



World Trade Organization and Indian Agriculture

KEYWORDS

WTO, AoA and Agriculture Sector

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ABSTRACT

It is well known that agriculture has been a way of economic life and main source of livelihood for the vast majority of households in rural India. Agriculture forms the backbone of the Indian economy. It is found that agriculture sector must be upgraded in development strategies. It has been found that the contribution of India's agricultural exports to the world agricultural exports has increased in the WTO period. Under the auspices of the WTO, many trade related agreements were signed by the member countries. The agreement on agriculture (AoA) was one of them. Under this agreement, there were many provisions regarding tariff, export, import and domestic subsidy related to agriculture sector. In this paper, the researcher has tried to find out the main issues and facts regarding the agriculture sector under the WTO regime.

INTRODUCTION

It is well known that agriculture has been a way of economic life and main source of livelihood for the vast majority of households in rural India. Agriculture forms the backbone of the Indian economy. Nearly two-thirds of the population depends on agriculture for their livelihood. Inclusion of agriculture in the GATT-WTO order stands out as a serious issue for a developing nation like India. The major challenge for our agricultural system would always be increasing production and productivity to ensure food security for the rising population. Meeting this challenge means also ensuring food security and a better standard of living for the rural people. India's performance in agriculture affects overall rural development and the extent of rural poverty. It provides direct employment to 52% of working people in the country and contributes about 17.2% to the GDP of the country. In advanced nations like the US, agriculture accounts for a mere 2% of GDP, and employs 4% of the labour force. The position is similar in other advanced countries. Being the largest source of employment and income to millions of people it provides a vast market for industrial products.

WORLD TRADE ORGANIZATION FRAMEWORK

The WTO came into being in 1995 but it has evolved over the past 50 years as the successor to the General Agreement on Tariffs and Trade (GATT). At the end of the Second World War, it was decided that international institutions were needed to assist in the process of economic recovery. The General Agreement on Tariffs and Trade (GATT) came to life in 1947 in Geneva as a framework for regulating international trade. Between 1947 and 1994, eight rounds of negotiations took place under the aegis of the General Agreement on Tariffs and Trade (GATT). The last round, the Uruguay Round, lasted over seven years from 1986-1994 and widened the ambit of discussions to cover subjects like tariffs, non-tariff measures, rules and services, intellectual property rights, dispute settlement, textiles & clothing and agriculture. The formation of WTO has posed certain challenges such as reduction of tariff barriers and liberalization of traditional trade in goods and services etc.

REVIEW OF LITERATURE

There are several studies, which have analyzed the implications of WTO for Indian Agriculture. The prominent among them are reviewed below:

Bhatia (1994) compared the domestic and international prices of agricultural commodities and calculated the Aggregate Measurement of Support to study the issues related to agri-

cultural marketing, prices and international trade under the changed economic environment and the new GATT. He finds that (i) India is at an advantageous position to export the wheat, rice, maize, cotton, jute, tea, coffee, rubber, tobacco, pepper, oil cakes and horticultural products like potato, mango and banana while India is comparatively at a disadvantageous position in international trade of edible oils, (ii) the Indian agriculture is being taxed rather than being subsidized.

Gulati and Sharma (1994) worked out the AMS for Indian agriculture by following the AoA tactic. Their main findings are: (i) during the year 1988-89 product specific AMS was -27.74% of value of total agricultural output and non product specific support was 5.24% of value of total agricultural output, (ii) total AMS was negative i.e. -22.5% of value of agricultural output, for Indian agriculture.

Gill and Brar (1996) observed that rise in the price of agricultural commodities would not affect on Indian agriculture due to low supply response. Under market access provisions of the AoA, countries were required to convert non-tariff barriers into tariffs and commit to reduction of tariffs by simple average of 36% with a minimum rate of reduction of 15% for each tariff line.

Sharma (1997) estimated the export demand and supply elasticities to predict the impact of WTO's agreements on agricultural exports agricultural exports. The direction of the change in the welfare of the developing countries like India, as predicted by the various economic studies may be correct.

Ahuja (2000) assessed that although agriculture is the backbone of the Indian economy in terms of employment but there have been fewer reforms in scope and depth in this sector. Reforms in the agriculture sector were introduced only towards the end of the 1990s. Nevertheless, a series of policy initiatives have been undertaken in this sector as well.

OBJECTIVES OF THE STUDY

The study aims to achieve the following objectives:

1. To discuss the main provisions related with the Agreement on Agriculture of WTO.
2. To assess the role of Indian agriculture in world agricultural trade.

