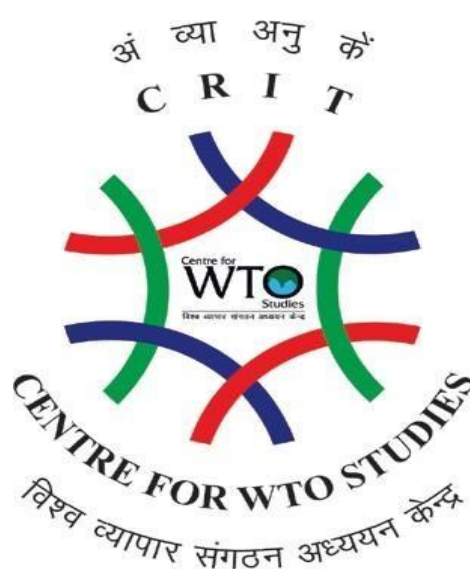


WORKING PAPER

Revisiting Domestic Support Negotiations at the WTO: Ensuring a Level Playing Field

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Revisiting Domestic Support Negotiations at the WTO: Ensuring A Level Playing Field¹

Sachin Kumar Sharma², Teesta Lahiri, Suvayan Neogi and Raihan Akhter

ABSTRACT³

In the agriculture negotiations, developing members remain concerned about the inherent inequities in the Agreement on Agriculture (AoA) which allows developed members to provide huge trade-distorting support without breaching their commitments. As a result of these flexibilities, developed members enjoy artificial competitiveness in international trade, which subsequently leads to an adverse impact on farm income and livelihood security for millions of farmers in third world countries. Further, developing members have been increasingly finding it difficult to implement domestic support measures due to the constraining provisions of the AoA. From the developing members' perspective, the elimination of trade-distorting entitlement for developed members along with special and differential treatment for themselves are the key demands in domestic support negotiations. However, some developed members have tried to build a narrative to depict developing members as major providers of trade-distorting support. This study has made a modest attempt to bring out the fallacy of this narrative by highlighting the asymmetries and inequities in trade-distorting entitlement of 8 developed and 12 developing members based on their socio-economic conditions. Results show that per farmer Amber box entitlement for developing members under the AoA is a mere fraction of the entitlement enjoyed by the developed members. This study provides a different dimension to the ongoing agriculture negotiations to make trade rules development-oriented and inclusive for all.

Keywords: Agreement on Agriculture, Domestic support, *de minimis* limit, Amber box Negotiations, WTO

JEL Classification: F13, F14, F17, Q17

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EXECUTIVE SUMMARY

- Among the various issues at the WTO, agricultural negotiations are most critical and sensitive for the developing members due to its implications for millions of poor farmers. Most developing members face a lack of policy space in implementing support measures compatible with their socio-economic conditions as a result of constraining provisions of the Amber box under Agreement on Agriculture (AoA). Moreover, farm communities in developing members are adversely affected by unfair and unjust competition in the international market due to huge trade-distorting support by the developed members.
- The policy space under the Amber box for the most of developing members is capped by the *de minimis* limit, whereas developed members have the flexibility to provide support beyond the *de minimis* limit due to the Final Bound AMS entitlement. In case of developing members, the applicable *de minimis* limit is 10 percent of total Value of Production (VoP) of a basic agricultural product for product specific support, and VoP of total agriculture for non-product specific support during a relevant year. For Developed Members and China, it is 5 percent and 8.5 percent respectively.
- In recent years, few members such as Australia, Canada, and New Zealand have tried to build a narrative targeting developing members for increased policy space under the *de minimis* limit by arguing that the entitlement under it goes up in monetary value as a result of increase in VoP. These members forward the reasoning that developing members are entitled for 20 per cent of the VoP under the combined *de minimis* limit, which comprises aggregated product-specific, and non-product specific *de minimis* support. On the other hand, these members try to downplay the role of existing AMS entitlement of developed members by giving the logic that AMS entitlement as a percentage of VoP has declined significantly.
- In this background, the study examines (1) whether the relevance of AMS entitlement for developed members has declined, and if so, why are developing members still asking for AMS elimination; (2) in case the socio-economic conditions of the developing members are considered, whether the narrative that developing members have the huge policy space under the *de minimis* limit will stand; (3) if policy space under the *de minimis* limit has increased, then why are the developing members complaining about the constraining provisions of the AoA; (4) In case the number of farmers is considered, what will be the entitlement of the members under the amber box for achieving a level playing field.

- This study seeks to explore answers to these intriguing questions by examining and evaluating the policy space under the Amber box for 20 selected members; 8 developed members. and 12 developing members. Further, it estimates the policy space under the Amber box of selected members under a scenario where a level playing field in terms of equal per farmer support for all members is taken into consideration.
- **Members like Australia, New Zealand, Canada, and EU etc. raise the concern about the increasing policy space in monetary terms under the *de minimis* limit, based on the fact that as the VoP of total agriculture of a member goes up, the member's entitlement in terms of monetary value would also move upwards, because the *de minimis* is defined as a percentage of the VoP.** Nevertheless, their entitlement expressed as a percentage of VoP would remain as fixed under the AoA. This would mean, China and India would enjoy the highest Amber box entitlement by 2030. Based on this premise, demands have been raised for reduction in policy space of developing members under the *de minimis* limit as well as capping of flexibility under the Development box. Concurrently, they argue, the role of their Final Bound AMS entitlement as a percentage of the VoP of total agriculture will continue diminishing significantly.
- **These narratives have ignored the prevailing ground realities in the members on two grounds:**
 - i. Even though AMS entitlements have declined over time in terms of percentage, members remain disinclined to agree to its elimination because it still serves as a viable policy buffer, one that enables exceeding product specific *de minimis* limits and concentrating product specific support in a handful of products.
 - ii. Many developing members face constraints in implementing their agricultural policies which are compatible with their socio-economic realities. The faulty methodology of calculating Market Price Support (MPS), and the constraint of the *de minimis* limit under the AoA make it difficult for members to provide price support to farmers.
- Moreover, this narrative ignores the socio-economic situation prevailing in developing members and undermines the level playing field for poor farmers. Left unchallenged, it presents a one-sided and unbalanced picture which jeopardizes the interest of developing members. In most developing nations, agriculture is the predominant occupation for a large part of the population, even though the sector's contribution to GDP is very low. The

agricultural sector in these members is subsistence oriented, and plagued by high price volatility, climate risks, burdensome farm debts, and low income for farmers. Farmers in these members face multiple challenges in terms of small landholding, poor irrigation, marketing problems, lack of institutional support and no robust safety nets. The average farm size in the majority of developing members is less than 2 hectares, with a stark difference in landholding between developed and developing members.

- **As per the latest notifications of the select members, there is a massive difference between the actual per farmer Amber box and total domestic support between developed and developing members. For instance, per farmer amber box support was higher than US\$ 7000 in Canada, Norway, Switzerland and the USA, whereas for most developing members it was less than US\$ 150.** Inequality between developed and developing members gets further accentuated in case per farmer total domestic support is considered.
- **There is a need to emphasize that members are negotiating applicable future entitlements rather than the actual level of support trade distorting support. Higher the available policy space, greater is the flexibility for a member to increase the actual support.** This study highlights the asymmetries in the AoA which allow a very high level of per farmer Amber box entitlement to developed members in comparison to the developing members. The entitlement of many developing members is just a fraction of what most developed members enjoy. For instance, per farmer Amber box entitlement for Kenya would be US\$356 per annum compared to US\$ 53978 and US\$ 40907 in Canada and USA respectively in 2030. Similarly, per farmer Amber box entitlement in Switzerland is 46 times than that of India in 2030.
- The analysis also points out that for most of the farmers in the developing members the rules of the game are not fair. The provisions of the AoA impose a lower limit for per farmer Amber box entitlement for the developing members in comparison to developed members. Thus, any reforms in domestic support should ensure a level playing field for all the members by considering per farmer Amber box entitlement as an important criterion.
- **Let us assume the applicable per farmer entitlement for all the members is equal to that of Canada. Under this scenario, as a percentage of the VoP, developing members would have much higher entitlement than the 20 percent combined limit under Amber box. For instance, Bangladesh would be entitled to 2901 and 2418 percent of its VoP of total**

agriculture in 2020 and 2030 respectively. In case, per farmer entitlement for India is applied for all the members, then policy space available for majority of developed members would get reduced to less than 2 percent. Once all the members have an equal level playing field in terms of per farmer support, further reduction modalities for Amber box need to be negotiated.

