India-Thailand Spat at WTO

Why in news?

In the recent WTO MC13 Thailand claimed that India's public stockholding program is distorting the global market and violating the World Trade Organisation rules.

World Trade Organization
• WTO is the _only international organization_ that deals with the rules of trade between countries.   • **Establishment**- It was created in 1995 superseding the 1947 General Agreement on Tariffs and Trade (GATT).   • **Marrakesh Agreement**- WTO officially commenced under the Marrakesh Agreement, replacing the General Agreement on Tariffs and Trade (GATT).   • **Creation-** It was created by Uruguay round of negotiations and established in 1995.   • **Members-** The WTO is run by its 164 members representing 98% of world trade.

WTO	
Founded in	1995
Headquarters	Geneva, Switzerland
India's membership	India is a member

• **Ministerial Conference**- It is the _topmost decision-making body_ of WTO which usually meets _every two years_.
• **General Council** - It is the WTO's _highest-level decision-making body_ that has representatives from all member governments and meets regularly to carry out the functions of the WTO.

What is the issue?

- Thailand Ambassador at WTO criticized India's rice procurement program, alleging that it was aimed at capturing the export market rather than benefiting the public.
- Thailand is a part of Cairns group which argues that India's program is highly subsidized distorts global food prices, and harms the food security of other nations.
- The grouping is trying to get India to dismantle or reduce the scope of the Minimum Support Price (MSP) scheme.
- **Trade distortion**- It is a situation where prices and production are higher or lower than levels that would usually exist in a competitive market
- **Breached de minimis limit**-As per WTO, nearly all domestic support measures are considered to distort such trade, but they are permitted to a certain limit called the 'de minimis' limit.

The de minimis limit under WTO's Agreement on Agriculture is 10% for developing countries, but India exceeded this limit with subsidies worth 13.7%

- Thailand replaced its Ambassador to the WTO after India protested against her comments on India's public stockholding program.

What is India's stand?

- **Public stockholding program**- It is a policy tool under which the government procures crop like rice and wheat from farmers at a [Minimum Support Price (MSP)](#) and stores and distributes food grains to the poor.
- **Support farmers**- India need to support its small farmers through subsidies there is already ongoing issue of [farmer protest 2.0](#) where they demands legal guarantee of MSP, debt waiver etc.,
- **Outdated subsidy calculations**-India challenges the way subsidies are calculated at the WTO, arguing that the calculations are based on a fixed and outdated 1986-88 price, it seeks changes in the subsidy calculations during WTO negotiations on agriculture.

WTO's Agreement on Agriculture	
Types of subsidies	**About**
Green box	Domestic support for agriculture that is allowed without limits because it does not distort trade, or at most causes minimal distortion.
Blue box	It permits support linked to production, but subject to production limits, and therefore minimally trade-distorting.
Amber box	Domestic support for agriculture that is considered to distort trade and therefore subject to reduction commitments. • Developed countries- It provide subsidy up to 10% of their agriculture's value of production. • Developing countries- The cap is 5% but rich countries have found ways to go much higher than their cap.
Development box	It allows developing countries additional flexibilities in providing domestic support to provide input subsidies to low income or resource poor farmers and investment susbsidies

- **Less subsidy than developed countries**- India asserts that its agricultural subsidies (300 dollars per farmer) are comparatively modest when compared to the substantial subsidies provided by developed nations like the US (40,000 dollars per farmer) and the European Union.

- **Temporary protection under peace clause**- The clause provides temporary protection in developing countries but comes with conditions like extensive notification requirement which makes its implementation challenging.

Peace clause is provided under the Bali Agreement in 2013 which protects developing countries from being challenged for breach of subsidy levels.

- **Permanent solution**- India emphasizes the need for a permanent solution regarding its public stockholding program for food grains to ensure food security for large and vulnerable population.

What lies ahead?

- The 13th Ministerial Conference of the WTO held in Abu Dhabi concluded without reaching a decision on permanent solution for public stockholding of food.
- India cannot leave WTO agreements as it could pose challenge for India and other developing nations in disciplining subsidies provided by developed countries.
- The way ahead is to reach a permanent solution on food subsidy as quoted by India in its MC13 WTO agenda.

