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Impact of World Trade Organization (Wto) on Indian Agriculture Sector: An Analysis

Economics

KEYWORDS : World Trade Organization (WTO), Agriculture Trade, General Agreement on Tariffs and Trade and Agreement on Agriculture.

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ABSTRACT

International trade is defined as trade (Imports and Exports) of goods and services of nation with rest of the world. In other words International trade is the exchange of goods and services between countries WTO was established on 1st January 1995 by replacing General Agreement on Tariffs and Trade (GATT), which was in existence from 1947 to 1994. India is a founder member of WTO.

The main aim of this paper is to the impact of world trade organization (WTO) on Indian agriculture sector. India is no exception to these general trends, with a few special features. During last two decades India's agricultural exports as a part of total merchandise exports have continued to decline from the preponderant position they occupied in the pre-independence. But with the achievement of self-sufficiency in food grains and some other major agricultural commodities, which used to account for large portion of import bill, overall imports of agricultural commodities have sharply declined. The outlay on agricultural imports as a proportion of earnings from agricultural exports has progressively declined, and all the balance has become progressively more favorable. Discussion on these issues has, naturally, to take into account the new trade regime as the stated objective of firstly to study the performance of India's agricultural exports under WTO regime. Secondly, to analyze the competitiveness of top agri-exports of India under WTO regime. Finally, to suggest policy measures in the identified India's agricultural. In the first part of discuss briefly introduce, the developments in agricultural trade specially the agricultural exports at the world level in the recent years and discuss the performance of Indian agriculture in this respect finally shaped the shifts in this policy. Final part, I will try to spell out the ingredients of a strategy to augment agricultural exports in the changing, and more demanding, global economy.

INTRODUCTION:

International trade is the part of international economics. International trade is defined as trade (Imports and Exports) of goods and services of nation with rest of the world. In other words International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewellery, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

WTO was established on 1st January 1995 by replacing General Agreement on Tariffs and Trade (GATT), which was in existence from 1947 to 1994. India is a founder member of WTO. WTO is based on the principles of non-discrimination, free trade, and promotion of fair competition among the member countries. The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. As on 2 March 2013, total 159 countries are the member countries of WTO.

The WTO Agreement on Agriculture (AOA) came into force on 1 January 1995. The preamble to the Agreement recognizes that the agreed long-term objective of the reform process initiated by the Uruguay Round reform programme is to establish a fair and market-oriented agricultural trading system. The reform programme comprises specific commitments to reduce support and protection in the areas of domestic support, export subsidies and market access, and through the establishment of strengthened and more operationally effective GATT rules and disciplines. The Agreement also takes into account non-trade concerns, including food security and the need to protect the environment, and provides special and differential treatment for developing countries, including an improvement in the opportunities and terms of access for agricultural products of particular export interest to these Members.

OBJECTIVE OF THE STUDY:

- To study the impact of world trade organization (WTO) on Indian agriculture sector.
- To Analysis of India's agriculture Export Performance in Pre and Post WTO Regime
- To suggest policy measures in the identified India's agricultural.

METHODOLOGY:

The present study is based on secondary data. The annual time series data are used for the entire period from 1990 to 2004.The objective is to compare export performance under WTO regime with pre- WTO period. Sub- periods are also made for short- term comparison. Wherever it is necessary, longer period time series data are used. Data are obtained from FAO, UNCTAD, IMF, WTO, RBI, Ministry of Agriculture GOI, Ministry of Finance GOI and Tea Board of India. To examine the agriculture export performance, tools like, percentage, ratio, Compound Annual Growth Rate, Average Growth Rate, Co-efficient Variance, etc.

BRIEF REVIEW OF LITERATURE:

Nayyar and Sen (1994), it is argued, would be a more rational allocation of production resources. The alignment of internal domestic prices with border prices is likely to help in obtaining a more rational and sustainable cropping pattern and would result in the expansion in acreage under those crops which have a comparative advantage and contraction of acreage under crops like oilseeds and to some extent sugarcane which are high cost. It is obvious that Rao and Gulati have taken this position in order to strengthen their case for export of food-grains. They emphasize that the emerging scenario in respect of food balance opens up the prospects for, and indeed necessitates the export of food grains, especially in view of the comparative advantage that the country enjoys in respect of the production of rice and wheat (Rao and Gulati, 1994, p.4). Out estimate of the multivariate model that uses Nerloian partial adjustment frame work shows that for 1967- 68 to 1990-91/1994-95 this aggregate 'net' impact is negative for the output as

well as marketed surplus of food-grains which occupy two-thirds of the cropped area, while for nonfood grains, all crops and all agricultural products output as also marketed surplus it is positive (Desai and Nambodiri, 2001).