- Results clearly show that in case all members have the same per farmer entitlement of a developed member, it would significantly increase the policy space for the developing members. On the other hand, under a scenario where all members have the same per farmer entitlement of a developing member, it will cut the policy space for the developed members. In simple words, equivalent per farmer entitlement approach in negotiations would lead to a steep reduction in trade distorting support of the developed members.
- This paper provides a different dimension to the on-going agriculture negotiations and emphasizes that ignoring prevailing conditions in the developing members would result in dilution of S&DT as well as make trade rules in favor of already privileged developed members. Developing members need to be cautious in the on-going agriculture negotiations so that the future trade rules are unbiased, fair and more inclusive for all.

Revisiting domestic support negotiations at the WTO: Ensuring a level playing field

Section 1: Introduction

Among the various issues at the WTO, agricultural negotiations are most critical and sensitive for the members due to its implications for millions of farmers and poor people across the globe. Especially for the developing members, agriculture continues to play a significant role in employment, economic growth, poverty eradication, rural development, and food security. Among others, farmers in developing members face multiple challenges on account of small and fragmented landholding, subsistence farming, and lack of institutional support, poor irrigation and marketing facilities. Further developing members are facing lack of policy space to implement support measures compatible with their socio-economic conditions as a result of constraining provisions of the Agreement on Agriculture (AoA) (Clapp, 2006; Chatterjee and Murphy, 2014; FAO, 2015; Sharma, 2016a). This is evident in the recent disputes faced by China on domestic support measures and India on sugar subsidies (WTO 2019a; WTO 2020a). Moreover, farm communities in developing members are adversely affected by unfair and unjust competition in the international market due to huge trade-distorting support in the developed members (Sharma and Das, 2018; Josling 2015; Swain, 2009; Tokarick, 2008). As a result of the high level of domestic support and export subsidies measures, developed members have been able to enjoy an artificial comparative advantage in international trade, while leaving millions of low-income and resource-poor farmers in the developing economies to suffer from low world prices and import surges (Panagaria, 2005; Devadoss 2006; Hawkes and Plahe, 2012). These measures have a depressing impact on the agricultural output and prices in developing members resulting in loss of livelihood and farm income along with pervasive farm distress (Oxfam 2a; Oxfam 2b; Daniel and Kilkenny, 2009).

Even the existing provisions of the AoA are unfair and biased which allow developed members to provide huge trade-distorting support without breaching their respective commitments under the WTO (Birovljev and Ćetković, 2013, Sharma and Das 2018). It is noteworthy that the AoA classifies domestic support measures under several boxes such as Green box (Annex 2); Amber box (Art 6.4), Blue box (Art 6.5) and Development box (Art 6.2). The Green box covers the measures related to general services, public stockholding for food security purposes, domestic food aid and direct payments. On the other hand, Blue box comprises trade-distorting support under the production limiting programmes. As a special and differential treatment (S&DT), Development box allows developing members to provide input subsidies to low income or resource-poor

farmers, and investment subsidies for agriculture. Support under the green, blue and the development boxes are exempt from any financial limit under the AoA.

With the exception of the Green box, Blue box and the Development box, all others are covered by Aggregate Measurement of Support (AMS) or Amber box which comprises of product and non-product specific support. Price support or budgetary support for a specific product comes under product-specific support, whereas general trade-distorting support is applicable to all products such as fertiliser subsidy is covered by non-product specific support. The support under this box is capped either by the Final Bound AMS entitlement or *de minimis* limit. *De minimis* is the minimal amount of trade-distorting support allowed under the Amber box. In case of developing members, the applicable *de minimis* limit is 10 percent of total Value of Production (VoP) of a basic agricultural product for product-specific support, and VoP of total agriculture for non-product specific support during a relevant year. However, for developed members, the applicable percentage under the *de minimis* limit is 5 percent. For China, this limit is set at 8.5 percent.

In this context, it is to be noted that those members who provided trade-distorting support above the *de minimis* level during the base period (1986-88) under the Uruguay Round, were rewarded in the form of final bound AMS entitlement (Green, 2000; Bhalla, 2002; Stoler, 2010;). This has allowed the US and EU to have AMS entitlements of US\$ 19 billion and Euro 72 billion respectively. More than 95 percent of global AMS entitlement is shared by the developed members. It allows these members to provide product and non-product specific Amber box support above the applicable *de minimis* limit. For instance, even after providing 150 per cent of the value of production of sugar as a product-specific support Amber Box in 2006, the European Union (EU) did not violate its trade-distorting limit set under the AoA. On the other hand, most of the developing members did not provide Amber box support above the *de minimis* limit during the base-period, therefore, their policy space is restricted to the *de minimis* limit only. In a nutshell, most developing members cannot give Amber box support more than their respective *de minimis* limit.

The AMS entitlement allows developed members to enjoy artificial comparative advantage, and thus has displaced the farmers in the developing members (Schmitz, 2006; Sharma, 2014; Tania and Mapulanga-Hulston, 2016). These concerns are reflected in the Doha Ministerial Decision (2001) which called for a substantial reduction in trade-distorting support and emphasized the special & differential treatment (S&D) for the developing members. Even after two decades of negotiations under various meetings of Committee on Agriculture Special Session (CoASS),

working groups and Ministerial Conferences, members have failed to achieve consensus on disciplining trade-distorting support.

Over the years, some members have been pushing for an overall trade-distorting support (OTDS) limit which would reduce or cap the policy space to provide trade-distorting support under some or all components of Article 6 - AMS entitlement, *de minimis* limit, Blue and the Development box. This OTDS limit is set either based on the VoP of total agriculture in percentage terms or in fixed monetary terms. In the first case, the OTDS limit would increase with an upward trend in the VoP, whereas under the latter scenario, the limit would remain constant. It has been suggested in some proposals to reduce the AMS entitlement along with *de minimis* limit and capping of Blue box and Development box (WTO, 2017a). However, from the developing members' perspective, elimination of AMS entitlement for developed members is of utmost importance which would result in capping product-specific support by the *de minimis* limit (WTO, 2017b, WTO, 2017c; WTO, 2018a). Further, any dilution of S&DT provisions in the form of reducing *de minimis* limit or capping Development box support is non-negotiable for the developing members (WTO, 2015).

In recent years, a few studies and proposals by some members such as Australia, Canada and New Zealand have tried to build an alternate narrative targeting developing members for increased policy space under the *de minimis* limit by arguing that the entitlement under it goes up in absolute monetary terms as a result of an increase in VoP (Brink, 2017; Díaz-Bonilla, 2017; WTO, 2019b). Further, these members forward the reasoning that developing members are entitled to 20 percent of the VoP under the *de minimis* limit, which comprises 10 per cent each for product and non-product specific support. On the other hand, these members try to downplay the role of existing AMS entitlement of developed members by giving the logic that AMS entitlement as a percentage of VoP has declined significantly. Their argument is premised on the fact that AMS entitlement is fixed in monetary terms, and therefore, it declines as a percentage with an upward trend in the VoP.

