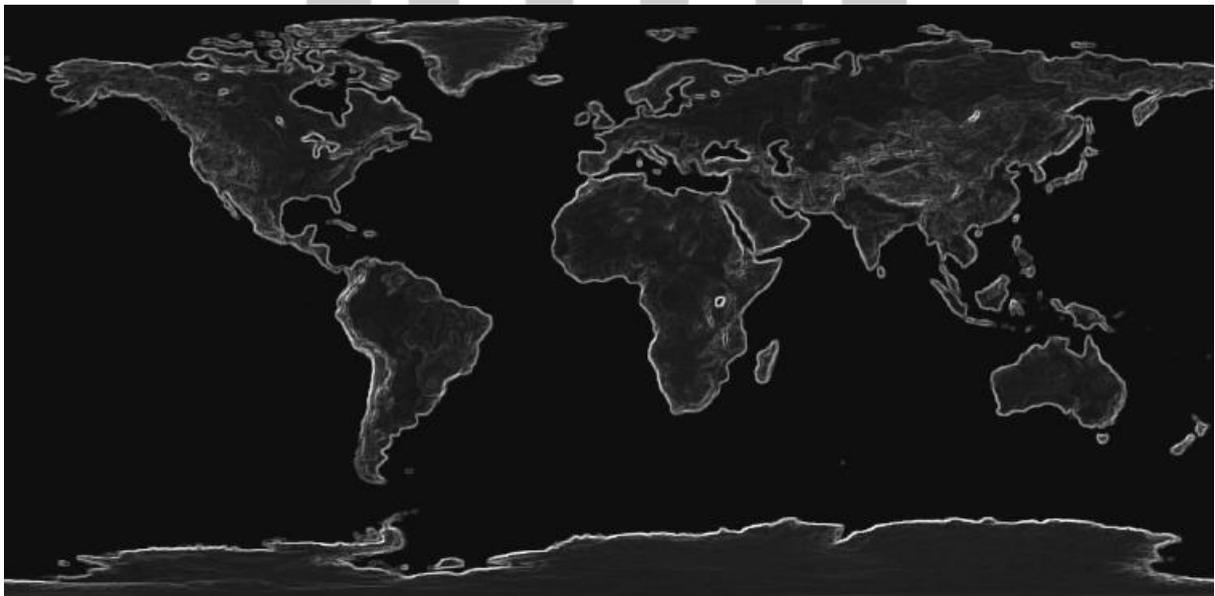




THE WTO AND AGRICULTURE— A SPACE FOR INDO-CHINA COOPERATION IN GLOBAL

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***Executive Summary** - The WTO (World Trade Organization) has predominantly represented the interests of the developed world and its predecessor GATT (General Agreement on Trade and Tariffs), established in 1948, conducted negotiations that were remarkable for their protracted timelines such as the Uruguay Round (1986–94) for tariff reduction and the opening up of world trade, aimed especially at prying open developing countries' markets. India and China, the two Asian Giants joined WTO, especially as they were incentivized by easier access to the markets of the developed world, in return for tariff reduction and reduction of trade barriers like the quantitative restrictions through quotas. But the West's non-tariff barriers remained to serve as a bulwark against India's and China's agricultural exports to the developed countries in the form of sanitary measures that insist on abiding by certain "quality standards."*

During the last decade, China and India along with other emerging market economies have repeatedly assumed identical postures in international negotiations on major economic issues like **agriculture and trade**. This article reviews the reasons behind such posturing. Arguing that similar domestic agricultural concerns have led to common negotiating agendas at the World Trade Organisation, the article interprets the Sino-Indian collaboration as an example of contemporary South-South cooperation between emerging market economies and both the countries being flexible in global negotiations.

China and India are at the forefront of producing a large number of agricultural commodities. The agricultural sector in both the countries is highly diversified in terms of agro-climatic conditions and crop varieties. About 60% of each country's population is in the rural areas. The two countries have accumulated a veritable experience in agriculture and are engaged in increasing agricultural productivity, in addition to tackling the critical issues of rural poverty and providing food security. India and China, most often seen as rivals, have a unique opportunity of finding common ground in strengthening exchanges and cooperation between the two in the sphere of agriculture and food security at the WTO.

1.1 Understanding Trade Negotiations

A short time ago, the WTO panel on February 21, 2019 agreed with USA's claim of China aggrandizing its support towards farmers and that it was not letting U.S farmers export their products extensively. With the lack of support from experts, the argument did not fall in favour of China. However, China seems to continue and burgeon its support towards development of its agriculture sector keeping in consideration the WTO Regulations and in order to maintain its status within the multilateral trade system. Tracing the narrative of this issue, in September 2016, the U.S. trade representative's office filed a complaint stating that China had paid its farmers nearly \$100 billion more than what was stipulated under the WTO rules hence providing an artificial incentive for farmers to produce more which has an implication of lowering prices worldwide. WTO membership agreement permits trade-distorting subsidies of up to 8.5 percent of the total value of production. Reminding the Americans of this provision, China argued that it was not breaching the prescribed limit because only the grains procured by the government could and should be counted as subsidized. USA has challenged the product-specific support to food grains in China through the Dispute Settlement Mechanism of the WTO and claimed that China has breached its commitments under the WTO by giving \$100 billion in product specific support to wheat, rice and corn. The main issue in this dispute is the price support backed procurement of food grains for food security purposes by China. India too implements a policy along similar lines, and hence this case will have important ramifications for its own agriculture and farmers too.



