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## W.t.o. And Indian Agriculture : Issues And Impact

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### Abstract:

*After the great depression in 1930 & there was a decline in the level international trade. To prevent another global recession it was decided in a meeting of Brettonwoods that there should be some international institution regarding trade. This has paved a way towards the establishment of GATT in 1947. The General Agreement on Tarriff and trade (GATT) was an international organisation, which was created in 1947. The basic objective of GATT was free Trade through multilateral trade negotiations.*

### THERE WERE THREE BASIC OBJECTIVE OF GATT-

- Non Discrimination (i.e. non-discrimination between countries for the source of good)
- Elimination of non-tariff barriers.
- Solving the trade disputes by consultation among the nation.

The present world trading system had evolved from the former GATT, envisaged in 1947 in the aftermath of second world war. The evolution of WTO from GATT was the Uruguay round (1986-1994) which have paved the way for the establishment of WTO. The main subject of discussion for Uruguay round were-tariffs, non tariff barriers, textiles and clothing agricultures trade in services, trade related aspect intellectual property right, trade related investment measure anti-dumping and countervailing measures subsidies etc.

### WORLD TRADE ORGANISATION (WTO)

WTO was established on 1st January 1995 Formally signed by 115 Countries. India is one of the founder member of WTO. Wto is established for free, fair, and undistorted trade in commodities, services and related aspects. The emergence of WTO ushered a new era of consensus on several issues which were not in the jurisdiction of GATT. There basically four types of agreements. First kind is related to commodities and known as GATT (1994).

It included Agreement on Agriculture (AOA) textiles, Subsidies, sanitary and phytosanitary measures, automobiles etc. The second agreement is related to trade in services. 254 kinds of services have been listed. The third kind of agreement is related to intellectual property which includes patent. The fourth kind of agreement are called plurilateral agreements i.e. countries have to sign independently to become member of these agreements.

One of the significant features of WTO Agreement was that it contained a subject of special concern to developing countries i.e. agriculture. Agriculture is an area of great concern for all developing countries including India. Agriculture contributes substantially to national income and gives employment to a large number of people in these countries. Agriculture was the most debatable issue at the ministerial conferences.

Agriculture plays an important role in the Indian economy. Agriculture contributes in three ways in the

economy factor contribution, market contribution and foreign exchange contribution 60% of people are employed in agriculture sector in India, around 21% of national Income comes from this sector. The percentage share of agriculture exports in total merchandise exports in around 12%.

#### **AGREEMENT ON AGRICULTURE (AOA)**

The AOA had basically three elements.

##### **1)MARKET ACCESS :**

Market access commitments basically regarding the tariffication of all non tariff braises. All member countries were required to go through the process of tariffication by removing quantitative restriction. At the same time they have to reduce their tariff rates. Tariff duties had to be reduced by 36% by developed countries over a period of Six year with a minimum rate of reduction of 15% for each tariff item. On the other hand developing countries had to reduce the tariff rate by 24% over a period of ten years with a minimum reduction of 10% on individual product.

##### **2)EXPORT SUBSIDY :**

Member countries are directed to reduce export subsidy. In case of developed countries reduction is required by 36% in term of value and by 21% in term of volume in 6 years, and case of developing countries, direct export subsidy was to be reduced by 24% and the quantity of subsidized export by 14% over a period of 10 years. It should be mentioned here that India had not used any form of export subsidy during 1986-88.

##### **3)DOMESTIC SUPPORT :**

Aggregate Measure of support (AMS) is the mechanism to quantify the domestic support. The AoA Limits AMS with in a maximum limit 10% in case of developing countries. The domestic support to agriculture produces by developed countries is to be reduced by 20% with in a time period of six years and for developing countries it has to be cut by 13% over a period of 10 years.

#### **DOMESTIC SUPPORT HAS BEEN CLASSIFIED UNDER THREE CATEGORIES.**

##### **A)AMBER BOX :**

It comprises all form of domestic support which are trade distorting, therefore they have to be reduced.

##### **B)GREEN BOX :**

It includes government services such as research, disease control, infrastructure and food security. They also include payment made directly to farmers that do not stimulate production such as certain form of direct income support; assistance to help farmer to re-structure agriculture and direct payment under environmental and regional assistance programmes.

##### **C)BLUE BOX :**

It include certain direct payments to farmer where the farmer are required to limit production.

#### **IMPACT OF AOA ON INDIAN ECONOMY :**

Agriculture for India is not only a matter of trade but a matter of sustenance because a large number of people depend on it for their livelihood.

In Indian agriculture sector give employment to around 60% people where as in the developed countries only 20% or 30% people depend on agriculture.

India stand on the issue of agriculture in W.T. is that it is ready for talk of tariff reduction (Market Access) only if the developed nations are prepared to relent on heavy domestic and export subsidies from the view point of providing domestic support and export subsidy. India is in a better position than the other

countries. India has no obligation as it is not providing export subsidies on agriculture. As regard to domestic subsidy. Aggregate measure of support (AMS) or indian agriculture is well below the deminimis of 10% in term of AOA stipulation.

Indian enjoys the advantages of low wages in agriculture in comparison to the most of the developed countries. The prices of most of agriculture commodities are lower than the world prices. Therefore after the removal of trade barriers these countries will export larger amount of agriculture products and this will lead to the equalization of Prices of agriculture produces world wide and the countries like India will loose their comparative advantages on these products. On contrary there are few items like oil-seeds , sugar in which the Indian prices are higher than the international prices. Due to liberalization India will import a large amount of these commodities in near future. Liberal import of agriculture commodities may create difficulties for supply demand balance for essential commodities specially for foodgrain in India.

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