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Evolution of China's Agricultural Subsidies: Between Reform Pressures and Policy Space at the WTO

Sachin Kumar Sharma, Kamna Chaudhary, Talha Akbar Kamal, Alisha Goswami and Teesta Lahiri

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Abstract: China's agricultural subsidy regime stands at the center of an intensifying debate on how far and how fast global farm support can be disciplined under the World Trade Organization (WTO) rules. From a system once characterized by negative price-support, China has emerged as one of the world's largest providers of agricultural subsidies, with notified support reaching nearly USD 210 billion in 2022. This paper traces the evolution of China's agricultural domestic support architecture from its pre-accession administered-price-based procurement models to a post-2015 rebalancing towards Green Box and Blue Box measures following adverse WTO dispute settlement rulings. Against this backdrop, the study evaluates competing reform pathways in the ongoing WTO domestic support negotiations. It contrasts the developing-country "sequential" approach, which seeks to correct historical asymmetries embedded in the Agreement on Agriculture, with the Cairns Group's "comprehensive" proposal to cap Total Trade-Distorting Domestic Support (TDDS). Using legal and quantitative analysis, the paper demonstrates that the latter could shrink China's future policy space by over 95 percent by 2040. While China has recently indicated that it will not seek new Special and Differential Treatment (S&DT), the analysis shows that such political signaling does not negate the continued necessity of S&DT for other developing Members facing deep food security and climate vulnerabilities. The paper also argues that durable subsidy reform must reconcile ambition with development sensitivity, ensuring that multilateral disciplines support, rather than undermine, food security and climate-resilient agricultural transitions.

Keywords: Agreement on Agriculture; Agricultural Subsidies; Trade-Distorting Domestic Support; Special and Differential Treatment.

1. Introduction

The narrative on repurposing and disciplining agricultural subsidies has emerged as a focal point in contemporary global economic and environmental governance discourse, attracting sustained attention from multilateral institutions, such as the World Trade Organization (WTO), Food and Agriculture Organization (FAO), G20, and Organization for

Economic Co-operation and Development (OECD), given their deep linkages to climate change, trade, farm incomes, and the achievement of multiple United Nations Sustainable Development Goals (SDGs). Accounting for approximately one-third of global greenhouse gas emissions (Crippa *et al*., 2021), the agriculture sector plays a pivotal role in achieving the goals of the Paris Agreement,[1] which aims to limit global warming to well below 2°C by the second half of the century (Paris Agreement, 2015, Art. 2(1)(a)). Yet, parallelly, global farm support continues to expand, now exceeding USD 850 billion annually across 54 countries (OECD, 2025) and projected to reach USD 1.8 trillion by 2030, with a substantial share still linked to trade-distorting measures that may also have adverse environmental impacts (FAO, UNDP and UNEP, 2021). Redirecting such support measures toward climate-smart, inclusive, and sustainable farming practices is therefore not just an economic necessity but a global imperative. Within this evolving policy landscape, China has emerged as one of the world's largest providers of agricultural domestic support, reporting agricultural subsidies amounting to nearly USD 210 billion in 2022 (WTO, 2024b). As global momentum builds to reduce and repurpose farm subsidies in response to climate and sustainability imperatives, China's approach to and engagement with agricultural subsidies becomes central. In this context, the way China reconciles the need for domestic subsidy reforms with safeguarding sufficient policy space to improve food security and rural livelihoods will be critical not only for determining the credibility and future of multilateral rules on agricultural subsidies but also for shaping the trajectory of sustainable agricultural transitions across the globe.

China's agricultural subsidy regime was shaped by its grueling historical experiences of facing intense food and livelihood insecurity. The devastating famine during the Great Leap Forward (1958-1962), which claimed an estimated 30 million lives (Smil, 1999) left a lasting imprint on the state's policy orientation. With a vast population to feed[2], China continues to treat food security, rural development, and social stability, collectively called the *"Three Nongs",* as core pillars of its agricultural strategy (OECD, 2018). Over the next two decades, the country evolved from collective farming to a household-based production system, complemented by income and price support, input subsidies, and public investment. Institutions such as the State Administration of Grain and Reserves and Sinograin have played central roles in maintaining grain reserves to safeguard national food security and stabilizing its markets (OECD, 2025). These historical choices and institutional arrangements have underpinned China's resilience and growing self-sufficiency in food production. Throughout much of this period, China remained largely outside the multilateral trading framework under the GATT, even though it was an original GATT contracting party. In 1986, as economic liberalization gathered momentum, China notified the GATT of its intention to resume its status as a contracting party. These efforts culminated in China's accession to the WTO on 11 December 2001 as its 143rd Member (WTO, 2001c).

As a WTO Member, China assumed binding commitments under the Agreement on Agriculture (AoA), encompassing disciplines across its core pillars: domestic support, market access, and export subsidies. This created a strong imperative to align its farm policies with multilateral trade disciplines (WTO, 2001b). In parallel, and partly in response to domestic adjustment pressures generated by liberalization, China's support to its farmers increased dramatically, and it emerged as one of the world's largest providers of agricultural support, second only to the United States of America (USA).

However, China's agricultural support policies have faced growing scrutiny at the WTO, particularly regarding its price-support programmes for foodgrains. In 2016, the USA initiated a dispute alleging that China's support for products such as rice and wheat exceeded the permissible subsidy limits under the WTO rules. A WTO panel subsequently found the support provided by China was inconsistent with its commitments under the AoA. In response, China undertook significant policy adjustments, scaling back price support, expanding direct income support schemes, and reorienting its farm policies to better align with the multilateral disciplines, while seeking to preserve stability for farmers and food security for its vulnerable population (WTO, 2019a). Even so, China continues to face sustained pressure in the ongoing WTO agriculture negotiations, where Members are actively debating how to tighten disciplines and constrain policy space for trade-distorting agricultural support (Sharma *et al*., 2023).

According to China, it is primarily the developed Members that provide a high level of trade-distorting agricultural support, owing to the asymmetric historical entitlements they enjoy under the present WTO framework (WTO, 2017). In contrast, most developing Members, including China, lack such an entitlement and have limited flexibility to provide subsidies (Sharma *et al*., 2024). On the contrary, Members of the Cairns Group, including Australia, Canada, and New Zealand, have claimed that developing Members already enjoy considerable flexibility to provide agricultural subsidies, as their trade-distorting domestic support increased substantially from USD 322 billion to USD 740 billion between 2001 and 2016, and is projected to be USD 2 trillion by 2030 (WTO, 2019b). Although negotiations remain at an impasse, some Members, including the Cairns Group, continue to aggressively advance a narrative aimed at repurposing and disciplining agricultural subsidies for sustainability to limit this expansion. Hence, these Members have proposed introducing an overall cap on all trade-distorting support under the existing AoA provisions (WTO, 2020a; WTO, 2021a; WTO, 2023c; WTO, 2024a). How China navigates this shifting landscape, balancing the imperatives of reform, food security, and rural livelihoods, will not only shape the future of its own agricultural sector but also define the next chapter of global agricultural trade governance.

