts. So, the margin developed and developing countries were very less.



So, what is this tariffication? what is this tariff? and what do you mean by tariffication? So, Agriculture agreement defines what is a tariff. Tariff can be any kind of tax. Tariff is considered to be a trade barrier, that takes the form of a tax for government and imposed on goods and sometimes on imports and sometimes even on exports whenever they cross borders. So, basically the governments impose tax on goods when crossing the borders that is a tariff. So, whether it is imposed by the importing country or it is imposed by the exporting country does not matter. It is a tariff. And what is the tariff rate quota? Tariff rate quota is, there is a particular quantity of exports or imports which have a lower tariff plan and this lower tariff plan is only applied to that particular quantity of imports and beyond that quantity the country imposes a higher tax, a higher tariff. So, this lower tariff place, lower tariff quantity is known as the tariff rate quota. And the WTO agreement says, we already mentioned, that all non-tariff measures to be tarrified, all non-tariff protection should be tarrified, equivalent to tariff equivalent. So, based on 1986-1988 period. So, we already said that if 75 percent was the non-tariff barrier at that point of time, when you tarrify it 75 percent is the tax. So, the tariffication is to be done and the non-tariff barriers are to be removed.



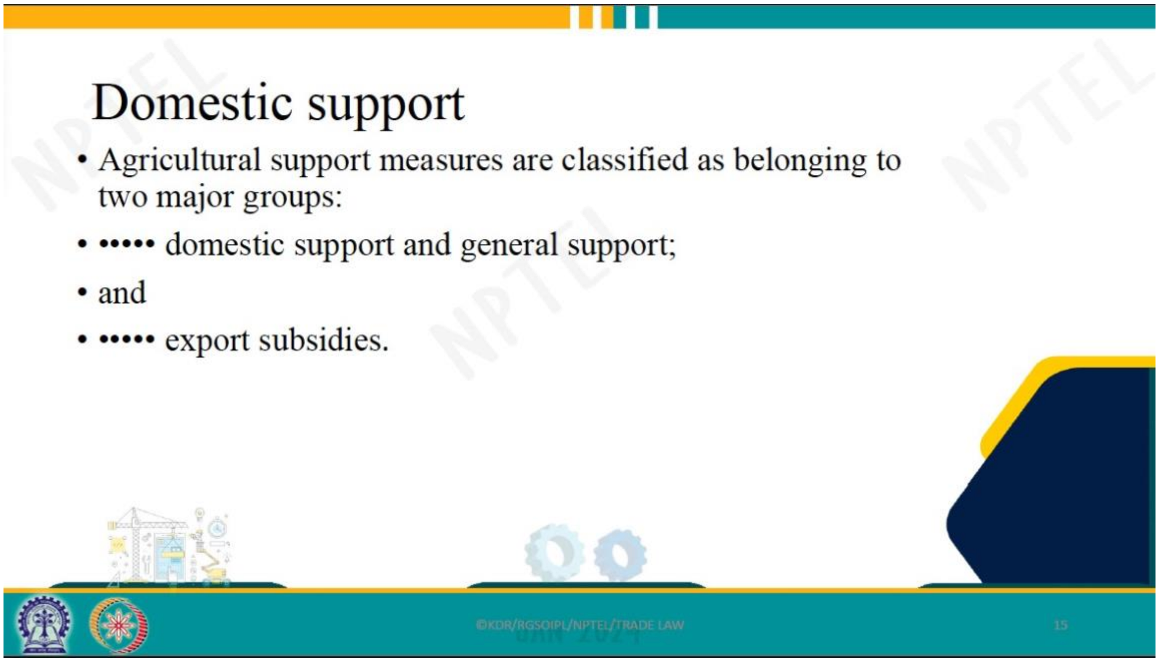
So, you can see this, what do you mean exactly by a tariff rate quota. Here 10 percent tariff rate quota is charged only 10 percent. So, that means, for a particular quota of 1000 tons it is only 10 percent of tax, that is the quota limit. Beyond 10 percent, the country will charge 80 percent, remember 8 times more tax on agricultural products. So, this 10 percent margin is known as tariff rate quota applied beyond a higher quantity. This was also agreed in WTO, even though we said that tariff rate quotas are completely to be removed, but in agriculture, because of the special circumstances of the agriculture sector this was also agreed upon - tariff rate quotas.

The non-tariff border measures which were required to be converted into tariffs are set out in a footnote to Article 4 of the *Agreement on Agriculture*. They include:

- quantitative import restrictions;
- minimum import prices;
- variable import levies;
- discretionary import licensing;
- voluntary export restraints, and
- non-tariff measures maintained through state trading enterprises.

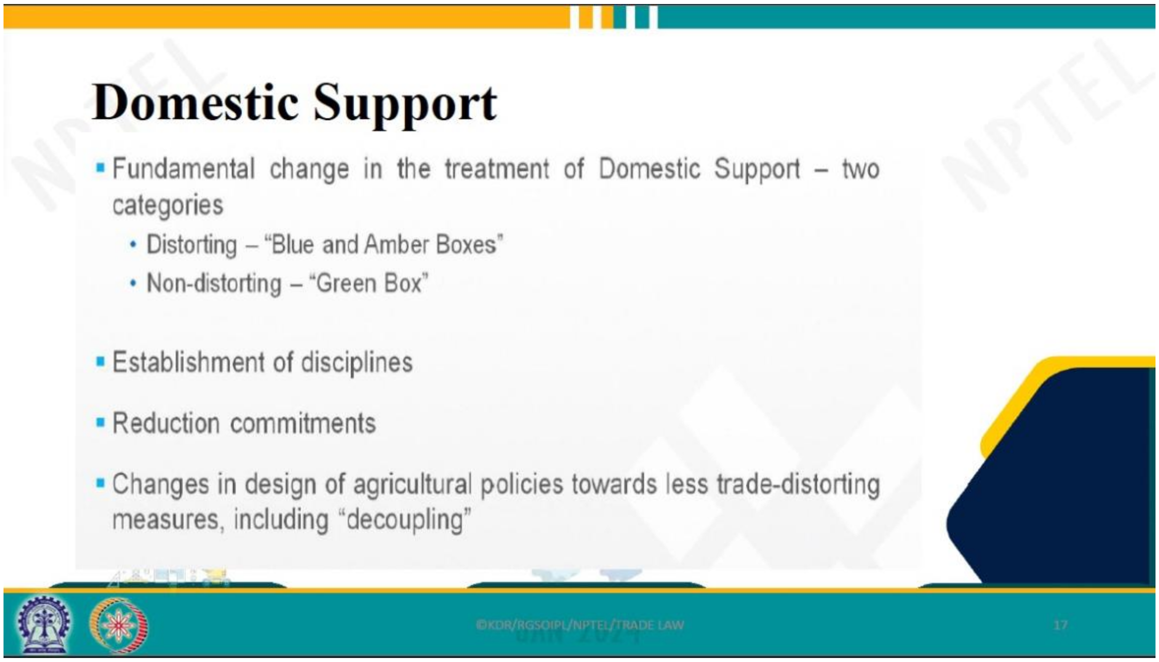
And then quantitative restrictions - Article 4, which we already talked about, Article 4, talks about converting tariffs, converting these non-tariff measures into tariffs. For example, quantitative restrictions, minimum import prices, variable import levies, discretionary import licensing, there is no more license raj, voluntary export restraints and non-tariff measures maintained by the state enterprises. For example, in countries like India and other places, only state enterprises are allowed to import certain products that are also to be removed. All these are considered to be non-tariff measures which has to be removed in the new agriculture agreement.

So far we are talking about the market access. The second pillar is the domestic support and domestic support, we already said that domestic support is mostly in the form of subsidies. So, everybody blames the agriculture market is distorted by subsidies. How it is distorted by subsidies? Because through these subsidies, this argument says that the products are highly underpriced. The actual production cost is very high because of the subsidies the product cost is very less, the production cost is less and the prices are artificially fixed. So, you reduce subsidies. In certain cases, subsidies increases the production, in certain cases for non-production, overproduction also - to reduce the overproduction subsidies are provided in developed countries, at least not in developing countries, there is no overproduction. So, this arrangement and discipline is to reduce all subsidies. So, there are domestic subsidies, there are export subsidies. So, these subsidies, domestic subsidies are put in different boxes. So, as I said the objective was not to ban subsidies. Subsidies are an integral part of the entire scheme. No country can stop, no country can say no to the subsidies. So, what they said - you reduce. So, in order to reduce they put these subsidies under different boxes. So, one is green box which is permitted subsidies, amber box – is slowed down or to be reduced and there is a red box which is forbidden and blue box possibly trade distorting, but it is permitted, maybe for a time period and if this particular subsidy is related to production limitation programs, then the blue box is to be reduced. So, as I told you know, the Agriculture Agreement has no red box. The domestic support, the domestic subsidies support, the reduction commitment levels. So, under the amber box, beyond a particular level is prohibited, but there is no red box. So, we will see what are these boxes.

