

DOHA NEGOTIATIONS AND DOMESTIC SUPPORT TO INDIAN AGRICULTURE SECTOR¹



Working Paper

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Abstract

The objective of this study is to critically examine India's commitment related to domestic support under AOA and in the recent agriculture modalities of Doha negotiations. India does not have any commitment to reduce domestic support under AoA as AMS is below de minimis level. About the recent Doha negotiations, this study examines the revised draft (WTO document, TN/AG/W/4/Rev.4). There will be no reduction commitment related to OTDS and Final bound total AMS. India will have more flexibility to provide blue box and green box support, if this modality is accepted. Overall, India will have enough policy space related to domestic support in recent Doha negotiations.

Key Words: domestic support, agriculture negotiations, Doha negotiations,

Indian agriculture

Jel Classification: F 51, Q17, Q 18

SECTION 1: INTRODUCTION

Agriculture sector has received special treatment in all countries at every stage of development due to various reasons like livelihood, food security, large population dependence or political sensitivity. Therefore this sector enjoys an important status for both the developed and the developing countries, especially in the context of GATT/WTO negotiations as well as bilateral or regional trade arrangements. For a developing country like India, this sector has been an engine of economic growth due to livelihood & food security and its interdependence with industrial sector. Overall economic and human development of India to a great extent depends on the performance of this sector.

During 1990s, many developing countries expected that due to reduction commitment related to domestic support, export subsidy and tariff barriers, international prices of

agricultural commodities would go up and would lead to increased exports, mostly from developing countries. At that time, many scholars predicted a bright future for agricultural exports. Gulati (1994) found that on an average during 1987-88 to 1993-94, domestic prices of wheat, rice, and cotton were well below the prices prevailing in the world market i.e. agriculture sector was taxed. Debroy (1996) concluded that India's would gain by steep increase in under WTO. Even, the study done by Bhalla and Singh (1996) indicated that Punjab is internationally competitive and can profitably export rice and cotton to the rest of the world.

However, the outcome of AoA has not been as beneficial to the developing countries as was expected due to increase in both; agriculture subsidy and use of non-tariff measures. India's agricultural export performance since 1995 has not been satisfactory due to external as well as internal factors. Bhalla (2004), Chand and Jha (2001), Vyas (2001) mentioned the following reasons for this trend; First, sharp increase in minimum support price, Secondly, the productivity growth rates in these crops have decelerated during the recent years which are primarily due to inadequate investment and non-availability of new technology. Thirdly, competitiveness is negatively affected due to huge export subsidy and domestic support being given by the developed nation which cause decline in international prices. The developed countries continue to protect their agriculture sector. For example, in many developed countries like USA and European Union (EU), agriculture production is heavily subsidized, exports are encouraged by export subsidy, and agriculture sector is protected from import by adopting various mechanisms like tariff and non-tariff barriers.

Many developing countries including India raised the concerns related to huge subsidies given to agriculture sector in many developed countries. At domestic fronts, many issues are discussed and debated about India's commitment related to domestic support. Questions were raised about the flexibility of Indian government under AoA to provide

domestic support to farmers. In 2001, the WTO members agreed to launch a new round of multilateral trade negotiations, known as Doha development round. During the Doha negotiations, new concepts and provisions related to domestic support emerged. Nine versions of Draft Modalities² have been submitted till February 2011, viz. TN/AG/W/1 (February 2003 text), TN/AG/W/1 Rev.1 (March 2003 text), TN/AG/W/2 (June 2006 text), TN/AG/W/3 (July 2006 text), TN/AG/W/4 (August 2007 text), TN/AG/W/4/Rev.1, (February 2008 text), TN/AG/W/4/Rev.2 (May 2008 text), TN/AG/W/4/Rev.3 (July 2008 text) and TN/AG/W/4/Rev.4 (December 2008 text). The revised draft (WTO document, TN/AG/W/4/Rev.4) for agriculture was circulated on 6th December, 2008 provides new method/formulas to cut trade distorting support to agriculture sector. There are many provisions related to domestic support which have implications for all the members of WTO. There are some concerns about the likely commitments of India related to domestic support, if draft modalities are accepted. With this background, the objective of this study is to critically examine India's commitment related to domestic support provisions especially Aggregate Measurement of Support (AMS) under AOA and possible future commitments if agriculture modality of Doha negotiations is agreed.

