Negotiating Food Security and Trade Liberalisation: India's Agricultural Policy in the Global Arena

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Abstract: *This study examines the prolonged conflict between India's Public Stockholding (PSH) program and Minimum Support Price (MSP) mechanisms for food security and the World Trade Organisation's (WTO) Agreement on Agriculture (AoA). It argues that this is not a mere technical dispute over subsidy calculations but a fundamental clash between two paradigms: the sovereign right of a nation to ensure food security for its population and a trade liberalisation framework that reflects the historical power asymmetries of the global economic order. This paper traces India's agricultural policy, beginning with the Green Revolution, which necessitated the creation of a domestic support mechanism, including the Public Distribution System (PDS) and Minimum Support Price (MSP). This domestic framework, designed to achieve national self-sufficiency, now stands in direct opposition to the AoA's rules on domestic support. This paper deconstructs the technical core of the conflict, the WTO's Aggregate Measurement of Support (AMS) methodology and its outdated reference prices, and analyses the political stalemate at the WTO over a permanent solution for public stockholding (PSH). Ultimately, it contends that India's steadfast position is a defence of its foundational food security policies and a broader challenge to the international trade regime that has historically failed to accommodate the Global South's development imperatives.*

Keywords: Agreement on Agriculture (AoA), agricultural policy, food security, World Trade Organisation (WTO).

INTRODUCTION

India's agricultural journey presents a profound paradox. The agricultural policies that successfully transformed the nation from a state of chronic food deficiency, humiliatingly dependent on foreign aid in the 1960s, to one of self-sufficiency and a net food exporter are now categorised as trade-distorting under the global trade rules of the World Trade Organization (WTO). This contradiction lies at the heart of the ongoing and acrimonious negotiations over agricultural trade, setting the stage for a conflict between national food sovereignty and the principles of global trade liberalisation.

The WTO's negotiating chambers have thus become a primary arena for political contestation, where developing nations, with India at the forefront, are questioning what they consider to be an unfair system with inconsistent standards, arguing that it has been historically structured to favour the economic interests of developed countries (Yigzaw, 2015). The conflict is most sharply focused on India's public stockholding (PSH) program, which is an essential component of its food security infrastructure. In this system, the government buys grain from farmers at a set Minimum Support Price and then makes it available at discounted prices to more than 800 million beneficiaries (CAG, 2015). This practice is considered a violation of the subsidy caps established by the WTO's Agreement on Agriculture (AoA). This paper posits that India's unwavering negotiating stance on the PSH is more than a defense of a single policy. It represents a defense of its entire post-independence food security architecture and a challenge to a development paradigm embedded in the WTO that disproportionately harms the livelihoods of smallholder farmers and the food security of the poor, who constitute the majority in many developing nations. This analysis traces the origins of this conflict from its roots in the Green Revolution to the contemporary diplomatic stalemate at the WTO, arguing that a resolution requires not just technical adjustments but a fundamental re-evaluation of how the multilateral trading system accommodates the right to food.

THE GREEN REVOLUTION AND ITS DOUBLE-EDGED LEGACY

In the decades following independence, India was plagued by severe food shortages, famines, and a debilitating dependence on food aid, most notably the United States' Public Law 480 (PL-480) program (Acharya, 1983). This ship-to-mouth existence was not only economically unsustainable but also politically compromising, making food self-sufficiency a paramount national objective. Pandit Jawaharlal Nehru, India's first Prime Minister, conveyed this sentiment in his declaration: "everything else can wait, but

not agriculture" (Dipasha, 2015). This imperative drove the quest for a technological and policy breakthrough that could liberate India from hunger and foreign dependence.

The breakthrough arrived in the form of the Green Revolution, which commenced in the late 1960s. The initiative was all-encompassing and centred on adopting a modern agricultural model. This new system was based on a suite of technologies, including high-yielding variety seeds, the use of chemical fertilisers and pesticides, and significant investments in irrigation infrastructure. The program, guided by Dr. M.S. Swaminathan who modified Norman Borlaug's work to suit India and backed by then Agriculture Minister Chidambaram Subramaniam, proved highly successful. India imported high-yielding variety (HYV) wheat seeds from Mexico in 1966 and laid the foundation for a dramatic increase in productivity.

The impact was both immediate and transformative. The results were staggering as cereal output grew threefold, while the amount of land under cultivation increased by only 30 percent. Wheat production increased from 12 million tonnes in the early 1960s to over 75 million tonnes by the end of the 1990s (Agricultural Institute, 2023). By 1971, India had formally ended its reliance on PL-480 food aid and achieved self-sufficiency, transforming itself from a food-deficient nation into a food-surplus one. This achievement not only ensured food availability but also led to a fall in real food prices, benefiting poor consumers and having positive effects on poverty reduction efforts.

