Chapter – Eight

Conclusions, Suggestions and Recommendations

The process of economic liberalization, privatization and globalization of Indian economy in 1991 and subsequent emergence of World Trade Organization (WTO) in synergizing global trade policies have totally changed the ways and practices of businesses all over the globe including India. It has major implications for all sectors of the Indian economy particular in Agriculture, Industry and Services sectors. The ‘outward looking’ exports promotion strategy adopted in 1991, led to significantly faster growth of production and exports in India since then. The increased domestic competition in international economic environment owns to formation WTO and other global economic crises. The WTO mandated mechanism has completely changed the ways the business and trade is taking place nationally, regionally and globally. In a world characterized by rising pace of globalization (fast growing foreign trade in commodities and services for countries like India and greater flow of cross border capital), the role of WTO has become extremely important. As WTO decision making is based on negotiations and consensus, the signatories to WTO agreements are bound to abide by these agreements. However, WTO compliance often entails major changes in an economy, and adjustment costs could be very high if proper policies and strategies are not adopted in a proactive manner.

8.1 Conclusions

The present study titled ‘An Analytical Study of Functioning of WTO in Context to Agricultural Subsidy with Special Reference to India’ assesses the function of WTO and analyzing provision assigned between WTO and India in sphere of agriculture. The study explores the impacts of WTO provisions in regard to agriculture subsidy and domestic food subsidy in India and measures the circumstances & problems of Indian farmers and peculiarity of Indian agriculture. Apart from these, the study assesses the impacts of export performance of India during pre and post WTO period and analyzes the Aggregate Measurement
of Support (AMS) during WTO period in case of non-product specific support. The findings of the study are presented as below:

- As assumed under **hypothesis-one** that there is no significant change in agricultural growth rate of India during pre and post WTO period. The test result shows that there is no statistically significant change in the ‘Agricultural Growth Rate’ of India during pre and post WTO period. Thus, null hypothesis is accepted. The reasons for accepting our hypothesis include that a large area of farm land depend on rain-fed, Indian agriculture frequently faced different types of disasters like flood, drought, untimely over rainfall etc. As shown in various Government reports that cropping cycle in many regions often failed during last decade. Along with these, the socio-economic characteristics of Indian farmers are not very strong in many senses, specifically in modern farming and techniques.

- As assumed under **hypothesis-two** that there is no significant change in agricultural exports of India during pre and post WTO period. The test result shows that there is statistically significant change visualized in the ‘Total Export of all agriculture commodities of India, during pre and post WTO period. Thus, null hypothesis is rejected. The reasons include significant growths of cottage, small and large scale industries, national policy introduced many promotional benefits to exporters, significant growth of food and commercial corps production and high global markets demand promoted the Indian exporters during last two decade.

- As our pre-fixed **hypothesis-three** that ‘there is no significant change in food subsidy (related to green box) of India during pre and post WTO period’. The test result shows that there is statistically significant change in the ‘Food Subsidy (related to green box)’ of India during pre and post WTO period. Thus, null hypothesis is rejected. The reasons for rejection our null hypothesis includes high population growth in the country, existence of high magnitude of poverty in rural as well as urban India, frequent natural disasters in many regions which already documented by Government of India, high welfare concern of government about most vulnerable and marginalized sections by public distribution system.
The **hypothesis-fourth** that ‘there is no significant change in fertilizer and electricity subsidy (related to amber box) of India during pre and post WTO period. The test result shows that there is statistically significant change in the ‘Fertilizer Subsidy (related to amber box)’ of India during pre and post WTO period. Thus, null hypothesis is rejected. While in case of electricity, we assumed that ‘there is no significant change in electricity subsidy (related to amber box) of India during pre and post WTO period’. The similar result has been observed in case of electricity i.e. null hypothesis is rejected. The reasons for rejection of our both hypotheses includes significant growths in number of marginal and small farmers in the country during last two decade, Government introduced many promotional programmes for farmers, significant positive change in irrigated area of farm land, frequent drought and disasters faced in many regions, high growth of saturation of electricity in rural areas, high welfare concern of government about most vulnerable and marginalized farmers etc.

