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Agriculture negotiations at the WTO and key outcomes of the 12th Ministerial Conference

An information note for farmers' groups and civil society organizations in India

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The 12th Ministerial Conference (MC12) of the World Trade Organization (WTO), which took place in Geneva on 12-17 June 2022, failed to deliver anything concrete to developing countries, including India, in terms of providing concrete policy tools to support their agriculture sector, which has been suffering the impacts of a massive global food crisis as a fallout of the war between Russia and Ukraine. Coming on the heels of the COVID-19 pandemic, the food crisis, with massive increases in food, fertilizer and fuel prices, should have been a key moment to have meaningful decisions to support agricultural production and livelihoods of farmers.

Twenty-seven years of the WTO has seen developing countries and least developed countries (LDCs) facing increasing food insecurity and acute vulnerability to recurring crises. The unfair and inequitable rules of the WTO Agreement on Agriculture (AoA) have clearly aggravated these trends by:

- Allowing additional trade-distorting subsidies (Aggregate Measurement of Support or AMS entitlements) for developed countries, who have also used the so-called non-trade-distorting Green Box subsidies (which are allowed without limits) to ensure significant control over global agricultural markets; and
- Limiting subsidies of developing countries, including India, to support their farmers and agricultural production, and therefore limiting their policy options to address domestic agricultural priorities and concerns.

But MC12 did not reach any agreements in key areas such as a permanent solution on public stockholding (PSH), a Special Safeguard Mechanism (SSM), or a reduction in the huge domestic subsidies given by Western countries such as the United States and the European Union on agricultural products, including on cotton (see further details below). It instead allowed issues against the interests of developing countries to make further advances.

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A. Key issues of interest to India and other developing countries

1. A permanent solution on public stockholding: A permanent solution on PSH has long been mandated at the WTO but remains outstanding. It would address the limit imposed by the AoA that restricts developing countries to giving subsidies only up to 10% of value of production (VOP). Subsidies under market price support, such as through the Minimum Support Price (MSP) used in India to maintain farmers' incomes and cover their cost of production, come under this limit. This is in spite of the fact that the MSP is given for procurement for supporting a public food programme such as the Public Distribution System (PDS) in India. Such public food programmes are a critically important policy tool used especially in developing countries and LDCs. Moreover, as such subsidies are calculated on the basis of a fixed 1986-88 price rather than current global prices, this artificially inflates the subsidy amount. For these reasons, developing countries in the WTO (grouped under the G33) led by India have demanded that such subsidies be allowed without limits.

However, in the WTO's 9th Ministerial Conference, held in Bali in 2013, only an interim "Peace Clause" was agreed. This allows countries such as India to give subsidies in excess of 10% of VOP, but provided they meet very unfair and difficult conditions such as never distorting trade (in other words, such stocks never reaching the global markets) or adversely affecting food security of other WTO members. These conditions are not only unclear, they are almost impossible to meet. Further, there are very complex notification requirements. However, the Bali decision had promised a permanent solution by 2017 which could, in principle, be more effective and user-friendly for developing countries. Nevertheless, this deadline was breached and no decision was agreed on this issue at the WTO's 11th Ministerial Conference in Buenos Aires in 2017.

In the lead-up to MC12, the G33 developing-country grouping, the African Group and the African, Caribbean and Pacific (ACP) Group comprising 80 countries had submitted a proposal for a much-improved permanent solution that also called for the 1986-88 price to be updated to get a fairer estimate of the actual subsidies. It also asked for easier notification conditions. However, the developed countries refused to even discuss let alone agree on a solution. This decision has again been pushed to the next Ministerial Conference of the WTO.

2. Special Safeguard Mechanism: This is a policy tool developing countries have been asking for to be able to raise import duties in order to protect against a sudden increase in agricultural imports. India has faced many such import surges and has a major interest is getting an agreement on an SSM. However, in spite of earlier agreements to allow such a tool for developing countries, the US and other Western countries blocked any specific decision in MC12 and are asking that import duties be further reduced in return for introducing an SSM. It is important to note that the developed countries and a few developing countries already have access to such a policy tool under Article 5 of the AoA.

3. Cotton subsidies: This is a major interest for India and several African countries and it was already agreed that the massive domestic subsidies on cotton given by the US, the EU and some other developed countries will be cut in order to ensure fair access to both domestic and world markets for developing-country cotton farmers. However, no decision has been agreed yet again.