In a significant shift, China announced in 2025 that it will forgo seeking new Special and Differential Treatment (S&DT) in current and future WTO negotiations (Xinhua, 2025b). While reaffirming its status as a developing country Member, this stance carries significant import for agriculture, where S&DT flexibilities have long underpinned developing countries' ability to support smallholders and ensure food security. By voluntarily narrowing its special concessions, China signals its readiness to pursue deeper subsidy reforms while continuing to balance its domestic priorities of food security, rural stability, and sustainable growth. Notably, it may also be mentioned that China is now the world's second-largest economy, with a gross domestic product (GDP) of more than USD 18.7 trillion, per capita GDP exceeding USD 13,300 in 2024, and trade surplus exceeding USD 1.19 trillion in 2025 (World Bank, 2026; ITC, 2026). Thus, despite retaining some of its economic vulnerabilities, China is now indubitably economically better off than all the other developing Members, which has, in effect, made its decision to forego S&DT in the future negotiations practically feasible.

Within this broader policy context, this paper examines how China's agricultural domestic support has evolved under the WTO framework. It assesses the implications of emerging global subsidy reform proposals for its future policy space. Additionally, it analyses the impact of existing asymmetries and imbalances embedded in the AoA, as well as the consequences of the dispute settlement ruling against China. The study further evaluates the effects of the Cairns Group's proposed disciplines on China's policy space and their implications on broader, development-oriented agricultural reform.

The study is divided into five sections. Section 2 discusses the methodology for examining the different approaches proposed by WTO Members to discipline trade-distorting domestic support. Section 3 discusses the evolution of China's domestic support. Section 4 discusses debates on WTO domestic support reform and its implications for China. Section 5 concludes the paper.

2. Methodology

This paper adopts a legal-economic approach to examine how the ongoing WTO negotiations affect China's policy space for providing agricultural domestic support. It analyses the provisions related to domestic support and evaluates China's commitments and constraints under its WTO accession schedule. Drawing on WTO domestic support notifications, FAO and ILO data, and relevant proposals on disciplining domestic support at the WTO agricultural negotiations, the study projects China's policy space through 2040 under two contrasting scenarios.

The first reflects the position of China and other developing countries that seek to correct the existing asymmetries and imbalances under the AoA. In contrast, the other is based on the Cairns Group proposal for an overall cap on global trade-distorting domestic support (TDDS). A complementary legal analysis of WTO jurisprudence further assesses how the existing disciplines under the AoA, and their interpretation through the WTO dispute settlement process, have constrained China's flexibility in designing domestic support policies to pursue national imperatives of food security and rural development.

Under the AoA, domestic support measures are classified into four categories, or "Boxes", according to the degree of their trade-distorting effect: the Green Box, the Blue Box, the Amber Box, and the Development Box.

The Green Box covers measures deemed to have minimal or no trade-distorting effects, such as general services, public stockholding for food security purposes, domestic food aid, decoupled income support for producers and other direct payments. The Blue Box, while still trade-distorting, contains payments under production-limiting programmes. The Development Box, a key S&DT provision for developing countries, allows Members to provide investment subsidies to all farmers, input subsidies exclusively to low-income or resource-poor producers, and support to encourage diversification away from growing illicit narcotic crops. Support under each of these Boxes is not subject to financial limits under the AoA (Table 1).

Table 1: Classification of domestic support under the AoA

Box	Type of support	Comments
Green Box (Annex 2)	No or minimal trade-distorting support	No financial limit and is available to all Members
Blue Box (Article 6.5)	Direct payments under production-limiting programmes	

Development Box (Article 6.2)	• Investment subsidies • Input subsidies to low-income or resource-poor producers, • Support to diversify from illicit narcotic crops	No financial limit and is available only to developing Members including LDCs except China and Kazakhstan.
Amber Box (Article 6.3 & 6.4)	Product and non-product specific trade-distorting measures	All Members are subject to strict financial limits

Source: Authors' compilation based on the WTO Agreement on Agriculture.

The Amber Box encompasses the most trade-distorting forms of domestic support, including product-specific support (PSS), notably market price support (MPS), and non-product-specific support (NPSS), and is therefore subject to strict financial limits. Under Annex 3 of the AoA, MPS is calculated as the gap between the applied administered price (AAP) and the fixed external reference price (FERP), with the FERP derived from average export or import prices prevailing during the 1986–1988 base period, or, for acceding Members, from the base period specified in their accession commitments and schedules. The resulting price gap is then multiplied by the quantity (QEP) of the concerned product eligible for receiving the support. Mathematically, the formula appears as provided below.

$$MPS = [AAP - FERP] * QEP$$

The Amber Box is capped either by *de minimis* limits alone or by a combination of *de minimis* limits and Final Bound Aggregate Measurement of Support (FBTAMS) entitlements. A developed Member can provide up to 5 percent of the Value of Production (VoP) of a specific product as PSS and 5 percent of the total agriculture VoP as NPSS under the *de minimis* limit while developing Members generally have a *de minimis* limit of 10 percent of VoP. Notably, the FBTAMS entitlement is available only to Members whose Amber Box support exceeded *de* *minimis* levels in the base period, i.e., 1986-88 for original Members, or as specified in their accession protocols. This flexibility provides the entitled Members additional policy space to grant subsidies beyond the *de minimis* thresholds.

2.1 China's Schedule Of Commitments

Like other WTO Members, China may provide support under the Green Box and the Blue Box without an explicit financial ceiling. However, despite having a developing-country status, China agreed, as part of its WTO accession protocol, not to avail itself of the special flexibilities under Article 6.2 (Development Box), and thus its investment and input subsidies are accounted for as NPSS under the Amber Box. In addition, as a result of its accession negotiations, China's *de minimis* was set at 8.5 percent of the VoP, rather than the standard 10 percent applicable to most developing countries (Table 2) (WTO, 2001b). Notably, Kazakhstan, also an acceding Member, has a similar *de minimis* (WTO, 2015).

Table 2: Flexibility to provide domestic support under the AoA

Country	Status	AMS entitlement	*de minimis* limit %	Blue Box	Development Box	Green Box
China	Developing	0	8.5	unlimited	no flexibility	unlimited
India	Developing	0	10	unlimited	unlimited	unlimited
USA	Developed	USD 19 billion	5	unlimited	no flexibility	unlimited
EU	Developed	Euro 66 billion	5	unlimited	no flexibility	unlimited

Source: Based on Members' schedule of commitments and WTO domestic support notifications.

Since during the base period (1996-1998), China's base total AMS was zero and its PSS was negative, China was ineligible for any FBTAMS entitlement. Consequently, its ceiling for trade-distorting support was capped solely by its applicable *de minimis* limit (8.5%) (WTO, 2001b).