INTERPRATATION OF THE OBJECTIVES

The analysis and interpretation of both objectives are based on secondary source of information only because due to time

limitation, it was not possible for the researcher to develop questionnaire and collect primary data.

1st Objective: 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. The Agreement on Agriculture contains the following three main provisions:-

(1) Market Access

According to the AoA, market access to agriculture products is to be governed by only tariff regime. All non-tariff barriers on imports were converted into equivalents level of tariffs. Further tariff resulting from this tariffication process were to be reduced by an average of 36% with a minimum reduction of 15% per tariff line, by 2001 in the case of developed and 24% with a minimum reduction of 10% per tariff line by 2005 in the case of developing countries. Since in case of India, this reduction of 10% is very high so it has no effect on Indian economy. The least developed countries are not required to make any reduction but they have to bind their base tariff and may not increase above it.

(2) Domestic Support

Members are required to measure the domestic support to agriculture in terms of total Aggregate Measurement of Support (AMS), where total AMS means the sum of all non-exempted domestic annual level of support, expressed in monetary term, provided in favour of agricultural producers. The total AMS should not exceed 5% of the value of agricultural products in developed countries and 10% of the value of agricultural products in developing countries. There are three categories of support measures that are not subject to reduction under the agreement, they are:-

(i) Green Box Measures:

These measures include those policies that have minimum impact on the pattern of production and flow of trade. They are acceptable under the AoA and are not subjected to reduction. They include support for research, marketing assistance, infrastructure services, domestic food aid, etc.

(ii) Blue Box Measures:

These include direct payment to the farmers for production limiting programmes and are relevant only from the point of view of the developed countries. At present, it is not applicable on the developing countries.

(iii) Amber Box Measures:

These are the most important measures from the point of view of producers in developing countries. Under it, the AoA demands commitment to reduce domestic support which is given to the farmers by the aggregate measurement of support, i.e. the AMS. These are supports that have affected the production like price support and input subsidies.

(3) Export Subsidy

Under the AoA, export subsidies are also subject to commitment for reduction. AoA establishes ceiling on both the value of export subsidy and volume of subsidized export of agricultural products. Developed countries are under this commitment to reduce their base year export subsidy by

36% of budgetary outlays and 21% of volume i.e. quantity of subsidized export, with reduction staged in similar proportions over a period of six years (1995-2000), while developing countries has to reduce budgetary outlays on subsidies and volume of subsidized export by 24% and 14% respectively over a period of 10 years (1995-2005). The base period is fixed as 1986-1990 or 1991-92 if subsidized export were higher in that period. The least developed countries are not required to make any reduction.

2nd Objective: ROLE OF INDIA IN WORLD AGRICULTURAL TRADE

Despite being an agrarian economy, where the agricultural sector provides employment to approximately 60 per cent of the population, India has remained a marginal player in world agricultural trade. Currently, it has a share of less than 1 per cent of the world trade in agriculture. The growth performance of the agriculture sector has been fluctuating across the five year plan periods. It witnessed a growth rate of 4.8 per cent during the Eighth plan period (1992-97). However, the agrarian situation saw a downturn towards the beginning of the Ninth plan period (1997-2002) and the Tenth plan period (2002-07), when the agricultural growth rate came down to 2.5 percent and 2.4 percent respectively. This crippling growth rate of 2.4 percent in agriculture as against a robust annual average overall growth rate of 7.6 per cent for the economy during the tenth plan period was clearly a cause for concern. There are more than 50 countries with which India has signed MoUs and Agreements and Work Plans for agricultural cooperation. Generally, the areas for cooperation identified in these MoUs and agreements include cooperation in research and development, capacity building, germ-plasma exchange, post-harvest management, value addition and food processing, plant protection, animal husbandry, dairy and fisheries, etc.

Table-1 Comparison of total foodgrains production between 2010-11 and 2011-12

	(Million tonnes)		
Total	2010-11	2011-12	Change
foodgrains	244.78	250.42	5.64(+)
cereals	226.54	233.14	6.6(+)
pulses	18.24	17.28	0.96(-)

This table shows that despite inconsistent climatic factors in some parts of the country, there has been a record production, by more than 5.64 million tones during 2011-12.

In brief, it may be seen from the trend that while in certain cases, exports have increased, in others, a decline has been registered. The factors, which are acknowledged to have limited our export, are infrastructural inadequacies, as well as unfavourable international prices, and mainly due to domestic support given to agriculture by other developed countries.

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