

WTO's Agriculture Agreement and India: Controversial Issues and Solutions

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ABSTRACT

GATT was replaced by WTO on 1 January 1995 with the objective of eliminating barriers to international trade, freeing international trade from discrimination and regulating international trade. The World Trade Agreement came into force in the agriculture sector since 1994. Through this agreement, the rules of investment and trade in the agriculture sector were institutionalized at the global level. It was hoped that many developing countries like India which are agricultural countries would benefit from this agreement. But this has not happened completely and WTO's agricultural agreement has become a matter of dispute between developed and developing countries. In developed countries, where on one hand the cost of agriculture is low, on the other hand, these countries are providing adequate subsidies to their farmers under the guise of green box and blue box. The effective subsidies provided by developed countries remain high, despite the conditions relating to subsidy reduction. On the other hand, developed countries are protecting their markets by standards like child labor, health protection, environmental protection etc. This is the reason why developing and underdeveloped countries are dissatisfied with WTO's agricultural agreement. In such a situation, it is necessary that some new alternatives to the agreement should be presented while coordinating the interests of the developed and developing countries.

Keywords: WTO, Indian Agriculture, Globalization, World Trade

INTRODUCTION

After World War II, with the aim of eliminating the barriers to international trade and making trade an engine of growth, most countries of the world agreed to form a General Agreement on Trade and Tariffs (GATT). An agreement in the form of GATT signed by 23 countries in Geneva in 1947 came into force on 1 January 1948. The main objective of the GATT was to promote free trade by reducing the barriers to international trade between the member countries while expanding the production and trade of various goods. To achieve this objective, two things were emphasized.

- 1- Abolition of import quota.
- 2- To gradually reduce the tariff on trade in commercial goods to zero.

The GATT became the only multilateral instrument (not an institution) governing international trade from 1948 until the establishment of the World Trade Organization in 1995. Gradually, the need to include other issues under the GATT and give it a legal form was felt and as a result of the 8th round of GATT negotiations, the World Trade Organization came into existence on 1 January 1995 as its successor. Agriculture was included for the first time in the 8th round of GATT negotiations. There was a strong need to include agriculture in the burning issues of world trade. The following were the reasons for this.

- The inclusion of agriculture in the dialogue would bring more discipline and certainty to the world agricultural trade.
- Efforts will be made to correct and prevent the restrictions and distortions of this sector, including structural surplus, so that the world agricultural market can recover from an environment of imbalance, instability and uncertainty.

In short, the main objective of the WTO's agricultural agreement was the privatization of products and trade by freeing the agricultural sector from government control. It is noteworthy that WTO's agreement related to agriculture - commitment to minimum market access, domestic assistance, export subsidies, health and livestock health etc. is related. The following points are important under the WTO's Agriculture Convention.

- The agreement opens domestic markets to international competition by replacing non-tariff measures with simple tariffs such as customs duties (which will be gradually reduced).
- The agreement seeks to control overproduction by gradually reducing government aid so that surplus food production can be regularized.
- The agreement also seeks to reduce the amount of subsidies and subsidized exports by implementing new rules on export competitiveness.

There are three pillars of the WTO's Agricultural Convention on Agriculture.

1-Domestic Support: In order to encourage free trade and prevent distortion in the prices of agricultural products, a provision has been made to reduce domestic support in the WTO's agricultural agreement. For this, the member countries of WTO are classified into two parts, developed and developing. The overall measure of aid to developed countries will need to be reduced by 20 percent over a period of 6 years and to developing countries by 13 percent over a period of 10 years. Under this subsidies are classified in the following forms.

- **Green box:** The subsidy given under it either does not distort the business or at least distorts it. Under this, financial assistance provided by the government for environmental protection programs, local development programs, research, disaster relief, etc. is included. There is no restriction on subsidy given under Green Box.

- **Amber Box:** Under this, apart from Blue Box and Green Box, all those subsidies come which distort agricultural production and trade. In this type of subsidy, fixation of minimum support price for agricultural products by the government and direct subsidies based on the quantity of agricultural products etc. are included.

- **Blue box:** This type of subsidy is called "amber box with conditions". Such subsidies included in the amber box are put in the blue box which are given to farmers in exchange for limiting their production. At present, there is no limit on the expenditure on blue box subsidy.