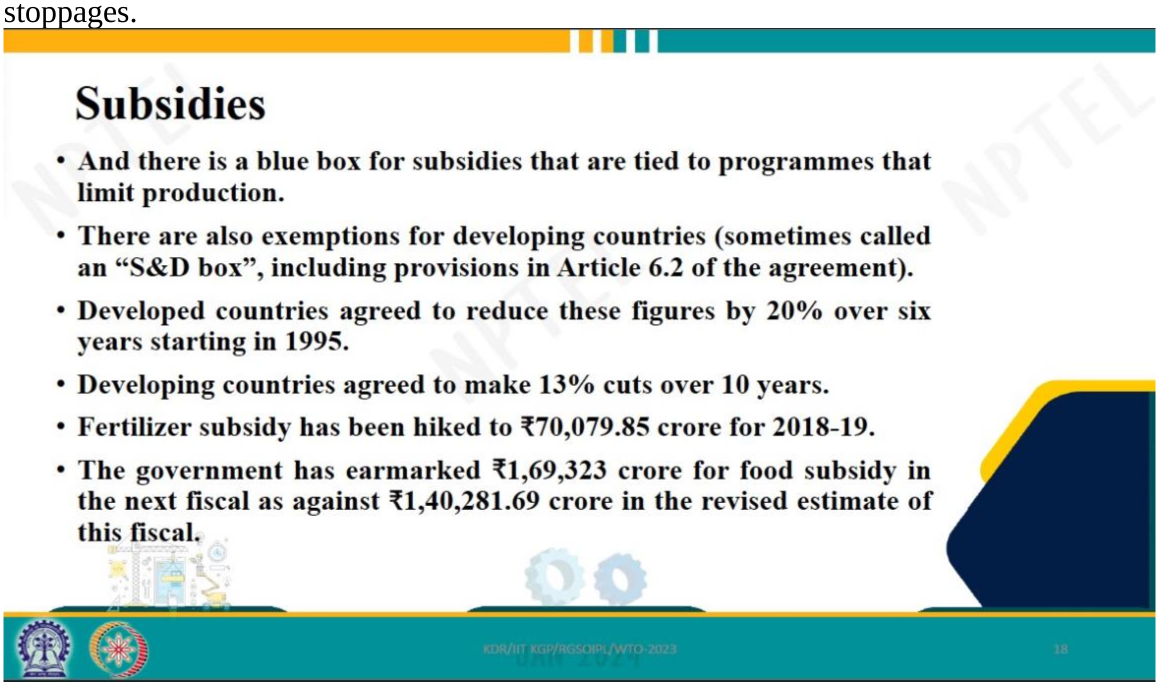


So, that means, these subsidies are divided into different boxes.

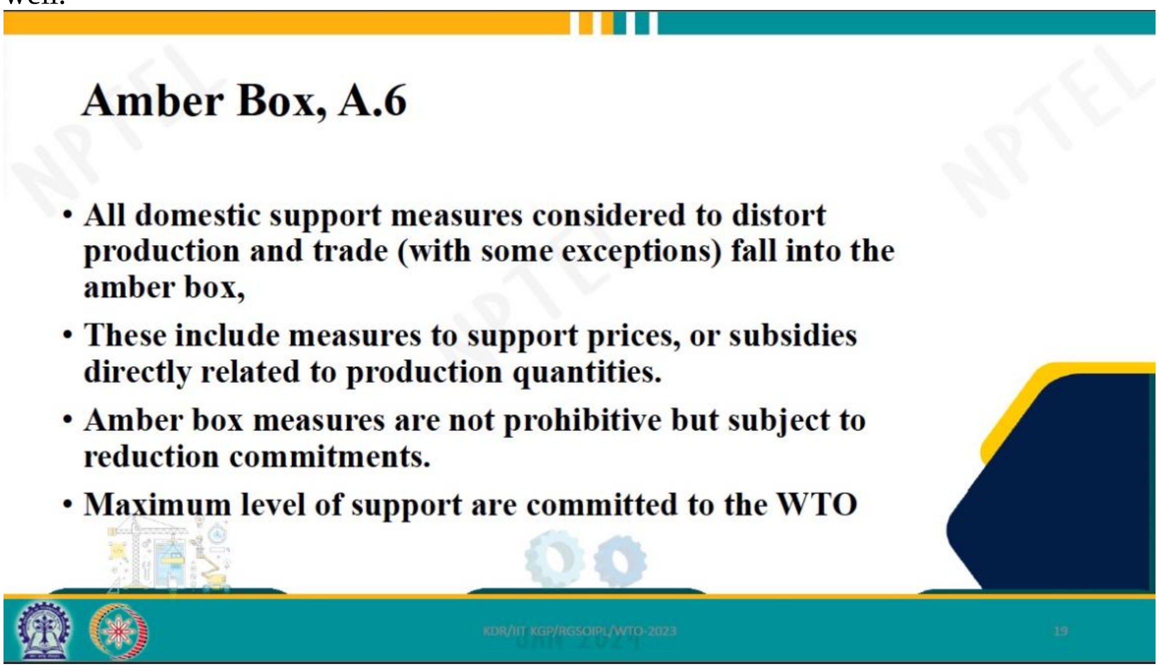
And these boxes' reduction commitments are different. So, the presumption is that these domestic supports are trade distorting and these are to be reduced. So, there are certain categories of support. One is the exempted categories and the other one is non-exempt categories. So, that means, all the subsidies will be under this rule based system.



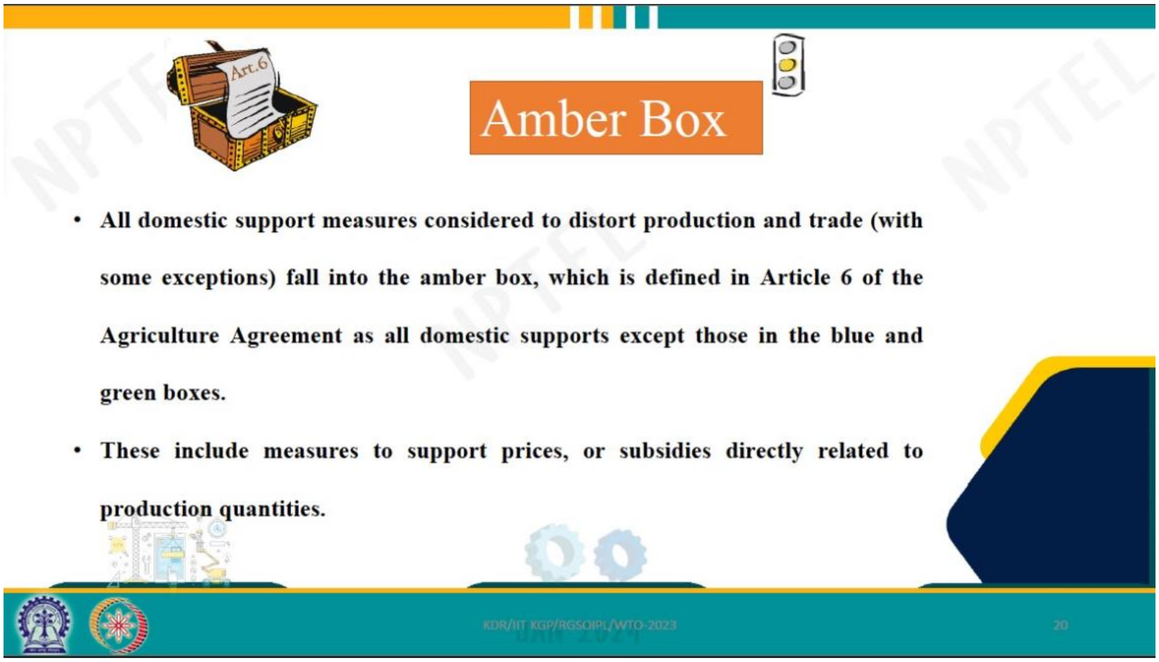
And we already said that these distorting subsidies are put in blue box and amber box and non-distorting subsidies are put in the green box which are permitted subsidies. So, that means, for blue box you require disciplines, reduction commitments and also in certain cases it is considered to be distorting if it is directly connected with the production stoppages.



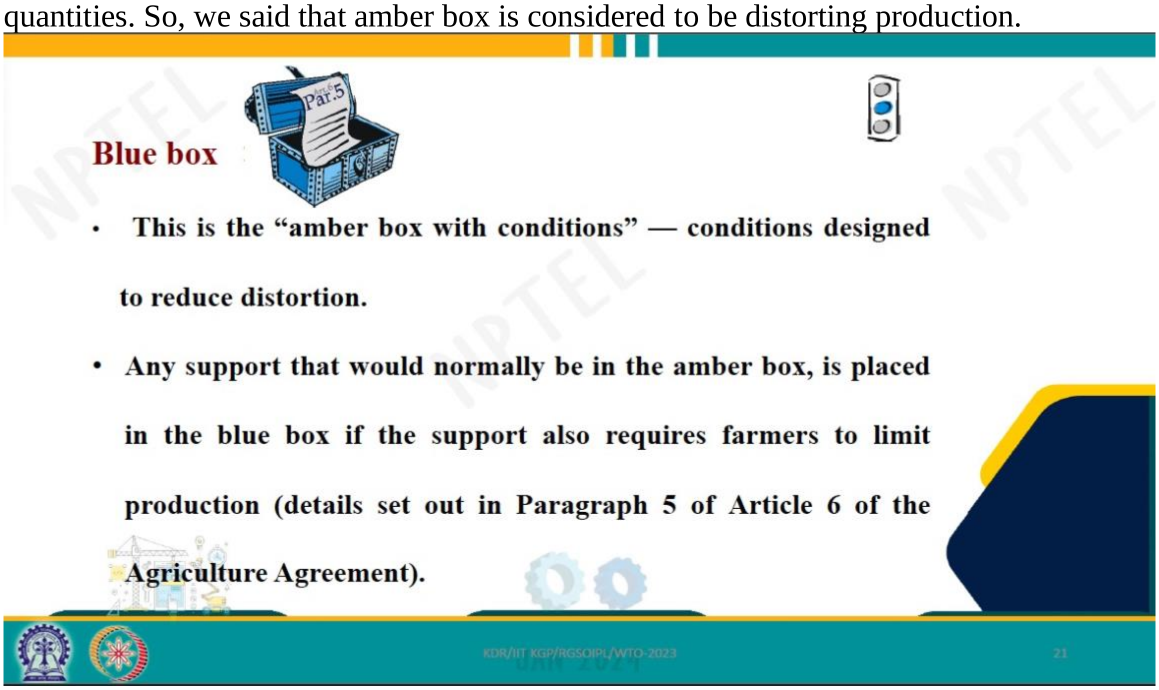
So, subsidies are of different kinds which will be put in different boxes and their commitments are different. So, also we can see that for example, in the case of the developing countries, certain exemptions which are mostly known as S&D box, that is a special and differential box which is provided in article 6.2 of the agriculture agreement. So, developed countries reduced 20 percent over 6 years and for the developing countries same reduction is 13 percent over 10 years, for example, the commitments for certain commitments like fertilizer subsidy. Fertilizer subsidy are high in many countries. So, the amounts are very large, 70,000 crores. So, 70,000 crores rupees for India is not a small amount. It is the government of India that provided 70,000 crores as fertilizer subsidy in the year 1819 and also you can see that more than 1,40,281 crores was provided. So, you can see that even though the government has earmarked 1,69,000 crores for food subsidy. We will talk about the food subsidies and food security in our next class. Food subsidy is one of the largest subsidy provided by the government of India in India. So, no government can stop this subsidy, food subsidies, subsidized food distributed through the public distribution system. 1,69,323 crores earmarked and actual spend so far 1,40,000 crores. So, this is one single head of largest subsidy provided by India for the food distribution system, not for the agriculture sector as such. So, this is the level of subsidy, but the developed countries say that you must put this also, this food subsidies provided also under agriculture subsidies. So, again the logical reasoning differs for developed and developing countries. Food subsidies, agriculture subsidies. So, the developed countries say that this food subsidies should be included under the WTO agriculture agreement as well.



