



Why farm subsidies in India are far lower than in rich countries ?

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Given that India's farm subsidies are a lifeline to its marginal farmers and ensure food security for its millions, the developed countries' demand for a cut there appears rather unfair | Photo Credit: JAYANTA DEY

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The WTO's AMS entitlement allows the US, Canada, EU and Australia to offer greater support to their farmers. So it is unfair of them to ask for a cut in India's subsidies

Developed countries, including the US, Canada, Australia, New Zealand and EU, have been attacking India on the support it offers its farmers. They have been seeking a cut in India's *de minimis* entitlement under the WTO's Agreement on Agriculture (AoA).

Why are these developed countries irked by the support the Indian government offers its farmers? Do they not support their own? The queries call for some number crunching.

An analysis of the numbers showed that the per-farmer Amber box entitlement for India is a small fraction of that of developed nations. (In WTO terminology, subsidies are identified by 'boxes' – Green for 'permitted', Amber for 'slow down; needs to be reduced', and Red for 'forbidden'.) For instance, while an American farmer gets support of \$7,253 a year and a EU farmer gets \$1,068, an Indian farmer gets just \$49.

Given that India's farm subsidies are a lifeline to its marginal farmers and ensure food security for its millions, the developed countries' demand for a cut there appears rather unfair.

Indian farmers get very little

The Centre for WTO Studies (CWS, part of the Indian Institute of Foreign Trade), recently published a working paper on the need for a level playing field for developing countries in trade support measures.

It indicates that the number of people engaged in agriculture is significantly higher in most developing countries. Similarly, the share of agriculture in their GDP is much higher. Also, the majority of farmers in developing nations is low-income or resource-poor. The paper thus argues that it is understandable why developing countries have to provide support to their farmers.

The numbers reveal that there is a wide gap between the farm support offered by developed and developing economies, and the ask of the former for a cut in subsidies in India is only laughable.

The per-farmer Amber box support in the US is \$7,253 (based on the latest notification available – 2016), Canada: \$7,414 (2016), Australia: \$222 (2017-18) and the EU: \$1,068 (2016). On the contrary, India's stands at \$49 (2018-19), while Bangladesh is at \$8 and Indonesia at \$7 (2018).

Total domestic support

The total domestic support offered by developed and developing countries also brings out the inequity starkly.

The latest announcements of the respective countries, as captured by the CWS working paper, reveal that the per-farmer total domestic support (green, blue, amber and development boxes put together) in the US is \$61,286 (2016), Canada: \$13,010, and the EU: \$8,588. However, for Indian farmers, in 2018-19, it worked out to just \$282.

AMS holds the key

The reason developed countries are able to offer higher support is that the WTO rules give them the space for it.

Countries such as the US, Canada, Europe and Japan have the Aggregate Measurement of Support (AMS) entitlement, which lets them provide support over and above the *de minimis* limit under AoA. At the global level, though some developing members also have the entitlement, their share of the global

AMS entitlement is only 4.23 per cent in comparison to 95.77 per cent for developed members.

So, how did this discrimination come to be?

When the Uruguay Round was negotiated, WTO members who provided trade-distorting support above the *de minimis* level during the base period (1986-88) were allowed a higher AMS entitlement. On the other hand, for members who did not provide Amber box support above the *de minimis* limit (mostly the developing countries) the policy space was restricted to that limit.

Thanks to such steps, developing countries including India are facing severe policy constraints in supporting their farmers. In April, India invoked the WTO peace clause for exceeding the ceiling of 10 per cent under the Amber box on the support it offered its paddy farmers in 2018-19. Hopefully, in the ongoing negotiations at the WTO, the unfairness in trade between developing and developed countries will end.