2-Market Access: No member country shall protect its markets by tariff and non-tariff measures, that is, it shall not impose restrictions on the entry of specific goods into its markets. Both developed and developing countries will have to reduce the tariffs levied by them such as customs duty over a specified period.

3-Export Subsidy: No member country will give any subsidy to make these exports cheaper to promote trade in agricultural commodities. Because doing so can lead to the dumping of highly subsidized cheap products in other countries, which is against the rules of free trade.

India benefits from WTO's agricultural agreement

According to the provisions of the WTO, subsidies were to be cut to countries subsidizing more than the de minimis subsidies. Since India still subsidizes only about 3.0 percent of its total production. Whereas he can give up to 10 percent. In contrast, most of the developed countries give huge subsidies which are much more than their minimum 5 per cent. Therefore, while India can still increase its agricultural subsidies, the developed countries will inevitably have to cut their subsidies. Apart from this, there is a provision for each country to open 3 percent of its grain consumption according to the minimum market access. When this happens, the market for Indian agricultural products will expand and agricultural exports will increase rapidly. This will make Indian subsistence agriculture a profitable business. This will improve the standard of living of about 50 percent of the population dependent on Indian agriculture. WTO's agricultural agreement will solve the problem of surplus production in Indian agriculture and Indian farmers will get better price for their crops. Not only this, due to the WTO's TRIPS agreement, the expenditure on research and development in India will increase and Indian agriculture will also get the benefit of the inventions and innovations happening at the global level.

It is not possible for the government and Indian farmers to spend on research and development on a large scale in India. At present, India's expenditure on research and development is only 0.7 percent of GDP. With the WTO's agricultural agreement, Indian farmers will get the benefit of improved varieties of seeds developed globally, which will not only increase the total agricultural production in India but will also solve the problem of food security. Just as Indian agriculture has got the benefit of Bt cotton, in the same way, India is likely to get full benefits in future in the field of crops like brinjal, golden rice, cabbage, tomato, potato etc. WTO's TRIMs agreement will allow free flow of technology and capital in India, which will benefit in technological upgradation and increasing productivity in Indian agriculture. This will ensure better utilization of natural resources in India. Similarly, Indian farmers can also be benefited through

food outsourcing. For example, the Indian government is buying agricultural land in countries like Argentina, Myanmar, Brazil, Paraguay, Uruguay, etc. This process of procurement is also being followed by Tata, Reliance and other Indian multinational companies. The agricultural agreement of WTO will not only benefit the Indian agricultural producers but also the consumers. According to the WTO's Agricultural Convention, if each country reduces or eliminates its safe granary limit, then it will benefit such countries where the demand for food will be high. With WTO's agricultural agreement, global competition will increase in agricultural products, due to which agricultural products will be available to consumers at a lower price.

Controversial Issues and Solutions:

There are disputes on many issues between developed and developing countries regarding WTO's agriculture agreement. like -

- The provisions of WTO have not been faithfully followed by most of the developed countries. Even today a large amount of domestic support is given by the developed countries to the agriculture sector. Even before the WTO agreement, the agricultural sector was subsidized by the developed countries so much that even after reducing the subsidy under the WTO agreement, the subsidies given by the developed countries remained high. Along with this, most of the subsidies are being given by developed countries under green and blue boxes of non-distorting trade or less distorting trade. Whereas underdeveloped and developing countries are not economically capable enough to provide adequate support to the agriculture sector. As a result, agricultural products of developed countries become cheap in the international market, which easily drives the agricultural products of underdeveloped and developing countries out of the global market. Most of the underdeveloped and developing countries included in the WTO are mainly agricultural countries. Their main exportable item is agricultural production. Therefore, underdeveloped and developing countries have not got any special benefit of WTO agreement. That is why the most controversial issue of the WTO agreement is the agreement related to agriculture. India has also suffered due to WTO's agriculture related agreement. This has had serious impacts on Indian agricultural exports and production. Even the WTO agreement was responsible for the increasing suicide tendency in the cotton growing farmers of South India in the last few years. It is noteworthy that due to the subsidy given by USA on cotton, the tendency of suicide has increased in the farmers of South India on a large scale. In order to make the WTO's agricultural agreement transparent, it is necessary that the G-33 countries should demand reduction of all types of subsidies simultaneously. Along with this the G-33 countries should also demand that developing countries should be provided with the right to protect their markets, equal to the subsidies provided by developed countries. G-33 countries should keep their demands in installments. The G-33 organization was created to protect the interests of developing countries during the Cancun Ministerial Conference. The G-33 organization is a grouping of 47 developing and underdeveloped countries. This group was created to help countries that were facing similar problems.

