

## IMPACT OF WTO ON INDIAN AGRICULTURE SECTOR

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### **Abstract**

*The problem identified in the existing agreement on patents, tariff, subsidies, trade and agriculture indicate that the developing countries are waking up to the need to ensure that India has to take the lead in ensuring that the WTO regime is used to maximum advantage to protect the interests of developing countries. World Trade Organization should provide the equality policies and resolution among the membership countries and not divide the developed countries' products, and developing countries' products in International market level. Better understanding and agreements have to be negotiated for better prosperity.*

*Indian agriculture has undergone significant changes and transformation during the last fifty years. The underlying factors for these changes were different in different periods. During the 1950s and 1960s institutional reforms like land reforms and development of irrigation and other infrastructures played a major role in output growth. Technological breakthrough has been the prime mover during 1970s, and spread of technological changes to wider areas and crops has been the main factor during 1980s.*

### **Introduction**

Indian agriculture has undergone significant changes and transformation during the last fifty years. The underlying factors for these changes were different in different periods. During the 1950s and 1960s institutional reforms like land reforms and development of irrigation and other infrastructures played a major role in output growth. Technological breakthrough has been the prime mover during 1970s, and spread of technological changes to wider areas and crops has been the main factor during 1980s.

There is lot of concern about the impact of trade and other reforms followed since 1991 on growth rate of agricultural output, food security, nutrition, regional equity, price stability, farm income, welfare of consumers and producers as affected by changes in prices brought about by reforms.

Agriculture will continue to remain at the center stage of socio-economic development in India. Notwithstanding its outstanding performance in making the country self-sufficient in food grains, deceleration of its performance beginning with mid-nineties is of serious national concern.

### Components of WTO

Globalization is Americanization. As an extension of globalization, WTO is formed. WTO is a joint venture of USA and European unions. The two components of WTO are

- Trade Related Investment Measures (TRIM)
- Trade Related Intellectual Property Rights (TRIP);

Of late, there has been a furore in Indian Politics as well as in industries about the future role of Multinational Companies in Indian economic development in the light of the Agreements on TRIMs embodied in the Final Act of Uruguay Round of multilateral trade negotiations. The effects and consequences of globalization are very much felt in recent years.

### Functions of WTO

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organization

### Principles of the Tradeing System

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. But a number of simple, fundamental principles run throughout all of these documents, these principles are the foundation of the multilateral trading system.

*These principles are;*

- Trade without discrimination
  - Freer trade: gradually, through negotiation
  - Predictability: through binding and transparency
  - Promoting fair competition
  - Encouraging development and economics reform
- The WTO is 'rules-based'; its rules are negotiated agreements*
- Overview: a navigational guide
  - Tariffs: more bindings and closer to zero
  - Agriculture: fairer markets for farmers
  - Standards and safety

- Textiles: back in the mainstream
- Services: rules for growth and investment
- Intellectual property: protection and enforcement
- Anti-dumping, subsidies, safeguards: contingencies, etc
- Non-tariff barriers: red tape, etc
- Plurilaterals: of minority interest
- Trade policy reviews: ensuring transparency

Dispute settlements are the central pillar of the multilateral trading system, and the WTO's unique contribution the stability of the global economy. Without a means of settling disputes, the rules-based system would be less effective because the rules could not be enforced. The WTO's procedure underscores the rule of law, and it makes the trading system more secure and predictable. The system is based on clearly-defined rules, with timetables for completing a case. First rulings are made by a panel and endorsed (or rejected) by the WTO's full membership. Appeals based on points of law are possible.

### **Salient Features of WTO**

#### **Agreement on Agriculture**

The WTO Agreement on Agriculture contains provisions in 3 broad areas of agriculture and trade policy; market access, domestic support and export subsidies.

#### **Market Access**

Developing countries as were maintaining quantitative restrictions due to balance of payment problems were allowed to offer ceiling bindings instead of ratification. Tariffs still remain very high, especially in the cases of cereals, sugar and dairy products. Sanitary and phytosanitary measures continue to be a major barrier in diversifying exports in horticulture and meat products.