Table 3: Agriculture support by China in base period (1996-98) (USD Million)

Year	Green Box	Development Box	Blue Box	Amber Box		Total Support	Total support as a % of VoP
				PSS	NPSS		
1996	13499	Nil	Nil	-4209	3373	12662	5
1997	15833	Nil	Nil	2660	3143	16316	7
1998	25461	Nil	Nil	-2249	4121	27333	11

Source: China's WTO accession document (WT/ACC/CHN/38/Rev.3)

2.2 Negotiating Proposals to Discipline Agricultural Subsidies

Over the years, Members have tabled numerous proposals to reform and discipline agricultural domestic support at the WTO, which may be grouped broadly into two approaches. The first approach seeks to correct the structural asymmetries embedded in the AoA while strengthening S&DT for developing Members. The second advocates for a comprehensive reduction in trade-distorting support across all Members, framed as a route to greater fairness and sustainability in global agricultural trade (Sharma *et al*., 2023).

Many developing country Members contend that the AoA entrenches structural imbalance by granting most developed Members extensive flexibility to support their farm sectors through large FBTAMS entitlements. In this context, China and India have jointly proposed eliminating FBTAMS entitlements (WTO, 2017; WTO, 2018a) as a prerequisite for meaningful reform of domestic support. Their approach treats the removal of these historical asymmetries as the essential first step to curb trade distortions and restore equity in global agricultural subsidy rules by levelling the playing field.

By contrast, several Cairns Group Members favour a comprehensive discipline on trade-distorting domestic support built around a single financial cap. Their approach would set a global ceiling by aggregating each Member's TDDS, encompassing support under the Amber Box (FBTAMS and *de minimis*), the Blue Box, and Development Box measures. The framework then envisages reducing this global total by half over a defined period, with each Member undertaking reductions in proportion to its share of the global ceiling. Thereafter, Members would be required to keep all trade-distorting support, other than Green Box measures, within the resulting individual caps (WTO, 2024a).

As the TDDS entitlement for each Member is largely driven by its *de minimis* thresholds, which is defined as a percentage of a country's agricultural VoP, the Cairns Group argues that developed Members effectively enjoy a combined *de minimis* entitlement of 10 percent of VoP, consisting of aggregate product-specific *de minimis* limit (5 percent) and non-product specific *de minimis* limit (5 percent). In comparison, developing country and least developed country (LDC) Members have a combined entitlement of 20 percent, except for China and Kazakhstan, whose flexibility is capped at 17 percent (Sharma *et al*., 2023).

Mathematically,

TDDS= FBTAMS Entitlement + Product specific + Non-Product specific (1)

Non-product Specific= C% VA_T (2)

Where, C%= Applicable de minimis for each Member, VA_T = Total value of agriculture production in a relevant year, and lastly va_i = Total value of production for a specific product in a relevant year.

Product Specific=

$$(C\%\, va_1 + C\% va_2 + C\% va_3 + C\% va_4 + C\% va_5 + \ldots + C\% va_n)$$
$$= C\% \,(va_1 + va_2 + va_3 + va_4 + va_5 + \ldots + va_n)$$
$$= C\% \sum_{i=1}^{n} va_i$$

Assuming $VA_T = \sum_{i=1}^{n} va_i$,

Therefore, Product Specific= C%VA_T (3)

Substituting equations (2) and (3) into equation (1),

TDDS= FBTAMS Entitlement + C%VA_T+ C% VA_T

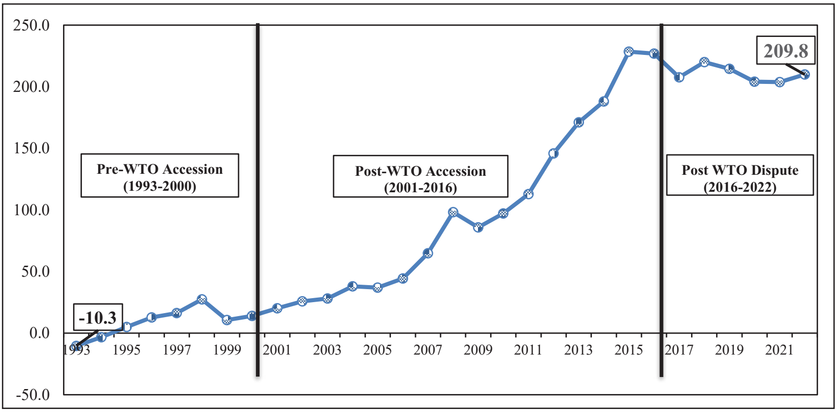
TDDS= FBTAMS Entitlement + 2C% VA_T (4)

As per equation 4, the TDDS entitlement of a Member is the sum of the FBTAMS entitlement and the monetary value of the combined *de minimis* limits in a given year. Based on this methodology, the TDDS limit for China is projected for 2040. Under the current AoA rules, however, support notified in the Blue Box and the Development Box is not subject to any financial cap. To address this gap, the Cairns Group proposes that either the actual expenditure under these Boxes or a fixed percentage of the VoP be used to establish a comprehensive global TDDS limit (WTO, 2024a). Using the compound annual growth rate (CAGR) of historical VoP data, this study estimates the potential loss of policy space for China under the proposed TDDS framework. The VoP data is sourced from the FAO. At the same time, relevant literature, WTO proposals, jurisprudence, and descriptive statistics are used to support the analytical framework.

3. Evolution of China's Domestic Support

This section traces the evolution of China's agricultural domestic support, both in response to its changing domestic sector-specific objectives and as a function of its deeper integration into the multilateral trading system. China was an original GATT contracting party, but its status was effectively suspended in 1950 following the establishment of the People's Republic. It applied to resume participation in 1986 and, after prolonged negotiations, acceded to the WTO on 11th December 2001 as its 143rd Member (WTO, 2001c). Since then, China has emerged as one of the largest providers of agricultural support under the WTO framework, with its notified support rising from negative USD 10 billion in 1993 (WTO, 2001a) to nearly USD 210 billion in 2022 (WTO, 2024b) (Figure 1). The evolution of China's domestic support and related policy choices is discussed in the following subsections: the pre-WTO accession period, the post-accession phase (2001-2015), and developments since 2015.

Figure 1: Trend in China's agricultural domestic support (1993-2022) (USD Billion)



Source: Authors' calculation based on (1) China's accession documents, schedule of commitments, and WTO domestic support notifications; (2) Exchange rate extracted from IMF.

3.1 The Pre-WTO Accession Period

Before it acceded to the WTO in 2001, China implemented a range of agricultural policy instruments, including price support and input subsidies. Between 1990 and 1995, the government introduced significant reforms to the agricultural procurement system. In 1990, the earlier "Contract Purchase System" was replaced by a "State Procurement System", under which the state directly procured a wide range of agricultural products, such as wheat, rice, corn, cotton, soybeans, rapeseed, and sugar crops, often at state-determined prices (Sharma, 2016a).

In 1993, China further supplemented this framework by introducing a "Protective Price Policy" aimed at supporting farm incomes. The policy established minimum prices for key commodities, calculated on the basis of production costs plus a reasonable profit margin. Under this arrangement, the "State Procurement System" secured supplies through purchases at fixed prices, while the "Protective Price Policy" functioned as a floor price to shield farmers when market prices fell. Together, these measures sought to cushion producers against market volatility and provide greater income stability. (Sharma, 2016a).

