CHAPTER 3
IMPACT OF WTO REGULATIONS ON INDIAN AGRICULTURE
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IMPACT OF WTO REGULATIONS ON INDIAN AGRICULTURE

3.1 Agriculture: A key issue for India in the WTO

Agriculture has been the backbone of the Indian economy for a long time. Agriculture is and perhaps will remain for some time, a key issue in the WTO.

The criticality and sensitivity of the Indian agriculture sector can be gauged by the following factors:

1. The share of agriculture in the national GDP is a huge 24%
2. About 66% of population is dependent on rural economy for their livelihood.
3. Nearly 60% of cultivable land, that is about 100 million hectares out of 167 million hectares, continues to be vulnerable to the vagaries of the monsoon.
4. The yields of the crops grown in India are still very low when compared with the yields of crops some of the other countries.
5. Agriculture and agro-based industries in rural areas play an important role in preventing the migration of the rural population to the urban areas and thereby reduce the burden on the already over crowded cities.

The above points indicate why agriculture is such a key issue for India.
3.2 Issues of concern for India

Agriculture is a major issue for India in the WTO negotiations. The following reasons emphasize the concerns of India:

i. The plight of the farmers in developing countries is directly linked to the level and kind of subsidy given to the farming sector in the developed world. Exporters of agricultural produce from developing countries face a protection of four to seven times higher than the manufacturing sector, while exporting to developed countries.

ii. The agriculture subsidies provided by the OECD countries are more than six times what they spend on official development assistance for developing countries.

iii. OECD governments support sugar producers at the rate of US $ 6.4 billion annually – an amount nearly equal to all developing countries exports.

iv. The distortions in the trade of agricultural commodities, created through the high level of subsidies in the developed countries, shut out the potentially more competitive agricultural products from developing countries like India. This poses high risk to the very livelihood of more than 650 million people in India, who are solely dependent on agriculture.

v. The legitimate concerns of millions of farmers in India, for whom agriculture means survival and not commercial operation, cannot be sacrificed to sub-serve the agri-business profits of a few millions in the developed world which is sustained through US $ 1 billion subsidies each day in the OECD countries.

vi. The issues relating to the special and differential (S and D) treatment for developing countries, which include the need to make all S and D provisions precise, operational and effective, is of importance to India.
3.3 Imperfect competition prevailing in global agricultural trade

Increase in terms of trade for the developing countries, as envisaged by the agricultural reform process, are based on the assumption that in a perfectly competitive world, the benefits of improved terms-of-trade will be passed on to the farmers completely. However, circumstantial evidence suggests that the international agricultural markets are imperfectly competitive in nature as reported by Gill and Brar (1996). Table 3.2 shows that a few large multinational companies and trading agencies dominate agricultural exports. Empirical studies also suggest that multinational firms enjoy a certain degree of market power in the agricultural export markets (Deodhar and Sheldon; 1995, 1996). Thus there may be many countries importing and exporting agricultural commodities in the international market, but what matters is the market structure and performance of each of these export markets.

Trade liberalisation achieves the removal of the tariff and non-tariff barriers to trade. However, it does not guarantee perfectly competitive market structures. The existence of pronounced economies of scale and scope as well as irreversibility of investments, may lead to imperfect market structures even after liberalisation (WTO, 1997). The multinational firms and trading agencies enjoy a unique position as oligopolists-cum-oligopsonists in the international agricultural markets. Economic theory tells us that in the export market these oligopolists would charge a price higher than the marginal cost and while sourcing the products from the
developing countries, these oligopsonists will pay a price much lower than what they would have paid under perfectly competitive conditions. Moreover, the multinationals and trading agencies belong to the Western Europe, the US and Japan. Therefore, rise in international prices due to agricultural trade reforms, as predicted by many studies, may not pass-on fully to the farmers and/or to the developing countries.