In this background, some of the pertinent questions include the following, (1) whether the relevance of AMS entitlement for developed members has declined, and if so, why are developing members still asking for AMS elimination; (2) in case the socio-economic conditions of the developing members are considered, whether the narrative that developing members have the huge policy space under the *de minimis* limit will stand; (3) if policy space under the *de minimis* limit has increased, then why are the developing members complaining about the constraining provisions of the AoA; (4) In case the number of farmers is considered, what will be the entitlement

of the members under the amber box for achieving a level playing field. In this context, the study seeks to explore answers to these intriguing questions by examining and evaluating the policy space under the Amber box for 20 selected members; 8 developed members namely Australia, Canada, European Union (EU), Japan, Russia, Norway, Switzerland and the United States, and 12 developing members namely Bangladesh, Brazil, India, China, Egypt, Indonesia, Kenya, Pakistan, Philippines, South Korea, Thailand, and Turkey in 2020 and 2030. Further, it estimates the policy space under the Amber box of selected members under a scenario where a level playing field in terms of equal per farmer support for all members is taken into consideration. Even though Bangladesh is a Least developed country (LDC), it is treated as a developing member for the analysis as it is expected to graduate in 2024 (UN, 2018).

This study is divided into five sections. Section 2 explains the methodology, whereas section 3 deals with various issues related to policy space under the Amber box for members. It provides the basis for differing positions of members on disciplining Amber Box. Section 4 discusses the impact on policy space in the Amber box if per farmer support is considered for a level playing field. The last section summarises the findings of the study.

Section 2: Methodology

This study examines various issues related to policy space available to select members under the Amber box by using legal-economic analysis based on various provisions of the AoA. It covers 20 WTO members, out of which eight are developed and the remaining are developing members. As a first step to respond to the questions raised in the previous section, and to have a better understanding of the current level of domestic support, this study analyzes the latest notifications of the selected developed and developing members. The selected members are categorized into three broad categories on the basis of applicable *de minimis* limits and commitments under the AoA. Applicable *de minimis* limits for the developed and developing members are 5 and 10 percent respectively. Though China is a developing member, the policy space under the Amber box is capped by 8.5 percent of the value of production. Further only developing members except China are entitled to provide support under the development box (Article 6.2).

For a cross-member comparison, all data gathered has been expressed in US\$ based on the exchange rates extracted from the Food and Agriculture Organization (FAO). It is to be noted that all the developed members and few developing members namely Brazil, South Korea and Thailand in this study enjoys the AMS entitlement in the form of final bound AMS. It allows these members to provide product and non-product specific support above the applicable *de minimis* limit. For all other selected developing members, Amber box support is capped by the *de minimis* limit as their Final Bound AMS is fixed at zero, based on their schedule of commitments. At the global level, though some developing members have the AMS entitlement, but their share in global AMS entitlement is only 4.23 percent in comparison to 95.77 percent for developed members (Table 1). Further, more than 85 percent of global AMS entitlement is shared by the EU, USA and Japan.

Table 1: AMS entitlement across WTO Members for year 2019

Developed Members			Developing Members		
Region	Million US\$	Share in total AMS entitlement (%)	Region	Million US\$	Share in total AMS entitlement (%)
European Union	81324	50.93	Mexico	1306	0.82
Japan	36445	22.82	Republic of Korea	1279	0.80
USA	19103	11.96	Venezuela	1131	0.71
Russian Federation	5400	3.38	Brazil	912	0.57
Switzerland	4300	2.69	Saudi Arabia	858	0.54
Canada	3234	2.03	Thailand	613	0.38
Others	3118	1.95	Others	663	0.41
All developed member	152924	95.77	All developing member	6761	4.23

Source: Domestic support notifications of WTO members.

Exchange rate for 2019 is used based on IMF data base

In order to examine the claim that the policy space of the developing members under the Amber box has increased, this study has projected the Amber Box entitlement for all the selected members for the year 2030. For this purpose, the VoP of the total agricultural sector is extrapolated based compound annual growth rate using historical data. It is to be noted that VoP data is not available in domestic support notifications for all the members, therefore, for some members, data is extracted from FAO. For all the developed members except Russia and Ukraine, and a few developing members, namely Brazil, South Korea and Turkey, VoP data is based on their respective domestic support notifications. In the case of India, VoP data is sourced from National Account Statistics, Government of India. For all other selected members data has been obtained from FAO.

It is worth mentioning, that a member's policy space under the Amber box comprises Final Bound AMS, product-specific and non-product specific *de minimis* support. Both product and non-product specific support depends on the VoP of a basic agricultural product and of total agriculture respectively of a member during a relevant year. Theoretically, the sum of the value for all individual products would be equal to the VoP of total agriculture of a member during a relevant year.

$$\text{Mathematically, policy space under Amber box} = \text{Final Bound AMS} + \text{PSSD} + \text{NPSD} \quad (1)$$

$$\text{NPSD} = D\% \text{ VX}_T \quad (2)$$

$$\text{PSSD} = (D\% \text{ VX}_1 + D\% \text{ VX}_2 + D\% \text{ VX}_3 + D\% \text{ VX}_4 + D\% \text{ VX}_5 + D\% \text{ VX}_6 + \dots + 10\% \text{ VX}_n) \quad (3)$$

$$= D\% (\text{VX}_1 + \text{VX}_2 + \text{VX}_3 + \text{VX}_4 + \text{VX}_5 + \text{VX}_6 + \dots + \text{VX}_n)$$

$$= D\% \sum_{i=1}^n \text{VX}_i$$

By assuming $\text{VX}_T = \sum_{i=1}^n \text{VX}_i$ therefore $\text{PSSD} = D\% \text{ VX}_T$

$$\text{Amber box} = \text{Final Bound AMS entitlement} + D\% \text{ VX}_T + D\% \text{ VX}_T \quad (4)$$

$$= \text{Final Bound AMS entitlement} + 2D\% \text{ VX}_T$$

PSSD = Product-specific *de minimis* support;

NSSD = non-product specific *de minimis* support

VX_T = VoP of total agriculture of a member during a relevant year

vx_i = Total VoP of a basic agricultural product in a member during a relevant year

D% = applicable *de minimis* percentage.

In other words, a member's policy space to provide support under the Amber box is equal to the sum of Final bound AMS, and twice the *de minimis* limit applicable to non-product specific support. By this logic, Indonesia has 20 percent of VoP of total agriculture in a relevant year as policy space under the Amber box. For the developed members, the policy space would be equal to the sum of final bound AMS, and 10 percent of the VoP of total agriculture. Based on this premise, policy space under the Amber box is projected for all the select members for the year 2030.

In order to reflect the inherent asymmetries in the AoA, and to emphasize on the low entitlement for the farmers in developing members in comparison to developed members, per-farmer policy space under the Amber box is calculated for the year 2020 and 2030. In this study, the number of people actively engaged in agriculture is treated as farmers. For this purpose, employment in agriculture is extracted for all the select members from the International Labour Organisation (ILO), where data is available from 2000 to 2022. Based on the compound annual growth rate during 2000-2022, the number of people engaged in agriculture is extrapolated for the year 2030. For instance, the compound annual growth rate in agriculture employment in India was -0.95 percent during the same period and it is used to project employment for year 2030. It is important to note that ILO provides aggregate data on the employment under agriculture, forestry and fisheries. As a result, employment data for agriculture is overstated to the extent of employment under forestry and fisheries, which are not covered by the AoA.