Interestingly, in the years leading up to accession, China's product-specific Amber Box support was negative, as the state-administered prices were generally lower than the FERP used under the MPS methodology. As discussed above in Section 2, China's policy space to provide support under the Amber Box was capped at 8.5 percent *de minimis* limit. In addition, as a condition of its WTO accession, China agreed not to use Article 6.2 of the AoA, which allows developing countries to exempt certain investment aids and input subsidies from reduction commitments. Consistent with this commitment, China had already begun phasing out Development Box-type measures from 1996 onward (Cheng, 2008) (Table 4).

Table 4: Composition of domestic support of China Pre-WTO Accession (USD Million)

Year	Green Box	Blue Box	S&DT	Amber Box	Total Domestic Support
1993	12780	0	433	-23527	-10315
1994	9765	0	313	-13453	-3375
1995	12080	0	216	-7298	4997
1996	13499	0	0	-837	12662
1997	15833	0	0	483	16316
1998	25461	0	0	1872	27333
1999	22263	0	0	-11570	10693
2000	25108	0	0	-11221	13887

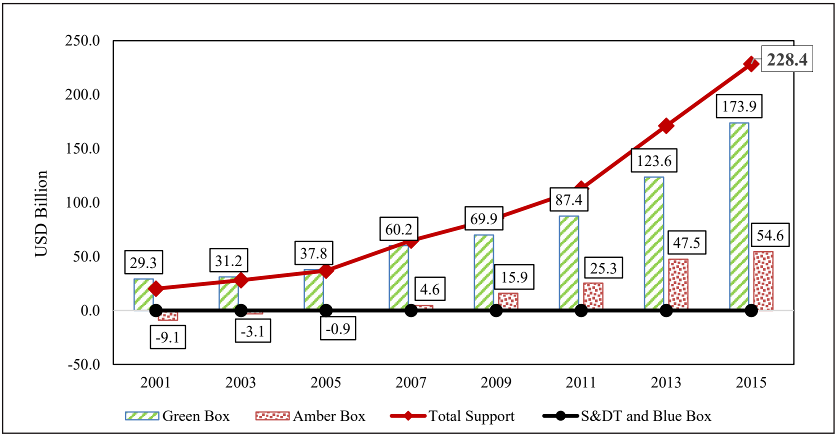
Source: Based on (1) China's accession document (WT/ACC/CHN/38/Rev.3), and the Schedule of Commitments; (2) Exchange rate extracted from the IMF.

3.2 The Post-WTOAccession Phase (2001-2015)

Since its WTO accession in 2001, China has dramatically expanded and restructured its domestic agricultural support system. Between 2001 and 2015, its total notified domestic support rose more than tenfold, from USD 20 billion (WTO, 2006) to USD 228 billion (WTO, 2018b), reflecting a significant policy shift aimed at bolstering the rural economy, ensuring food security, and stabilizing farm incomes.

In particular, China's product-specific Amber Box support shifted sharply during this period, moving from negative USD 9 billion in 2001 (WTO, 2006) to positive levels after the 2004 reforms. By 2015, it had risen steadily to USD 55 billion (WTO, 2018b), reflecting a major policy reorientation toward supporting farmers through market price support (MPS) mechanisms.

Figure 2: Composition of domestic support of China (2001-2015) -USD Billion



Source: Based on (1) China's domestic support notifications; (2) Exchange rate extracted from the IMF

In 2004, China introduced the "Minimum Purchase Price" (MPP) policy, initially for wheat, and later extended to rice in 2006. This policy was designed to stabilise farm incomes and strengthen national grain security, replacing the older "protective pricing system", which had a broader framework but less consistent implementation (Gale, 2013). Under the MPP system, the **National Development and Reform Commission (NDRC)** set minimum purchase prices that would be announced before the sowing season, enabling farmers to make more informed planting decisions. When market prices fell below the announced thresholds, state-owned enterprises such as Sinograin were required to procure the grains at the set minimum price. Between 2004 and 2014, China intensified the MPP programme by gradually raising the floor prices for both rice and wheat, thereby enhancing its effectiveness in guaranteeing returns to farmers (OECD, 2016).

In parallel, China also introduced a "Temporary Reserve" (TR) programme covering a broader range of commodities, including corn, soybeans, cotton, rapeseed, and sugar. This mechanism aimed to manage surplus production and shield domestic markets from international price volatility. Purchases under the scheme were made at fixed state-administered prices, which in some cases varied across provinces, and their implementation differed across years, reflecting regional priorities and market conditions (Kimura *et al.*, 2019). In 2013, the TR programme for sugar was discontinued, and in 2014, the TR for cotton was replaced by a "Target Price Subsidy" (TPS) scheme. Under this price-deficiency type mechanism, cotton farmers were compensated for the difference between a government-set target price and the prevailing market price, marking a shift from direct government procurement to income-based support. A similar TPS scheme was also introduced for soybean producers in 2015 (Gale, 2015).

By 2015, China's MPS system had undergone substantial restructuring. The MPP mechanism was retained only for rice and wheat, while crops such as cotton and soybeans moved to TPS schemes that sought to reduce the fiscal burden of stockpiling while still continuing to protect farmers during low-price periods (OECD, 2016). Throughout this phase (2001-2015), Green Box support remained China's dominant support category, rising from USD 29 billion in 2001 (WTO, 2006) to USD 174 billion in 2015 (WTO, 2018b), while no Blue Box measures were reported to the WTO. (Figure 2).

3.3 Post-2015: WTO Dispute and the Recalibration of China's Domestic Support

Following 2015, China's agricultural domestic support policies came under heightened international scrutiny, triggering a period of significant adjustment and recalibration. Intensified monitoring in the WTO Committee on Agriculture (CoA), along with sustained concerns from major trading partners, prompted a closer examination of China's compliance with its commitments under the AoA. These pressures culminated in formal dispute settlement proceedings in *DS511: China – Domestic Support for Agricultural Producers* (WTO, 2019a), in which the USA challenged China's compliance with the AoA limits on domestic support.

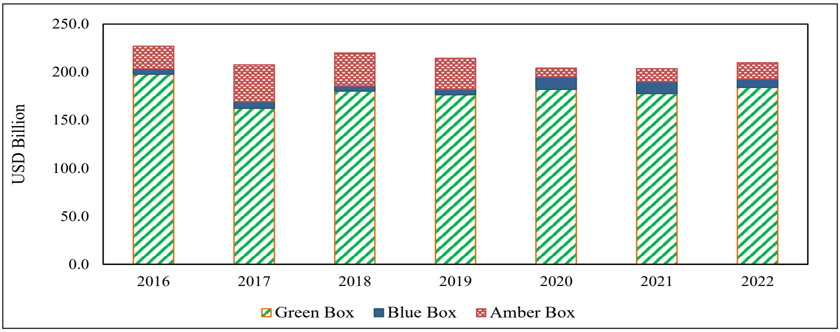
At the request of the USA, the WTO Dispute Settlement Body (DSB) established a panel on 25 January 2017. The core of the dispute concerned the allegation that China's support to producers of wheat, Indica rice, Japonica rice and corn, provided through MPS programmes, exceeded China's product-specific *de minimis* level of 8.5% of the VoP. The panel ultimately declined to rule on corn, as the relevant measures had expired prior to the initiation of the dispute but proceeded to consider the claims relating to wheat and the two rice varieties (WTO, 2019a).