INDIA'S AGRICULTURAL TRADE:

India's global agricultural trade during pre and post WTO period has been given in table 3. India's global agricultural exports were US $ 3546 million during pre WTO period (1990-95) which increased to US $ 6583 million during post WTO period (1995-2004). The growth of agricultural exports has been lower during the pre WTO period as compared to the post WTO period. The index of agricultural exports on base 1994-95, increased by 90.7 percent in 2003-04. This is an encouraging trend to India's agricultural exports during the post WTO period.

Table 1
India's Global Agricultural Trade During 1990-2004 (in US $ Million)

Pre – WTO period				
Years	Agri-cultural exports	Agri-culture export index 1994-95 = 100	Agriculture imports	Agriculture import index 1994-95 = 100
1990- 91	3351	79.6	672	35.5
1991- 92	3203	76.1	604	31.9
1992- 93	2950	70.1	938	49.6
1993- 94	4013	95.3	742	39.2
1994- 95	4211	100.0	1891	100.0
Average	3546	84.2	969	51.3
Post- WTO period				
1995- 96	6098	144.8	1761	93.1
1996- 97	6806	161.6	1863	98.5
1997- 98	6685	158.8	2364	125.0
1998- 99	6064	144.0	3464	183.1
1999- 00	5842	138.7	3708	196.2
2000- 01	6328	150.3	2633	139.2
2001- 02	6233	148.0	3409	180.3
2002- 03	7161	170.1	3639	192.4
2003- 04	8029	190.7	4765	252.0
Average	6523	156.3	3067	162.2

Source:-Davinder Kumar Madaan (2007), "Impact of WTO on Indian Agriculturl Trade" ,in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publicationa, New Delhi, pp-360.

Note: - Trade figures have been converted from Indian rupee to US$ at prevailing exchange rates.

Similarly India's global agricultural imports were also increased from US $969 million during pre WTO period (1990-95) to US $ 3067 million during post WTO period (1995-2004) on an average per annum. The increase in global agricultural imports was more than exports during post WTO period. The growth of agricultural imports was 152 percent during the post WTO period as compared to 90.7 percent in case of agricultural exports. The index of agricultural imports on base 1994-95 increased to 152 percent in 2003-04.

SHARE OF INDIAN EXPORTS IN WORLD EXPORTS

Agricultural products exported include meat preparations, sugar, vegetables and fruits, tea, coffee etc. The total India's share in the world trade is less than 1 percent. During 1980-90s agriculture served as a source of cheap raw materials for the domestic industry, a very large segment of which was inefficient and globally non-competitive. This has dampening effects on agricultural exports and investment on agriculture.

In the shares of selected agricultural commodities in the world exports, the growth rates were positive for the shares of all the items except sugar and sugar preparation, spices and tea and mate. The data regarding indias share in world exports of agricultural products are given in table 2.

Table 2
Share of Indian Exports in the World Exports

Commodity	Years					
	1980	1985	1990	2000	2004	2005
Cereals and cereal preparations	0.5	0.6	0.6	1.5	2.9	2.5
Rice	3.7	5.6	6.4	10.2	16.4	15.8
Vegetables and fruits	1.1	1.4	0.8	1.3	1.1	1.4
Sugar and sugar Preparations	0.3	--	0.1	0.9	0.3	0.8
Spices	14.5	19.3	7.7	10.3	8.2	--
Coffee and coffee substitutes	2.1	1.9	1.7	2.3	1.8	2.5
Tea and mate	27.7	26.2	22.1	14.0	10.4	9.6
Feeding stuff for animals	1.6	1.5	2.2	2.3	2.4	3.7
Meat and meat preparations	0.4	0.4	0.2	0.7	0.6	0.8

Source:- M.S Kallur and K.A Rasure (2007), " Impact of WTO on Indian Agriculture", in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publications, New Delhi, pp-415.

Note: - A zero in India's share means no share at all.

The percentage increase in the shares of agricultural commodities in the world exports for vegetables and fruits (1.1 to 1.4), rice (3.7 to 15.8), cereals and cereals preparations (0.5 to 2.5), coffee and coffee substitutes (2.1 to 2.5) during the same period. It shows that the increase in the share was more for rice and cereals and cereals preparations. But the decrease in the share was more for tea and mate in the world exports. Rices had the maximum positive growth and tea and mate had the maximum negative growth in the world's exports.

SHARE OF AGRICULTURAL EXPORTS IN INDIA'S TOTAL EXPORTS

The share of agricultural exports in the total exports is decline for example from 19.41 percent in 1990-91 to 12.36 percent in 2003-04. Agriculture exports accounted for about 12.36 percent of total annual exports of the country in 2003-04. The commodities whose share in total exports declined

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since 1990-91 were coffee, tea, tobacco, cashew kernel, raw cotton. Fruits and vegetables, meat and meat preparation have recently shown strong growth, but they are currently not among the dominant foreign exchange earners.