Quick facts

Cairns group

• **About-** It is a coalition of 20 agricultural fair-trading countries which together account for *almost 30% of the world's agricultural exports*.
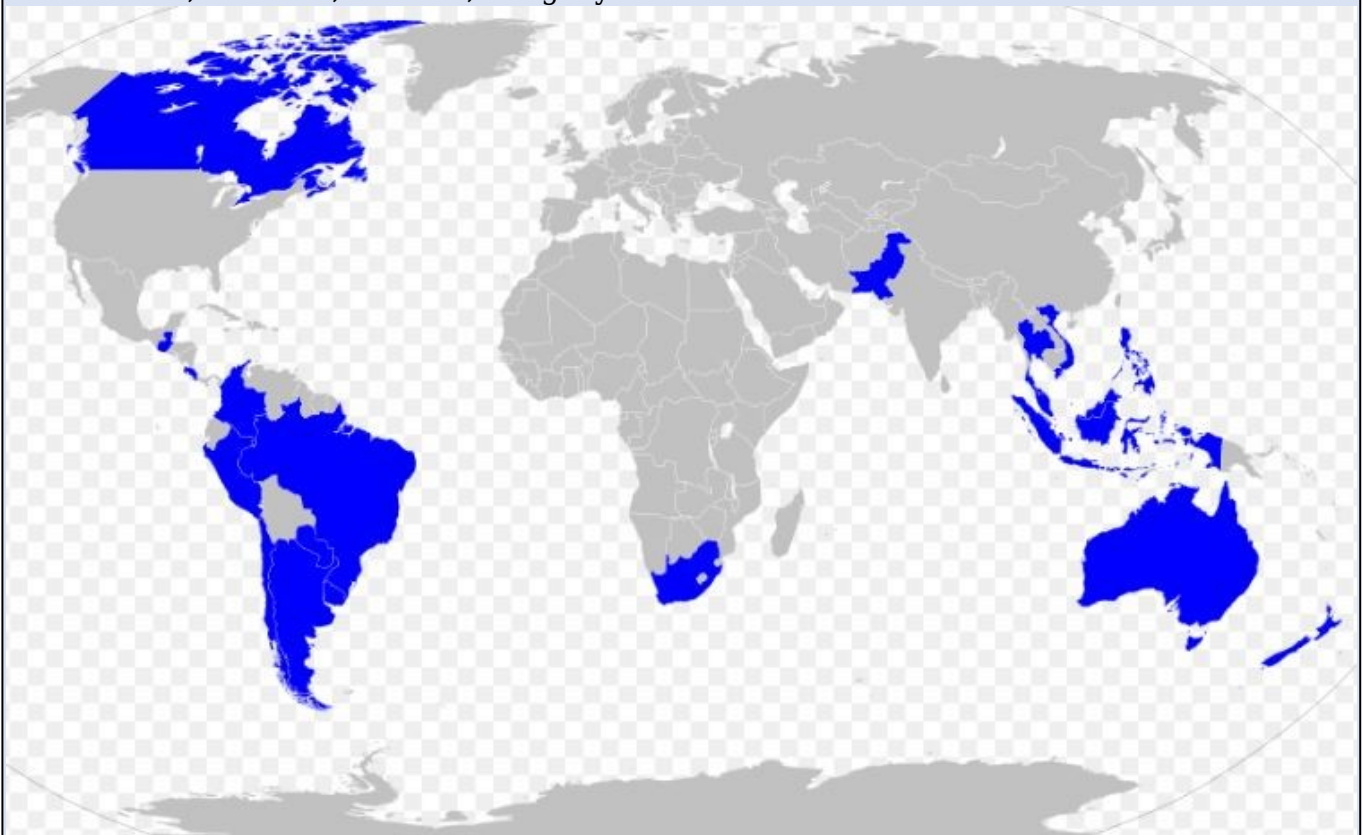• **Launch year**- 1986 in *Cairns, Australia* just before the beginning of the Uruguay Round.
• **Vision-**
  - Deep cuts to all tariffs including tariff peaks and removal of tariff escalation
  - Elimination of all trade-distorting domestic subsidies
  - Elimination of export subsidies and clear rules to prevent circumvention of export subsidy commitments.
• **Member countries**- Argentina, Australia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, Ukraine, Uruguay and Vietnam.

References

1. Indian Express- Thailand questions India's food subsidy
2. Times of India- What is behind Thailand-India spat at WTO
3. Cairns group- About the group