A central legal issue in the dispute was the interpretation of Annex 3 of the AoA, as discussed in the previous section, which sets out the methodology for calculating MPS. Building on earlier jurisprudence, including the Appellate Body report in *DS161: Korea – Various measures on Beef* (WTO, 2000), the panel interpreted QEP as the amount of production that qualifies for purchase from producers at the AAP, rather than the quantity actually procured by the government. Applying this reasoning, the panel found that under China's wheat and rice minimum price programmes, state-owned enterprises were obliged to purchase all qualifying grain offered at the announced minimum procurement price in specified provinces. Since China had not set any pre-determined procurement ceiling in the legal instruments governing these programmes, the panel treated essentially the full provincial production of wheat, Indica rice and Japonica rice as QEP for the purposes of the Annex 3 calculation, rather than the smaller volumes China had notified on the basis of actual procurement (WTO, 2019a). This approach generated significantly higher product-specific AMS values than those reported by China and, for each of the years 2012 to 2015, thus leading the Panel to determine that the MPS for these three products exceeded the 8.5% *de minimis* level (Orden & Brink, 2018). Since China does not have the FBTAMS entitlement, such a breach of the *de minimis* ceiling effectively meant that China had acted inconsistently with its domestic support commitments under the AoA. (Brink *et al*., 2019).

To comply with the ruling, China introduced new rules reforming its MPS framework for wheat and rice, effective from 2020. Under the revised arrangements, the authorities announced in advance a maximum procurement quantity each year before the planting season, and only production within that ceiling is eligible for purchase at the minimum price. The rules also require that procurement progress be strictly monitored, regularly published, and that actual purchases do not exceed the fixed annual cap. (Deuss & Adenauer, 2020). According to China, these changes are intended to ensure that support to wheat, Indica rice, and Japonica rice remains within the *de minimis* limit (WTO, 2020c). From a legal perspective, the introduction of explicit *ex-ante* procurement caps is an attempt to align programme design with the Annex 3 (WTO, 1994) jurisprudence by clearly defining and limiting “eligible production” for the purposes of MPS calculations.

Although views differ on whether China has fully complied with the DS511 panel report (WTO, 2019a) it is evident that, after 2015, the composition of its domestic support changed in important ways. In addition to modifying its MPS schemes, China undertook a major reconfiguration of the Box structure of its domestic support (Figure 3).

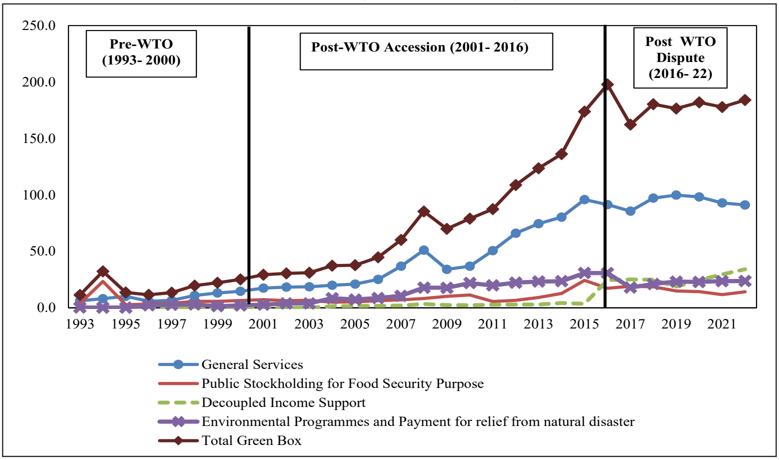
Figure 3: Composition of domestic support of China after 2015 (USD Billion)



Source: Authors' calculation based on (1) WTO domestic support notifications; (2) Exchange rate extracted from IMF

From 2016 to 2022, total domestic support declined and became even more Green Box dominated, with Amber Box support falling sharply after 2019. The post-accession surge in Green Box spending was driven primarily by rising general services and, from around 2016, by a growing role for decoupled income support (Figure 4).

Figure 4: Trend in Component of Green Box Support provided by China (USD Billion)

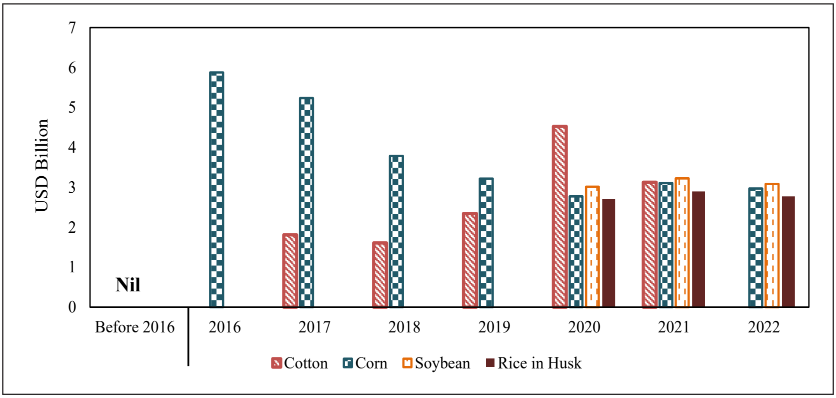


Source: Authors' calculation based on (1) China's accession documents, schedule of commitments, and WTO domestic support notifications; (2) Exchange rate extracted from IMF

A central feature of this reconfiguration was China's shift, from 2016 onwards, to notifying certain programmes as Blue Box support, first for corn and later for cotton and other crops. (WTO, 2018c). Figure 5 reflects this evolution. From 2020, soybeans and rice in husk were also added. (WTO, 2022a).

As noted earlier, the Blue Box permits, subject to the conditions in Article 6.5, production-limiting support linked to fixed areas or yields, without an explicit monetary ceiling. Until then, the Blue Box had been used largely by developed Members such as the European Union (EU), Norway and Japan. China, therefore, became the first developing Member to make systematic use of this category, signaling an important shift in how developing Members may engage with the AoA's domestic support architecture. By recalibrating some measures away from the Amber Box and into the Blue Box, China appears to have sought to preserve some policy space while managing its *de minimis* constraints (Sharma *et al.*, 2020).

Figure 5: Composition of Blue Box Support provided by China



Source: Based on (1) WTO domestic support notifications; (2) Exchange rate extracted from the IMF

These developments reflect a deliberate strategy to rebalance support in a manner more consistent with its WTO commitments. Overall, China's domestic support structure has evolved into a more diversified combination of Green Box, Blue Box, and Amber Box measures, with the Blue Box emerging as a key instrument of domestic policy reform.