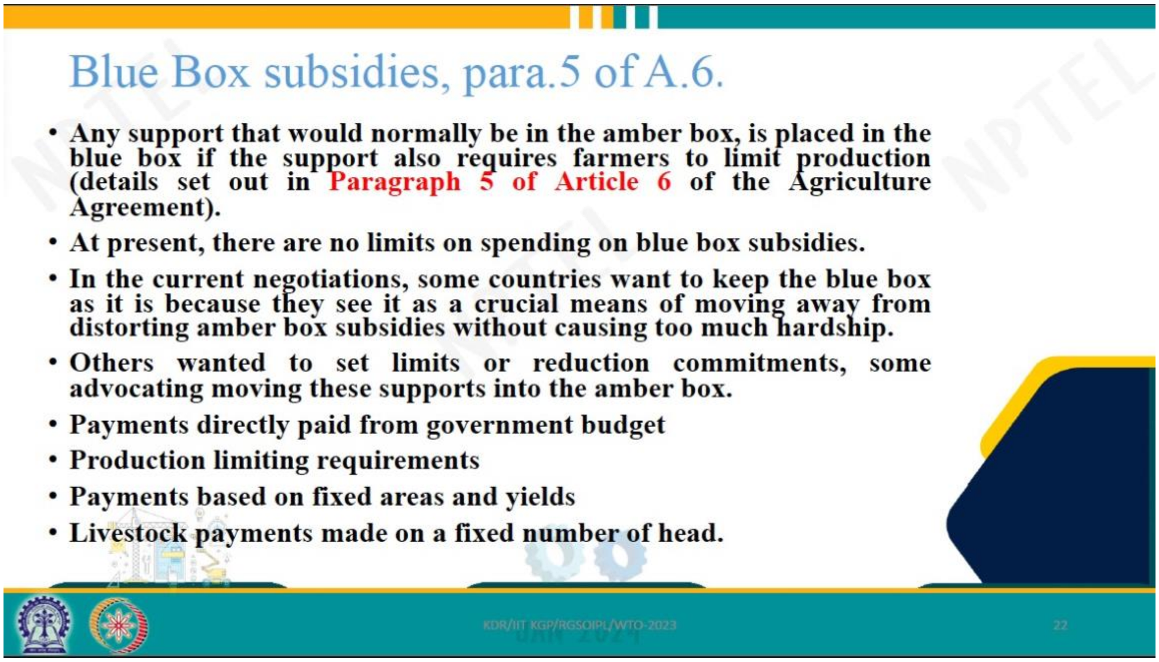
And then when it comes to article 6, it talks about the amber box. So, amber box distorts production and trade, which includes support prices, subsidies directly relating to production quantities and also it is not prohibited, but only reduction commitments. And for this amber box maximum level of supports are committed to the WTO. So, article 6 talks about amber box. Amber box is not prohibited, but reduction commitments are taken from members.



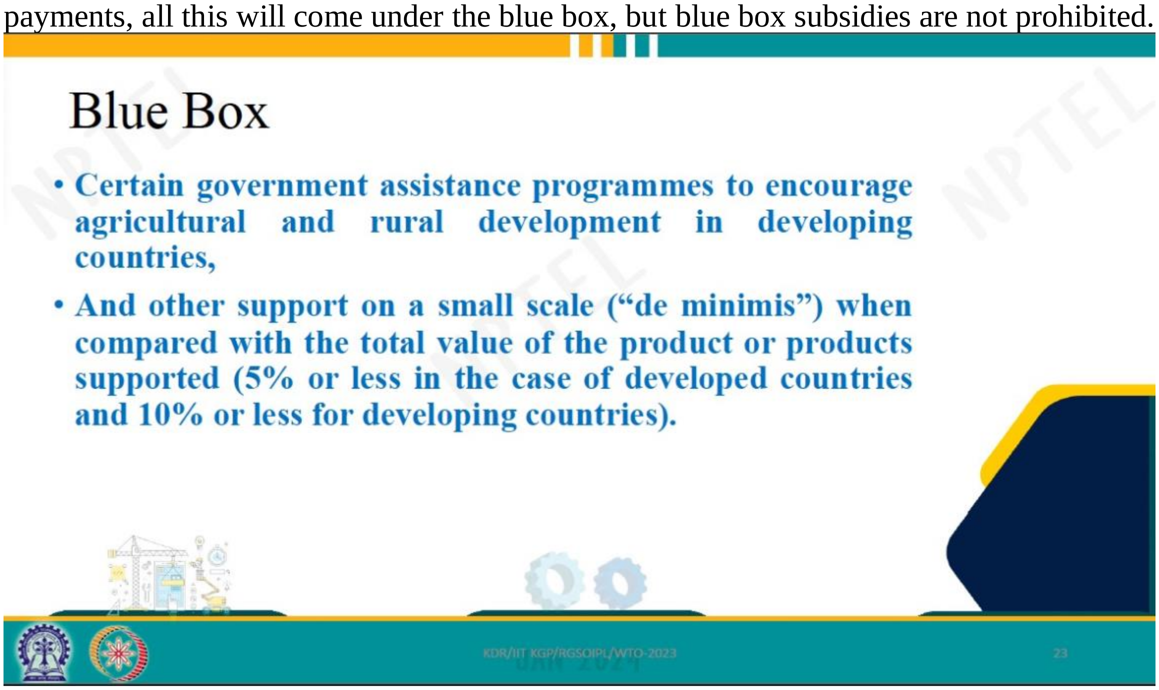
So, amber box, you can see that, is considered to distort the trade. Amber box is considered to be, whatever the subsidies in the amber box, is considered to be trade distorting. So, other than green subsidies amber box and blue box are considered to be distorting. So, it may be support prices, subsidies directly connected to the production quantities. So, we said that amber box is considered to be distorting production.



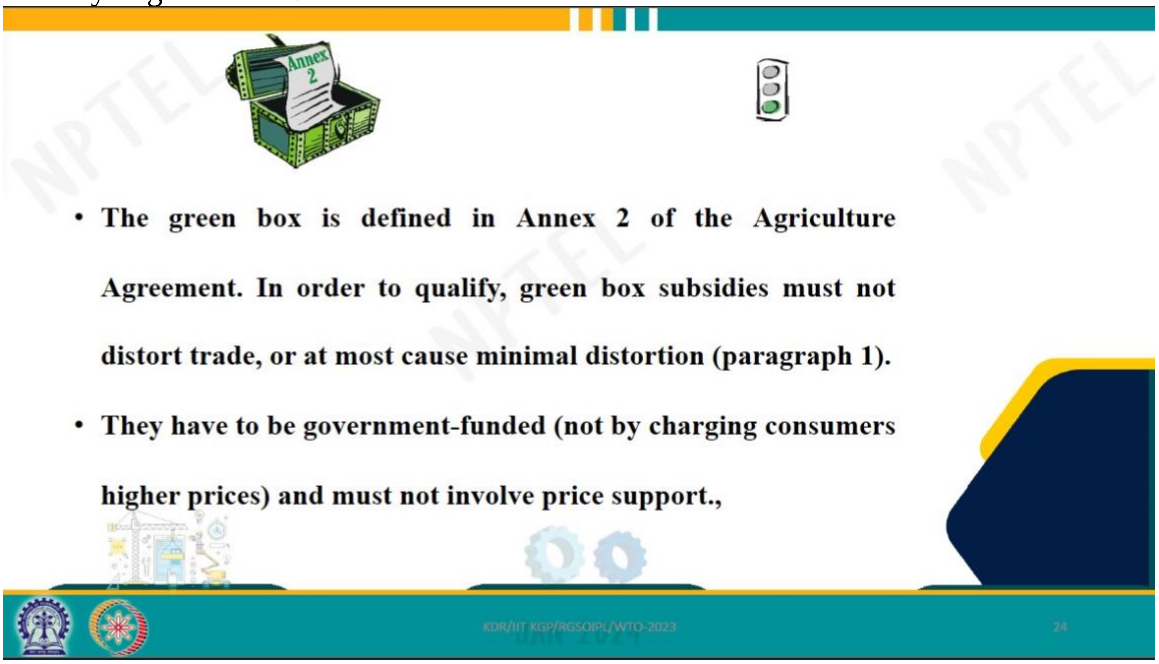
Then comes the blue box. So, it is nothing but the amber box with conditions and blue box subsidies are permitted, but it is nothing, but amber box with certain conditions. So, this blue box subsidies requires farmers to limit production, but we have not heard about this in developing countries, but in developed countries this is a very common practice. To stop or limit the production - blue box.



