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BA Economics Honours | Semester 3 | Calicut University

Agricultural Development in India

Course Code: ECO3MN203 • Module 4

Module IV: WTO and Indian Agriculture

With the establishment of the World Trade Organization (WTO) in 1995, international agricultural trade was integrated into multilateral rules under the **Agreement on Agriculture (AoA)**. Understanding the disciplines of the AoA is vital for evaluating India's agricultural trade policy and food security sovereignty.

Unit 19: The Three Pillars of the Agreement on Agriculture (AoA)

1. **Market Access:** Mandates the conversion of all non-tariff import barriers (quotas, import licenses) into bound customs tariffs, alongside phased tariff reductions.
2. **Domestic Support (The Subsidies Boxes):** Classifies agricultural subsidies according to their trade-distorting effects:
   - *Green Box:* Non-trade-distorting subsidies funded by taxpayers rather than consumers (agricultural R&D, pest control, rural infrastructure, disaster relief, decoupled income support like PM-KISAN). Exempt from reduction commitments without limits.
   - *Blue Box:* Direct payments under production-limiting programs (largely utilized by the EU and US). Exempt from reduction commitments.
   - *Amber Box:* Trade-distorting price support mechanisms (e.g., Minimum Support Price - MSP) and input subsidies (subsidized fertilizers, electricity, irrigation). Capped under the *de minimis* limit: 10% of total value of agricultural production for developing countries (5% for advanced nations).
3. **Export Subsidies:** Prohibits export subsidies that distort global trade prices (eliminated globally under the 2015 Nairobi Ministerial Decision).

Unit 20: The Food Security Debate, Peace Clause, and Export Promotion

India's primary conflict at the WTO centers on the **Public Stockholding for Food Security**. Western nations allege that India's MSP procurement exceeds Amber Box limits because the WTO calculates support using an outdated 1986–88 external reference price. India secured a perpetual **Peace Clause** at the Bali Ministerial (2013), shielding its food security procurement from WTO disputes until a permanent solution is negotiated.

To boost agricultural exports, India established the Agriculture Export Policy (2018), promoting **Agri-Export Zones (AEZs)**, organic certification, and APEDA export logistics hubs, elevating agricultural exports beyond $50 billion.

Advanced Theoretical Formulations and Empirical Frameworks (Analytical Division 1)

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Empirical Methodology, Identification Strategies, and Econometric Estimation

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Comparative Institutional Analysis, Market Failures, and Policy Governance

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universal adult literacy, high life expectancy, and low infant mortality rates comparable to advanced Western economies—achieved despite historically modest per capita state domestic product, Kerala demonstrates the transformative power of public social expenditure, agrarian land reforms, and decentralized local governance (Panchayati Raj institutions).

However, contemporary economic analysis also highlights structural challenges confronting this development paradigm: high educated unemployment, fiscal constraints stemming from escalating public debt servicing and pension obligations, and heavy reliance on external remittance inflows from migrant workers in the Persian Gulf. Sustaining this high-welfare equilibrium necessitates transitioning toward a knowledge-driven economy, incentivizing high-tech manufacturing, and mobilizing sustainable sub-national fiscal resources.

Policy Synthesis and Analytical Evaluation

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