4. WTO Domestic Support Reform: Implications for China

It is evident that post the 2016 WTO Dispute (DS511), China now provides agricultural support across the Amber, Blue, and Green Boxes. Given the tight constraints it faces under the Amber Box, China has increasingly shifted its support towards the Blue Box and Green Box, both of which are exempt from financial caps. This structural reorientation has important implications for China's stance in the ongoing domestic support negotiations, particularly regarding whether it would be willing or able to accept any meaningful reduction in its policy space.

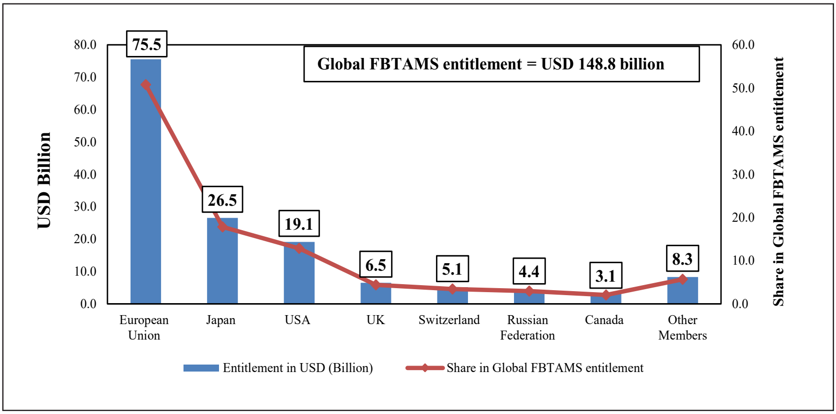
For a long time, WTO Members have struggled to agree on stricter disciplines for agricultural subsidies. Over the years, multiple approaches have emerged, offering different definitions of trade-distorting support and proposing varying methods to curb or restructure global agricultural subsidies. However, negotiations remain fraught with divergences, and Members have yet to reach any definitive modalities for disciplining domestic support.

Two broad approaches have emerged. The first is a sequential approach, championed by most developing countries, including China, the African Group, G33, and India, which calls for eliminating existing asymmetries in the AoA, particularly the disproportionately large policy space that developed Members enjoy for high product-specific support (WTO, 2017; WTO 2018a; WTO 2023a). The second is a comprehensive approach, advocated by the majority of the Cairns Group and its allies, which proposes disciplining all forms of support under the Amber Box, Blue Box, and Development Box together to achieve a more substantial and wide-ranging reform outcome (WTO, 2021a; WTO, 2021b; WTO, 2023c; WTO, 2024a). China's position and the implications of these two approaches are discussed below.

4.1 Sequential Approach: Eliminating Historical Inequities

Advocates of the sequential approach argue that the historical asymmetries embedded in the AoA, which are disproportionately advantageous to developed country Members, must be corrected as a prerequisite to any further reform of domestic support. In their view, the first step must be the elimination of FBTAMS entitlements to create a level playing field. (Sharma *et al.,* 2023).

Figure 6: Members with FBTAMS entitlement (2025)



Source: Authors' calculation based on (1) WTO domestic support Notifications; (2) Exchange rate extracted from IMF.

As mentioned above, China, like most developing countries, did not exceed its de minimis limits during the relevant base period, and consequently does not have the additional flexibility of FBTAMS entitlement. In fact, as of 2025, the global FBTAMS entitlements amounted to roughly USD 148.8 billion, where approximately 95 percent was held by developed Members and more than 80 percent of the global FBTAMS entitlements was concentrated in just three Members: the EU, Japan, and the USA (Figure 6). The impact of these entitlements is illustrated by the fact that, for many years, the EU and the USA have notified very high levels of product specific support, at times even exceeding 100 percent of the product specific VoP, resulting in massive trade distortions in agricultural commodity markets (Oxfam, 2002).

Therefore, under the sequential approach, eliminating the historically asymmetric FBTAMS entitlements is the essential precondition to ensure that all Members, developed and developing, are ultimately subject to comparable limits of support. Proponents argue that broader and further disciplines on domestic support can only be credibly negotiated once this fundamental imbalance is addressed.

Developing country Members, including China, India, the G33, and the African Group, have articulated this position in several proposals over the years (WTO, 2017; WTO, 2018a; WTO, 2023a; WTO, 2023b). Some of these proposals also argue that the disciplines on domestic support should be assessed using a per-farmer or per-capita lens, noting that FBTAMS entitlements and small farm populations allow several developed Members to provide extremely high subsidies per farmer, while developing Members with large farm populations have very limited per-farmer policy space.

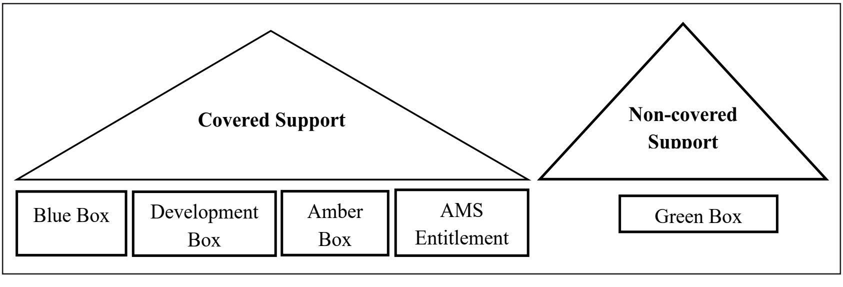
Under this proposed approach to disciplining subsidies, there will be no impact on the existing policy space available to developing countries, including China, to implement domestic support measures compatible with their socio-economic conditions.

4.2 The Comprehensive Approach: Capping Total Trade-Distorting Support

In contrast, the EU, the USA, and certain Members of the Cairns Group support a comprehensive approach that would curb not only FBTAMS entitlements but also the policy space available under *de minimis* limits, the Development Box, and the Blue Box, to achieve substantial domestic support reform.

Under this approach, several Cairns Group Members, particularly Australia, New Zealand, Canada, Paraguay, and Costa Rica, have proposed a proportionate methodology for disciplining agricultural domestic support in WTO negotiations in recent years. These Members proposed the following steps. First, a global base TDDS, defined as the total policy space available to all WTO Members for providing trade-distorting domestic support, should be quantified for a chosen base year. This calculation would include the FBTAMS entitlements, product- and non-product-specific *de minimis* limits, and either actual support levels or a percentage of agricultural production used to approximate potential support under the Blue Box and Development Box. Second, the aggregate global entitlement should then be reduced by half by 2034. Third, to achieve this target, all WTO Members except Least Developed Countries (LDCs) would reduce their individual TDDS entitlements in proportion to their current share in the global base TDDS. Fourth, the resulting reduced TDDS entitlement, expressed in monetary terms, would now serve as each Member's individual ceiling for providing future support under the Amber Box, Blue Box, and Development Box (WTO, 2024a). This way, by tightening policy space for providing trade-distorting support, the approach effectively incentivizes Members to shift more of their subsidies toward the Green Box.