THE UNINTENDED CONSEQUENCES

Despite its monumental success in averting famine, the Green Revolution was a double-edged sword, leaving a legacy of complex and severe challenges that continue to shape India's agricultural policy. The technology packages were capital-intensive and required significant investments in seeds, fertilisers, and machinery. Small and marginal farmers found it hard to bear the rising costs, which increased their economic burden as the cost of production increased.

Furthermore, the state-supported focus on a monoculture of wheat and rice displaced traditional, diverse cropping patterns. This method of farming which depends heavily on chemical and water inputs, has resulted in significant damage to the environment. In Punjab, the epicentre of the revolution, the number of tube wells exploded from 2 lakhs in 1970 to over 1.5 million today to meet the immense water requirements of rice cultivation, leading to a catastrophic decline in groundwater levels (Vadlamani 2025). As wells were drilled deeper, they tapped into aquifers contaminated with naturally occurring heavy metals such as arsenic, lead, and uranium, which, along with nitrate runoff from fertilisers, have polluted water sources and are linked to rising cancer rates in the region. The intensive use of chemicals has also led to soil degradation, loss of organic matter, and water pollution.

Furthermore, the policy's focus on wheat and rice led to a drastic decline in the cultivation of indigenous crops, such as millets and pulses. These traditional grains, which are more nutritious and resilient to arid conditions, have been sidelined, leading to a loss of biodiversity and the creation of a "food-system divide" characterised by monotonous diets (Bandyopadhyay & Patnaik, 2025). The Green Revolution's success was contingent not only on technology but also on a new, state-led institutional architecture. This mechanism, comprising the Food Corporation of India (FCI) for procurement and the Agricultural Prices Commission (later CACP) to recommend a Minimum Support Price, was established in 1965 specifically for the new HYV wheat and rice crops. This decades-long path dependency has hardwired the Indian agricultural economy to the wheat-rice-MSP-PDS nexus. Consequently, when India joined the WTO, it was not just a single policy that came into conflict with the AoA, but the entire legacy and structure of its post-independence food security strategy. The solution to the 1960s food crisis became the source of the 1990s trade policy challenge.

THE ARCHITECTURE OF INDIA'S FOOD SECURITY SYSTEM

The institutional framework born out of the Green Revolution evolved into a comprehensive, multi-pronged system designed to simultaneously support producers and ensure consumer access to food supply. This architecture, resting on the twin pillars of the Minimum Support Price and the Public Distribution System, is central to understanding India's negotiating position at the WTO.

Minimum Support Price: The MSP was introduced in 1966-67, initially as a policy instrument to incentivise farmers to adopt the new HYV technology by guaranteeing a remunerative price and shielding them from price volatility. Over the decades, its role has evolved into a crucial income support system for millions of farmers and a floor price that prevents distress sales in the event of a market-price crash. The government sets the Minimum Support Price for 23 crops ahead of every sowing season, following recommendations from the Commission for Agricultural Costs and Prices (CACP). However, the system's most significant feature is the government's open-ended procurement policy, primarily for rice and wheat. Under this policy, the FCI and state agencies are obligated to buy whatever quantity of grain is offered for sale by farmers at the MSP price. This mechanism directly links the farmer price support to the government's public stockholding program.

Public Distribution System: The second pillar is the Public Distribution System, which manages the distribution of procured food grains. The PDS has its origins in the food rationing system introduced by the British during World War II and was retained after independence as a deliberate social policy to reduce poverty. Its reach has expanded from urban areas to tribal blocks and locations with a high poverty rate following the Green Revolution. A major structural change occurred in June 1997 when the system was reformed into the Targeted Public Distribution System. This new model differentiated beneficiaries into households Below the Poverty Line (BPL), which received grains at highly subsidised prices, and those Above the Poverty Line (APL) (CAG, 2015).

The evolution of the PDS culminated in the passage of the landmark National Food Security Act of 2013. This act represents a fundamental change in approach. It re-envisions food security not as a government welfareprogram but as a legally enforceable right for almost

two- thirds of the Indian populace—approximately 800 million people. The National Food Security Act entitles eligible households to obtain rice, wheat, and coarse grains at subsidised rates (e.g. Rs. 3/kg for rice and Rs.2/kg for wheat), using the PDS as the main distribution system. (CAG, 2015).