SECTION 2: DATA AND METHODOLOGY

In this section, provisions related to domestic support in AOA and Doha round are discussed. AOA has defined domestic support in terms of different boxes like Amber, Blue and Green box and there is reduction obligation/ limitation for the member countries on

² Negotiating Groups have been constituted in the WTO on each aspect of the negotiations. From time to time, based on the views expressed by the WTO Members, the Chairs of these Groups bring out draft modalities containing proposals that would help realize the objectives of the negotiations. In the agriculture negotiations, the draft modalities include formulas and other methods to be used to reduce tariffs and agricultural subsidies

Amber Box support. In Doha round, various boxes are refined with new proposed reduction obligation for the developed and developing countries.

2.1 Agreement on Agriculture (AOA) and Domestic Support

The Agreement on Agriculture (AoA) provides provisions to estimate domestic support to agriculture sector. The key aim of reducing domestic support is to correct trade distortions in international trade of agricultural goods. Aggregate Measurement of Support (AMS) is the annual level of support in monetary terms extended to the agricultural sector. All domestic support measures, except exempt measures, provided in favour of agricultural producer are to be measured as AMS. The subsidies provided to farmers include:

- (a) Non-Product Specific subsidies such as those provided for irrigation, electricity, credit, fertilizers, seed etc.
- (b) Product Specific subsidies, which are, calculated as domestic prices minus fixed external reference price (1986-88 fob or cif as the case may be).

The sum of these two is termed as Aggregate Measurement of Support (AMS) also called Amber Box. The Amber Box subsidies are considered to be trade distorting and entitled to progressive reduction commitments. The de minimis limit for AMS is fixed at 5 percent of the value of domestic agricultural output for developed and 10 percent for developing countries. Domestic support exceeding the maximum limit in the base year 1986-88 was to be reduced by 13.3 percent for developing countries and 20 percent for developed countries over an implementation period of six year for developed countries and ten years for developing countries. It is noteworthy that reduction commitments are applicable only at aggregate level not at product specific level.

All the direct or indirect government support provided to encourage agricultural and rural development, investment subsidies and agricultural input subsidies provided to low income

farmers in developing countries are exempted from the reduction commitments (Art. 6.2 of AoA). Direct payments under production-limiting programmes (Blue Box) are also exempted from reduction. There are some subsidies, which are required in the long term interest of maintaining natural resources, environmental protection and improving the farmer's income. These are not to be included in the AMS and are grouped in 'Green Box'. However, these should meet the fundamental requirement of having minimal trade distorting effects.

2.2 Doha Negotiations and Domestic Support

The revised draft (WTO document, TN/AG/W/4/Rev.4) for agriculture was circulated on 6th December, 2008 provides new method/formulas to cut trade distorting support to agriculture sector. In Doha round, all developed countries will have to substantially reduce trade distorting support and those with higher levels of support have to make deeper cuts from the "bound" or ceiling levels. This includes reductions both in overall current bound levels and separately in Amber box and de minimis support. Blue box support will also be capped. If after taking cuts in individual components, the overall support exceeds the ceiling, then additional cuts will have to be made in the individual components.

Therefore, Doha negotiations aim at substantial reductions in trade-distorting domestic support by

1. Setting limits for domestic support except for Green Box and Art.6.2 subsidies. For example, overall Blue Box, product specific Blue Box, product specific AMS
2. Reducing limits for AMS, de minimis
3. Establishing a new constraint – Overall trade distorting support (OTDS)
4. Clarifying and review the Green Box criteria

All these concept and likely impact on India's commitment (provided December text **TN/AG/W/4/Rev.4** is accepted) will be discussed in Section 4. Data for this study has been

taken from WTO notifications, Agriculture Statistic at Glance, and various modalities of Doha Round Negotiations.