Table 3.1: Multinational companies’ market share in agricultural export markets

<table>
<thead>
<tr>
<th>Commodity</th>
<th>World Exports ($ million)</th>
<th>Market share of 3-6 multinationals (%)</th>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>17,851</td>
<td>85-90</td>
</tr>
<tr>
<td>Sugar</td>
<td>10,636</td>
<td>60</td>
</tr>
<tr>
<td>Coffee</td>
<td>9,636</td>
<td>85-90</td>
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<tr>
<td>Rice</td>
<td>3,613</td>
<td>70</td>
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<tr>
<td>Tea</td>
<td>1,844</td>
<td>80</td>
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<tr>
<td>Bananas</td>
<td>1,324</td>
<td>70-75</td>
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<tr>
<td>Cotton</td>
<td>6,567</td>
<td>85-90</td>
</tr>
<tr>
<td>Jute</td>
<td>135</td>
<td>85-90</td>
</tr>
</tbody>
</table>

30 Deodhar Satish Y., ‘WTO Agreements and Indian Agriculture: Retrospection and Prospects’, IIMA working paper # 99-11-06, page 6
3.4 The impact of WTO agreements on Indian agriculture

The impact of WTO agreements on Indian agriculture is as enlisted below:

1. Impact of the Agreement on Agriculture’s process of tariff application on the agricultural imports by India

One of the primary features of the AoA is that all the quantitative restrictions (QR’s) on agricultural commodities be replaced by an appropriate amount of tariff, in order to promote greater transparency in the international trade. The base period of 1986-88 was selected because the world prices of food grains and other different agricultural commodities were fairly low and hence the difference between the domestic and world prices would provide sufficient protection to the domestic products of every country against the surge in imports.

The appropriate level of tariff is calculated by using the following formula:

\[ T = \left( \frac{P_d - P_w}{P_w} \right) \times 100 \]

Where,

- \( T \) is the tariff equivalent or base rate of duty
- \( P_d \) is the domestic price of the product and
- \( P_w \) is the average world price during the three-year base period of 1986-88

However, many countries used an overestimated domestic price to get the advantage of a much higher level of protection than the existing one. Also countries
bound their tariffs arbitrarily, on a higher side, thus defeating the very purpose of shifting over from QRs to tariffication. This process of binding tariffs arbitrarily, on a higher side, is termed as ‘Dirty Tariffication’. For example: EU applied 70 percent custom duty on sugar and raised the tariff on rice from 153 percent to 361 per cent, USA applied 14 to 32 percent on textiles and in Canada the tariff on butter and cheese are 351 per cent and 289 per cent respectively. India has fixed a tariff binding of 300 per cent on edible oils, 150 per cent on cotton, 150 per cent on processed food, 150 per cent on sugar and 100 per cent on milk and cream.\(^{31}\)

As long as the results of ‘dirty tariffication’ are not challenged during the verification process, everything will remain fair and India like other countries can continue to protect her sensitive agricultural products on account of the high tariff set. However, once this irrational ‘dirty tariffication’ is challenged and verified, it will be difficult for India to restrict agricultural imports. This could lead to a very challenging situation to the Indian agriculture.

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2. Impact on India's farm sector due to tariff reduction

In order to facilitate greater international trade, there was a need to reduce the tariffs imposed by countries. In this regard, as part of the AoA, the developed countries were required to reduce the base period tariff by an un-weighted average of 36 per cent subjected to a minimum of 15 per cent for each tariff line (i.e. each product) over the six-year period from 1995-2000 and the developing countries by 24 per cent, subject to a minimum of 10 per cent for each tariff line over the ten year period from 1995-2004. However, these reduction commitments were rendered of little consequence due to the high base rate of duty established during the process of tariffication. Also countries reduced the tariff of their sensitive products by a lesser percentage (subject to the minimum requirement for each tariff line by 15 per cent for developed and 10 per cent for developing countries) and those of products were there was little threat by other countries by a greater percentage. For example: In case of a developing country, if there are five goods, two of which are sensitive and three are non-sensitive, then a 10 per cent reduction can be made on each of the three sensitive goods and a 45 per cent reduction on each of the non sensitive goods, thereby bring the un-weighted average to (10+10+10+45+45)/5 = 120/5 = 24 per cent. This reduction is on the increased base rate of duty established during the process of tariffication. Hence the benefit that was to accrue to India's farm sector as a result of tariff reduction by developed countries has not been fully possible. Similarly India too can protect its agricultural markets and indeed India has done so in cases of some agricultural products.