Source: <https://www.downtoearth.org.in/news/agriculture/wto-s-assault-on-india-67667>

1.2 India's Trade Negotiations with the WTO

When it comes to understanding India's agriculture and trade negotiations with the WTO, it comprehensively focuses on WTO trying to limit farm subsidies and agriculture input subsidies. This was supposed to be discussed in the forthcoming Ministerial Conference at Kazakhstan, in June 2020. India's representative clarified that it was not going to give up its flexibility of not capping its agriculture input subsidies. Article 6.2 of the Agriculture Agreement under the WTO gives permission to developing countries to have additional flexibilities in providing domestic support which includes agricultural input subsidies conveniently available to low income or resource poor producers. 'Price' and 'Income support' are included in the **Aggregate Measurement of Support (AMS)** category. AMS has limits which are called 'de minimis'. It is 5% for developed countries and 10% for developing countries. India and China, who amount to having the same issue, questioned WTO on accepting limits and reduction in Article 6.2 support. The support was effectively meant for low income and resource poor farmers in developing countries, which demographically India and China have in common. The differential treatment and flexibility to support rural development, food and livelihood security of marginal farmers shouldn't be distorted. This came into focus in the month of March, 2020 as India brought this issue to light under WTO's informal trade negotiations committee meeting. India stood against the advanced negotiations put forward by the WTO on capping and reducing all forms of trade and production which becomes unfavourable for developing countries like India and China and also distorts domestic support. The current COVID situation has put further discussions and meetings on hold. At the same time, it becomes important to look at the strategic negotiations presented by the WTO and how it burgeons global cooperation between India and China.



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1.3 Establishing Indo-China Cooperation

Further, the article dives deep to understand how India and China, with their cooperation, stand against the agricultural and trade negotiations presented by the WTO (a Global Governing entity). A joint report was submitted by India and China, highlighting how rich nations, including the US, the EU and Canada, have been consistently giving trade-distorting subsidies to their farmers at levels much higher than the ceiling applied on developing countries. Together, the developed world has cornered 90 percent of total entitlements, amounting to a whopping \$160 billion annually. With millions of people in India and China living in hunger and reeling from malnourishment, the problem of ensuring food security remains a vital issue for both countries. In this context, to verify the American claim about domestic support in China as well to examine the policy space available for India and China, product specific support to food grains is calculated for these two Asian countries. China implements the Minimum Procurement Price policy to maintain stability of grain market prices, protect farmers and control food supply. In the case of India, the Food Corporation of India (FCI) undertakes the procurement of food grains at Minimum Support Price (MSP) and provides it to the weaker sections of the society at subsidized prices through the public distribution system (PDS).

Both the Asian Giants are at odds with the developed West over the subsidiary programmes initiated by WTO. The West's chagrin (especially the USA) is even more pronounced against China because of the latter's towering position when it comes to trade deficit (the US has a \$375 billion trade deficit with China). Recently India and China have opposed the huge subsidies that the US and EU facilitate to farmers, at the WTO, which will lead to increased production and hence export from the West and artificially low prices which in turn can have dire consequences for the competing developing countries in the global markets. India and China have opposed the substantial agricultural subsidies that the Western states administer to their farmers. Most of the subsidies that India furnishes to its farmers under the Minimum Support Price comes under the 'Amber Box' and there is pressure to make them 'Green Box' compatible. India has two problems with WTO. First being the way the WTO calculates the MSP for Indian farmers and its food stockholding programme to maintain its food security and the second being the American stance which often hinders a permanent favourable solution to India.

In the US, subsidies under the WTO's Agreement on Agriculture (AOA), have provided billions of dollars to farmers as direct subsidy, enabling them to cut costs and produce more quantitatively and efficiently for the market. Direct subsidies have been regularly paid to farmers who produce a designated crop and the payments are 'decoupled' from production which implies that farmers can produce as much or as little as they want and still receive their subsidy.

In Asian countries like India and China where the number of farmers is considerably larger, the per capita subsidy works out to be much lower. According to a research paper by South Centre, Geneva ('The WTO's Agricultural Domestic Supports Negotiations', January, 2017), the EU spends \$12,384 a year per farmer whereas the US, where there are fewer farmers, spends \$68,910 per farmer a year (in 2013). In contrast, India spends \$306 per farmer and China \$348 per farmer (in 2010-11) a year. The statistics substantiate the agricultural plights both India and China face. Hence, their cooperation is vital in order to serve as a bulwark against the maneuverings of the West in the WTO.



1.4 Conclusion

India and China together have demanded at WTO that developed nations should lower their farm subsidies to their farmers under the agreed multilateral trade between WTO members. Their proposal incorporated that the US, the EU and Canada can and should do away with \$160 billion of trade-distorting farm subsidies that they give to agricultural products including cotton, wool and tobacco. Therefore, both the states have recommended that half the difference between the actual support and 10% Aggregate Measurement of Support (AMS) be reduced in 2019 with equal steps. The two have also argued that most developing members cannot provide product-specific Amber Box support exceeding the limit set, but developed countries are not constrained by this norm which gives them “significant flexibilities” to provide support to their agriculture. Hence, India and China have jointly proposed to the WTO a formula for a gradual reduction and an eventual elimination of these incentives and subsidies by developed countries.

With the ongoing trade conflicts and tensions between the West, especially the US, and India and China at the other end, China has come to be seen as a possible partner for mutual agricultural interests, which would in turn help in addressing India’s concerns and interests. Starting this year, China has also taken the initiative to cut tariffs on thousands of products from India and other countries. India and China are currently working on expanding their bilateral trade, specifically in the crucial sphere of Agriculture. Such bilateral trade and cooperation will provide much fillip to India-China Cooperation within WTO which is imperative in constructing a more equitable trade structure between the developed and developing countries.

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