SECTION 3: DOMESTIC SUPPORT IN INDIA

About the domestic support, India does not have final bound AMS. It was due to the fact that during base period 1986-88, India's AMS was below the *de minimis* level i.e. 10 percent of value of production. In other words, during base period, AMS in India was zero. Therefore, the reduction commitments related to Bound AMS are not applicable. It further implies that *de-minimis* limit becomes the upper limit to provide AMS to agriculture sector.

About the definition of *de-minimis*, Part IV Art 6.4 of AoA states that Member shall not be required to include in the calculation of its Current Total AMS and shall not be required to reduce:

- (a)(i) product-specific domestic support which would otherwise be required to be included in a Member's calculation of its Current AMS where such support does not exceed 5 per cent of that Member's total value of production of a basic agricultural product during the relevant year; and
- (a) (ii) non-product-specific domestic support which would otherwise be required to be included in a Member's calculation of its Current AMS where such support does not exceed 5 per cent of the value of that Member's total agricultural production.
- (b) For developing country Members, the *de minimis* percentage under this paragraph shall be 10 per cent.

India as a developing country has product-specific *de minimis* limit of 10 percent of value of specific product and non-product specific *de minimis* limit is 10 percent of value of total agriculture production. India has made notifications on domestic support for the period 1995-96 to 2003-04 (WTO notification G/AG/N/IND/1, G/AG/N/IND/2, G/AG/N/IND/7).

The product specific subsidy was negative for all commodities (except sugarcane) during 1995-2004. It is due to the fact that minimum support price of all the commodities (except sugarcane) was less than fixed external reference price (1986-88 base year) of these commodities. The non-product specific subsidy was also within the de minimis limit (see table 1 and 2). These notifications show that India has no obligation to reduce domestic support to agriculture sector.

Many studies (Bhalla (2004), Gulati (2003), Hoda and Gulati (2007) has also calculated AMS of India and found that India's domestic support is within the de minimis limit. These studies revealed that product-specific subsidy in most of agricultural crops are negative. However, non-product specific subsidy is positive, but below the de minimis level.

Table: 1
Aggregate Measurement of Support

Product	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	US \$ Million								
Coarse cereals (bajra, jowar, maize and barley)	-4,530	-2	-3	---	---	---	---	---	---
Cotton	-2,106	---	---	-64	-72	-91	-147	-94	-140
Groundnut	-1,809	---	---						
Jute	-388	---	---	-2	-4	-19	-10	-56	-46
Pulses (gram, urad, moong and tur)	-1,706	---	---	---	---	---	0	-2	-6
Rapeseed and mustard toria	-1,689					-62	-79	-110	
Rice	-7,577	-1,321	-1,479	-1,328	-1,685	-2,034	-2,113	-1,519	-1,883
Soya bean	-192	---	---	---	---	---	---	---	---
Sugar cane	184	---	---	---	---	---	---	---	---
Tobacco	-181	---	---	---	---	---	---	---	---
Wheat	-9,625	-1,280	-1,266	-1,682	-1,838	-2,126	-2,764	-2,552	-2,006
Non-product-specific support	5,772	930	1,003	0	0	0	0	0	0

Source: WTO Notifications

Table 2
Composition of Domestic Support (million US\$)

BOX	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
AMS	<i>de minimis</i>								
Blue box	0	0	0	0	0	0	0	0	0
Green	2196	2503	2873	2276	2493	2851	4002	5237	5883

Source: WTO Notification

In this context, it is noteworthy to mention Art. 6.2 of AoA.

“In accordance with the Mid-Term Review Agreement that government measures of assistance, whether direct or indirect, to encourage agricultural and rural development are an integral part of the development programmes of developing countries, investment subsidies which are generally available to agriculture in developing country Members and agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures, as shall domestic support to producers in developing country Members to encourage diversification from growing illicit narcotic crops. Domestic support meeting the criteria of this paragraph shall not be required to be included in a Member's calculation of its Current Total AMS”.