Besides, the study also attempts to estimate policy space under the amber box by assuming all the members have equal per-farmer Amber box entitlement. This estimation is done under six different scenarios by assuming per farmer entitlement equal to that of Australia, Canada, EU, USA, China and India. Total entitlement for a member under the Amber box under these scenarios is calculated by multiplying the number of farmers of that member with 'specific' per farmer entitlement applicable to all members. Descriptive statistics, relevant literature, proposals and legal text of the AoA is used at the relevant places to enrich the analysis.

Section 3: Issues related to policy space under the Amber box

As discussed earlier, members have varying views on disciplining trade-distorting support and whether some or all components of Article 6 of the AoA would be covered by new negotiating rules. About the coverage under new discipline, the range varies from elimination of AMS entitlement to reducing or capping all the components including Blue and Development box. Besides this, members have mainly proposed two approaches to limit policy space for trade-distorting support. Under the first approach, trade-distorting support is capped in terms of fixed monetary value based on the VoP of a reference period as emphasized in the Revised Agricultural Modalities Text (Rev. 4) and the proposals made by i) New Zealand-Australia, ii) Argentina and iii) Mexico. In the second approach, the OTDS limit for a member is based on as a fixed percentage of the VoP of total agriculture during a relevant year. As VoP of total agriculture changes, the limit in monetary terms also changes though it remains fixed in percentage terms. Proposals made by i) EU-Brazil, ii) China-India, iii) ACP Group, iv) Philippines, and v) African Group favour the latter approach.

To understand the basic reasons for divergent positions of members, it is imperative to analyze the current domestic support measures prevailing in the members. Table 2 provides the domestic support measures for select members as per their latest notifications. The applicable *de minimis* limit for developed and developing members except China is 5 and 10 percent of the VoP respectively. As a part of its accession commitments in the WTO, the *de minimis* limit for China was negotiated at 8.5 percent of the VoP. As per the latest domestic support notifications, the actual Amber box was less than their respective bound AMS for all the select members except China, India, and Turkey. China breached the *de minimis* commitments in cotton, corn, and soybean in 2016. India crossed the *de minimis* limit for year 2018-19 on account of product-specific support to rice for public stockholding programmes for food security purposes. However, India invoked the peace clause for rice under the Bali Ministerial Decision to avoid any challenge for its rice policy by other members through the dispute settlement mechanism. In the case of Turkey, in 2013, breach of final bound AMS limit was due to an increase in product-specific support to cotton, soybean, and rapeseed.

Further, table 2 shows that developed members except Norway have extensive policy space under the Amber box, as the current AMS was much lower than their respective Bound AMS limit. Actual spending under the Amber box as a percentage of the VoP of total agriculture was less than 5 percent for all the select members except Japan, Norway and Switzerland. In the case of total domestic support which comprises Amber, Blue, Development and Green box, many developed

members provided support more than 20 percent of the VoP. On the other hand, this percentage for all the developing members except China, India, South Korea and Thailand was less than 10 percent. It is to be noted, that for all members, current AMS is only a fraction of their respective total notified domestic support. Among the select members, China, Norway, EU are giving support under the Blue box, whereas many of the developing members such as India, Indonesia, South Korea etc. are utilising the Development box to support their respective farmers. It is worth mentioning that despite being a developing member, support under the Development box for China is not exempted from AMS calculation. .

Table 2: Domestic support for members in their recent notifications

Member	Latest Notification	<i>De minimis</i> limit	Final Bound AMS	Actual Support Provided				
				Current AMS	Amber Box [^]	Total Domestic Support*	Amber box provided as a % of VoP	Total support as a % of VoP
	Year	%	Million \$			%		
Developed members								
Australia	2018	5	362	0	71	1704	0.15	3.68
Canada	2016	5	3245	467	2182	3828	4.69	8.22
EU	2016	5	80064	7682	10417	83799	2.57	20.67
Japan	2016	5	36518	5842	7946	26103	9.17	30.13
Norway	2018	5	1408	1243	1282	3173	31.29	77.42
Russia	2017	5	5400	55	3576	5760	4.08	6.58
Switzerland	2018	5	4353	1385	1392	4141	12.85	38.25
United States	2016	5	19103	3830	16039	135531	4.51	38.12
Developing members								
Bangladesh	2006	10	0	0	191	269	2.28	3.21
Brazil	2018	10	912	0	1147	2846	0.78	1.93
China**	2016	8.5	0	12244	23292	226797	1.54	15.00
Egypt	2016	10	0	0	0	35	0.00	0.12
India	2018	10	0	5005	9761	56427	2.17	12.52
Indonesia	2018	10	0	0	265	5230	0.20	4.02
Kenya	1996	10	0	0	0	66	0.00	1.88
Pakistan	2011	10	0	0	1218	1483	2.68	3.26
Philippines	2018	10	0	0	0	1305	0.00	4.22
South Korea	2015	10	1317	42	739	7251	1.64	16.13
Thailand	2016	10	539	130	130	4389	0.35	11.83
Turkey	2013	10	0	401	2921	5257	2.91	5.24

Note: [^] Amber box includes product and non-product specific support inclusive of actual *de minimis* support

*Total Domestic support includes Amber box, Blue box, Article 6.2 and Green Box

** VoP data based on domestic support notification

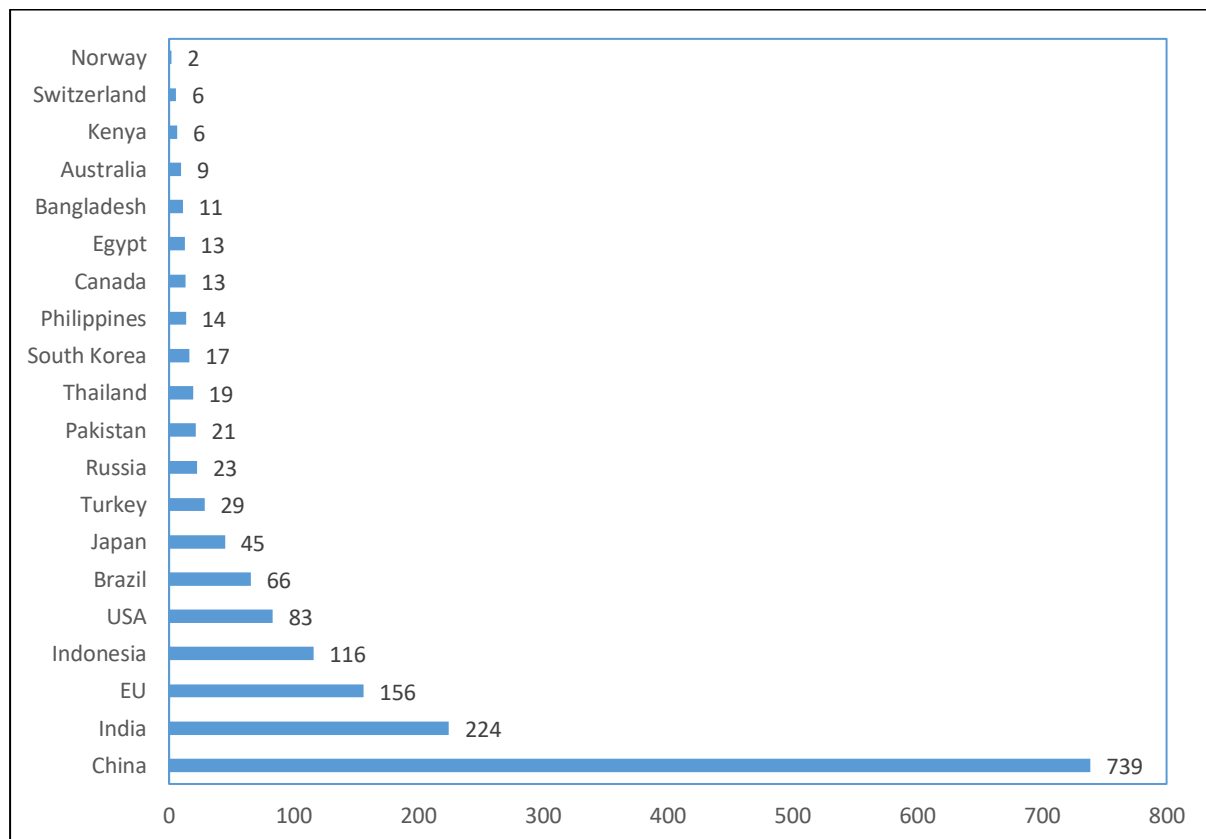
Source: Domestic support notifications of WTO members.