- It is believed that importing technology saves time, resources and energy. But when these techniques are very expensive or out of date, it causes double damage. Firstly, huge amount of money is wasted and old techniques are soon out of circulation. Secondly, due to this, there is always a dependence on developed countries for the technology of India or other importing countries. Because there domestic R&D areas remain underdeveloped. It is noteworthy that after the Green Revolution, ever since high productivity seeds have been used, crop diversification has been affected, because only wheat and rice are being produced by most of the farmers. However, during the Second Green Revolution, the government is trying to promote crop diversification by intervening.

- Due to WTO's patent rule, it is possible that a powerful multinational company can get a patent on a single crop by modifying its genes and Indian agricultural producers produce only that crop in the greed of higher productivity. In this way the biodiversity and crop diversity of Indian agriculture can be affected. It is also possible that the patent holding multinational company may charge higher prices of seeds, this will increase the cost of agriculture for Indian farmers and Indian agricultural products will become expensive in the international market, resulting in out of competition. According to some economists, the WTO agreement will increase the dependence of Indian farmers on multinational companies for technology and quality seeds. The objectives of WTO are to achieve full employment level and to increase the standard of living of all, whereas farmers in developing countries are greatly affected by the huge fluctuations in prices in the international market. In such a situation, separate protective arrangements should be made for developing countries to achieve the above objectives of WTO. In the same sequence, issues such as poverty alleviation, rural development and agricultural extension that do not come under the purview of the green box should be kept out of any reduction promises. But here it also has to be noted that farmers cannot prosper only by growing traditional crops. For this, it is necessary to change the cropping pattern according to the changing demand and prices. Therefore, agricultural diversification and food processing should be promoted. Facilities like cold storages, warehouses, repair of agricultural implements should be expanded and market centers should be established in villages.

According to the current provisions of WTO, the crop insurance scheme should be made more comprehensive and rational by increasing the agricultural subsidy by the government and the process of development of rural infrastructure should be accelerated to increase agricultural productivity, for this expenditure on research and development "The Lab to Land program" will have to be made more active while promoting it, so that on the one hand technological development can be in tune with the local environment of India and on the other hand technology can be ensured to all farmers. The Government of India should take permission to subsidize a crop if the productivity of a crop is less than the world average level under the Green Box in the World Trade Agreement. Since the subsidies reduction agreement does not include export credit guarantee and insurance programmes, which are actually the main components of export subsidies and which are being availed by developed countries, they should be banned.

- Minimum Support Price related facilities are provided to the farmers on a large scale by the Government of India. Every year the Minimum Support Price of various crops is increased by the Government of India. It is often objected by the developed countries that the agriculture sector is protected on the basis of minimum support price by the developing countries especially China and India, hence this leads to distortion in international trade. India says that its minimum support price related system is completely in line with the rules of the World Trade Organization. Under world trade rules, the food subsidy bill of WTO member countries based on the 1986-88 reference price should not exceed 10 per cent of the production value. A provision of peace clause has been made in the WTO as a temporary arrangement. Under this, it has been provided that if any developing country gives more than 10 per cent subsidy, then no other country will object and will not challenge it. This arrangement is in place until a permanent solution for food storage is found.

- There is also a difference of opinion among the WTO member countries on the issue of food security. In countries like India where agriculture is rainfed, the government usually resorts to government storage for food security, which is contrary to the WTO agricultural convention. This is the reason why the Food Security Act is objected to by the WTO. G-33 countries should include issues like food security in the WTO. In the recent G-33 virtual meeting, India's Commerce and Industry Minister emphasized that efforts should be made to achieve positive outcomes regarding sustainable solutions to public stakeholding to achieve food security objectives.