As our **hypothesis-five** that there is significant change in Non-product specific AMS during pre and post Doha period. The test result shows that there is statistically significant change in the ‘Non-product specific AMS’ during pre and post Doha period. Thus, our null hypothesis is rejected. The reasons for rejection of our hypothesis are as follows:

- The non-product specific AMS, even without the allocations shown in Indian’s notifications, has been below it de-minimis limit in all years except 2008. The main cause that Government continuously increased non-product specific support during last decade.

- The Government of India as well as State Government has provided various types of subsidies on agriculture inputs like fertilizers, electricity, irrigation, seeds, and financial credit subsidy at nominal interest rate. Along with these, the Government has exempted a huge amount of farmer’s loan in different years.

- Being a democratic system in the country, the Government has committed to provide high protraction to their farmers for social and economic safety-net.
India does not required to cut of their subsidy under WTO norm, because India’s subsidy level is not more than de minimis level (10 per cent value of total agricultural value of production).

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of i) exemption of export profit from income tax under section 80-HHC of the Income Tax Act and this is also not one of the listed subsidies as the entire income from Agriculture is exempt from Income Tax per se. ii) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. Therefore India does not have obligation to cut of the export subsidy.

The Indian agricultural products by seeking a reduction in the high tariffs and subsidies prevent in developed countries. A higher growth in agriculture, thus, needs a comprehensive revamp of agricultural policy with reorientation towards rapid diversification of this sector. A progressive correction is required in the incentive structure for agriculture so that the excessively high minimum supports prices do not continue to distort resource allocation in agriculture.

The centre as well as state governments is providing subsidies on fertilizers, irrigation (canal water), electricity and other subsidies to marginal farmers and farmers’ cooperative societies in the form of seeds, development of oil seeds, pulses, cotton, rice, maize and crop insurance schemes and price support schemes etc. Out of these subsidies, the Central Government of India provides indirect subsidies to farmers on the purchase of fertilizers from 1977, whereas state governments are providing subsidies on irrigation as well as on electricity.

Climate change is a major challenge for agriculture, food security and rural livelihoods for millions of people including the poor in India. Adverse impact will be more on small holding farmers. Climate change is expected to have adverse impact on the living conditions of farmers, fishers and forest-dependent people who are already vulnerable and food insecure.
Last objective of my study can be also analyzed by the basis of the Centre for the Study of Developing Societies (CSDS), Delhi has conducted survey across 18 states of India. The survey has conducted between December 2013 and January 2014. The survey was covered 274 villages spread over 137 district of the country. The findings of the survey reveal many facts about the socio-economic status of Indian farmers. The findings are presented as below:

- 36 per cent farmers live either in a hut or a kuchha house. 44 per cent live in a kutcha-pucca or mixed house. Only 18 per cent of them have a pucca independent house. 28 per cent of the farmers were found to be non-literate. 14 per cent have passed matric (Class X), and only 6 per cent entered for a college degree.
- Overall 83 per cent of the farmers consider agriculture to be their main occupation (varies from 62 per cent in Tamil Nadu to 98 per cent in Gujarat). 32 per cent of the farmers do work other than farming for additional household income.
- In past one year approximately one in every ten farmers said that their family had to remain without food on few occasions. Most farmer households (61 per cent) have two meals a day. Only 2 per cent have one meal a day and 34 per cent eat more than two times a day. Only 44 per cent farmers eat all three meals a day, whereas 39 per cent of the surveyed farmers said that they eat lunch and dinner only.
- 65 per cent farmers said that other members from the family also helped in activities related to farming. 75 per cent of the farmers said they are engaged in farming for more than ten years.
- Only 10 per cent of the farmers are members of a farmer organization. 86 per cent of the farmers or their family owns land.