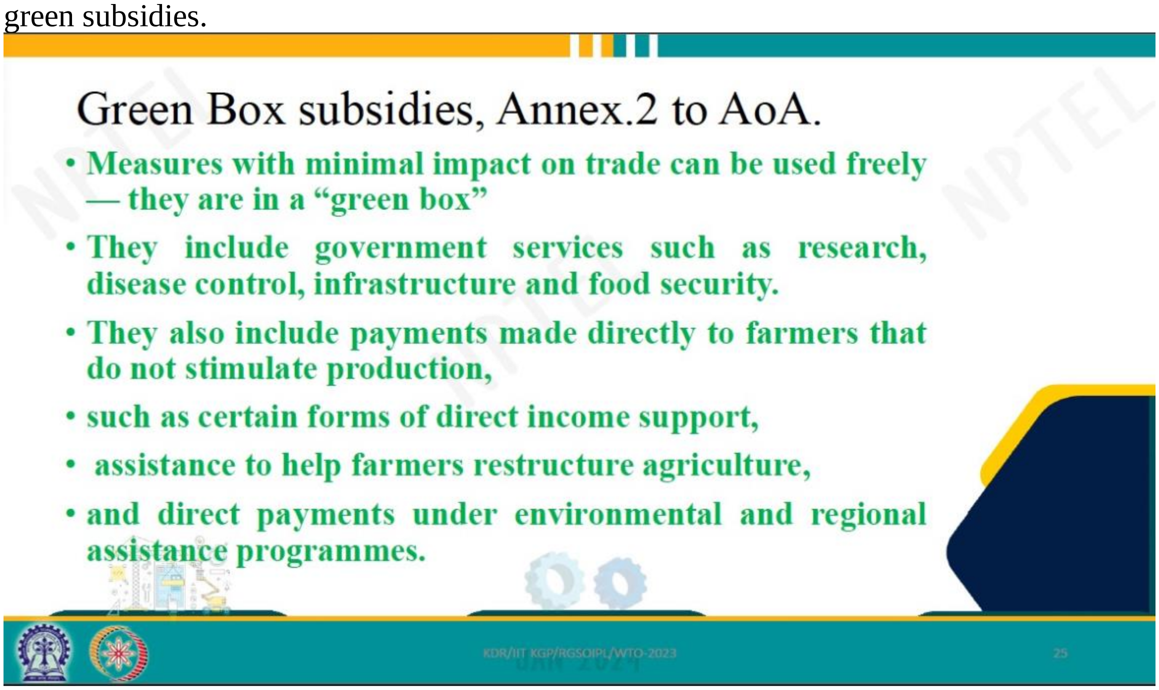
And then blue box subsidies, we can see that there are no limits on spending on the blue box subsidies. So, the negotiations are going on for blue box and then some of the boxes I would say that when some of these countries find out these to be trade distorting then immediately it will be transferred from amber box to blue box. But none of the countries or most of the countries do not want to agree to the reduction commitments. So, when we closely look into the blue box and amber box, we cannot find much difference between amber box and blue box. So, because the payments are directly paid from the government budget, most of the subsidies are paid from the government of India budget, production limiting requirements, then payments based on fixed areas and yields, livestock payments, all this will come under the blue box, but blue box subsidies are not prohibited.



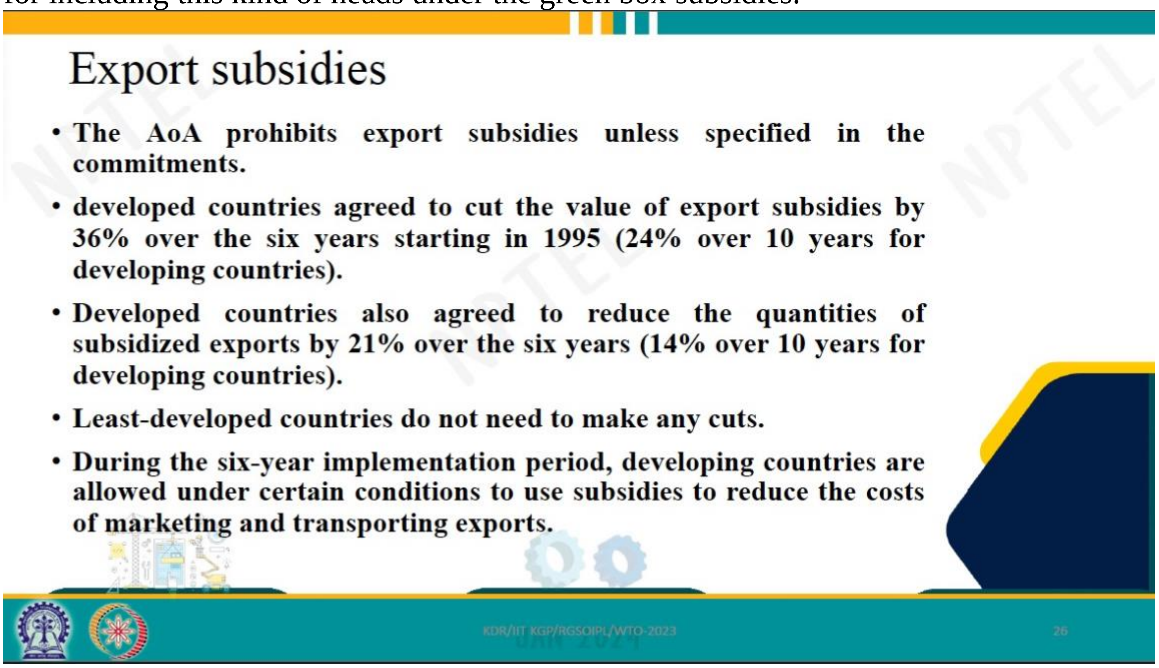
So, but this is very specifically applicable to certain governmental programs. For example, government of India gives lot of subsidies for rural development that will come under the blue box. So, *de minimis* level is not considered for products, for example, 10 percent or less for developing countries and 5 percent or less for developed countries. So, 10 percent is considered as de minimis level and mostly the government says that most of their subsidies are in the de minimis level, but when it comes to the food subsidies these are very huge amounts.



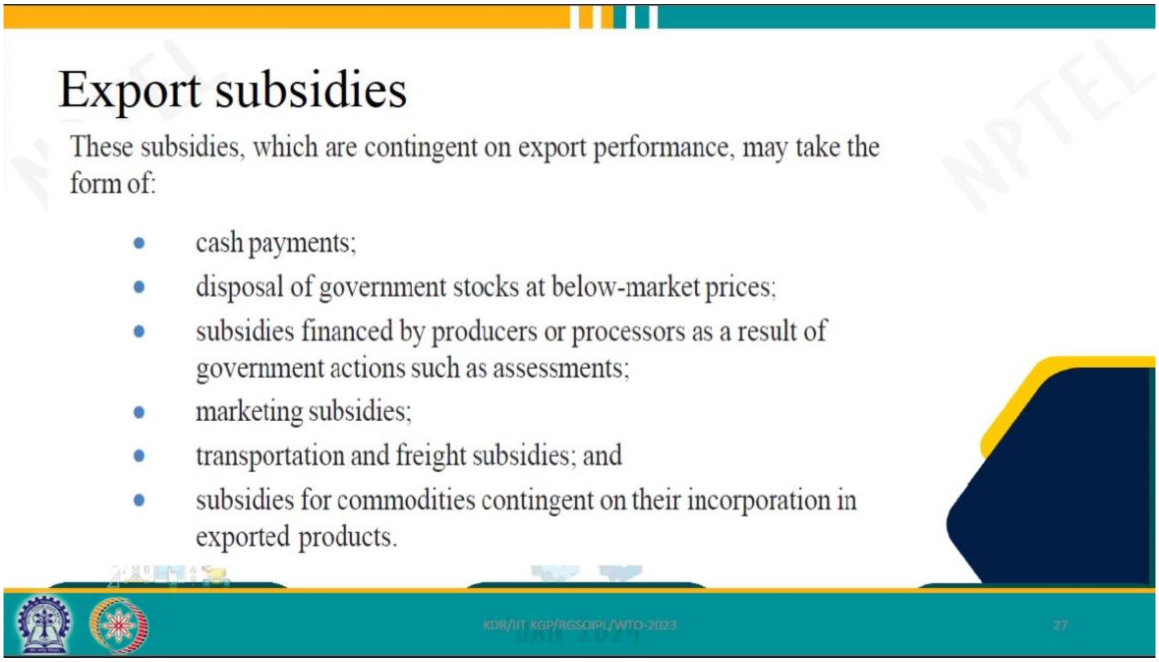
Now, comes the third box that is the green box. Green box as a traffic light is green. So, it is permitted subsidies which are considered to be non-trade distorting or you can say that it has minimal distortion. So, it has to be funded by the government not by charging consumers and must not directly or must not involve price support, then only it will be green subsidies.



