PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Mint, Delhi
Friday, 1st February 2019; Page: 20
Width: 49.78 cms; Height: 49.45 cms; a3r; ID: 6.2019-02-01.82

Income support for farmers can put India in sync with WTO rules

Rules cap govt procurement for subsidized food schemes at 10% of the total value of farm production

Asit Ranjan Mishra
asit.m@livemint.com
NEW DELHI

Increasing focus on income support schemes for farmers and the poor ahead of the general elections may help the next government reform India's subsidy regime to make it compatible with World Trade Organization (WTO) norms. India's farm subsidy and export subsidy are increasingly being challenged at the WTO for violating multilateral trading rules.

Earlier this month, Union minister Arun Jaitley had hinted that the government is preparing a direct income support scheme for farmers to be announced in the interim budget scheduled for Friday. The centre's move could be seen in view of large scale protests by farmers and the electoral losses in the recent assembly elections.

Congress president Rahul Gandhi upped the ante on Monday and promised to implement a quasi universal basic income scheme for the poor through which a certain amount will be directly transferred to beneficiary bank accounts every month to ensure a minimum standard of living.

"The promises of direct income transfers taken to its logical conclusion will include farm subsidies, thus doing away with the requirement for large domestic procurements, which are not fully compatible with WTO rules. As direct income support is considered part of the Green Box at WTO, we will be out of the mess. We are constantly worried that we will cross the 10% limit on farm subsidies. Our current farm subsidy regime is actually breeding inefficiencies," a senior government official said, requesting anonymity.

While India insists that its public procurement of rice, which increased from $2 billion in 2015-16 to $2.5 billion in 2016-17, was in line with its WTO commitments, the US, among others, claims that India may have breached its permissible limit of food subsidies.

India announces minimum support prices (MSP) for 23 crops, but the subsidy is largely restricted to paddy and wheat, where the amount of government procurement is huge.

WTO rules cap government procurement for subsidised food programmes by developing countries at 10% of the total value of agricultural production based on 1986-89 prices. These figures are always reported in dollar terms.

In a 12-page counter notification on 9 May, the US alleged India's MSP programmes for wheat and rice breached New Delhi's permissible levels of trade-distorting domestic support at the WTO. It claimed India's market price support for wheat is over 60% of the value of production in each of the four years (between 2010 and 2013) for which India has notified data. "India's apparent MPS for rice appears to have been over 70% of the value of production in each of the past four years," the US said. However, India rejected the claims.

The proposed income transfer scheme will open the option of reforming India's export subsidies, the official said. "MEIS (Merchandise Exports from India Scheme) should be recast in a different way. If we can do it for agriculture on such a large scale, why should 50% of MEIS go to multinational companies? We can rather provide production subsidies to the MSMEs, which will make us WTO compatible and nobody can question us," the official said.

In March 2018, the US had challenged India's export subsidy programmes, including support to special economic zones, at the WTO. Under the special and differential provisions of WTO's agreement on subsidies and countervailing measures, the so-called least-developed countries and developing countries, whose per capita gross national income (GNI) is below $1,000 a year, at the 1990 exchange rate, are allowed to provide export incentives to any sector that has a share below 3.25% in global exports. However, they need to stop all export incentives if per capita GNI crosses $1,000 for three straight years. According to a notification by the Committee on Subsidies and Countervailing Measures in 2017, India's per capita GNI crossed $1,000 for three consecutive years in 2015.

Promises of direct income transfers may ultimately do away with the requirement for large domestic procurements

PRADEEP GAUR/ MINT

The contention at WTO

US has alleged India's MSP programmes for wheat and rice breached New Delhi's permissible levels

The US challenged India's export subsidy programmes, including support to SEZs at the WTO

Arun Jaitley had hinted that the government is preparing a direct income support scheme for farmers

Rahul Gandhi has also promised to implement a quasi UBI scheme for the poor