- Developing and underdeveloped countries allege that their products are banned by developed countries on the basis of labor standards, health safety standards and environmental standards. This is the reason that the products of underdeveloped and developing countries do not find a place in the market of developed countries. For example, fruits exported from India were banned by some developed countries due to the use of pesticides. Similarly, countries like India are accused by America that their products use child labor which makes their products cheap which is against the healthy competition in the global trading system. India has always opposed new issues like labor and environmental standards raised by developed countries in the WTO. India wants to discuss other non-trade issues with the WTO only after resolving the remaining issues related to the Doha Round. Many developing countries are also supporting this demand of India. India has taken this stand because raising new issues in the Doha talks could adversely affect the development agenda. India feels that issues like environment and labor should be kept out of the purview of WTO or it should be resolved through global bodies such as UNFCCC and International Labor Organization (ILO). Since wealthy nations have better standards regarding these issues, they can challenge developing nations by acting as non-tariff barriers. Thus, exports from developing nations to developed nations may get affected.

- Wealthy member countries of the WTO want to pursue new issues such as e-commerce, investment and government procurement. Whereas developing countries like India want to take forward the agriculture issue and service trade issue. Experts say that India can take a soft stance on the agriculture issue provided the impasse on services trade ends. The contribution of the service sector to the total GDP of the Indian economy is around 60 percent, while the contribution of the service sector to the total employment is 28 percent. In such a situation, the Government of India wants the WTO to make such an agreement in the field of services in world trade that increases transparency, simplifies responses and removes barriers. WTO member countries should move towards liberalizing the services sector. This sector is very important for developing countries like India in terms of economic development and employment generation. With the rapid movement of goods, it is also necessary to facilitate the entry of services into all markets. Although some economists believe that the service agreement of the WTO may have an adverse effect on India. Services provided by MNCs such as banking, transportation, education, insurance, hotel services are of higher quality than our domestic service providers. As a result our indigenous units providing these services will be marginalised. In the education and health sector, multinational companies will set up their institutions, so that the monopoly of these companies can be established on the education and health system. The service agreement of WTO can give uncontrolled entry to MNCs in India which can harm the domestic industries in India. While this may lead to increased FDI in India, it will only happen at the cost of putting domestic industries at risk of international competition. In such a situation, it is necessary

that India should put pressure on the developed countries for free trade in the first and third modes of service trade. It is noteworthy that business in the service sector is divided into four modes.

1-Cross-border supply is defined to cover services flows from the territory of one member into the territory of another member (e.g. banking or architectural services transmitted via telecommunications or mail);

2-Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another member's territory to obtain a service;

3-Commercial presence implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); and

4-Presence of natural persons consists of persons of one member entering the territory of another member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.

It is noteworthy that while the developed countries are capital rich countries, India is labor rich economy. Therefore, doing business in service sector mode first and third will be beneficial for India.

- Global institutions were mainly created by developed countries. Critics of globalization say that provisions like WTO are a ploy to make economic colonies of underdeveloped and developing countries because at present military imperialism is not possible. The US and some developed countries still dominate the WTO. The US has started making trade agreements outside the multilateral framework and norms of the WTO. The US has had bilateral trade agreements with many countries, which has negatively affected the multilateral trading system. In such a situation, developing countries will have to unite to advocate their rights in the WTO, as well as take the underdeveloped countries with them. Developing countries like India have to keep in mind that developed countries can divert underdeveloped countries by giving some trade concessions. At the same time, India will also have to engage itself with regional trade organizations and bilateral trade agreements as an alternative to the WTO. It is noteworthy that WTO allows its member countries to enter into multilateral and regional trade agreements.

CONCLUSION

In conclusion, of course, WTO's agricultural agreement provides for free and rule-based trade in agricultural products. At present WTO has become synonymous with world trade. WTO is the only institution that connects developing and underdeveloped countries with world trade opportunities. There is neither an alternative to WTO in terms of global trade, nor is it possible for any country to leave it. In such a situation, it is necessary that some new drafts of the agreement should be presented under the WTO itself. The need of the time is that developing countries like India, by taking the underdeveloped countries along with them, place their demands effectively. Developing and underdeveloped countries should also promote their agricultural trade through regional trade associations and bilateral trade associations. At present some developing countries like India are leading nations in the service sector. Therefore, apart from agriculture, a consensus should also be established on the service sector trade so that free movement of capital as well as labor can be possible at international level.

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