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32 Deodhar Satish Y., 'WTO Agreements and Indian Agriculture: Retrospection and Prospects', IIMA working paper # 99-11-06, page 18
3. Impact on India’s farm sector, due to imports, as a result of the minimum market access provisions

Market access for agricultural products is to be governed by a ‘tariffs only’ regime, which means that there can be no restrictions on farm trade except through tariffs. This means that non-tariff barriers such as quantitative restrictions on imports i.e. quotas, import restrictions through permits, import licensing etc. which were in existence before the agreement came into being, were to be replaced by tariffs on imports to provide the same level of protection and then were to be followed by progressive reduction of tariff levels.

India in its schedule filed in the WTO at the time of signing the Uruguay Round had indicated that it was not under any obligation to provide minimum market access, on account of it being under Balance Of Payments problem (BOP). Even in the event of removal of Quantitative Restrictions (QRs), which were maintained on Balance of Payment grounds, during the implementation period (195-2004) India would not be obliged to provide any minimum market access. However, now as India is comfortably placed on the BOP issue, it has to adhere to the market access norm.

The market access provision is divided into two parts viz. minimum access and current access.

i. Minimum Access: The minimum access requirement is implemented on the basis of the ‘tariff rate quota’ (TRQ) whereby a certain quota of imports is permitted to enter in a country at below the normal tariff rate or at a
nominal rate according to most favoured nation (MFN) principle. It is 3 per cent of the average demand during the three years base period from 1986 to 1988, at the start of the implementation period in 1995 and increased to 5 per cent by the end of the implementation period in 2004.

ii. Current Access: It is the amount of the exports to a particular country under bilateral trade agreement at preferential rates. The AoA protects the existing current access.

The two provisions of minimum access and current access can exist side by side and are not cumulative. Hence, for a country where the current access situation exists, the overall imports will be higher than the stipulated 3 to 5 per cent.

India does not have the benefit of current access provision for its agricultural products either with the EU, the USA or the South East Asian Nations etc, who import agricultural goods, in which India has a comparative advantage. Hence, India has to fasten the process of joining a Free Trade Agreement like ASEAN so that it can benefit from the access to these markets at a preferential rate of tariff.

Countries are also exempted from providing market access for those agri-commodities, which constitute their staple, diet. For example, In India's case, rice and wheat are classified as staple diet and we need not provide any market access on these commodities.

The market access issue is still under negotiations as part of the Doha round of negotiations, which is stalled at present. India has stated its bound levels of imports tariff rate at 100% for primary agricultural products, 150% for processed
agricultural products and 300% for edible oils, except for certain items comprising about 119 tariff lines. These would be prohibitive and make imports an extremely unviable proposition. Out of the low bound 119 tariff lines, bindings on 15 tariff lines which included skimmed milk powder, spelt wheat, corn, paddy, rice, maize, millet, sorghum, rape, colza and mustard oil, fresh grapes etc. were successfully negotiated under GATT Article XXVIII in December 1999 and the binding levels were suitably revised upward to provide adequate protection to the domestic producers. For example, for milk and milk products India had committed itself to zero percent tariff, which was subsequently renegotiated to 100 per cent.

For sugar, the bound rate is 150%, but at present the applied rate of import duty is 60%.