These two pillars, the MSP and PDS, are not merely economic policies; they are deeply embedded in India's political economy, making them domestically non-negotiable. The MSP provides income security to a vast and politically influential constituency of farmers, and any attempt to dilute it is met with significant political resistance. Simultaneously, the PDS, institutionalised through the National Food Security Act, functions as a critical social safety net that ensures stability and mitigates extreme poverty and hunger for most of the population. The two policies are operationally inseparable; the grains procured under the MSP are distributed through the PDS. This deep socio-political entrenchment means that for any Indian government, a significant alteration or dismantlement of this system to comply with external trade rules is not a viable option, as it would risk massive domestic and political instability in India. This reality explains the inflexibility of India's negotiating stance at the WTO; it is less a strategic choice and more a political necessity.

THE WTO'S AGREEMENT ON AGRICULTURE AND ITS INHERENT ASYMMETRIES

When India's domestically focused agricultural policies collided with the global trade regime, the conflict was rooted in the very structure of the Agreement on Agriculture. The Agreement on Agriculture is structured around three main pillars: it came into force in 1995 with the goal of establishing a market-oriented agricultural trading system by regulating trade-distorting policies in developed countries.

Market Access: This pillar aims to improve market entry for foreign goods by requiring members to convert non-tariff barriers (such as quotas and import bans) into tariffs, a process known as tariffication, and then progressively reduce these tariffs over time.

Export Subsidies: This pillar disciplines the use of subsidies associated with export performance, mandating reduction commitments on both the value and volume of subsidised exports.

Domestic Support: This is the most complex and contentious pillar of the WTO. It seeks to discipline and reduce domestic subsidies that are considered to distort production and trade.

THE BOX SYSTEM AND ITS BIASES

The Agreement on Agriculture established a classification method, commonly known as the box system, to regulate domestic support.

Amber Box: This category includes subsidies considered to be the most trade-distorting because they are directly linked to production levels. This category, which includes policies such as the Minimum Support Price (MSP), covers subsidies that are subject to reduction commitments. However, an exemption is granted through the "de minimis" provision, which allows these subsidies if their value is below a 5% threshold of production value for developed countries or a 10% threshold for developing countries. (FAO, 2006).

Blue Box: This includes production-limiting programs that distort trade (e.g. payments based on fixed area or yields). These are exempt from reduction commitments and were designed primarily to accommodate the policies used by the European Union (FAO, 2006).

Green Box: This category is for subsidies that are considered minimally or non-trade-distorting. Spending on general government services, such as research, extension services, and infrastructure, is included. It also permits direct payments to farmers, as long as those payments are "decoupled" from production levels. No spending limits are applied to Green Box subsidies (FAO, 2006).

From its inception, critics have argued that the AoA's structure is fundamentally asymmetrical and biased in favour of developed countries. The rules were crafted to accommodate the existing subsidy structures of the United States and the European Union. These developed nations were able to classify their massive domestic support programs in the form of direct payments as non-trade-distorting Green Box measures, thereby shielding them from any reduction commitments. In contrast, the types of support most crucial for developing countries, such as India's market price support to guarantee minimum incomes for millions of small, resource-poor farmers, were placed in the restrictive Amber Box. This created a deeply unbalanced playing field, where developed countries could continue to provide hundreds of billions of dollars in subsidies while challenging the comparatively smaller support provided by developing countries. The table below illustrates some key asymmetries embedded in the agreement.

Table 1: Asymmetries in the Agreement on Agriculture

Provision	Developed Countries	Developing Countries
Total AMS Reduction	Reduce by 20% over 6 years (from 1986-88 base)	Reduce by 13.3% over 10 years (from 1986-88 base)
De Minimis Limit (Amber Box)	5% of the value of production	10% of the value of production
Green Box Subsidies	No limits; used extensively for direct payments.	No limits, but a lack of financial capacity restricts use.

Source: Ministry of Commerce and Industry

This structural imbalance meant that the AoA, rather than creating a level playing field, effectively locked in the historical advantages of developed agricultural economies, setting the stage for protracted conflict over food security.

The core of the dispute between India and the WTO lies in the technical methodology used to calculate agricultural subsidies, a formula that India and its allies argue is not only flawed but also economically absurd. The WTO calculates market price support, the main element of the Aggregate Measurement of Support, by taking the difference between a government's administered price (for example India's MSP) and fixed external reference price (FERP). This difference is multiplied by the eligible production quantity. The FERP is the most contentious and central part of this formula. Under the AoA, this

reference price was permanently fixed at the international average price from the 1986-88 base period.

The use of a nearly 40-year-old benchmark, which does not account for four decades of global inflation, creates a massive and artificial gap between the current MSP and FERP. For instance, the FERP for rice is based on prices from an era when the Berlin Wall still stood (Sharma et al.. 2025). This anachronistic calculation results in a grossly inflated figure for India's subsidies, making it appear that India is providing far more support than it actually is in real terms.

