



Wheat Waiver” Risky WTO Demand

Context

The WTO ministerial meeting in June in Geneva did little to address the issue of public food stockpiling

Relevance

Mains Paper 3: PDS, Buffer Stock & Food Security

Mains Question

Why should developing countries keep pushing for a permanent solution to the World Trade Organization’s decision on whether to allow public stockholding of food stocks for food security purposes? Discuss the current public stockholding provisions and their limitations. (150 Words)

WTO Public Stockholding Issue

- India’s PSH policy is based on purchasing food from farmers at an administered price (minimum support price, or MSP), which is usually higher than the market price.
- PSH’s dual objectives: The PSH policy aims to provide remunerative prices to farmers while also providing subsidised food to the underprivileged.
- Subsidy for trade distortion: Such price support-based procurement from farmers is considered a trade-distorting subsidy under WTO law, and if given in excess of the permissible limit, violates WTO law.
- India’s rightful goal in the World Trade Organization (WTO) has been to find a



permanent solution to the issue of public stockholding (PSH) of food in order to protect India's food security (PSH policy).

- Peace clause: India is currently enjoying temporary relief as a result of a “peace clause” that prohibits countries from bringing legal challenges against price support-based procurement for food security purposes.
- The WTO ministerial meeting in Geneva in June did little to address this issue.
- India's concerns about the PSH issue have been taken into consideration.

<https://youtu.be/uwlaM1szf7k>

Concerns in India

- For India, the real issue is not maintaining adequate food stocks, which WTO rules do not prohibit as long as food is stocked using non-trade distorting instruments such as farmer income support (cash transfers independent of crop production).
- Use of MSP: India is concerned that it should have the policy space to hold public food stocks using the MSP, which is a price support instrument; however, price support is not mentioned in the Geneva declaration.
- India's demand for a permanent solution to the PSH policy has taken on new significance.
- India insists on being allowed to export food, particularly wheat, from the pool of foodgrain procured under the MSP.
- WTO rules, however, prohibit countries from exporting foodgrain purchased at subsidised prices.
- Paragraph 4 of the 2013 WTO decision on PSH for food security purposes states unequivocally that countries procuring food for food security purposes must ensure that the food does not “distort trade or adversely affect the food security of other Members.”
- The same spirit can be found in paragraph 10 of the Geneva ministerial food security declaration, which states that countries may sell surplus food stocks on the international market in accordance with WTO rules. However, such a request is extremely unlikely to be granted.
- According to Article IX.3 of the WTO Agreement, waivers can only be granted in “exceptional circumstances.”

What exactly is the issue here?

- Public stockholding (PSH) is a policy tool that governments use to acquire, stockpile, and distribute food when it is needed. Consider the MSP scheme.
- Under WTO rules, governments that purchase at prices higher than market prices are considered to be subsidising their farmers.
- Current rules suggest a fixed subsidy of 10% for food procurement from farmers to feed



the poor; additionally, the methodology for subsidy calculation is based on a 1986-88 price index, which does not account for inflation.

- Currently, developing-country public distribution programmes are included in trade-distorting Amber Box measures that attract reduction commitments.

The way forward

- Developed countries have historically opposed India's PSH programme, fearing that India will divert some of its public stock to the international market, lowering global prices.
- India actively pushing for food exports from its official granaries provides new ammunition to opponents of the PSH solution.
- As a result, India should reconsider its position on requesting a waiver for wheat exports from its public stockholding, which, in any case, was not part of India's PSH policy.
- Spending precious negotiating capital on this issue may dilute India's core agenda of pursuing a permanent solution for its PSH programme in order to achieve the goal of food security and remunerative prices for farmers.
- WTO negotiations necessitate crystal clarity on the core objectives that must be relentlessly pursued.
- Adding newer objectives and shifting goalposts may cause you to fall between two stools.