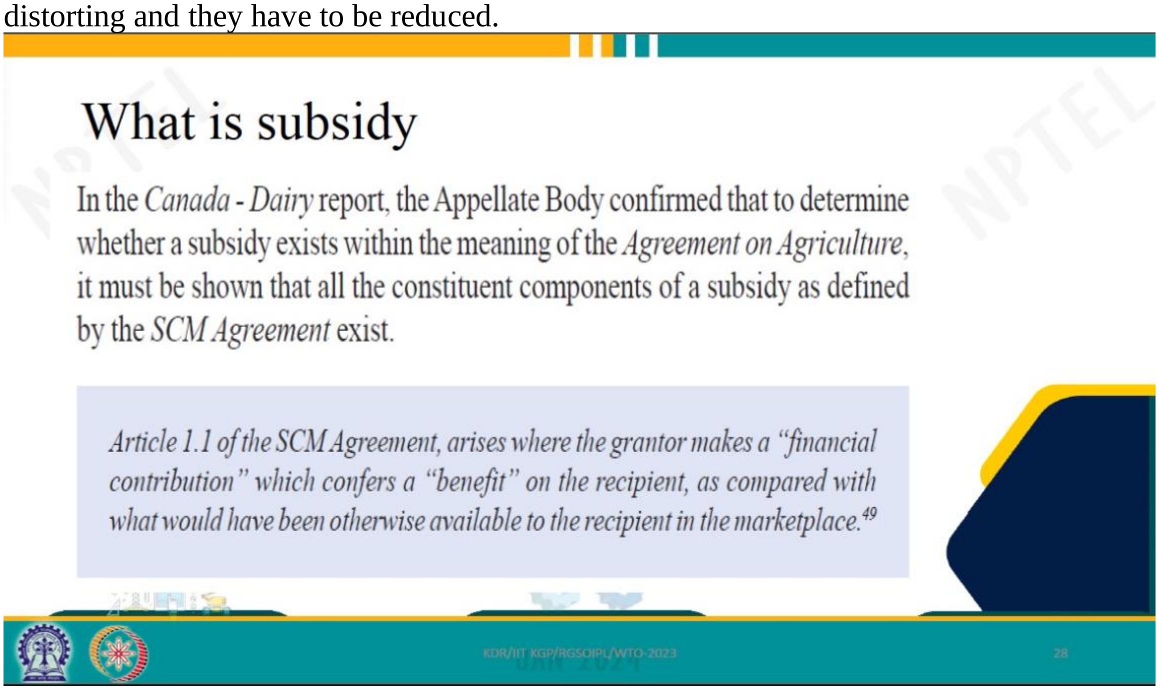
For example, all the subsidies provided for R&D. So, R&D is green subsidy and then governmental services, research, disease control, infrastructure, food security, all these include payments directly to farmers that do not stimulate production. I do not know which subsidy is not stimulating production. So, the main objective of providing subsidy itself is to stimulate directly or indirectly to stimulate production. So, direct income support and restructuring of agriculture and then certain environmental and regional assistance programs all these are green subsidies. These are also subsidies, but green subsidies, permitted subsidies and for example, the government of India spent lot of money on Indian council of agriculture, all these monies are considered to be under the green box subsidies. So, otherwise also and we do not know what is the connection between trade and research. So, they are saying that if you give more money to research that also will come under the subsidies, WTO agriculture subsidies. I find no justification for including this kind of heads under the green box subsidies.



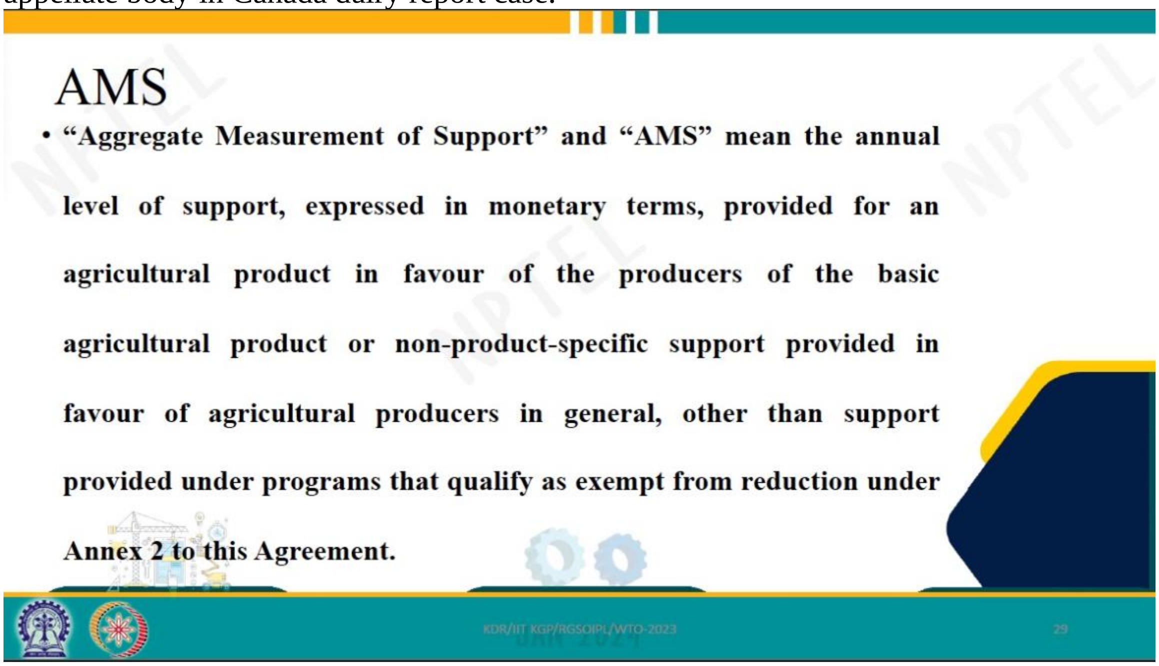
Then comes the third pillar. The third pillar is considered to be export subsidies. So, the export subsidies are considered to be trade distorting and there is a commitment to reduce by developed countries and developing countries and the commitment was during the 1995 to reduce by 36 percent over a period of 6 years by the developed countries and by 24 percent over 10 years. So, all developed countries and developing countries have reduced already and also the quantities of subsidized exports, quantities of export, the quantities exporting subsidized quantities, developed countries agreed for 21 percent and developing countries agreed for 14 percent and for the least developed countries no commitments. So, the implementation period is completely over for the developed countries as well as the developing countries and now they have complied with these exporting subsidies reduction.



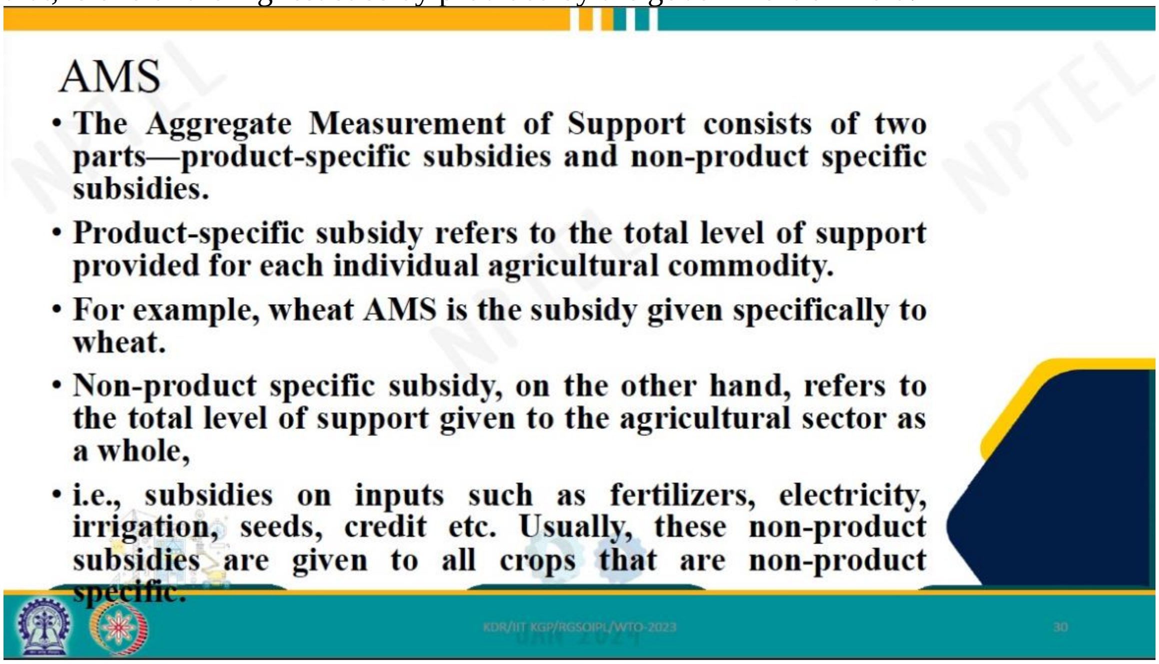
And export subsidies: a series of subsidies can be included under the export subsidies, relating to export performance which includes cash payments, disposal of government stocks at below market prices, subsidies financed by producers or processes as a result of government action, marketing subsidies, transportation and freight subsidies, subsidies for commodities contingent on their incorporation exporter products. So, all these come under the head of export subsidies. So, these subsidies are considered to be trade distorting and they have to be reduced.