Though India was not entitled to use the Special Safeguard Mechanism of the Agreement, which can be used only by countries, which had tariffied, yet it can take safeguard action under the WTO Agreement on Safeguards if there is a surge in imports causing serious injury or if there is a threat of serious injury to the domestic producers.
4. Impact of WTO agreement on India’s Public Distribution System (PDS)

The operations of the PDS in India are not subsidies to the farmer or to the producer, but these are consumer subsidies meant for the rural and urban poor to meet their food requirements. Such consumer subsidies are exempt from WTO discipline and this is clearly written in the agreement. India has also stated in its schedule of commitments in WTO that concessional sales of food grains through the PDS and other schemes with the objective of meeting the basic food requirements as a social safety net are in conformity with the provisions of the agreement. The schedule has been verified and accepted by our trading partners. Also India is not a signatory of the plurilateral agreement of which government procurement is a part, therefore the apprehension that WTO agreement will affect our Public Distribution System (PDS) is baseless.

Annex 2 of the Agreement on Agriculture contains provisions pertaining to public stock holding for food security purposes, permitting governmental stock holding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines, shall be considered to be in conformity with the provisions of the Agreement provided that the difference between the acquisition price and the external reference price is accounted for in the AMS.

Thus, there is no constraint on the operation of our public distribution system under the Agreement on Agriculture.
5. Impact of WTO agreement on India’s ability to follow her own agricultural policies and programmes

All our developmental schemes can be continued under the WTO Agreement on Agriculture. These include our subsidies for research, pest and disease control, marketing and promotion services, infrastructural services, including capital expenditure for electricity, roads and other means of transport, marketing and port facilities, irrigation facilities, drainage systems and dams etc. For a developing country like India, there are some agricultural subsidies, which are also permissible and need not be reduced. These are investment subsidies, which are generally available to low income and resource poor farmers. The types of subsidies mentioned above account for the bulk of the agricultural subsidies provided in India, for example, in 2001-02 the Government announced the National Policy in Agriculture which had had been designed to stimulate growth, to encourage better management of food economy, removal of constraints on the movement of food grains within the country, enhanced credit flow to farm sector through institutional channels (increased to Rs.64, 000 crores in 2001-2002 i.e. an increase of 24% over previous year), special initiatives like the credit linked subsidy scheme for construction of cold storages and rural godowns, reduction of rate of interest (from 10% to 8.5%) for funding the storage of crops In the 2008 budget the finance minister announced a loan waiver for farm loan, totaling Rupees one lakh crore. Thus the agreement does not constrain from following developmental policy with regard to agriculture.
6. Impact of WTO Agreement on Agriculture on domestic support / subsidies provided to our farm sector

According to the Agreement on Agriculture, domestic support measures are meant to identify acceptable measures of support to farmers and curtailing unacceptable trade distorting support to farmers. These measures are targeted largely at developed countries where the levels of domestic agricultural support had risen to extremely high levels.

Domestic support is divided into two categories viz.,

i. Support with no, or minimal, distorting effect on trade which is often referred to as “Green Box” and “Blue Box” measures and

ii. Trade distorting support, which is often referred to as “Amber Box” measures.

The trade distorting domestic support is measured in terms of what is called the "Total Aggregate Measurement of Support" (Total AMS), which is expressed as a percentage of the total value of agricultural output and includes both product specific and non-product specific support. The Agreement on Agriculture stipulates a reduction commitment of total AMS by 20 per cent for developed countries in 6 years (1995-2000) and by 13.33 per cent by developing countries in 10 years (1995-2004), taking 1986-88 as the base period. However, domestic support given to the agricultural sector upto 10% of the total value of agricultural produce in
developing countries and 5% in developed countries is allowed. In other words, AMS within this limit is not subject to any reduction commitment.

There has been a general concern that subsidy for Indian farmers will no longer be possible under WTO Agreement on Agriculture.

