

Impact of Globalization with its Trade Reforms on Indian Agriculture

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ABSTRACT

Trade is an essential part of economic development. India played an important role in establishment of GATT and it is the important milestone in the history of international trade. When developing countries were liberalizing and expanding their economies, they felt the need for better export opportunities. WTO agreement on Intellectual Property Rights (TRIPS) and its relation with convention on Bio-Diversity (CBD), and extensions to geographical indication protection (GIs), and Aid for Trade. The agricultural trade of India has been significantly affected by the financial crisis that hit Southeast Asian economies in 1997. India's agricultural exports to the four crisis ridden countries had been growing rapidly until 1997. During 1997-98 after the crisis hit these economies, India's agricultural exports plummeted by 22% compared to the previous year. Therefore, the time has come for India to come out of confusion and take a rational step in the negotiation process to control and use best of its own interests. Some sacrifices are worth taking in order to gain a wider global market. Also Globalization has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. This paper has tried to explore the negative and positive impact of globalization on India.

Key Words: Globalization, GATT, geographical indication, TRIPS, developing

INTRODUCTION

India released up the economy in the early nineties following a major crisis that led by a foreign exchange crisis that pulled the economy close to nonpayment on loans. Domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organizations. Over the years there has been a steady liberalization of the current account transactions, more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors. Until 1991 export as well as import of the selected commodities has been subjected to various kinds of regulations and restrictions. There has been no restriction on export of Basmati rice, but common rice was subject to canalization, minimum export price and export quota until 1991. Restrictions on export of common rice were somewhat relaxed during 1992 following initiation of economic reform programmes in June 1991. A major boost to rice export occurred during 1995/96 when under a major policy change the government of India decided to release 2 million tons of rice for export (Chand, 1999). Due to a comfortable situation on the food front, quantitative ceilings on exports have now been abolished. India clearly lags in globalization. Numbers of countries have a clear lead among them China, large part of east and far east Asia and eastern Europe. Let's look at a few indicators how much we lag. Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China 5.5% for Brazil. Whereas FDI inflows into China now exceeds US \$ 50 billion annually. It is only US \$4 billion in the case of India. Consider global trade - India's share of world merchandise exports increased from .05% to .07% over the past 20 years. Over the same period China's share has tripled to almost 4%.

WTO AGREEMENTS ON AGRICULTURE (AOA)

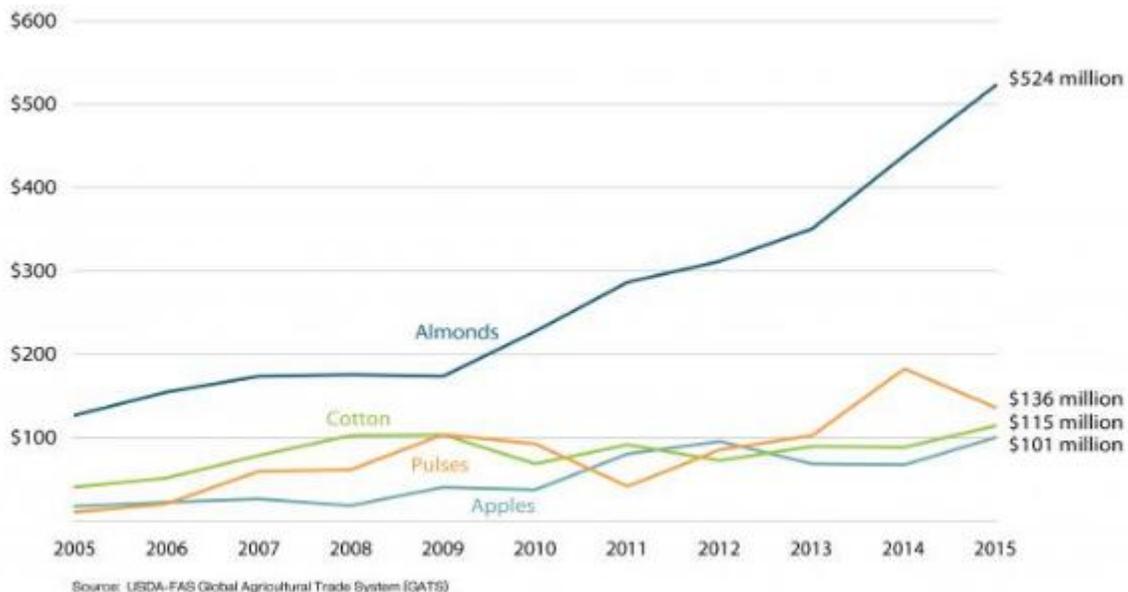
After the Uruguay Round negotiations, agricultural trade is now firmly within the multilateral trading system. The WTO Agricultural Agreement together with individual countries' commitments to reduce export subsidies, domestic support and

import duties on agricultural products formed a significant first step towards reforming agricultural trade. Agreement on agriculture forms a part of the Final Act of Uruguay Round. Of Multilateral Trade Negotiation, which was signed by the member countries in April 1994 at Marakkesh, in Morocco and came into force in January 1995. It is a set of rules that govern international agricultural development and policy. The purpose of it is to liberalize agricultural trade on a global level by curbing hopelessly policies that have created distortions in agricultural production and trade. This will hopefully go a long way in fighting against poverty (Annual Report, IMF: 2003). Though there are many agreements under WTO regime, the Agreements on Agriculture (AoA) is of importance for agriculture based economies like India. The AoA is basically intended to liberalize world trade in agriculture and free it from Governmental measures that distort trade and lead to inefficiency. The commitment under the AoA may broadly be categorized into market access commitments, domestic support commitments and export subsidy commitments.