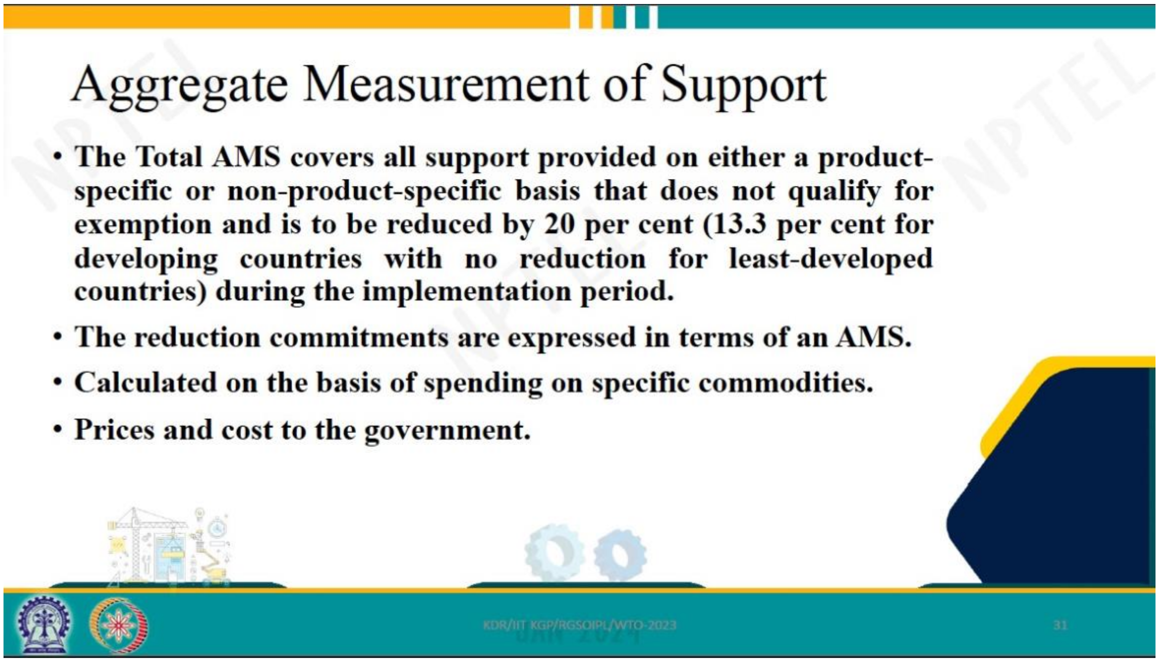
So, the question discussed by the WTO dispute settlement body was what you exactly mean by subsidy, in Canada dairy case. So, the WTO appellate body defined what exactly you mean by subsidies under the subsidies and countervailing measures agreement related to the agricultural agreement. So, the appellate body said that this definition in subsidies and countervailing measures is applicable to agricultural agreement. And what is this definition of subsidy? The subsidies and countervailing measures agreement defines subsidy as a financial contribution which confers a benefit on the recipient as compared with what would have been otherwise available to the recipient in the marketplace. So, any kind of financial contribution by the government or any kind of financial contribution which has a benefit on the recipient, then it will be considered as subsidy. If you strictly go with article 1.1 of this subsidies and countervailing measures agreement then all the monies, all the supports by the government to the farmers will come under the definition of subsidy. Nothing can escape from this particular definition. So, this is the definition which is confirmed by the appellate body in Canada dairy report case.



We will come to the definition of aggregate measurement of support. What do you consider as aggregate measurement of support? Aggregate measurement of support is the committed level of annual level of support by every country in terms of monetary terms. So, it means that the government declares product wise, non-product specific support to the agriculture sector other than exempted reductions. The government says that this is our full support, annual support expressed in monetary terms. This annual measurement of support is committed, fixed by every country to the WTO. So, every member country has to report their aggregate measurement of support to the WTO every year. So, it means that every government declares that what is their subsidy, what is their subsidy budget on agriculture. So, this should not exceed the aggregate measurement of support. So, it means that if you have a lot of money you can give lot of support within the aggregate measurement of support agreed to the WTO. If you do not have the money for example, the government of India says that our commitment is very high, but we do not have the money to provide subsidies to our farmers. But still the US and other countries blame government of India for giving a higher subsidy especially in the food security which is related to the public distribution system. The government of India argues that the subsidies provided to the public distribution system for storage and distribution of food to the poor people it would not come under the definition. So, this the argument between the west and the south I mean the developed countries and developed countries will continue. The US even threatened that they will take India to the WTO dispute settlement system for providing subsidies to the food sector. And food subsidies, we saw that, is one of the highest subsidy provided by the government of India.

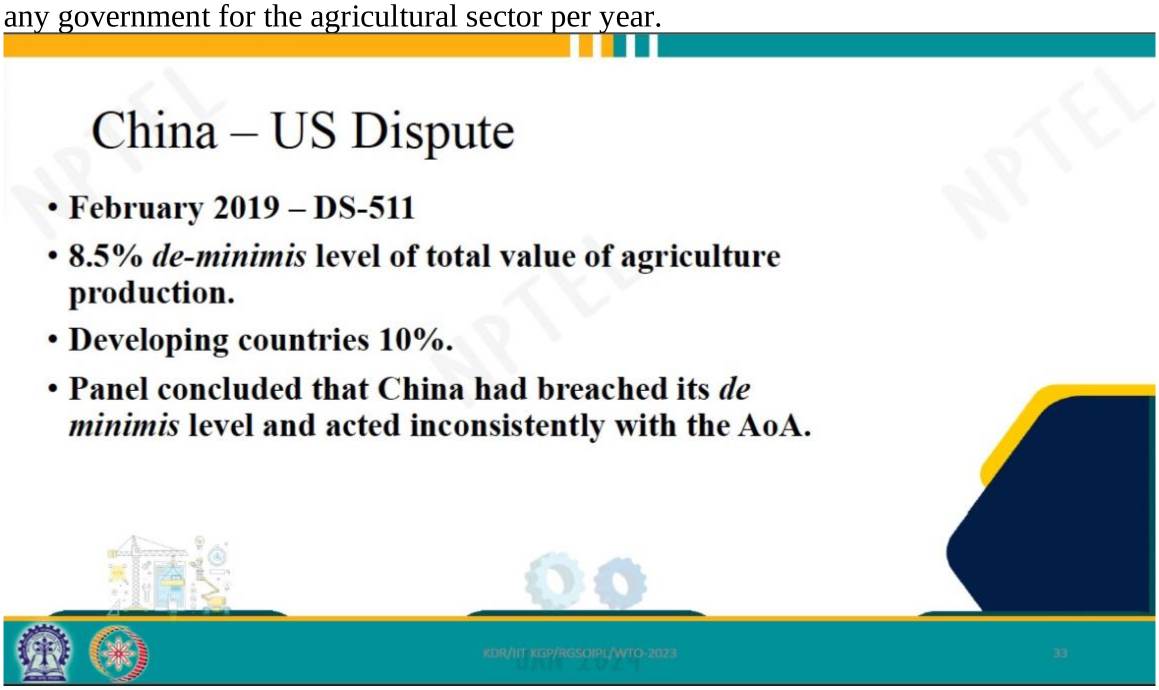


And so it is very simple, the AMS is aggregate measurement of support having two parts, specific subsidies and non-specific subsidies or product specific subsidies and non-product specific subsidies. So, the product specific subsidies are the total level of support for each individual agricultural commodity. So, for example, individual specific support to wheat, specific individual support to rice, specific individual support to any other product. And non-specific subsidies: non-specific product subsidies includes input subsidies, fertilizer, electricity, irrigation, credit limits, seed. So, these all will come under the non-product specific subsidy. These non-product specific subsidies for all crops. So, for example, the government provides one of the largest subsidies fertilizer subsidy. Every state there is electricity subsidy for irrigation. Then credit facilities, if you include all these in the subsidy then most of the countries will exceed their AMS.

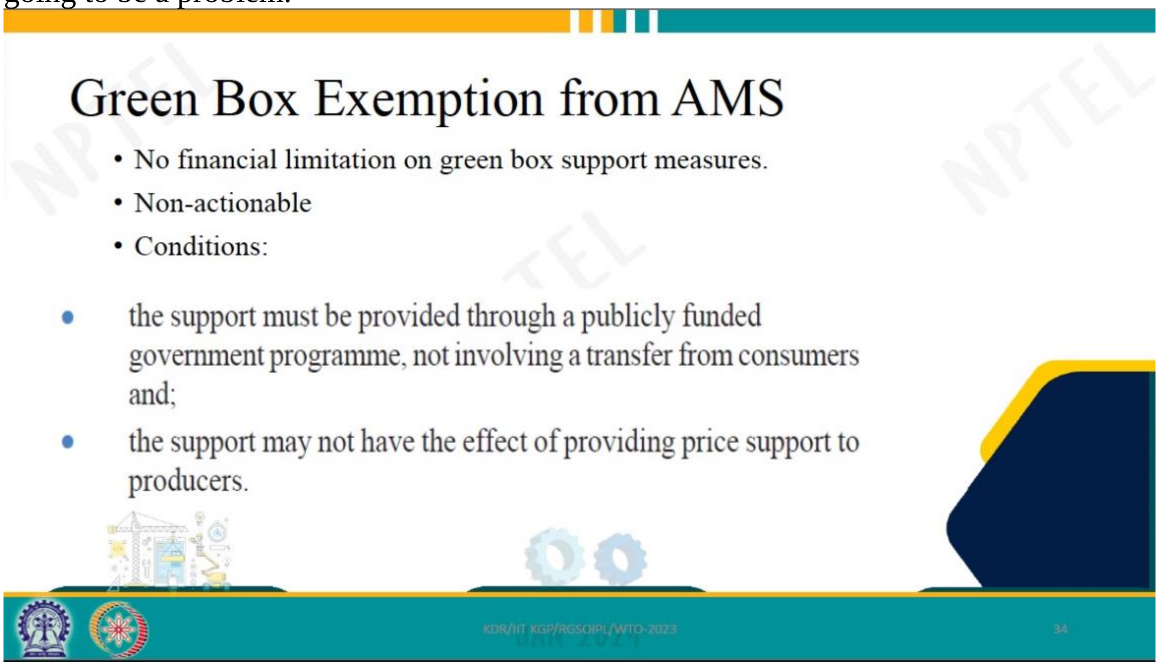


Then again as I told you there is a commitment: reduction of product specific and non-product specific subsidies. So, the non-product specific subsidies does not qualify for exemption that has to be reduced by 20 percent by the developed countries and 13.3 percent by the developing countries. So, the implementation period is over and the countries have implemented this particular provision. So, the total cost of the government on subsidies are expressed in terms of aggregate measurement of support. So, what you will include, what you will not include, it will depend upon every country, but that should be according to the agricultural agreement. There is a controversy going on, can you put these food subsidies within the total AMS. So, according to the definition of subsidies and countervailing measures definitely it will come under the purview of subsidies. So, even though the government definitely passed a specific legislation to exempt, The Food Security Act to specifically exclude, the developed countries say that your food security act itself is against the agricultural agreement. So, this argument of developed versus developing is going to be a never ending debate, even after 25 or 26 years of the constitution of or 28 years of constitution of the WTO this argument is going on.

