Domestic support and subsidy boxes of WTO

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- Domestic support refers to the government subsidies that guarantee Minimum Price (or Input subsidies) which are provided at the domestic level either directly or product-specific or both.

Domestic Subsidies are generally categorized into 3 boxes

Green Box Subsidies

- Green Box Subsidies don’t distort free trade or distort the free trade at a very minimal or negligible level.
- Example of this Subsidies are publicly funded government programmes including expenditure on agriculture research and development, agricultural training, subsidies under environmental programmes etc.
- Green box subsidies are non–price supportive thus are exempted from the calculation of Aggregate Market Support **(AMS).**

Blue Box Subsidies

- Blue box subsidies are direct payments under production limiting programmes. According to the WTO, the Blue Box is the “amber box subsidy with conditions” attached.
- The Blue box subsidies aim towards limiting production, by imposing production quotas or requiring farmers to set aside part of their land.
- Blue Box subsidies are also exempted from calculation of AMS.

Amber Box Subsidies

- These are the subsidies that are trade-distorting in nature and need to be curbed at any cost.
- The Amber Box contains the category of domestic subsidy that is scheduled to reduce based on the formula called “Aggregate Measure of Support” (AMS).
- The AMS is the amount of money spent by governments on agricultural production, except the money spent in the Blue Box, Green Box and ‘de minimis’ level.

AMS = Total amount of money spent in agricultural production – total amount of blue, green box subsidies – De minimis level prescribed in AoA

What is de minimis’ level?

The minimum level prescribed in AoA towards product specific and non-product specific (Amber box) subsidies. For Developed countries the de minimis level is 5% and for developing countries it is 10%.

Amber Box: who can use it?

- Thirty-two WTO members have commitments to reduce their trade-distorting domestic supports in the Amber Box (i.e. to reduce the “total aggregate measurement of support” or AMS).

Argentina Australia Brazil Canada Colombia Costa Rica European Union FYR of Macedonia Iceland Israel Japan	Jordan Korea Mexico Moldova Montenegro Morocco New Zealand Norway Papua New Guinea Russian Federation Saudi Arabia	South Africa Switzerland-Liechtenstein Chinese Taipei Tajikistan Thailand Tunisia Ukraine United States Venezuela Viet Nam

Special and Differential Box subsidies

- This is a special and differential box that does not apply to developed countries but applicable to developing and Least Developed Countries.
- These are the subsidies provided by the government to encourage agricultural and rural development activities in the country.

Agreement On Agriculture (AoA)

- AoA is aimed to remove trade barriers and to promote transparent market access and integration of global markets.
- Agreement on agriculture stands on three pillars:
  - **Domestic Support:** It calls for reduction in domestic subsidies that distorts free trade and fair price.Under this provision, the Aggregate Measurement of Support (AMS) is to be reduced by 20% over a period of 6 years by developed countries and 13% over a period of 10 years by developing countries.
  - **Market Access:** Market access for goods in the WTO means the conditions, tariff and non-tariff measures, agreed by members for the entry of specific goods into their markets. The market access requires that tariffs fixed (like custom duties) by individual countries be cut progressively to allow free trade. It also required countries to remove non-tariff barriers and convert them to Tariff duties.

Export Subsidy: Subsidy on inputs of agriculture, making export cheaper or other incentives for exports such as import duty remission etc are included under export subsidies. These can result in dumping of highly subsidized (and cheap) products in other countries and damage the domestic agriculture sector of other countries