Exchange rate extracted from IMF database

VoP data is either from domestic support notifications or FAOSTAT

The past and prevailing support measures have a significant bearing on members' position in disciplining the trade-distorting support. There is a need to emphasize that members are negotiating applicable future entitlements rather than the actual level of support under the different components of Article 6. Higher the available policy space, greater is the flexibility for a member to increase the actual support. In this context, some members like Australia, New Zealand, Canada and EU etc. raise the concern about the increasing policy space in monetary terms under the *de minimis* limit (WTO, 2017b; WTO, 2018b). Their concerns are based on the fact that as the VoP of total agriculture of a member goes up, the member's entitlement in terms of monetary value would also move upwards because the *de minimis* is defined as a percentage of the VoP. The applicable policy space under the *de minimis* is 20 and 10 per cent for the developing and developed members respectively. As discussed in the methodology, this percentage comprises product-specific support for all the products and non-product specific support for total agriculture. This study projects that India and China would enjoy the highest *de minimis* entitlement in monetary terms by 2030. Nevertheless, their entitlement expressed as a percentage of VoP would remain as fixed under the AoA.

Figure 1: Projected Amber box entitlement for members in 2030 (Billion US\$)

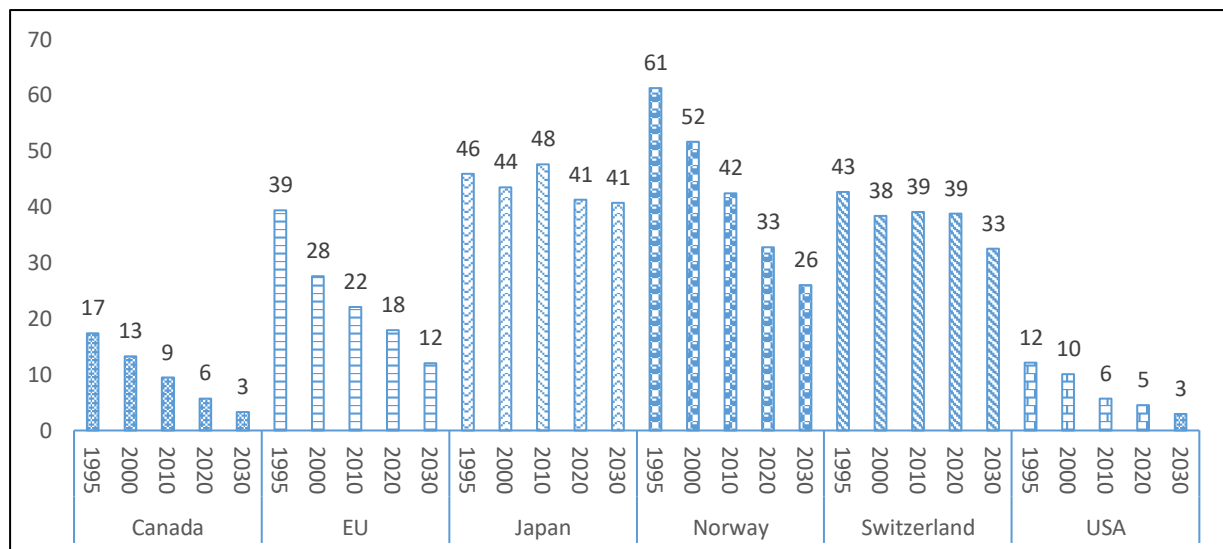


Source: Authors' projections based on value of production data from:

1. Domestic support notifications for Australia, Brazil, Canada, EU, Norway, South Korea, Japan, US
2. National Account Statistic for India
3. For other members, FAOSTAT database

Adding to the same argument, some members argue that the role of Final Bound AMS entitlement as a percentage of the VoP of total agriculture has significantly diminished (WTO, 2018b). As the AMS entitlement is fixed in monetary value under the AoA, its value in percentage terms goes down with increase in member's VoP over the years. For instance, this percentage has steeply declined for Canada, EU, Norway and the USA as shown in figure 2.

Figure 2: Declining trend in bound AMS as a percentage of value of production (%)



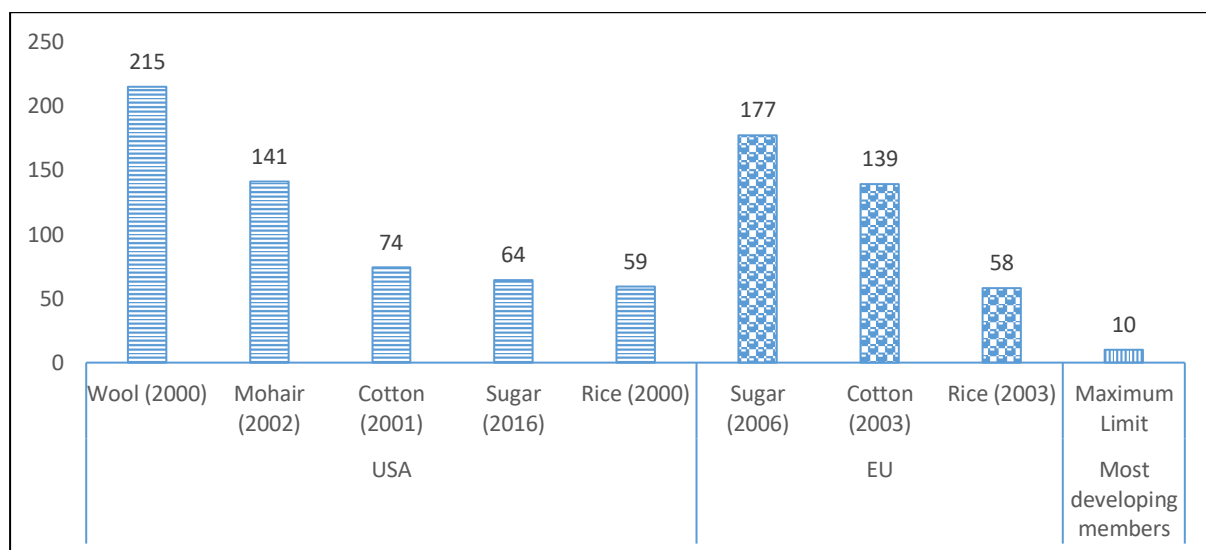
Source: Domestic support notifications of WTO members.
Exchange rate extracted from IMF data base
VoP data is either from domestic support notifications or FAOSTAT

However, this narrative has ignored the prevailing ground realities in the members on two grounds: i) additional flexibility for developed members on account of AMS entitlement, and ii) the shrinking policy space faced by developing members. First, the logic of diminished role of AMS entitlement fails to explain how developed members are still able to provide high levels of product-specific support, whereas most developing members remain constrained by their 10 per cent limit as given in figure 3. In case developed members agree to the narrative that the role of AMS entitlement has declined with time, then they should have no objection to the China-India proposals which seek to eliminate the AMS entitlement (WTO, 2017b; WTO, 2018a). These proposals have highlighted that due to AMS entitlement, certain members such as Canada, EU and the USA have been able to provide a high level of actual product-specific support without breaching their respective commitments.