4. Domestic support disciplines: Negotiations have been going on for long to make developed countries cut their massive subsidies, which are far above what developing countries are allowed to give as support to their agriculture sector. However, now there is an effort by major farm exporting countries (known as the Cairns Group) to manoeuvre the discussions in such a way that developing countries and LDCs will be forced to cut more subsidies than developed countries. Further, developing countries may lose the preferential "special and differential treatment" – which has been their right in the WTO – to give unlimited subsidies on agricultural inputs and investments.

B. Issues against farmers' interest

On the other hand, the developed countries have been continually pushing developing countries such as India to liberalize markets, which would have major implications for their agricultural growth, farmers' incomes and food security. This push is being made through the following processes:

- ***Market access:*** There is a push to cut import duties and allow further agricultural imports into Indian (and other developing-country) markets. In particular, this will help to promote import of heavily subsidized agricultural products from the West.

- ***Export restrictions:*** There is a push to disallow countries from using export restrictions even in times of crisis and even to meet domestic food security needs. Interestingly, the WTO allows export restrictions on a temporary basis if a country has to meet domestic food security needs. The major push to remove any such restrictions comes from developed countries and the Cairns Group as they want unfettered access to agricultural products and raw material from developing countries.

- ***Increased transparency and notification requirements:*** These requirements are often complicated and extremely costly for poorer countries to meet. Getting the relevant data often requires massive infrastructural investments which many developing countries are unable to make. But the developed countries and the Cairns Group are continually pushing at the WTO to increase these standards, which are easier for them to satisfy.

C. Ministerial Declaration on the Emergency Response to Food Insecurity

This Declaration adopted at MC12 was touted as a response to enable vulnerable countries such as developing countries, net food-importing developing countries (NFIDCs) and LDCs, which are faced with an inability to increase and stabilize their own agricultural production and availability of food, to deal with the recurring food crises. However, not only does the Declaration fail to provide any immediate new tools to developing countries, NFIDCs and LDCs towards this end, it has been quickly turned into another instrument by developed countries to push their market liberalization agenda and put forward more trade (liberalization) as the only option to deal with such crises. There was much fight to even mention in the Declaration the special vulnerability of developing countries and LDCs to food crises, and the clear need to augment production and productivity rather than depend only on trade. Moreover, there was no talk of reviewing unfair AoA rules to give more policy flexibility to developing countries and LDCs to boost their long-term production and food security.

Not only were developing-country interests blocked, but the developed countries actually managed to push forward their own agenda including constraining the policy flexibility to use export restrictions and other trade measures even in a situation of crisis in order to meet domestic food security needs.

The only gain from this Declaration is a dedicated work programme to provide more policy support through financial and technical assistance as well as through necessary policy flexibilities to NFIDCs and LDCs (under Paragraphs 8 and 9 of the Declaration) which have faced even more difficulties from the pandemic and the food crisis. The challenge now is to operationalize the work programme. The mandate and scope of these provisions are however already being weakened in the negotiations following MC12.

D. Some important issues to watch out for

- ***Further liberalization of agricultural markets under a programme of AoA reform:*** The AoA has been an unfair agreement for developing countries and clearly reflects the very unequal power relations within the WTO. The developing countries have been asking for a review and reshaping of the AoA for a long time. However, the developed countries have recently been on the offensive calling for further "reform of the AoA", but promoting a very aggressive trade liberalization agenda, without incorporating special and differential treatment for developing countries, and going against the promises of and progress made under the Doha Development Round of negotiations. This would in fact further aggravate the existing inequalities rather than address them.

- ***Further liberalization of agricultural markets by mis-appropriating a "sustainability" agenda:*** Another major agenda that is now being misused as a tool to further capture markets in developing countries and LDCs is the issue of "sustainability". Sustainability and sustainable development are key development objectives including in developing countries such as India. However, after years of industrial-scale production in agriculture and the heavy use of subsidies, the developed countries are now making use of language related to sustainability and environmental protection, often in the name of the Sustainable Development Goals (SDGs), to try and impose standards on developing countries that will deny our products access to their markets while forcing their products into our markets. Such standards will also limit the policy options available to our governments to subsidize and support agricultural growth. Such hijacking of the sustainability agenda with narrow interpretations to bring about trade policies that benefit only agribusiness corporations in developed countries will cause massive challenges for our farming and farmers. Not only will they have to face higher costs of meeting such standards, they will also need to comply with certification requirements and so on. Sustainability must be interpreted and implemented by each country in its own way, and must not be used as a pretext to foist externally determined standards on our farming systems.

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