PRODUCTION AND CONSUMPTION TRENDS IN INDIA

India produces enough of many basic commodities for its population, such as rice, wheat, corn, milk and milk products, sugar and most vegetables. India is the world's largest producer of cotton, pulses, millet, cottonseed, and spices and has the world's largest cattle herd (cows and buffaloes). India has emerged as a major exporter of rice, cotton and carabeef (buffalo meat) over the last decade, and is expected to remain important in each of these markets.

For some products that India produces, such as poultry and dairy, imports appear imminent as growing demand from its population may exceed production capabilities in a few years. Total per capita meat consumption is low but growing rapidly at 9 percent per capita in 2014,^{xi} mainly driven by rising incomes, socio-economic and demographic changes and urbanization. According to a nationwide government survey, 71 percent of Indians over the age of 15 are non-vegetarian,^{xii} yet access to meat imports is restricted. The export and import of beef is prohibited due to religious sensitivities, while pork, poultry, meat products, dairy and egg imports are historically negligible or zero due to high tariffs and other measures. Poultry meat is the most consumed meat in India followed by carabeef, both currently supplied exclusively by domestic industry. Poultry is relatively lower in price and the most universally accepted meat product, since different ethnic groups have cultural and religious exclusions for eating cow beef, pork and other meats. Though it is a very small segment, the processed meat segment, particularly processed poultry, is growing at a rate of 15 to 20 percent per annum. As demand for meat grows and evolves, Indian consumers will demand more production and more choice, thereby pressuring domestic capacity to expand and government-imposed import restrictions to change. Similarly, dairy consumption in India is estimated to grow twice as fast as domestic dairy production. Consumer-oriented dairy demand may eventually go unmet by domestic production, especially given highly dispersed milk production, inadequate cold storage infrastructure, and weak procurement and retail systems. India's market for fish and seafood is also growing, with 5 percent volume growth in 2015, and forecasted 3 percent growth from 2015 to 2020 to reach 8.8 million metric tons in 2020.^{xiii} Compared to neighboring countries, per capita consumption of fish and seafood is very low, held back by import duties, weak cold storage infrastructure and other constraints.



SOME OF THE DISADVANTAGES OF GLOBALIZATION FOR INDIA

- ✓ Increased flow of skilled and non-skilled jobs from developed to developing nations as corporations seek out the cheapest labor
- ✓ Increased likelihood of economic disruptions in one nation affecting all nations
- ✓ Corporate influence of nation-states far exceeds that of civil society organizations and average individuals
- ✓ Threat that control of world media by a handful of corporations will limit cultural expression
- ✓ Greater chance of reactions for globalization being violent in an attempt to preserve cultural heritage
- ✓ Greater risk of diseases being transported unintentionally between nations
- ✓ Spread of a materialistic lifestyle and attitude that sees consumption as the path to prosperity
- ✓ International bodies like the World Trade Organization infringe on national and individual sovereignty.

EMPLOYMENT AND POVERTY

Employment in agricultural sector registered a negative trend. Employment on usual status basis has registered a growth rate of 1.54 percent during 83-93 but showed a meagre growth rate of 0.18 percent during 93-94 and 99-00. Same is the case with current daily status (2.23 per cent and 0.21 per cent) respectively. Real agricultural wages also increased at a lower growth rate in 1990s (2.5 per cent per annum) compared to 80s (5 per cent). Wages of female casual labour in agriculture increased by 3.09 percent in 80s and 2.93 percent in 90s. There are differences across states in the growth of real wages.

Table : Growth rates of Real Agricultural wages Across The States between 1990 and 2000.

State	Growth rate(%)
Andhra Pradesh	1.3
Assam	-0.7
Bihar	0.3
Gujarat	5.1
Haryana	2.7
Karnataka	3.2
Kerala	7.9
Madhya Pradesh	1.8
Maharashtra	1.6
Orissa	0.7
Punjab	-0.8
Rajasthan	2.8
Tamil Nadu	6.7
Uttar Pradesh	2.5
West Bengal	1.6
All India	2.5

Source: Dreze and Sen (2002)

The trends in capital formation suggest that the employment scenario is a direct derivative of capital formation in the sector. In that context, a pragmatic policy is needed which is pointedly focused on efforts to correct the trends in capital formation and especially inducing the private capital formation at a higher rate of growth. Directing the growth inducing factors towards important components in agricultural sector is an undisputable pre-requisite of such a policy.

CONCLUSION

Import substitution implies indigenous production of raw materials, intermediate goods and final consumer and capital goods that had hitherto been imported. The progress of import substitution in the country has been quite satisfactory. In the

sphere of consumer goods we have the capacity to produce exportable surplus and are able to compete efficiently in the international market. The study recommended a host of policy reforms such as phasing out the built-in consumer bias, create space for private players to have access to integrated markets, and using income transfers to protect both poor consumers and small farmers. It also suggested creating a predictable and stable trade policy.

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