Table 3
Percentage Share of Agricultural Products in Total Exports of India

Commodity	Years					
	1990- 91		2002- 03		2003- 04	
	Agricultural exports	Total exports	Agricultural exports	Total exports	Agricultural exports	Total exports
Coffee	4.00	0.78	2.94	0.39	2.99	0.37
Tea and mate	16.93	3.29	4.94	0.65	4.51	0.56
Oil cakes	9.63	1.87	5.94	0.72	9.24	1.14
Tobacco	4.17	0.81	3.03	0.40	3.02	0.37
Cashew kernels	7.07	1.37	6.09	0.80	4.69	0.58
Spices	3.78	0.73	4.93	0.65	4.26	0.53
Sugar and molasses	0.60	0.12	5.39	0.71	3.41	0.42
Raw cotton	13.38	2.60	0.14	0.02	2.60	0.32
Rice	7.30	1.42	17.31	2.29	12.99	1.61
Fruit and fish Preparations	15.19	2.95	20.57	2.72	16.85	2.08
Meat and meat Preparations	2.22	0.43	4.08	0.54	4.73	0.58
Pulses, fruit and vegetables	3.41	0.66	5.03	0.66	6.50	0.80
Others	3.38	0.66	4.41	0.58	3.87	0.48
Agricultural and allied	100.0	19.41	100.0	13.21	100.0	12.36

Source: K.K Koushik and Sanju Karol (2007), "WTO and its impact on Indias Agricultural exports", in Thakur Anil Kumar and Sharma Nageshwar (Edited), WTO and India, Deep and Deep Publications, New Delhi, pp-326.

The percentage share of fisheries exports in total agricultural exports varied from 15.19 percent to 16.85 percent during 1990-91 to 2003-04. India need to develop strategies to enhance exports and prevent possible large scale imports (Koushik and Karol 2007).

MAIN FEATURES OF THE WTO AGREEMENT ON INDIAN AGRICULTURE:
The main features of the WTO Agreement in Agriculture which are of concern to India are:

India has been maintaining Quantitative Restrictions (QRs) on import of 825 agricultural products as on 1.4.1997. Under the provisions of the Agreement, such Quantitative Restrictions will have to be eliminated. India has sought to remove them in three phases within an overall time frame of six years upto 31.3.2003. These Quantitative Restrictions will have to be replaced with appropriate tariffs.

The Agreement also imposes constraints on the level of domestic support provided to the agricultural sector. In India's case, it may have in future some implications on minimum support prices given to farmers and on the subsidies given on agricultural inputs. However, the Agreement allows us to provide domestic support to the extent of 10% of the total value of agricultural produce.

Disciplines on export subsidy do not affect us as India is not providing any export subsidy on agricultural products.

The Agreement allows unlimited support to activities such as research, pest diseases control, training, extension, and advisory services; public stock holding for food security purposes; domestic food aid; and Income insurance and food needs, relief from natural disasters and payments under the environmental assistance programmes.

Moreover, investment subsidies given for development of agricultural infrastructure or any kind of support given to low income and resource poor farmers are exempt from any commitments. Most of our major rural and agricultural development programmes are covered under these provisions. Therefore, the Agreement does not constrain our policies of investments in these areas.

CONCLUSION
Undoubtedly, (WTO effected Indian agriculture both positively and negatively. It has provided the opportunity for trade in terms of imports and exports. Unfortunately, India's share in global agricultural exports before WTO witnessed an increased but decline during post WTO period. Liberalization under WTO has not increased the share of agricultural products in India's global

Exports). Rather this share has been increased in global imports. The growth of India's agricultural imports was more than exports during post WTO period. This has adversely affected self reliance in agriculture. In recent development, India' and other developing countries which have formed a group of 20 called G-20, demanded substantial reduction in tariffs, elimination of trade-distorting domestic support and export subsidies to agriculture by developed countries. Good governance in agriculture is needed to meet risks, uncertainties and challenges and avoid further crises. Developed countries must look beyond their own interests and bring in agreement that is just and fair to the developing countries and ensure empowerment, efficiency and equity in the agriculture sector of the world.

On the basis of above study we suggest that:

Public investment in agriculture has to be raised.

Liberalization process in the domestic market should be increased.

All countries should notify their quality requirements of agricultural produce clearly on the WTO websites.

The economy in general and agricultural in particular should be geared up to face the challenges from climate change, drought conditions etc.

There should be a merger of several related departments like irrigation, fertilizers, food, agriculture etc. for better coordination and synergy.

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