The significance of AMS entitlement lies in the fact that without this added privilege, many of the developed members would not have been able to provide support on many products beyond the applicable *de minimis* limit. This high level of Amber box support permissible primarily due to

AMS entitlement has had devastating effects for the farm income, livelihood and food security of farmers in developing members (Jales, 2007; Konandreas and Mermigkas, 2014). Due to these paramount concerns, several developing members have been demanding the elimination or reduction of AMS entitlement along with capping of product-specific support for a long time. The proposals by China-India reflect this point of view. Based on these ground realities, China and India demanded the elimination of AMS entitlement for developed members as a pre-condition before consideration of other reforms in agriculture negotiations. Similarly, the ACP and African group have also asked for elimination or curtailing the AMS entitlement for all the members (ACP, 2017; WTO, 2019c). Similar to the flexibility available to most of the developing members under the Amber box, these proposals would result in capping product-specific support to the applicable *de minimis* limit. In simple words, the EU and US would no longer be able to provide product-specific support beyond 5 percent of VoP. Thus, even though AMS entitlements have declined over time, members remain disinclined to agree to its elimination because it still serves as a viable policy buffer, one that enables exceeding product-specific *de minimis* limits and concentrating product-specific support in a handful of products.

Figure 3: Favourable Impact of AMS entitlement on policy space for USA and EU



Source: Domestic support notifications of WTO members.

Second, despite the fact that policy space in monetary terms under *de minimis* has increased, many developing members face constraints in implementing their agricultural policies which are compatible with their socio-economic realities (Sharma, 2018). The need to invoke a peace clause for rice in India is a prime example of shrinking policy space for the developing members. Other members such as Turkey, Jordan and China have breached their applicable limits on account of

increased product-specific support. It is to be noted that many developing members support their farmers through price support under which government agencies procure agricultural products from the farmers at the administered price. The methodology of calculating market price support under the Amber box by comparing the administered price of an agricultural product with an external reference price, which is either export or import price during 1986-88 prices, is severely criticized by the developing members (Sharma, 2016b, Konandreas and Mermigkas, 2014, Thow et al, 2019). As a result of this methodology, the product-specific support computed is highly inflated, which is far from the realities of developing members. As a result of market price support methodology, many developing members are facing problems in procuring food grains at the administered price for food security purposes. This has been a crucial factor for demanding a permanent solution on the issue of public-stockholding for food security purposes. (WTO, 2020)

The discussion above explains the position of most of many developing and LDCs members, whereby they oppose any further curtailment in *de minimis* limit either by taking percentage reduction in *de minimis* limit as highlighted in the EU-Brazil proposal or by fixing the total spending under *de minimis* in monetary terms based on a reference period as suggested by Australia, New Zealand and Mexico, among others (WTO 2018b). For developing members, curtailing the flexibility under the Development box by bringing it under the OTDS limit is an absolute redline as it is perceived as a direct attack on the S&DT provisions available to them (WTO, 2017d). In the case of Blue box, mainly developed members such as the EU, Norway and Japan have provided support under it. In 2016, China became the first developing member to initiate Blue box programmes as a result of shrinking policy space under the Amber box. This has generated a renewed interest among members about this box. Though many members are demanding the capping of Blue box support under the OTDS limit, no consensus has emerged till now.

Presently, members are more interested in disciplining the Amber box component within Article 6, as is reflected in many of the proposals. Some members are seeking the elimination of the AMS entitlement for the developed members, whereas others are demanding cuts in policy space available under the *de minimis* level (WTO, 2017a; WTO 2019b). In support of the second stance, several members are also painting the picture that trade-distorting entitlement under the *de minimis* has increased significantly, and are seeking equal contribution from the developing members in terms of reducing the *de minimis* entitlements (WTO, 2020b). However, ground realities do not support the latter narrative as many developing members are facing lack of policy space even in supporting their farmers under the Amber Box. Further, this narrative ignores the socio-economic

situation prevailing in developing members and thus undermining the level playing field for the developing members.

Section 4: Ensuring a level playing field for All

There is an attempt to build a narrative that the developing members' ability to provide Amber box support has been increasing in monetary terms over the years. Based on this trend, some developing members are projected to have the largest trade-distorting support entitlement in monetary terms under the Amber Box. By forwarding this argument, developed members are seeking significant cuts in the *de minimis* entitlement of the developing members. Left unchallenged, this narrative presents a one-sided and unbalanced picture which jeopardises the interest of developing members.

Table 3: Socio-economic indicators in select WTO members

Member	Employment in Agriculture (2020) ^	Share of agriculture in total employment (2020)	Share of agriculture % of GDP (2018) *	Rural population % (2018)	Undernourished People (2016-2018)
	Million	%	%	%	Million
Developed member					
Australia	0.32	3	2.46	13.99	--
Canada	0.28	1	1.71	18.59	--
EU	8.88	4	1.51	24.33	--
Japan	2.24	3	1.19	8.38	--
Norway	0.06	2	1.88	17.75	--
Russia	3.92	6	3.15	25.57	--
Switzerland	0.14	3	0.65	26.20	--
United States	2.11	1	0.92	17.74	--
Developing member					
Bangladesh	25.75	38	13.07	63.37	24.2
Brazil	8.62	9	4.36	13.43	
China	188.96	25	7.19	40.85	122.4
Egypt	6.58	23	11.23	57.30	4.4
India	196.64	41	14.60	65.97	194.40
Indonesia	36.07	28	12.81	44.68	22
Kenya	12.96	54	34.19	72.97	14.6
Pakistan	26.02	36	22.85	63.33	40
Philippines	10.08	23	9.28	53.09	13.9
South Korea	1.28	5	1.98	18.54	0.8
Thailand	12.07	31	8.12	50.05	5.4
Turkey	5.31	18	5.82	24.86	--

Note: ^Data includes employment in agriculture, forestry and fisheries.

*Data - Canada for 2015, whereas year 2017 for Japan and USA.

-- data not available

Source: Employment data based on ILOSTAT

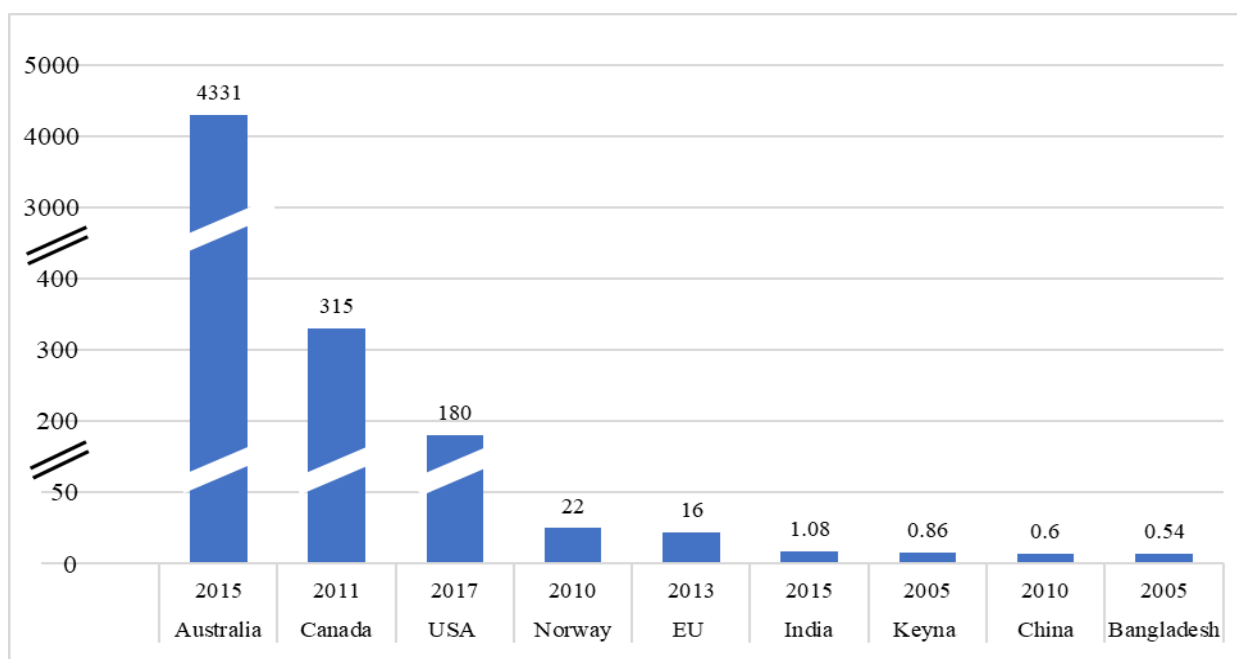
Undernourishment data is from FAOSTAT

For other variables, data is extracted from World Development Indicators, World Bank