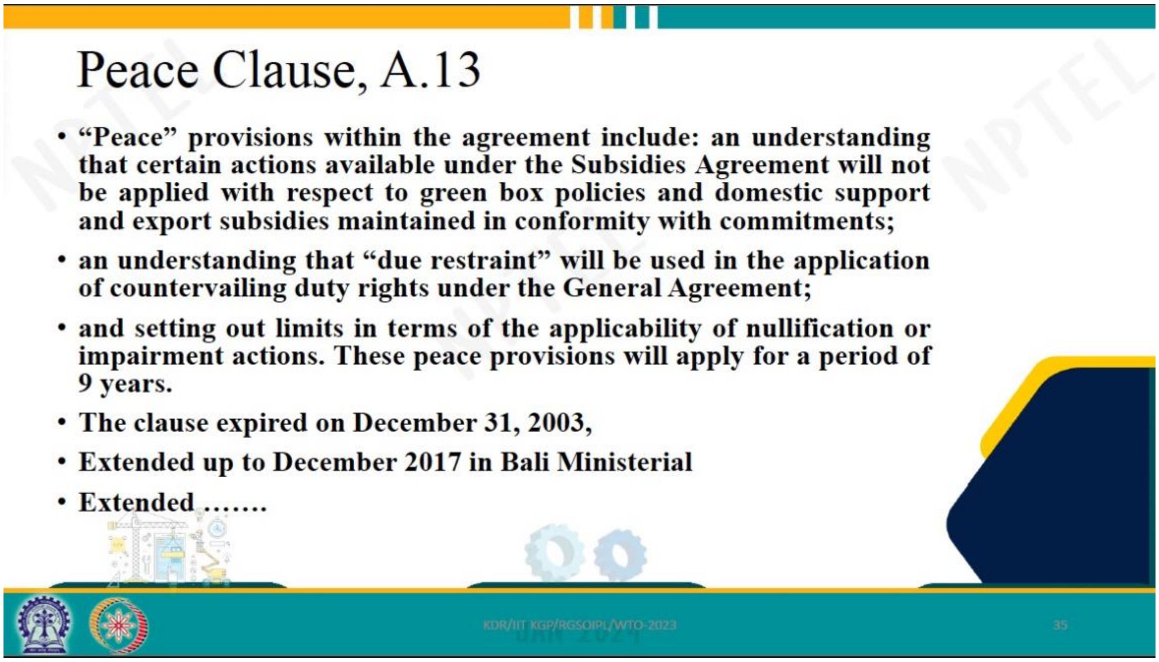
So, the total measurement of support is the sum total of all domestic support provided in favor of agricultural producers calculated as sum of all AMS and equivalent measurement of support for agricultural products. So, AMS and EMS, equivalent measurement of support. So, aggregate measurement of support is the total amount which can be spent by any government for the agricultural sector per year.



So, the China-US dispute is very recent, in 2019. So, the agriculture agreement says 8.5 percent de minimis level for total value of agriculture production and it is 10 percent for developing countries. So, even though it is 10 percent for developing countries. So, the panel, WTO dispute settlement panel found that the China has breached its de minimis level and acted inconsistently with agreement on agriculture. So, I said in the very beginning that agriculture is a very sensitive issue in every country whether it is India or it is China does not matter or even United States because every country wants to feed its population especially the two countries with the highest number of populations India and China. So, I am very sure that if the judgment against China is this, the judgment against India is going to be the same as follows. So, the strict implementation of agriculture is going to be a problem.

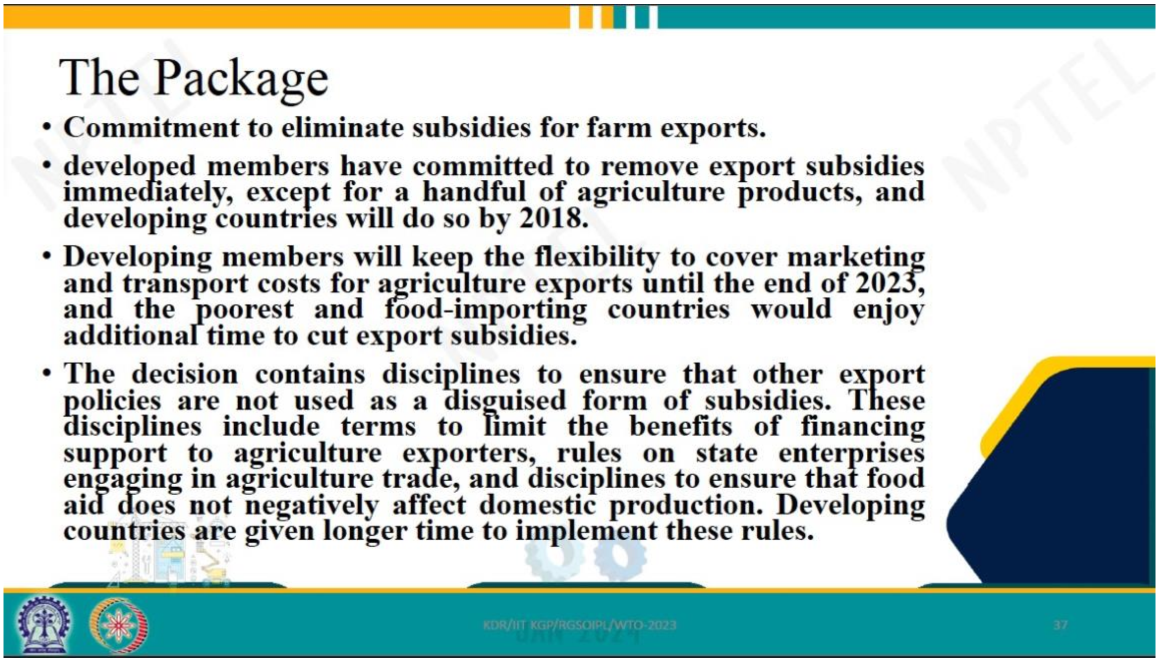


And the green box exemptions can be very less. For example, see actionable subsidies and non-actionable subsidies, some kind of supports, financial limitations. So, for example, support must be provided through a publicly funded government program not involving a transfer from consumers. So, support may not have the effect of providing price support to the producers. So, the MSP program of India. So, India has an MSP program for wheat, rice, and so many products. So, all these are going to be within the AMS there is no exception to the green box. So, all these are the problematic areas to discuss.



And why there is you know the area is still peaceful because of article 13 of the agriculture agreement that is known as the peace clause. Because the WTO agreement says that the agriculture disputes will be raised in exceptional circumstances and certain category of cases we will take due restraint especially in the subsidies countervailing duty rights cases. So, and also they will look into due restraint, this is the language which is used under article 13. So, and also setting limits in terms of applicability of nullification or impairment actions. So, the members discussed that this provision will be applicable for 9 years that means up to December 31st, 2003 and from January 2004 this peace clause has expired. We are talking about 2004. So, for maybe more than 14 years, 13-14 years or it is going to be for 2004 to 2024 it is going to be 19 years, from time to time in all ministerial conferences this peace clause provision has been extended. So, that means, the peace clause expired in 2003-2004, we are almost 19 years ahead. So, 2004 to 2024, almost 19 years, we are going to be 20 years ahead and the peace clause is extended otherwise there would have been hundreds of cases filed against member countries on all subsidies, all kind of subsidies whether it is blue box or it is all other kind of subsidies, In WTO there are limited number of cases are filed against members mainly because of this peace clause, otherwise the WTO would have been flooded with agriculture cases.

And even agriculture is a discussion topic in all the ministerial conferences including the Nairobi package which was discussed in 2015. So, agriculture will come for discussion in every ministerial conferences. What is the Nairobi package? The Nairobi package has given certain concessions to cotton producing countries, cotton relating to least developed countries. So, This includes the export subsidies commitment to abolish export subsidies for farm exports. So, you can see that they said that it is the most significant outcome in agriculture, but I do not think that this is the most significant outcome. There is only one decision within a period of 20 years, they have taken a decision to include commitments to abolish export subsidies for farm exports especially relating to cotton and other areas. And then public stock holding, agriculture decision with regard to public stock holding. For example, the Indian government, the Food Corporation of India and whatever the activities of the Food Corporation of India is will come under the definition of public stock holding and this is only for food security purposes. So, the developing countries argued for a special mechanism for developing countries for food security purposes and relating to cotton. And also they argued for a preferential treatment for the least developed countries because least developed countries are still even though the WTO continued all the concessions of WTO up to 28 years, there is no substantial trade between least developed countries. So, they argued for these decisions with regard to preferential treatment for at least in the area of services. It means that service within the service agreement, the GATS this preferential treatment should be given in the service sector for the least developed countries. So, even though 2015 NAROBI decisions are towards the positive impact on reducing these subsidies, but these are only some of the very minimal steps.