#### **Domestic support**

For domestic support policies, subject to reduction commitments, these all factors measured by the total Aggregate Measurement of Support (AMS) should be reduced by developed countries. Reduction commitments refer to total levels of support and not to individual commodities. Policies which amount to domestic support both under the product specific and non-product specific categories at less than 5% of the value of production for developed countries and less than 10% for developing countries are also excluded from any reduction commitments.

**Exempted Green Box Subsidies**

## International Trade

- Assistance for Research
- Assistance for disease control and infrastructural development.
- Direct payment to waste management and environment protection.
- Assistance for “for security” such as food subsidy given under Public Distribution System (PDS) in India.

However, it is important to note that “food security” assistance or food aid is exempted from a member nation’s commitment for subsidy reduction only when it is based on clearly defined criteria related to “nutritional” objectives.

**Export Subsidies**

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of: Subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products.

**Benefits for India**

The World Trade Organization is an International Organization that supervises the rules by which sovereign independent nations trade with each other. The rules are framed through consensus by negotiations between member countries. Memberships of WTO impose certain obligations on all the countries but it also provides protection against unfair practices, particularly from the richer countries. In the absence of international rules of the game, the developing countries like India would be at the mercy of the rich developed countries. Being a member of WTO, India would secure many concessions, as China has recently made to the USA and to Europe so as to gain their approval for its membership. India need not fear that foreign investors will swamp the Indian economy and dominate it; this fear is misplaced and creates deleterious atmosphere not desirable to India at this stage.

**New Role of WTO**

There is no simple answer to these new agendas. Indeed, it is questionable if the WTO is a suitable forum to negotiate on them in detail. However, so long as a relatively effective governing body on world trade relations has no counterpart in comparably effective instruments to deal with the social and ecological impacts of globalization, there will probably be repeated attempts to assign new competences to the WTO. Even when it would make more sense not to leave multilateral rules on environmental protection on securing human rights to a trade organization, nothing should block the objectives of

sustainable development or safeguarding human rights, which go beyond trade policy, must thereby be beyond

### **Agriculture Trade: WTO Agreements**

In the wake of globalization, agricultural products and commodities will have to play a more major role in international trade. Despite large volumes India is not as yet a major player in the world commodity market except in tea, coffee, cashew, soya meal, spices and rice. It is imperative to improve upon this situation by enhancing India's trade competitiveness and achieving the status of a net exporter for commodities in which India has comparative advantage. India's basic objectives in the ongoing negotiation on WTO Agreement are:

- To create opportunities for expansion of agricultural exports through meaningful market access in developed countries.
- Elimination of export subsidies to achieve a fair and market oriented trading system.
- To have meaningful special and differential treatment for developing countries to address their legitimate development including food and livelihood security and rural development. The value of Exports of India's Agricultural and Allied products in 2011-12 was Rs. 1,80,279 crore (US \$ 37,618) and its share in total export was 12.4 %. Agricultural and Allied products' exports grew by 53.9% during 2011-12 as compared to 21.3% growth in total exports.

### **Suggestions**

1. The need of the hour is to devise appropriate domestic policies, policy reforms, heavy investment and infrastructure. India adopts new technology to improve efficiency and competitiveness of domestic produce in international market.
2. India has a greater challenge to counter the export of traditional items from the developing countries. In this regard, prioritization, innovation of the new commodities and processing efficiency, marketing and transport infrastructure, maintaining quality, stable supply etc.
3. Merger and mutual understanding among several related departments like irrigation, fertilizer, food, agriculture, etc. for better coordination and synergy.
4. Public investment in agriculture has to be raised, because modernization of agriculture commodities, market facilities for international competitiveness and particularly in R&D including extension.

### **Conclusion**

The problem identified in the existing agreement on patents, tariff, subsidies, trade and agriculture indicate that the developing countries are waking up to the need to

ensure that India has to take the lead in ensuring that the WTO regime is used to maximum advantage to protect the interests of developing countries. World Trade Organization should provide the equality policies and resolution among the membership countries and not divide the developed countries' products, and developing countries' products in International market level. Better understanding and agreements have to be negotiated for better prosperity.

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