In most developing nations, agriculture is the predominant occupation for a large part of the population, even though the sector's contribution to GDP is low. The agriculture sector in these members is subsistence-oriented, and plagued by high price volatility, climate risks, burdensome farm debts, and low income for farmers (Sharma 2016, Taylor, 2014; FAO 2018). Since most of

the farmers have small, fragmented landholdings, and a low capacity for income generation, they often face severe agrarian distress (Patnaik, 2003). Table 3 shows that the number of people engaged in agriculture both in absolute and percentage terms is significantly higher in most developing members than that of developed members. Except for Brazil and South Korea, the employment share of agriculture for developing members is more than 18 per cent. Similarly, the share of agriculture and the rural population in the GDP and total population is much higher in most of the developing members. Besides this, ensuring food security to millions of poor and vulnerable sections of the society is a daunting challenge before the developing members. More than 820 million people are undernourished in the world and the majority of it resides in developing members (FAO, 2019). To further accentuate this problem, the majority of farmers in developing members are low income or resource-poor. Farmers in these members face multiple challenges in terms of small landholding, poor irrigation, marketing problems, lack of institutional support and no robust safety nets. For instance, the average farm size in the majority of developing members is less than 2 hectares, with a stark difference in landholding between developed and developing members (Figure 4).

Figure 4: Average farm size in select members (Hectare)



Source:

1. Australia: Agriculture Census 2015-16
2. Canada: Statistics Canada, Census of Agriculture
3. USA: U.S. Department of Agriculture
4. EU: Eurostat
5. India: Agriculture Census 2015-16

Owing to multiple challenges, farm communities in many developing members are in severe distress, and in many instances result in farmers' suicide. Without a robust agriculture sector and farmer-centric agriculture policies, it is impossible to achieve the various Sustainable Development Goals (SDGs) in the majority of developing members by 2030. Therefore there is a need to invest in social protection of small and vulnerable farmers, to achieve poverty reduction, economic growth and building resilient livelihoods (FAO 2018). Even the champions of free trade namely US, EU and Japan do not leave their farmers at the mercy of market forces and provide support to their farmers through various trade-distorting measures (WTO, 2018a). It is therefore essential that agriculture negotiations should consider the socio-economic situations in the developing members and incorporate per farmer Amber box support as a criterion for agriculture negotiations.

Table 4: Per farmer support based on Amber box and total domestic support in agriculture

Region	Latest Notification Year	Employment for Latest Notification Year Million	Per farmer support based on	
			Notified Amber Box	Notified total Domestic Support *
			US\$	US\$
Developed members				
Australia	2017-18	0.3	222	5357
Canada	2016	0.3	7414	13010
EU	2016	9.8	1068	8588
Japan	2016	2.3	3482	11437
Norway	2018	0.1	22509	55697
Russia	2017	4.2	855	1378
Switzerland	2018	.1	9716	57820
USA	2016	2.2	7253	61286
Developing members				
Bangladesh	2006	24.8	8	11
Brazil	2018	8.6	134	332
China	2016	212.9	109	1065
Egypt	2016	6.7	0	5
India	2018-19	200.0	49	282
Indonesia	2018	37.6	7	139
Kenya	1996	5.1	0	13
Pakistan	2011	25.6	48	58
Philippines	2018	10.4	0	125
South Korea	2015	1.4	547	5369
Thailand	2016	12.0	11	367
Turkey	2013	5.8	501	903

Note: * Total Domestic Support under Amber, Blue, Green and Development boxes.

Source: Domestic support notifications of WTO members.

Employment data based on ILOSTAT

As per the latest notifications of the select members, there is a massive difference between the actual per farmer Amber box and total domestic support between developed and developing members (Table 4). For instance, per farmer amber box support was higher than US\$ 7000 in

Canada, Norway, Switzerland and the USA, whereas for most developing members it was less US\$ 150. Inequality between developed and developing members gets further accentuated in case per farmer total domestic support is taken into account. This high level of domestic support acts as a safety net for the farmers of the developed members, making them risk-averse by increasing their wealth. This phenomenon of the wealth effect creates tendencies to overproduce, which further aggravates the volatility of world agriculture, the burden of which is borne by the developing nations (Gorter, 2007; Banga, 2014). However, as mentioned earlier, members are not negotiating actual trade-distorting support, but the entitlement that would be available to them in the future. It is most probable that a member is not fully utilising its applicable entitlement due to various factors such as prevailing marketing situation or financial constraints.

Table 5: Projected per person Amber box support entitlement who engage in agriculture

Year	Employment (2020)	Employment (2030)	Amber box (2020)	Amber Box (2030)
	Million		US\$	
Developed members				
Australia	0.32	0.28	18073	33385
Canada	0.28	0.25	32905	54279
European Union (28)	8.88	6.66	14968	23375
Japan	2.24	1.85	19984	24222
Norway	0.06	0.04	33169	45478
Russian Federation	3.92	2.72	3697	8309
Switzerland	0.14	0.12	40000	46815
USA	2.11	2.03	29053	40907
Developing members				
Bangladesh	25.75	24.87	225	446
Brazil	8.62	7.19	4012	9119
China	188.96	134.35	1587	5498
Egypt	6.58	7.04	1080	1794
India	196.64	180.25	534	1245
Indonesia	36.07	32.95	1149	3511
Kenya	12.96	18.21	251	356
Pakistan	26.02	30.13	477	712
Philippines	10.08	9.52	768	1420
South Korea	1.28	0.98	10056	16877
Thailand	12.07	10.48	849	1840
Turkey	5.31	4.86	3126	5874

Source: Domestic support notifications of WTO members.

For 2020, Employment data based on ILOSTAT. Projected employment figure for 2030

Before committing to any discipline on trade-distorting support, members need to look into the per farmer Amber Box entitlement available to them. This study also projects the per farmer Amber box entitlement for all the select members for the years 2020 and 2030 (Table 5). The increase in the entitlement is mainly on account of increase in the projected VoP of total agriculture along with a declining trend in employment in agriculture. Similar to the actual per farmer Amber box, entitlement is much higher for many developed members. For instance, per farmer, Amber box

entitlement in Switzerland is 46 times than that of India in 2030. It clearly shows that existing provisions of the AoA are biased towards developed members which allow them substantially higher entitlement than the most of developing members. The analysis also points out that for most of the farmers in the developing members the rules of the game are not fair. The provisions of the AoA impose a lower limit for per farmer Amber box entitlement for the developing members in comparison to developed members. In other words, developed members have been enjoying the implicit S&DT in the form high per farmer entitlement based on Uruguay round of agriculture negotiations. By utilising this added privilege under the AoA, developed members are enjoying artificial comparative advantages in agricultural trade and adversely affecting the welfare of farmers in developing members.