Category of holdings	Percentage of number of holdings				Percentage of area covered			
	1990-91	1995-96	2000-01	2005-06	1990-91	1995-96	2000-01	2005-06
Up to 2 hectares	78.20	80.30	81.90	83.29	32.40	36.00	39.00	41.14
Up to 4 hectares	91.30	92.60	93.60	94.22	55.60	59.80	63.00	65.08
Up to 10 hectares	98.40	98.70	99.00	99.15	82.70	85.10	86.80	88.19
Above 10 hectatre	1.60	1.30	1.00	0.85	17.30	14.90	13.20	11.81

It implies that if a developing country provide input subsidy to low income or resource poor farmers, then it would be exempted from the calculation of AMS. However, question arises who are low income or poor farmers in India. There is no specific definition of low income or resource poor farmers in WTO. It is up to the member country to define low income or resource poor farmers.

Table: 3

Trend in agriculture land holding

Source: Agriculture Census

As per India's notification on domestic support (G/AG/N/IND/1, G/AG/N/IND/2 and G/AG/N/IND/7), if a farmer has landholding up to 10 hectare, he would come under the category of low or poor income farmers. About 99 percent of agricultural landholding comes under the above category (see Table 3).

Therefore, India has no obligation under AoA to reduce input subsidies to agriculture sector. India can provide input subsidies like fertilizer, canal irrigation and electricity etc to agriculture sector under Art. 6.2 of AoA. Though, India has flexibility to provide input subsidy to agriculture sector, but there are many constraints and related problems with input subsidies at domestic front. Overall, India has enough flexibility to provide domestic support to agriculture sector.

SECTION 4: DOHA ROUND AND DOMESTIC SUPPORT PROVISIONS

In 2001, the WTO members launched a new round of multilateral trade negotiations, known as Doha development round. Doha ministerial conference in 2001 recognizes the need for special and differential treatment for the developing and the least developing countries (see the following Para of Doha declaration, document no. WT/MIN (01)/DEC/1).

Para 44: We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, we also note that some members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be

reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.

However, the negotiations in the Doha round have reached a stalemate due to different positions taken by member countries. Since 2001, many agriculture modalities were discussed and revised. The revised draft (TN/AG/W/4/Rev.4 or December 2008 text) for agriculture was circulated on 6th December, 2008. As a developing country, India also got special and differential treatment in the negotiations. The likely implications of recent draft modality are discussed in following sub-sections.

4.1 Overall Trade Distorting Support:

During Doha negotiations, a new concept called OTDS is introduced. The base level for reductions in Overall Trade-Distorting Domestic Support (hereafter "Base OTDS") is sum of:

1. the Final Bound Total AMS specified in Part IV of a Member's Schedule; plus
2. for developed country Members, 10 per cent of the average total value of agricultural production in the 1995-2000 base period (this being composed of 5 per cent of the average total value of production for product-specific and non-product-specific AMS respectively); plus
3. higher of average Blue Box payments as notified to the Committee on Agriculture, or 5 per cent of the average total value of agricultural production, in the 1995-2000 base period.

For developing country Members, item (2) of paragraph above shall be 20 per cent of the average total value of agricultural production in the 1995-2000 or 1995-2004 period as may be selected by the Member concerned. For developing country Members, the base period for the purposes of item (3) of paragraph above shall be 1995-2000 or 1995-2004 as may be selected by the Member concerned. The 6th December 2008 draft modalities text proposes a tiered formula for reduction of OTDS and also suggests a range of cuts in each tier (see table

4). The reductions are to be made in six equal steps over a period of five years. Developing country members would be required to undertake two-thirds of the cuts, in nine equal installments over a period of eight years.

Table: 4 Reduction in OTDS

Tier	Threshold (US\$ billion)	Cuts
1	> 60	80%
2	10-60	70%
3	< 10	55%

Source: WTO document, TN/AG/W/4/Rev.4

India's Likely Commitment

As per Para 6 of revised draft, a developing country member with no Final Bound Total AMS commitments shall not be required to undertake reduction commitments in their Base OTDS". As India does not have Final bound total AMS commitments under AoA, therefore, there will be no requirement for India to reduce OTDS under the revised draft modality. As per Para 10 of revised modality, developing country members that are not required to undertake reduction commitments under any of the provisions of these modalities shall only be required to schedule their base OTDS. Therefore, India is required to schedule their base OTDS, in monetary terms, in part IV of their schedules.