The concern is misplaced because India is under no obligation under the WTO Agreement on Agriculture to reduce any of the subsidies given to our farmers. This is because the total aggregate value of subsidies given to farmers namely, subsidies on fertilizers, electricity, seeds, pesticides and cost of credit available to all crops as well as agricultural commodities is well below the ceiling prescribed in the Uruguay Round agreement.

Some sort of support, both product-specific and non-product-specific, is in fact needed to achieve the objective of food security and to be self-sufficient in food production.

Calculations have been made by eminent experts like A.V.Ganesan which state that in the base years 1986-87, 1987-88 and 1988-89, both product-specific and non-product-specific subsidies provided by the Government of India to the farming sector, without taking into account the concessions provided for in the Agreement, were negative to the extent of Rs.19,000 crores. This implies that we would have to further subsidize agriculture to the tune of Rs.19,000 crores to even come in the range of positive subsidies let alone above 10 per cent, which is a near impossibility in the foreseeable future. Hence the agreement would impose no obligation whatsoever on us to make any reduction in the present levels of agricultural subsidies.
Developing countries have also been provided three additional exemptions, viz.

i. Investment subsidies, which are generally available to agriculture

ii. Agricultural input subsidies generally available to low-income or resource-poor producers

iii. Domestic support to producers to encourage diversification from growing illicit narcotic crops.

However, noted economist, Yoginder K. Alagh (Globalisation and Agricultural Crisis in India, 2003) states that the WTO relies on the Brettonwoods institutions like IMF, World Bank, since it does not have any independent machinery, to make assessments and revision of the AMS norms. The argument that since the AMS to the Indian agriculture was negative, trade liberalisation would lead to great gains to agriculture, is now revised by the Brettonwoods institutions. As compared to the Purcell- Gulati estimates of negative AMS of 28 per cent for the period of 1988-90, the findings for the nineties by the Purcell- Blairel studies is that the AMS is close to zero.  

This may have serious repercussions for the Indian agriculture as the government may have to reduce subsidies to the already beleaguered Indian agriculture, if the subsidies cross the ten per cent level for developing countries as stated above. Hence Indian negotiators at the ministerial conferences have to be better prepared with the IMF- World Bank database for future negotiations. The Indian government too will have to provide subsidies that are permissible under the green box measures.

Deodhar Satish Y., 'WTO Agreements and Indian Agriculture: Retrospection and Prospects', IIMA working paper # 99-11-06 page xxi and xxii
7. Impact of WTO Agreement on Agriculture on export subsidies provided to our farm sector

Disciplines in the area of export subsidies required developed countries to reduce, over a period of 6 years, the base period (1986-88) volume of subsidised exports by 21 per cent and the corresponding budgetary outlays/ expenditures for export subsidies by 36 per cent. For developing countries these reductions are 14 per cent in volume terms and 24 per cent in budgetary outlays over a period of 10 years. Export subsidies of the kind listed in the Agreement on Agriculture, which attract reduction commitments, are not extended in India. Also, developing countries were free to provide certain subsidies, such as subsiding of export marketing costs, internal and international transport and freight charges etc during the implementation period only. India made use of these subsidies in certain schemes of Agricultural and Processed Food Products Export Development Authority (APEDA), especially for facilitating export of horticulture products.

In 2007 the government of India has compensated sugar exporters to the extent of Rs. 1350 per ton of sugar in coastal states and Rs. 1450 per ton for other states, which has been contested by some sugar exporting countries like Australia and Brazil. The government has remained cautious in usage of the words for extending the sop lest the move should attract WTO provisions against subsidy. The government says it is only “defraying” the transport cost, which should not be treated as subsidy. 34

34 News article from the daily, “The Hindu”, dated 25-11-2007 titled, “Australia, Thailand approach WTO on India’s sugar export sops”
8. Impact of WTO Agreement on Agriculture on the issue of food security

