Indo-China joint proposal on WTO

What is the issue?

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- India and China has reiterated its support for a joint proposal by the nations at the World Trade Organization (WTO).
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- The proposal assumes importance in view of the ongoing negotiations for the upcoming WTO Ministerial Conference in Buenos Aires, Argentina.
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What is this Joint proposal is about?

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- The countries had jointly submitted a proposal to the WTO calling for the elimination of the most trade-distorting form of farm subsidies.
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- This is against farm subsidies provided by rich nations to their farmers.
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- The India-China proposal had targeted 'Aggregate Measurement of Support' (AMS) or 'Amber Box' support in WTO parlance.
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- This counters efforts by rich nations led by the United States, EU and Brazil to target the subsidies of the developing countries.
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What is the need for such proposal?

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- Developed countries have been consistently providing trade-distorting subsidies to their farmers at levels much higher than the ceiling currently applicable to developing countries.
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- The proposal reveals that subsidies for many of these items are over 50 per cent with some even having more than 100 per cent support.
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- Developed countries have more than 90 per cent of global AMS entitlements amounting to nearly $160 billion.
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- On the other hand, most developing nations, including India and China, do not have AMS entitlements.
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- Again, developing countries are forced to contain it within 10 per cent of the value of production.
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What is India’s Stand over Agri subsidies?

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- India provides a subsistence amount of about $260 per farmer per annum compared to over 100 times more in some developed countries.
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- Following India's agreement with the US on the issue in 2013, the Bali Ministerial Conference came up with the "peace clause".
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- It permitted uninterrupted implementation of India's food security programme till a permanent solution was found.
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- On this issue, India has informed the WTO that its input farm subsidy which includes those for fertilisers, irrigation and electricitydid not go beyond the permissible limit.
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- These are part of the 'green box' or non-trade distorting subsidies that are allowed without limits for countries such as India which has millions of poor farmers.
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- For a permanent solution, India has proposed either amending the formula to calculate the food subsidy cap of 10 per cent, which is based on the reference price of 1986-88 or allowing such schemes outside the purview of subsidy caps.
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What are the challenges for India in WTO?

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- BRICS nations have proposed an Investment facilitation, which brings transparency in investment facilitation on a voluntary basis.
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- Among BRICS, only India is not ready in taking up the Investment facilitation plan to WTO.
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- Reacting to the proposal, Brazil and the European Union have already came together calling for a crackdown on exports of food stocks meant for public stockholding.
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- Apart from Brazil, Russia and China, there are a large number of other traditional supporters of investment facilitation at the WTO such as Japan, Switzerland, the EU, Canada and New Zealand
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Source: Business Standard, Business Line

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