4.2 Final Bound AMS

As per the revised modality, the Final Bound Total AMS shall be reduced in accordance with the following tiered formula (Para 13 of Revised modality):

- (a) Where the Final Bound Total AMS is greater than US\$40 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 70 per cent;
- (b) Where the Final Bound Total AMS is greater than US\$15 billion and less than or equal to US\$40 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be 60 per cent;
- (c) Where the Final Bound Total AMS is less than or equal to US\$15 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be 45 per cent.

For developed country Members, reductions in Final Bound Total AMS shall be implemented in six steps over five years. The reduction in Final Bound Total AMS applicable to developing country Members shall be two-thirds of the reduction applicable for developed country Members under paragraph 13(c) above. The reductions in Final Bound Total AMS shall be implemented in nine equal annual installments over eight years, commencing on the first day of implementation.

India's likely commitment

According to Para 16 of revised modality, a developing country Member with Final Bound Total AMS levels at or below US\$ 100 million shall not be required to undertake reductions. As India does not have final bound total AMS, therefore, reductions obligation not applicable for India.

4.3: Product Specific Limit

In AOA, there was no product-specific limit. Due to this, many developed countries concentrated their AMS on few products. For example, about 90 percent of product specific AMS in USA was concentrated on six products (see table 5).

Table: 5
Product Specific Support as a Percentage of Calculated AMS

(%)

Product	1995	1996	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Dairy	73.7	78.7	43.2	27.6	30.0	30.5	56.2	64.1	37.9	39.5	63.7	77.2	62.3	55.2
Corn	0.5	0.5	14.5	15.1	16.5	9.0	1.7	3.1	24.9	34.4	0.2	0.3	0.3	2.2
Rice	0.2	0.1	0.2	2.6	3.7	5.2	6.3	6.8	1.1	1.0	0.0	0.1	0.1	0.5
Wheat	0.1	0.1	4.9	5.8	5.0	1.3	0.2	1.5	0.7	0.2	0.0	0.0	0.0	7.8
Soybeans	0.3	0.2	12.1	16.9	21.4	24.6	0.5	0.3	4.1	0.5	0.8	0.1	0.1	4.0
Sugar	17.3	15.2	10.0	7.1	7.0	7.2	11.8	16.9	10.4	9.2	16.2	19.0	18.0	22.9
Cotton	0.5	0.1	8.9	13.9	6.2	19.1	10.6	5.9	18.2	12.4	17.3	3.2	17.7	2.7
Sum	92.6	95.0	93.7	89.0	89.7	96.9	87.2	98.7	97.2	97.2	98.3	99.8	98.6	95.3

Source: USA's notifications to WTO

This led to price distortions of agricultural commodities in international market. Due to concentration of product-specific support, many developing country members demanded product-specific limit in Doha negotiations. Para 20-29 of revised draft modality are related to product specific limit. For the developing countries the relevant provisions to determine product-specific limit is given in Para 27. As per revised modality, Developing country Members shall establish their product-specific AMS limits by choosing one of the following methods, and scheduling all their product-specific AMS commitments in accordance with the method chosen:

- (a) the average product-specific AMS during the base period 1995-2000 or 1995-2004 as may be selected by the Member concerned, as notified to the Committee on Agriculture; or
- (b) two times the Member's product-specific *de minimis* level provided for under Article 6.4 of the Uruguay Round Agreement on Agriculture during the base periods referred to in sub-paragraph (a) above; or
- (c) 20 per cent of the Annual Bound Total AMS in the relevant year during the Doha Round implementation period.

India's likely commitment:

As a country has to adhere to Final bound AMS. It implies that the aggregation of product specific and non-product specific support cannot be more than final bound AMS. As India does not have final bound AMS (see section 4.2 above), therefore the product specific limit should not be more than de-minimis limit. Therefore, the product-specific de-minimis limit will become the upper limit for product-specific support. Even under AOA, India cannot give product-specific support above the de-minimis limit i.e. 10 percent of value of production.