It is enshrined in the preamble to the Agreement on Agriculture (AoA) that commitments under the reform programme for trade in agriculture should be made in an equitable way among all members, having regard to non-trade concerns, including food security. Article 20 of the agreement, which mandates negotiations for continuation of the reform process, also recognises that non-trade concerns, such as food security should be taken into account in the negotiations.35

The social and economic vulnerability of agriculture in developing countries is generally reflected in parameters such as substantial contribution of agriculture to their GDP, low level of commercialisation of agriculture, low productivity, weak market orientation, preponderance of small and marginal uneconomical operational land holdings, lack of infrastructure, dependence on monsoon, susceptibility to natural calamities, and dependence of a very large percentage of population on agriculture for their livelihood etc. Such vulnerability fully justifies the extension of special provisions to the developing country members for ensuring their food and livelihood security concerns.

Hence, food security is not only of great economic relevance but also a very important socio-political concern in large agrarian economies like India and is a priority area for India in the ongoing negotiations on agriculture at the stalled Doha round of negotiations.

9. Impact of the SPS and TBT norm of WTO Agreement on Agriculture

The Sanitary and Phyto-Sanitary (SPS) norm deals with health protection measures of foods and drinks, Technical Barriers to Trade (TBT) measures include technical requirements and procedures on most topics from shape of packages to safety and energy consumption. The SPS and TBT agreement have been discussed in the chapter 2 ‘WTO- A Conceptual Framework’.

Though the SPS and TBT norms are to be made use of for the health and safety of the citizens by a country, they often end up as a source of disputes as they can be used as ‘non-tariff barriers’. This can be seen with the help of an example as cited below:

Example: India raised the issue of EU food and product safety “rapid alert systems” terming it as a non-tariff barrier. India wants the EU to address concerns that the EU’s notification systems for food and non-food safety related concerns operate as significant non-tariff barriers against Indian exports. The EU systems in question are called RAPEX (Rapid Alert System for non-food consumer products) and RASFF (The Rapid Alert System for Food and Feed).

India has now called for lifting of the EU’s Rapid Alert System for Food and Feed (RASFF) and a similar system called RAPEX for non-food consumer products. These rapid alert systems restrict the marketing and use of any such product that is found to be posing serious and immediate danger to consumers’ safety and health by swiftly exchanging information.
According to India, this could be seen as a paranoid reaction from the EU authorities that would potentially harm exports from India. India has pitched for a joint appeal system, whereby affected exporters can file an appeal against a laboratory report given by either EU or India, on the basis of which the consignments are rejected.

RASFF and RAPEX fall under both health-related trade restrictions like Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT). As per the officials, what is troubling India is that after one such rapid alert by a country, all other EU member countries would do a thorough check of several subsequent consignments. This adds to delays and costs of exports from India, especially since the EU has not yet unified and electronically linked the customs procedures of member countries.

Belgium, which is the most lenient, does such checks on three subsequent consignments. Greece, the strictest in this regard, has not put any limit on subsequent checks after a rapid alert. Moreover, European buyers are reluctant to purchase any item put on such a rapid alert. This indicates that EU’s measures are acting as non-tariff barriers (NTB) meant to protect their domestic industry. Analysts say that the EU is a leading user of such SPS and TBT measures. India sees it as a non-transparent and protectionist measure, rather than a genuine safety one.\(^{36}\)

\(^{36}\) News article form the daily, 'The Financial Express', dated 23-05-2008, titled, "EU food and product safety rapid alert systems act as non-tariff barriers, India raises issue in FTA negotiations"
10. Perceived benefits for developing countries because of the WTO Agreement on Agriculture

The Agreement on Agriculture is perceived as likely to create opportunities for India’s agricultural exports. For that to happen, the industrialised countries have to substantially reduce their subsidies and provide increased market access. However, the OECD countries have increased their total support to agriculture, for example. In 1986-88 OECD countries gave a subsidy of US $361 billion to their farm sector which was increased to US $381 billion in 1999.