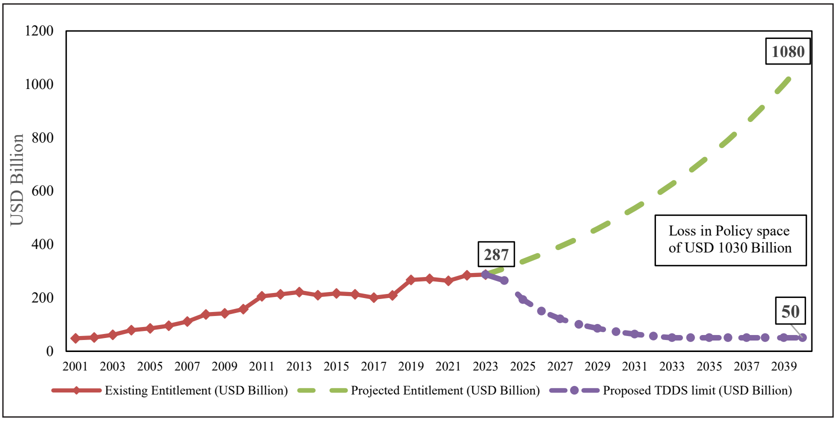
Figure 7: Boxes covered under the proportionate methodology by Cairns Group



According to the latest proposal (WTO, 2024a) tabled by the Cairns Group, China has the highest share in the global TDDS, amounting to USD 264.85 billion in 2024, followed by the EU and India. Applying the cuts specified under the proposal, China's final entitlement to provide all forms of trade-distorting domestic support would be fixed at USD 50.49 billion in 2034.

Using the Cairns Group methodology for calculating TDDS, China's policy space, under a business-as-usual scenario, based on its 17% combined *de minimis* limit and the value of its agricultural production, would rise to approximately USD 1080.15 billion by 2040. However, under the proposed limits, China's entitlement would be capped at only USD 50.49 billion. This amounts to a reduction of more than 95%, or a loss of over USD 1030 billion in future policy space (Figure 8). In practical terms, China would have to limit all its Amber Box and Blue Box support to within USD 50 billion to remain within the TDDS ceiling proposed by the Cairns Group.

Figure 8: Loss in Policy Space of China based on proposed TDDS limit



Source: Authors' calculation based on FAOSTAT VoP data and JOB/AG/243/Rev.2 for trade-distorting domestic support ceiling.

A key question, therefore, is whether China could realistically absorb such a steep reduction in its policy space. Before addressing this, it is important to note that the Cairns Group approach overlooks a fundamental difference between FBTAMS and combined *de minimis* limits. Although China's combined *de minimis* limit equals 17% of its agricultural production value, it cannot provide more than 8.5% as product-specific support. China's product-specific support structure clearly illustrates this constraint. By contrast, Members with AMS entitlements such as the USA, Japan, and the EU face no such restriction. They can provide very high levels of product-specific Amber Box support not only beyond their 5% *de minimis* limits, but can also concentrate this support on a few commodities, significantly distorting global markets. This structural difference has been entirely overlooked in the Cairns Group methodology.

Going back to the central question, it is important to analyze China's present agricultural support policies in light of the proposed reductions. Notably, China has been implementing MPS for wheat and rice. In the MPS calculation, the ERP is fixed using average import or export prices from the base period, in China's case, 1996-1998, as an acceding Member. Developing countries, including China, have long argued that comparing today's prices with outdated historical ERP yields artificially inflated, unrealistic estimates of product-specific support. Because of this methodology, it becomes extremely difficult for developing Members to provide meaningful price support to their small and vulnerable farmers. The Cairns Group proposal overlooks this long-standing concern, reinforcing a methodology that systematically disadvantages developing Members.

Additionally, the proportional reductions approach raises serious concerns because it fails to account for the divergent socio-economic realities underpinning agricultural production across WTO Members.

In essence, given China's existing constraints, tight Amber Box limits, increasing reliance on the Blue Box, and the technical challenges inherent in the MPS methodology, absorbing such steep cuts in policy space as proposed by the Cairns Group would be extremely strenuous. Although China has recently signaled a willingness to reconsider its stance on S&DT in future negotiations, this cannot be read as an indication that it would be willing to, or can afford to, dilute its existing domestic support flexibilities to the extent of accepting a 95 percent reduction in its policy space (Berger & Brandi, 2025).

It may be noted that China has been reporting a steady increase in its farmers' per capita disposable income of around 6.5 percent per year (Xinhua, 2025a) and has made significant strides in reducing rural poverty, outcomes that have been closely intertwined with the scale and structure of its domestic support regime (Zhang *et al*., 2024). While this does not make China a benchmark for other developing Members, it does underscore the centrality of policy space for agricultural support in addressing structural rural challenges. Given these vital developments and China's longstanding position in agricultural negotiations, it is highly unlikely that China would accept the Cairns Group methodology. This, in turn, raises even more serious questions about the feasibility of such an approach for other developing Members.

5. Conclusion

Over the last three decades, China's domestic support regime has undergone a profound transformation, driven by shifting development priorities, WTO obligations, coupled with mounting pressure from ongoing agricultural trade negotiations.

China has shifted from a system of state-administered prices and negative Amber Box support to become one of the world's largest agricultural subsidy providers. Its agricultural support framework now relies heavily on Green Box programs, MPS, and Blue Box measures designed to stabilise farm incomes, ensure food security, and support rural communities. This transformation reflects both domestic policy choices and external pressure, including the WTO dispute panel's verdict on China's agricultural subsidies and increased scrutiny from the CoA. This has pushed China to restructure its farm support while managing the constraints of its multilateral trade commitments.

The analysis of China's negotiating stance reveals a persistent tension between its developmental imperatives and the divergent reform pathways currently under discussion at the WTO negotiations. The sequential approach advanced by China and most developing Members seeks to correct long-standing asymmetries in the form of

FBTAMS entitlements, which enable select Members to provide massive product-specific support, thereby distorting global trade. By contrast, the comprehensive approach advanced by the Cairns Group and its allies proposes a global cap on TDDS without considering the existing imbalances and socio-economic disparities. Based on current projections, it is estimated that this methodology would drastically shrink China's prospective policy space from an estimated USD 1.08 trillion in 2040 to about USD 50.49 billion, a reduction of more than 95 percent. Moreover, the approach fails to account for its 8.5 percent product-specific ceiling and the distortions created by outdated External Reference Prices in the calculation of MPS, thereby reinforcing inequities that have been central to China's negotiating concerns. Notably, the Cairns Group approach would also entail substantial losses of policy space for other developing Members, such as India, Indonesia, and Nigeria, particularly relative to their developed counterparts.