4.4: De-minimis limit

As per Para 30 and 31 of revised modality, the de minimis levels referred to in Article 6.4(a) of the Uruguay Round Agreement on Agriculture for developed country Members (i.e.

5 per cent of a Member's total value of production of a basic agricultural product in the case of product-specific de minimis and 5 per cent of the value of a Member's total agricultural production in the case of non-product-specific de minimis) shall be reduced by no less than 50 per cent effective on the first day of the implementation period.

For developing country Members with Final Bound Total AMS commitments, the de minimis levels referred to in Article 6.4(b) of the Uruguay Round Agreement on Agriculture (i.e. 10 per cent of a Member's total value of production of a basic agricultural product in the case of product-specific de minimis and 10 per cent of the value of a Member's total agricultural production in the case of non-product-specific de minimis) to which they have access under their existing WTO obligations shall be reduced by at least two-thirds of the reduction rate of developed country members. The timeframe for implementation shall be three years from the first day of implementation.

India's likely commitment

As a developing country, India will be required to reduce de-minimis limit. However, there is a specific Para, which shield India from reduction commitment related to de minimis. Para 32 of revised modality states that *a developing country members with no Final Bound Total AMS commitments; or with such AMS commitments, but that either allocate almost all that support for subsistence and resource-poor producers, or that are NFIDCs listed in document G/AG/5/Rev.8; shall continue to have the same access as under their existing WTO obligations to the limits provided for product-specific and non-product-specific de minimis in the current Article 6.4(b) of the Uruguay Round Agreement on Agriculture.* As India does not have any final bound total AMS commitments, therefore, India does not required to reduce de-minimis limit. Therefore, the de-minimis limit for India will remain same as given in AoA i.e. 10 percent of value of production.

4.5 Blue box Support

During the Doha negotiations, the definition of Blue box has been broadened. As per the revised modality, the value of following domestic support, provided that it is consistent also with the limits as provided for in the paragraphs below, shall be excluded from a Member's calculation of its Current Total AMS but shall count for purposes of that Member's Blue Box commitments and OTDS. Each Member shall specify in its Schedule which of these categories – (a) or (b) – it has selected for the purposes of establishing all its Blue Box commitments in this Round.

A. Direct payments under production-limiting programmes if:

- such payments are based on fixed and unchanging areas and yields; or
- such payments are made on 85 per cent or less of a fixed and unchanging base level of production; or
- livestock payments are made on a fixed and unchanging number of head.

Or

B. Direct payments that do not require production if:

- such payments are based on fixed and unchanging bases and yields; or
- livestock payments are made on a fixed and unchanging number of head; and
- such payments are made on 85 per cent or less of a fixed and unchanging base level of production.

For the developed country members, the maximum value of support that can be provided under Article 6.5 shall not exceed 2.5 per cent of the average total value of agricultural production in the 1995-2000 base period on the basis of notifications to the Committee on Agriculture where they exist. The definition of Blue box is modified to give a special carve-out to USA so that its counter-cyclical payment programme can be shift from Amber to Blue box.

India's likely commitment:

For developing country Members, the maximum permitted value of support shall be 5 per cent of the average total value of agricultural production in the 1995-2000 or the 1995-

2004 base period as may be selected by the Member concerned. That limit shall be expressed in monetary terms and bound in Part IV in developing country Members' Schedules.

India has never provided blue box support to agriculture sector. However, India will have flexibility to provide blue box support, if any programmes is consistent with Para A or B. It is to be noted that India does not have any product specific current AMS or blue box during 1995-2003 (see India's notifications). As per Para 50 of revised modality, Where, for a particular product, a developing country Member has no product-specific entitlement to a Blue Box limit for that product under the above provisions, and no Current AMS support in the base period for it, a product-specific Blue Box limit may still be scheduled but only where the total support for the totality of any such products concerned does not exceed 30 per cent of the overall Blue Box limit; there is a maximum for any single product of 10 per cent of the overall Blue Box limit. Therefore, India will have the flexibility to provide up to 5 percent of value of production (base period 1995-2000 or 1995-2004) and can scheduled its product specific limit. However, as mentioned earlier, India has never provided the support to agriculture under this box and it is unlikely that India will use this box to support agriculture.

