

ROLE OF W.T.O. IN INDIAN AGRICULTURE

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Introduction

World Trade Organization is an international trade organization having set of rules and principles, mutually designed and agreed upon to promote international trade and reduction of tariff barriers and removal of import restrictions in particular. In eighth round of General Agreement on Tariffs and Trade (GATT), popularly known as Uruguay Round, member nations of GATT. W.T.O was formed on first January, 1995. It took over GATT. Actually, W.T.O. is a new globally recognized trade organization with the new name succeeding GATT on renewed agreements and having a new vision and strong enforcement power to promote international trade. The W.T.O. provides opportunities for countries to grow and realize their export potentials, with appropriate domestic policies in place. The provisions of W.T.O. offered ample opportunities to India to expand its export market. Contrary to this, the price situation changed dramatically after 1996, which was the first year after implementation of Uruguay Round Agreement and formation of W.T.O. International price of agricultural commodities have since then plummeted, because of which domestic price turned higher than international price, which made India an attractive market for import of most agricultural commodities. This situation resulted in a wide spread decline in agricultural export and had also pressure on domestic prices. The impact of W.T.O. on agriculture was severely felt by India as cheap imports have frequently hit the Indian market, causing shock waves among the agriculture producers. The changes in agricultural exports reveal that during pre W.T.O. period the increase was significantly remarkable while in the post W.T.O. period India has achieved small increase in agricultural exports, whereas it resulted in sharp and continuous increase in imports. This has adversely affected self reliance in agriculture. The foremost reason for this adverse effect is unprecedented decline in international prices, which in turn, was caused by attempts by almost all the countries to push exports and continuation of high level of domestic support and export subsidies by OECD countries.

Long Term Objective

To establish a fair and market oriented system by substantial progressive reductions in agricultural support and protection,

Research Methodology

A research design is the arrangement of condition for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure. In the present study, descriptive research design has been adopted.

Collection of Data

Data is collected through the secondary sources for the present research work. It includes journals, books, research papers, articles, websites, etc.

WTO Agreement on Agriculture

For the first time, agriculture was brought under the world trading system in the Uruguay Round of negotiations, which concluded in Marrakesh in April 1994. The Agreement on Agriculture (AoA) was one of the many agreements that were negotiated during the Uruguay Round. Most assessments of the agreement hail it as a historic shift in the way it establishes new multilateral rules governing market access, domestic support and export subsidies for agriculture. In terms of future trade liberalization, its most important provisions may be those requiring the elimination of Quantitative Trade Restrictions and their conversion to sound tariffs. These sound tariffs, even though extremely high, can provide a starting point for future negotiations of tariff reduction. The AoA has **three** basic clauses:

- A. Market Access** commitment requires conversion of all non-tariff barriers into equivalent tariff barriers. Ordinary tariffs including those resulting from tariffication of non-tariff barriers are to be reduced by an average of 36% with minimum rate of reduction of 15% for each tariff item over a 6-year period. Developing countries are required to reduce tariffs by 24% in 10 years. Developing countries that were maintaining Quantitative Restrictions due to Balance of Payments problems were allowed to offer ceiling bindings instead of tariffication. It was also stipulated that minimum access equal to 3% of domestic consumption in 1986-88 should be established by the year 1995 rising to 5% at the end of the implementation period.
- B. Domestic Support** to agriculture was also to be reduced considerably in countries where the aggregate measure of support exceeded the level

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specified in the member schedule. The limit for developed and developing countries was fixed at 5% and 10% of the total value of agricultural output respectively. There are three categories of support measures that are not subject to reduction under the agreement, they are:

- i. **Green Box Measures:** Policies that have minimum impact on the patterns of production and flow of trade.
 - ii. **Blue Box Measures:** These measures include direct payment to the farmers for production limiting programme and are relevant only from the point of view of the developed countries.
 - iii. **Amber Box Measures:** These are the most important measures from the point of view of producers in developing countries. The AoA demands commitment to reduce support to be achieved by first quantifying, and then progressively reducing domestic support, i.e. the Aggregate Measure of Support (AMS).
- C. **Export Subsidies** are also to be reduced. The Agreement contains provisions regarding members' commitment to reduce export subsidies. Developed countries are required to reduce their export subsidy expenditure by 36 per cent and volume by 21 per cent in six years, in equal installments from 1986-1990 levels. For developing countries the corresponding cuts are 24 per cent and 14 per cent in equal annual installments spread over ten years. The least developed countries are not subject to any reduction commitments.

Implications of Aoa for Indian Agriculture

The repercussions of the WTO Agreement and the removal of Quantitative Restrictions on imports are quite alarming. The fall in the prices of agricultural goods and dumping of cheap agriculture commodities from other countries is causing harm to the welfare of Indian farmers. Developed countries have imposed heavy tariffs to minimize imports, whereas in India tariffs are low. Due to this, various commodities are being dumped in India. The US is dumping five primary farm commodities in global markets in clear violation of WTO Agriculture rules. It is exporting corn, soybean, wheat, rice and cotton at prices far below their production cost in an effort to wipe out global competition. The continuation of high domestic support to agriculture in developed countries is a cause of concern as they encourage overproduction in these countries leading to low levels of international prices of agricultural products.