Therefore, any reforms in domestic support should ensure a level playing field for all the members by considering per farmer Amber box entitlement as an important criterion. It will be a right step toward fair and inclusive trade rules. In this context, it is important to examine the implications under a scenario where all members have the same per farmer entitlement. Let us assume the applicable per farmer entitlement for all the members is equal to that of Canada. Under this scenario, as a percentage of the VoP, developing members would have much higher entitlement than the nearly 20 percent under the AoA. For instance, Bangladesh would be entitled to 2901 and 2418 percent of its VoP of total agriculture in 2020 and 2030 respectively. Similarly, for other developing members, the entitlement in percentage terms would be higher than the existing entitlement. (Table 6)

In case, per farmer entitlement for India is applied for all the members, then policy space available for the majority of developed members would get reduced to less than 2 percent. Even in case of enforcing China's entitlement for all members, it would significantly reduce the policy space for most of the developed members. Once all the members have an equal level playing field in terms of per farmer support, further reduction modalities for Amber box need to be negotiated. This analysis has clearly pointed out the fallacy of the narrative of some members that developing members will have large trade-distorting support entitlement by 2030. In contrast, developed members will have much higher entitlement to support its farmers under the AoA. By ignoring the socio-economic differences among the members, agricultural negotiations would only strengthen the existing asymmetries in the AoA and thus, undermine the spirit of the Doha declaration which emphasizes the S&D as an integral component of negotiations.

Table 6: Projected Amber box support as a percentage of value of production under different scenarios

Year	Entitlement under AoA (2020)	(2020) Per farmer entitlement same as of						(2030) Per farmer entitlement same as of					
		Canada	USA	Australia	EU	India	China	Canada	USA	Australia	EU	India	China
Developed member													
Australia	10.7	19.4	17.1	10.7	8.8	0.3	0.9	16.9	12.7	10.4	7.3	0.4	1.7
Canada	15.6	15.7	13.9	8.6	7.2	0.3	0.8	13.3	10.0	8.2	5.7	0.3	1.3
EU	26.8	61.6	54.4	33.8	28.0	1.0	3.0	51.4	38.8	31.6	22.1	1.2	5.2
Japan	51.9	84.5	74.6	46.4	38.4	1.4	4.1	113.7	85.7	69.9	49.0	2.6	11.5
Norway	42.8	42.5	37.5	23.3	19.3	0.7	2.1	43.0	32.4	26.4	18.5	1.0	4.4
Russia	15.9	141.8	125.2	77.9	64.5	2.3	6.9	85.8	64.7	52.8	37.0	2.0	8.7
Switzerland	58.8	40.2	35.5	22.1	18.3	0.7	2.0	49.3	37.2	30.3	21.2	1.1	5.0
USA	14.5	16.5	14.5	9.0	7.5	0.3	0.8	17.2	13.0	10.6	7.4	0.4	1.7
Developing member													
Bangladesh	20.0	2924.6	2582.2	1606.3	1330.4	47.4	141.1	2431.4	1832.4	1495.5	1047.1	55.8	246.2
Brazil	20.5	168.5	148.7	92.5	76.6	2.7	8.1	120.7	91.0	74.3	52.0	2.8	12.2
China	17.0	352.5	311.2	193.6	160.3	5.7	17.1	167.9	126.5	103.2	72.3	3.9	17.0
Egypt	20.0	609.6	538.2	334.8	277.3	9.9	29.5	605.0	456.0	372.1	260.5	13.9	61.3
India	20.0	1233.0	1088.7	677.2	560.9	20.0	59.8	872.0	657.2	536.4	375.5	20.0	88.3
Indonesia	20.0	572.6	505.6	314.5	260.5	9.3	27.8	309.2	233.1	190.2	133.2	7.1	31.3
Kenya	20.0	2622.9	2315.8	1440.6	1193.1	42.5	127.4	3047.7	2296.9	1874.6	1312.5	69.9	308.7
Pakistan	20.0	1378.6	1217.2	757.2	627.1	22.4	67.2	1524.9	1149.2	937.9	656.7	35.0	154.4
Philippines	20.0	856.5	756.2	470.4	389.6	13.9	41.8	764.3	576.0	470.1	329.1	17.5	77.4
South Korea	22.6	73.1	64.6	40.2	33.3	1.2	3.6	70.1	52.8	43.1	30.2	1.6	7.1
Thailand	21.1	822.0	725.7	451.5	373.9	13.3	40.2	608.7	458.7	374.4	262.1	14.0	61.6
Turkey	20.0	210.6	185.9	115.6	95.8	3.4	10.3	184.8	139.3	113.7	79.6	4.2	18.7

Source:

- Projected value of production data is either based on domestic support notifications or FAOSTAT For 2020, Employment data based on ILOSTAT. Projected employment figure for 2030

Section 5: Conclusion

It has been almost two decades since the Doha Declaration which mandated substantial reduction in trade-distorting support and endorsed S&DT for developing members as an integral part of agriculture negotiations. On domestic support, developing members are concerned about the immense policy space available to developed members as a result of their AMS entitlement. Consequently, developed members are able to provide high levels of product-specific support to their farmers without breaching commitments under the AoA. It has a disastrous impact on the income, livelihood and food security of millions of farmers in developing members. On the other hand, agriculture domestic support measures of developing members are frequently challenged and scrutinised in various meetings of the Committee on Agriculture (CoA) as well as through dispute settlement mechanisms. Constraining provisions for developing members are more visible in recent past as many developing members are facing lack of policy space to implement various agricultural measures with breaching their applicable commitments under the AoA. Therefore, most developing members are demanding the elimination of AMS entitlement of developed members as well as S&DT for themselves in the agriculture negotiations.

However, some members have built a narrative that entitlement under the Amber box has increased significantly over the years for the developing members due to the increasing *de minimis*. It is also claimed that the role of AMS entitlement as a percentage of VoP of total agriculture has diminished over the years. In simple words, an attempt has been frequently made by some members to depict developing members as torchbearers of trade-distorting support entitlement. By doing so, these members seek to dilute the S&DT provisions available to developing members in the AoA. In case this narrative is unchallenged, it will sway the agriculture negotiations in favor of developed members.

This rationale is assessed in this study by examining the policy space available to eight developed and twelve developing members under the Amber box in 2020 and 2030. The study exposes that the developed members in their portrayal fail to account for the high level of product-specific support provided to their farmers without breaching their AoA commitments. Frequent challenges to and disputes regarding the agriculture measures in the developing members proves the fallacy of the narrative that policy space under Amber box has increased for them. Additionally, non-consideration of prevailing socio-economic conditions in developing members is a fundamental flaw of this narrative.

The result of this study highlights the asymmetries in the AoA which allow a very high level of per farmer Amber box entitlement to developed members in comparison to the developing members. The entitlement of many developing members is just a fraction of what most developed members enjoy. For instance, per farmer Amber box entitlement for Kenya would be US\$356 per annum compared to US\$ 53978 and US\$ 40907 in Canada and USA respectively in 2030. In case all members have the same per farmer entitlement of a developed member, it would significantly increase the policy space for the developing members. On the other hand, under a scenario where all members have the same per farmer entitlement of a developing member, it will cut the policy space for the developed members.

The analysis in this paper provides a different dimension to the on-going agriculture negotiations and emphasizes that ignoring prevailing conditions in the developing members would result in dilution of S&DT as well as make trade rules in favor of already privileged developed members. Developing members need to be cautious in the on-going agriculture negotiations so that the future trade rules are unbiased, fair and more inclusive for all.

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