4.6 Green box

As per the AoA, measures with minimal impact (green box) on trade can be used feely and include government services such as research, disease control, infrastructure and food security. Annex B of revised modality proposed many amendments in Annex 2 (also called Green Box) of AoA. Two specific provisions of revised modality are now constituted as G-33 proposal for Bali ministerial conference of WTO. These provisions are related to Para 2 to 4 of Annex 2 of AoA.

To meet the concern of developing countries, G-33 proposal seeks to insert a new sub-paragraph (2h) in AoA. The specific new programmes and policies that would be included in green box are related to farmer settlement, land reform programmes, rural

development and rural livelihood security in developing country Members, such as provision of infrastructural services, land rehabilitation, soil conservation and resource management, drought management and flood control, rural employment programmes, nutritional food security, issuance of property titles and settlement programmes, to promote rural development and poverty alleviation

There are some specific provisions in revised modality (also now part of G-33 proposal) which are directly related to AMS calculation and thus have impact on AMS commitment. As per Annex B of Revised draft modality, acquisition of stocks of foodstuffs by developing country Members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the AMS. It is also envisaged that the acquisition of foodstuffs at subsidised prices when procured generally from low-income or resource-poor producers in developing countries with the objective of fighting hunger and rural poverty, as well as the provision of foodstuffs at subsidised prices with the objective of meeting food requirements of urban and rural poor in developing countries on a regular basis at reasonable prices shall be excluded from AMS calculation.

India's likely commitment/implication:

With new subparagraph 2h of AoA, India as well as other developing countries will have more policy space to implement policies and programmes related to land reform, drought management etc.

About the public stockholding for food security purposes and domestic food aid, the revised modality will give more policy space to effectively implement food security policies without breaching the WTO commitments related to domestic support. As mentioned earlier, India has defined resource poor or low income farmers on the basis landholding. A farmer has landholding up to 10 hectare would come under the category of low or poor income farmers. About 99 percent of agricultural landholding comes under the above category. Therefore,

procuring food-grains from these farmers will be exempted from the calculation of AMS. Above elements related to green box are now the main demands of G33 group in WTO and it is very hot issue for the Bali ministerial conference.

SECTION 5: CONCLUSION

This study has critically analysed India's commitment related to domestic support under AoA and in recent Doha negotiations. India has notified domestic support for the period 1995-2003. Product specific support was negative and below the de minimis limit during that period. Non-product specific support which includes subsidies on fertiliser, canal irrigation, electricity etc. was also below the de minimis limit. Therefore, India does not have any obligation to reduce any kind of support to the agriculture sector.

This study examine the various provisions related to domestic support given in the revised draft (WTO document, TN/AG/W/4/Rev.4) for agriculture, which was circulated on 6th December, 2008. It provides new method/formulas/ rules to curtail trade distorting support. About the OTDS and Final bound total AMS, there will be no reduction commitment due to the fact that India does not have Final bound total AMS commitments under AoA. For the product-specific AMS, de-minimis limit will be the upper limit. De-minimis limit for India will remain same as given in AoA i.e. 10 per cent of a Member's total value of production of a basic agricultural product in the case of product-specific de minimis and 10 per cent of the value of a Member's total agricultural production in the case of non-product-specific de minimis. India will have the flexibility to provide blue box support up to 5 percent of value of production during the base period with some constraints on product specific blue box support. As per the modality, India is required to schedule their base OTDS and blue box support, in monetary terms, in part IV of their schedules. Annex B of revised modality have some provisions related to green box support. Some of these provisions related to low income or resource poor farmers along with Art 6.2 of AoA will provide enough policy space related to

domestic support to agriculture in India and effective implementation of food security policies in developing countries. Overall, India has no reduction commitment related to domestic support to agriculture sector under AoA and also will have enough flexibilities in recent Doha negotiations.

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