At the same time the rich industrialized countries continue to subsidize farmers by giving them direct payments which are exempt from any reductions requirement and which essentially are cash handouts contingent on making adjustments in production. These payments are neither affordable nor helpful in a developing country. The result is that the industrialized countries continue to dominate world trade in agriculture while preventing India and other developing countries from achieving self-sufficiency in food production. The AoA's requirement to reduce domestic support will prevent the Indian government from providing the necessary support to farmers to compensate for shortage or overabundance caused by climatic fluctuations in market prices or any other factors. In fact subsidies are essential for Indian agriculture as 65 per cent of people are directly or indirectly dependent upon agriculture. It is no longer the question of mere economics because the social and political implications of developments in agriculture cannot be ignored. The domestic support provision also affects India's food security. The Agreement exempts governmental expenditures relating to public stockholding for food security purposes from reduction requirement if the operation of such a programme is transparent and follows officially published objective criteria. This automatically subjects these programmes to external scrutiny. A developing country may acquire and release foodstuffs at administered prices; however, the difference between the international market price and the administered price will be included in the calculation of AMS.

Therefore, the public stockholding system will be subject to reduction requirements if the AMS exceeds the de minimis level. The export commitment requirements, in turn, prevent India from providing subsidies to industry that are necessary for it to expand its share of world export markets. This limitation will also adversely affect the future of Indian agriculture. The reduction in custom duties and non-tariff barriers as well as guaranteed minimum market share for imports will force Indian farmers to compete against large Transnational Corporations which have excessive financial power resulting from their oligopolistic control over world food markets. Indian farmers cannot compete on equal terms against the enormous financial and technological clout of the transnational giants of the rich countries, particularly when custom duties and other import barriers are reduced, and these companies are guaranteed a share of Indian market. To conclude, it is feared that the Agreement is not favorable to India due to the following reasons:

- 1) The country will be compelled to import at least 3% of the domestic demand for agricultural products.
- 2) The government will be forced to reduce subsidies to farmers.
- 3) The Public Distribution System and Public Procurement System will have to be abandoned.

Conclusion

Under the existing circumstances, the liberalization of world trade in agriculture will benefit developed countries more than developing countries. Given the conditions of high tariffs in the developed world and low or nil tariffs in developing countries, the removal of Quantitative Restrictions on agricultural commodities will tilt the balance of global trade in favour of the developed nations with detrimental effects on the producers in Third World countries. India must be alert to the implications of the WTO and its policies, and decide its own national priorities while taking policy decisions in the future. It is our duty not only to protect our national interest but also to promote it so as to take advantage of the situation. The situation is inescapable but there is scope to manipulate it in the national interest. India will be able to expand its exports of agricultural products in which it has tremendous comparative advantage. The provisions of W.T.O offered ample opportunities to India to expand its export market. Contrary to this, the price situation changed dramatically after 1996, which was the first year after implementation of Uruguay Round Agreement and formation of W.T.O. International price of agricultural commodities have since then plummeted, because of which domestic price turned higher than international price, which made India an attractive market for import of most agricultural commodities. This situation resulted in a wide spread decline in agricultural export and had also pressure on domestic prices. The impact of W.T.O on agriculture was severely felt by India as cheap imports have frequently hit the Indian market, causing shock waves among the agriculture producers. The changes in agricultural exports reveal that during pre W.T.O period the increase was significantly remarkable than post W.T.O period and the rising export trend could not be sustained in the post W.T.O period whereas imports rose steadily. The agricultural products from India can be made competitive in international market and the prices of agricultural goods in the domestic market can be improved by taking serious steps of reform.

Suggestions

The farmers have felt the heat of WTO and the challenges posed by international competitors in the

last three years. Cases of suicides by farmers have been reported from many States. Apart from seeking better deals from WTO so as to support domestic measures adopted for poverty alleviation and rural employment, policy measures need to be taken to strengthen the agricultural sector to safeguard the interests of the farming community. Listed below are some suggestions to meet the challenges facing Indian agriculture

- a) There is a need to formulate a consistent policy for exports of agricultural products and processed products in which the country has a comparative advantage.
- b) Anti-dumping safeguard measures must be evoked in time to control imports of agricultural products, if so warrants.
- c) Agriculture Research and Extension should be revamped so as to meet the challenges.
- d) Crop rotation system should be promoted to increase the fertility of the soil and improve the cash flow of the farming community.
- e) More investment in latest technology and rural infrastructure especially in irrigation system so as to utilize fully the already available irrigation potential.
- f) Provide better incentives to farmers to increase the farm productivity and quality standards.
- g) Ensure adequate credit support and crop insurance to the farmers.
- h) To reduce the cost of production by cultivation of hybrids and adopting integrated pest management strategies.

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