If accepted, disciplines based on the Cairns Group methodology would impose unprecedented constraints on China's ability to provide Amber Box and Blue Box support at a time when its agricultural sector continues to face deep structural challenges. These challenges include a large smallholder base, climate-related risks and vulnerabilities, rising production costs, and persistent regional disparities. Given these challenges, it appears unlikely that China could accept or realistically absorb the proposed policy space reduction, which is incompatible with its developmental priorities.

Looking ahead, although China has recently indicated that it will not seek new Special and Differential Treatment (S&DT) in future WTO negotiations, it remains unlikely that this position will translate into a substantive relinquishment of S&DT in agriculture. China already operates under significantly tighter agricultural disciplines, including the absence of Article 6.2 flexibilities, a reduced *de minimis* ceiling, and zero FBTAMS entitlement. In this context, further dilution of agricultural policy space would disproportionately constrain China relative to developed Members that retain extensive historical entitlements. Similar declarations by Members such as Brazil (WTO, 2022b) and Republic of

Korea (Chung & Roh, 2019) have not resulted in meaningful convergence toward developed-country agricultural disciplines. China's statement should therefore be understood primarily as a political signal rather than a commitment to accept materially stricter obligations in agriculture, where food security and rural stability remain core national priorities.

The challenge for the WTO lies in shaping an agricultural subsidy framework that is fair, equitable, forward-looking, and capable of supporting both global food security and the transition toward climate-resilient agriculture. In this context, China's domestic policy choices and its engagement in the negotiations will remain influential, given the scale of its agricultural sector and its integration into global markets. However, China's recent announcement regarding the non-pursuit of new S&DT should not be interpreted as diminishing the continued relevance or necessity of S&DT for other developing Members. For the majority of developing countries, particularly those with large smallholder populations, and high vulnerability to climate shocks, S&DT remains a foundational element of agricultural policy space. Preserving and strengthening these flexibilities is therefore essential to ensuring that future multilateral disciplines on agricultural domestic support remain development-oriented, inclusive, and responsive to diverse national realities.

Endnotes

1 The Paris Agreement is a legally binding treaty under the United Nations Framework Convention on Climate Change (UNFCCC) (2015). It sets a collective temperature goal of holding global warming to well below 2°C through the long-term objective of achieving a balance between greenhouse gas emissions and removals by 2050. While it does not impose sector-specific emission caps and operates through Nationally Determined Contributions, agriculture is structurally central to meeting these objectives because of its scale, mitigation potential, and role in adaptation and food security.

2 According to the United Nations' World Population Prospects 2024 revision, China's population in 2023 was approximately 1.42 billion.

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About the Authors

Professor Sachin Kumar Sharma is the Director General at the RIS. He has provided evidence-based policy inputs to the Government of India as a trade negotiator on issues including agriculture, subsidies, food security, sustainability, and broader trade and development concerns at the WTO and other multilateral forums. Email: sksharma@ris.org.in, dg@ris.org.in

Kamna Chaudhary is Associate (Legal) at the Centre for WTO Studies, Indian Institute of Foreign Trade (IIFT). She holds a B.A. LL.B. (Hons.) from Dr. Ram Manohar Lohiya National Law University (RMLNLU), Lucknow, and an LL.M. from the National Law Institute University (NLIU), Bhopal. Her work focuses on International Trade law, with particular emphasis on Agriculture and WTO issues. Email: kamna_cws@iift.edu

Dr. Talha Akbar Kamal is a Consultant (Economics) at the Centre for WTO Studies, Indian Institute of Foreign Trade (IIFT). He did his PhD from Aligarh Muslim University. He is working on International Trade issues pertaining to agriculture and WTO. Email: talha_cws@iift.eduon Agriculture and WTO issues. Email: talha_cws@iift.edu

Alisha Goswami is a Consultant (Economics) at the RIS, currently working on issues related to International Trade and Agriculture Issues at the WTO. Her areas of interest are International Economics, Macroeconomics, and Quantitative Analysis. Email: alisha.goswami@ris.org.in

Teesta Lahiri graduated from National Law University Odisha in 2019, and consequently worked as a Researcher at the Centre for WTO Studies (IIFT). She is presently a doctoral scholar at the Sant'Anna School of Advanced Studies, Pisa, focusing on Agri-food Trade law. Email: teestalahiri020@gmail.com

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BEF
BLUE ECONOMY FORUM

BEF aims to serve as a dedicated platform for fostering dialogue on promoting the concept in the Indian Ocean and other regions. The forum focuses on conducting studies on the potential, prospects and challenges of blue economy; providing regular inputs to practitioners in the government and the private sectors; and promoting advocacy for its smooth adoption in national economic policies.

FIDC
FORUM FOR INDIAN DEVELOPMENT COOPERATION
भारतीय विकास सहयोग मंच

FIDC, has been engaged in exploring nuances of India's development cooperation programme, keeping in view the wider perspective of South-South Cooperation in the backdrop of international development cooperation scenario. It is a tripartite initiative of the Development Partnership Administration (DPA) of the Ministry of External Affairs, Government of India, academia and civil society organisations.

FISD
Forum for Indian Science Diplomacy

FISD aims to harness the full potential and synergy between science and technology, diplomacy, foreign policy and development cooperation in order to meet India's development and security needs. It is also engaged in strengthening India's engagement with the international system and on key global issues involving science and technology.

SACEP

As part of its work programme, RIS has been deeply involved in strengthening economic integration in the South Asia region. In this context, the role of the South Asia Centre for Policy Studies (SACEPS) is very important. SACEPS is a network organisation engaged in addressing regional issues of common concerns in South Asia.

NeST
Network of Southern Think-Tanks

Knowledge generated endogenously among the Southern partners can help in consolidation of stronger common issues at different global policy fora. The purpose of NeST is to provide a global platform for Southern Think-Tanks for collaboratively generating, systematising, consolidating and sharing knowledge on SSC approaches for international development.

DST SPR
Department of Science and Technology
Satellite Centre for Policy Research at RIS
STI Diplomacy

DST-Satellite Centre for Policy Research on STI Diplomacy at RIS aims to advance policy research at the intersection of science, technology, innovation (STI) and diplomacy, in alignment with India's developmental priorities and foreign policy objectives.

RIS **A Think-Tank of Developing Countries**

Research and Information System for Developing Countries (RIS) is a New Delhi-based autonomous policy research institute that specialises in issues related to international economic development, trade, investment and technology. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on global and regional economic issues.

The focus of the work programme of RIS is to promote South-South Cooperation and collaborate with developing countries in multilateral negotiations in various forums. RIS is engaged across inter-governmental processes of several regional economic cooperation initiatives. Through its intensive network of think tanks, RIS seeks to strengthen policy coherence on international economic issues and the development partnership canvas.

For more information about RIS and its work programme, please visit its website: www.ris.org.in

Research shaping the development agenda

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Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003 India., Tel. 91-11-24682177-80
Fax: 91-11-24682173-74, Email: dgoffice@ris.org.in
Website: http://www.ris.org.in

/risindia @RIS_NewDelhi /RISNewDelhi