A reduction in their subsidies will naturally raise the prices of agricultural products in the world market and this will make our exports more competitive. Liberalisation measures in agriculture world-wide will create market openings which will be available to us provided we rise up to make use of the opportunities. Ashok Gulati and Tim Kelley have stated that: “India would be a net gainer from trade liberalisation and rural incomes would rise. Countries like India could benefit not only from improved market access opportunities in the developed and developing countries, but also from the reduction of subsidised exports and trade-distorting production incentives prevailing in developing countries”.

These are the expectations, according to many experts, provided the developed countries agree to substantially reduce their huge subsidies and mega-tariffs according to the letter and spirit of the accord.
3.5 Present status of the implementation of Agreement on Agriculture

It is now an established fact that the Uruguay Round did not bring about trade liberalisation in agriculture to the desired extent. There were no significant reductions in domestic support as well as export subsidies by the developed countries. Although the Agreement on Agriculture achieved a great deal by defining rules for international trade, its achievement in terms of immediate market opening has been limited. The anticipated gains from agricultural trade liberalisation, therefore, have eluded the developing countries till now.

It was also expected that the contemplated fair trading regime would help the efficient producers in realising higher prices for their products. On the contrary, prices of most agricultural commodities are declining in the world markets, mainly due to export of subsidized agricultural products from western countries. It was anticipated that due to the reduction in domestic support in developed countries, cereal production would shift from developed to developing countries. Empirical evidence, however, shows that there has not been much change in the pattern of world cereals production and exports.

A number of developed countries have continued to provide high domestic support to their agricultural sectors, which encourages over-production in these countries, leading to low levels of international prices. The policies in many developed
countries have only been cosmetically altered by shifting the support from one “box” to another.

Market access in the developed countries is also hampered by their maintaining high tariffs on products of interest to developing countries besides a plethora of non-tariff barriers. In a recent study of 14 countries, Food and Agricultural Organisation (FAO) concluded that there was little change in the volume exported or in diversification of products and destination. Tariff peaks continue to block exports from developing countries to the developed world. Tariffs still remain very high in certain sectors, specially, in cereals, sugar and dairy products. Tariff escalation (increase in tariff with successive stages of processing) block exports of value-added products from developing countries to the developed countries.

Stringent Sanitary and Phytosanitary (SPS) measures continue to be a major barrier in diversifying exports in horticulture and meat items. Since entry of new comers is difficult in the existing tariff quota (TRQ) regime, India is demanding substantial expansion of TRQs pending their eventual abolition. It is also essential that administration of tariff quotas should become more transparent and equitable.

TRQ is a trading mechanism that provides for the application of a customs duty at a certain lower rate to imports of a particular good up to a specified quantity (in-quota quantity) and at a higher rate on imports of that good when it exceeds the in-quota quantity.
To sum up, the expectations about reductions in domestic support or export subsidies prevailing in the developed countries at the time of conclusion of AoA have not materialised. Market access has thus been effectively denied to developing countries.

As far as India is concerned, it has been possible to maintain without any hindrance the domestic policy instruments for promotion of agriculture or for subsidised targeted supply of food grains. The domestic policy measures like the operation of the Minimum Support Price (MSP), the public distribution system (PDS) as well as provision of input subsidies to agriculture have not been constrained by the Agreement. In fact, certain provisions contained in Annex 2 of the Agreement, popularly known as the 'Green Box', give us the flexibility to provide support for, research and extension services, pest and disease control, marketing and promotion services, infrastructure development, payments made for relief from natural disasters, payments under regional assistance programme for disadvantaged regions and payments under environmental programmes.

As agriculture constitutes a vital segment of the Indian economy, finding greater market access for India's agricultural products, especially in the developed country markets, would therefore, be one of the important issues during the negotiations. Food security of our people, protection of the interests of domestic farmers and their livelihood as well as the need for export maximisation will be the guiding principles during the ongoing negotiations.