And also for example, the commitment to reduce or eliminate subsidies, I am very sure that WTO whatever the extent they are going to discuss eliminating export subsidies, this is not going to happen neither in developed countries nor in developing countries. So, the commitment was to remove export subsidies immediately by 2018. So, we are another 5 more years ahead. So, the flexibility, the transporting cost, they said that agriculture export we will allow up to 2023. So, we are in 2023 at the end and this is applicable only to poorest and food importing countries. They will enjoy additional cut to export subsidies, but really whether it is happening or not, it has not happened. So, it means that the NAROBI decision has taken some important steps to reduce subsidies, farm subsidies, but actually whether it is happening or not, again they have discussed in the next ministerial conferences. This is going to happen in 2024 or whether they have changed from one box to the other box. Practically, actually it is going to happen that way only, the countries will be removing the subsidies from one box to the other box rather than eliminating subsidies.

Package

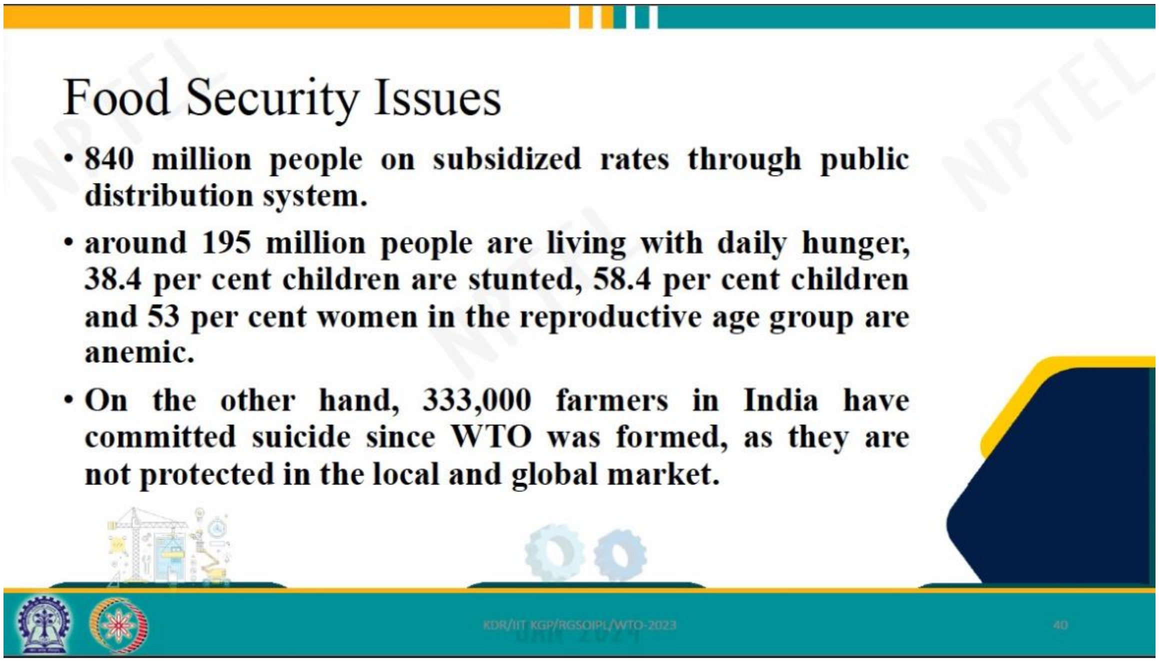
- **Under the Bali Ministerial Decision of 2013, developing countries are allowed to continue food stockpile programmes, which are otherwise in risk of breaching the WTO's domestic subsidy cap, until a permanent solution is found by the 11th Ministerial Conference in 2017.**
- **A Ministerial Decision on a Special Safeguard Mechanism (SSM) for Developing Countries (WT/MIN(15)/43) recognizes that developing members will have the right to temporarily increase tariffs in face of import surges by using an SSM. Members will continue to negotiate the mechanism in dedicated sessions of the Agriculture Committee.**

And if you look into the 2013 ministerial conferences, it gave some more concessions to the stockpile programs, food stockpile programs. So, as there is lot of discussion in the 11th ministerial conference in 2017 which talks about the food security concerns. India and other developing countries are always raising this point of food security concern and they asked for a special safeguard mechanism for developing countries especially with regard to food security measures, but this problem is as of today it is not solved.

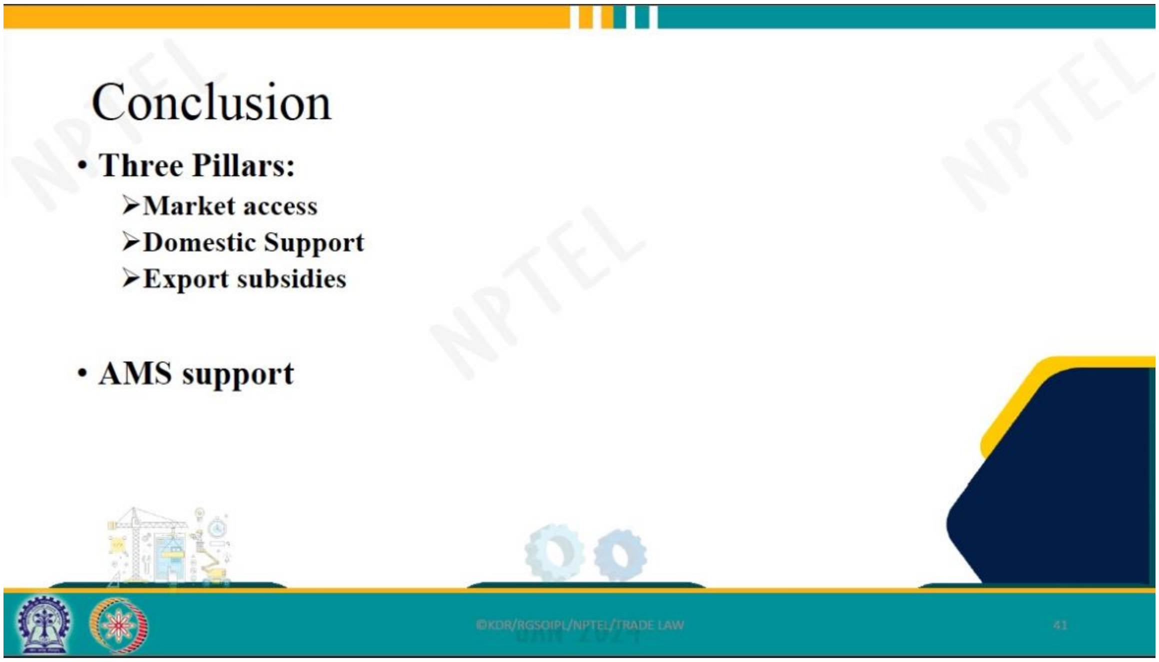
Cotton Decision

- **In addition, a Ministerial Decision on Cotton (WT/MIN(15)/46) stresses the vital importance of the cotton sector to LDCs. The decision includes three agriculture elements: market access, domestic support and export competition.**
- **On market access, the decision calls for cotton from LDCs to be given duty-free and quota-free access to the markets of developed countries — and to those of developing countries declaring that they are able to do so — from 1 January 2016.**
- **The domestic support part of the cotton decision acknowledges members' reforms in their domestic cotton policies and stresses that more efforts remain to be made.**
- **On export competition for cotton, the decision mandates that developed countries prohibit cotton export subsidies immediately and developing countries do so at a later date.**

So, the cotton decisions, many times the ministerial conferences took decisions in favour of cotton manufacturing countries and cotton manufacturing countries we know it is most of the time the LDCs including some of the countries from Africa and including India cotton producing countries. So, certain concessions are allowed and subsidies are also permitted.



And food security issues when it comes to, as I told you, a country like India, you can see all over the world, most of the people get their basic food quantities through public distribution systems. So, if you take India the government says that 840 million people get subsidized food through the public distribution system. So, if you take the world together 195 million people living with hunger and this is inclusive of 38.4 percent children and 53 percent women. So, you see the numbers are alarming, all these are the food and agriculture organization(FAO) numbers(data). So, 53 percent of the women in the reproductive age are anemic. So, food security concerns of developing countries are very important. So, you can see that a number of farmers committed suicide in India. So, it says that 3,33,000 farmers committed suicide in India. So, some countries argue that this is mainly because of these WTO policies, but as a trade lawyer definitely I will argue that the WTO only contributed to the sufferings of the poor farmers this is not because of the case that the government of India is not providing subsidies. So, the figures shows that the government is providing enough subsidies and if the government have the money they can give more money to the farmers within the total AMS because our commitment levels are very high. So, if 3,33,000 farmers committed suicide it may not only be due to the WTO, you cannot blame the WTO for this. This is local policies and the WTO Agriculture agreement has only contributed because still the agriculture market is not opened up in India. So, if the farmers suicides are 3,33,000 without opening the market then you can imagine what will be the numbers once the agriculture market is opened up.



So, in this class we discussed about the three pillars of the agriculture agreement and one is market access, second is the domestic support and third is export subsidies and also we talked about what do you mean by the aggregate measurement of support, the total aggregate measurement of support. So, these are the basic pillars of the WTO agriculture agreement and also the scheme of agriculture agreement to reduce tariff levels at developing countries as well as developed countries and also its consequences, what are the consequences. So, the WTO agreement gives, agriculture agreement gives only basic minimum level of the reductions or commitments, reduction commitments under the three heads. One is the market access and the second one is the subsidies commitments and third one is the export subsidies. So, these are the minimum level of commitments every members must implement it. So, whether your country is benefited or not benefited, it is a discussion point. So, in the next class we will discuss about the food security concerns of developing countries specifically I would like to emphasis on India.

Thank you.