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Globalization Commentaries

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Ten signs of US hypocrisy on India's food security programme

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1. India's food security and stockholding program uses precisely the same policies that the United States used in its early farm policy coming out of the Great Depression. Exactly the same: price supports, food reserves, administered markets, subsidies. We used them because they work. India and other countries should be allowed to use them too. Because they work.

2. The WTO's Green Box, which is meant to hold non-trade-distorting subsidies, is now home to about $120 billion of the US's $130 billion in nutrition programs and farm supports. This dwarfs India's commitments.

3. The allowed levels of trade-distorting support – the Aggregate Measure of Support (AMS) – for the US is about $19 billion. Why so high? Because the level was set back in 1994, based on the prevailing high levels of US support, and it was reduced only 20% since then. India? Like 61 of 71 developing country WTO members at the time, India's AMS is zero. Like most developing countries, it couldn't afford such expensive policies. Now such countries are punished for their past good behavior.

4. The United States has been unfairly notifying the WTO of its trade-distorting subsidies for years. A WTO dispute panel ruled that insurance subsidies and direct payments should count as trade-distorting subsidies because they go to producers of a defined set of crops. If one counted such payments correctly, US AMS notifications for 2010 would rise from $4 billion to $15 billion.

5. India's procurement program and stockholding is for domestic producers and for domestic consumption. Where is the trade distortion? Meanwhile, US subsidies – AMS and Green Box – go to crops like corn, soybeans, wheat, and cotton that are heavily exported.

6. Not only are those crops exported, corn and soybeans serve as inputs for livestock feed, and corn is the main input for ethanol. Input subsidies should be notified as trade-distorting, yet these are treated as non-trade-distorting subsidies. The US exports both meat and ethanol.

7. The US is calling India out for its food security program even though India has ten times the beneficiaries, provides less than one-quarter the food, and spends one-sixth the amount per person. The United States spends about $75 billion per year for its Supplemental Nutrition Assistance Program (SNAP), the main domestic food aid program. That provides on average 240 kg of grain for each of the 47 million beneficiaries, valued at $1,608 per year. Before expanding its food security program, India was reaching 475 million much hungrier people with food aid of just 58 kg per person, valued at roughly $27/year.

8. In 2005, the WTO committed itself to resolve the issue of the US's trade-distorting cotton subsidies "in an expedited manner." Eight years later, Africa's cotton producers are still waiting for US compliance. In Bali, the US has offered nothing on cotton, continuing the damage to some of the world's poorest farmers.

9. India's simplest demand is truly simple, if technical. Its administered prices for farmers are calculated as subsidies by comparing them not to market prices in India but to an international "reference price." That reference price is archaic, from 1986-88. Inflation since then has been about 500%, so any price today will look like a high support price and will result in a high subsidy estimate. India asked simply that the reference price be updated for inflation, so its administered prices can be compared to something vaguely resembling current market prices. No go, says the US. Never mind that those 1986-88 reference prices were even lower because the US and the EU were at the time dumping huge surpluses on the international market, crashing the prices.

10. Last but not least is the audacity of calling for a Peace Clause at all. Peace Clause? Really? For those who don't remember recent history, the US and the EU imposed a Peace Clause in 1994 at the end of the round of negotiations that launched the WTO. It protected them from WTO suits over their hugely distorting subsidies. How long did it last? Nine years, and it covered Subsidies and Countervailing Measures. The current Peace Clause being offered to India and the G-33 countries is just four years, excludes the subsidies measures, and expires even if there has been no resolution of the outstanding Doha issues. Instead of "special and differentiated treatment" for developing countries, India gets special and differentiated punishment.