This negotiating paradigm is illustrated by Rice and Wheat, the two commodities that form the backbone of India's food security architecture. In the case of Rice, the WTO's fixed external reference price remains frozen at the 1986–88 level. While India's Minimum Support Price (MSP) for rice has risen significantly over the last three decades to keep pace with inflation and rising input costs, the external reference price has not. Consequently, the subsidy, calculated as the difference between the current MSP and the outdated 1986 benchmark, appears artificially inflated. This technical flaw frequently pushes India's rice subsidies beyond the 10% de minimis limit allowed for developing countries, even though the actual market support provided is often negative or minimal in real terms. Wheat faces an identical structural trap, where the government's obligation to procure sufficient volumes for the Public Distribution System (PDS) clashes directly with the AoA's volume-based subsidy restrictions, creating a recurring diplomatic flashpoint where essential food security operations are technically categorised as trade-distorting.

As India has raised its MSP over the years to keep pace with the rising costs of production, this calculated subsidy value has ballooned, pushing the country over its permitted 10% *de minimis* limit for rice. India has consistently argued that this methodology is indefensible, as it is based on the fiction that rice can still be produced or purchased at the 1980s prices (Sharma et al.. 2025).

THE BALI PEACE CLAUSE: A TEMPORARY SAFEGUARD

The conflict peaked before the 2013 WTO Ministerial Conference in Bali. With the implementation of its National Food Security Act, India was set to significantly expand its procurement and was certain to breach the WTO subsidy limits. In response, India took a hardline stance, effectively blocking the entire Bali package until its concerns were addressed. The result was a compromise known as the Peace Clause. This interim agreement specified that WTO member nations would agree not to initiate formal disputes against a developing nation's public stockholding program, provided it was for food security, even if it exceeded established subsidy limitations. This protection was conditional upon the country meeting certain transparency and notification requirements and ensuring that its stocks did not distort the trade. In a subsequent decision in 2014, this interim solution was made indefinite pending the negotiation of a permanent solution to the issue.

Despite the peace clause, the fundamental problem remains unresolved, leading to persistent stalemates in agricultural negotiations. India and its allies in the G33 coalition of developing countries have been demanding a permanent solution to fix the flawed methodology. Their proposals include two main options: either updating the FERP to a more recent, rolling average to account for inflation or, more ambitiously, moving public stockholding programs for food security entirely into the Green Box, which would exempt them from any subsidy calculations.

INDIA AND THE G33: FORGING A SOUTHERN COALITION

India's diplomatic strategy has been anchored in its leadership of the G33, a coalition of 47 developing countries, also known as the "Friends of Special Products" (Manduna & Murphy, 2024). This coalition has been instrumental in amplifying the collective voice of the Global South in agricultural negotiations in the WTO. By presenting a united front, the G33 has successfully blocked consensus at multiple Ministerial Conferences, preventing outcomes that do not address their core concerns. Their main objectives have been to secure a permanent solution for public stockholding and create a Special Safeguard Mechanism (SSM). This SSM would permit developing nations to temporarily raise tariffs, protecting their farmers from sudden import influxes or price drops caused by them. This collective action has shifted the dynamics of the WTO, preventing the simple imposition of the agenda of developed nations.

CONCLUSION: RECONCILING DEVELOPMENT NEEDS WITH GLOBAL TRADE RULES

The long-standing dispute over public stockholding at the WTO highlights the core challenge facing the global trading system: how to balance trade liberalisation with the genuine and pressing development needs of most of the world's population. India's agricultural policy, forged in the crucible of famine and built on the foundation of the Green Revolution, prioritises food security and farmer livelihoods as nonnegotiable sovereign imperatives. This internal political and economic situation creates a direct and foundational clash with the Agreement on Agriculture, which embodies the economic goals and subsidy practices of the developed world.

The analysis has shown that the core of the dispute, the Aggregate Measurement of Support methodology, is based on a flawed and anachronistic formula that uses 1986-88 prices as a benchmark. This technical absurdity creates an inflated and distorted picture of India's subsidies, penalising the very programs that ensure food security for over 800 million people and support millions of smallholder farmers. The Peace Clause secured in Bali, while providing a temporary shield, has failed to resolve the underlying inequity and has instead entrenched the stalemate.

A sustainable and legitimate future for the multilateral trading system depends on its capacity for reform and ability to create genuine policy space for development. The current framework of the Agreement on Agriculture is demonstrably inadequate to address the food security challenges of the 21st century. A failure to find a permanent, equitable, and economically sensible solution to the public stockholding issue will not only perpetuate the risk to the food security of billions but will

also continue to erode the relevance and legitimacy of the WTO as an institution capable of delivering on its promise of shared prosperity. The path forward requires moving beyond entrenched positions and acknowledging that for a global trade system to be truly fair, it must allow nations the right to feed their people.

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