8.2 Suggestions and Recommendations

From very beginning, the agriculture subsidy is an important socio-economic concept in India. The agriculture subsidy reduces the cost of production of products and ensures proper price through MSP while in other side it provides high motivation among farmers to produce agro-crops. The input subsidy and MSP are
positively impacted and enhanced the economic and social level of small and medium farmers and provided social-economical safety-net to them from the paradox of plenty, uncertainty of rain, unexpected natural risks and various types of disasters. In other side, agriculture exporters, large farmers and commercial crop producers get better market price of products through such input subsidies.

The subsidy puts in the activities which pollutes the trade. The concept of WTO to develop the member countries through trades liberalization and rationale of AoA clarified that member countries may reduced the domestic support in stipulated time period. The WTO classified domestic subsidies into three categories known as the Amber, Blue and Green boxes. The Amber box has provision to secure to alter on inputs and products by reducing the subsidy while the Green Box has provisions to protect socio-economic of people by providing the subsidies on food security, crop insurance, disease control and other facilities related to social security. The social welfare issues are more important in comparison to export business in developing and democratic country like India.

The country cannot reduce its subsidies on social welfare schemes because a large proportion of population lives in below poverty line. The proportion would become higher if we considered international poverty line which has been assumed 1.25 USD per day per person. The last two international conferences which held in Bali (2013) and Nairobi (2015) mainly focus on dispute of food security issues between developed and developing countries. These are the reasons that study analyzes on the decentralization of subsidies and directive shape of subsidies on different dimensions and provides following suggestions and recommendations for reform:

- The Government of India may promote organic fertilizers in lieu of chemical fertilizers so that huge subsidy on fertilizers could be reduced. This step will provide positive impacts on many ways and these impacts include i) save the huge subsidy amount and financial burden of the Government, ii) increased the quality of land, iii) agro-products become more hygienic and iv) provide eco-friendly clean and safe environment.
- The Government should promote contract farming or sharing cropping by modifying the existed law and rule. This will save the input subsidy cost and
protect the marginal and small farmers in the country in terms of social and economical both sphere.

- There is need to promote water harvesting and water shed programmes in the country, mainly in hilly and rocky regions so that input subsidy on irrigation may be reduced. The Government of India as well as States Government may proceed in this direction by developing effective programmes. The drip irrigation may be another effective option for said purpose.

- Culture of cooperative farming should also promoted for better use landholding, cropping pattern and efficient input cost.

- Government of India should also spend hues amount on research and development of GM seeds and hybrid seeds because most of GM seeds and hybrid seeds imported (including MNCs).

- The subsidy provisions under Green Box should be continuously reviewed by member countries so activities and policies of member countries may be formulated in context of provisions made under Green Box.

- The Government of India may provide their socio-economic and natural vulnerabilities specifically in term of poverty, characteristic of agriculture, natural disasters and availability of agro resources and techniques in rural areas.

- The farmers are the backbone of our nation. So it is the first duty of the people and the Government of the country to improve their condition. If their condition is not improved, the whole nation will suffer. Generally, a large number of Indian farmers are growing crops for self consumption by adopting traditional farming methods. There is need to educate such farmers in modern farming techniques and principles of scientific agriculture. They should be motivated for commercial farming and link them with the market demand.

- The Government should speedup to develop micro-finance system by constituting the farmer cooperative and self help groups. The Government may provide financial and other agriculture resources to these cooperatives and SHGs so that rural poor farmers could be strengthened by chief low and credit for farming resources at local level.
➢ India should improved encompassing public and private investments in scientific research and development, technology transfer, and education, training and advisory services and it must be ensure that successful practices are scaled up.

➢ Support comprehensive national food security strategies that are country-owned and led, evidence-based and inclusive of civil society and farmer organizations. In this respect, follow up on previous G 20 commitments, such as the Pittsburgh summit commitment, to fund the Global Agriculture and Food Security Program.

➢ India should develop appropriate domestic policies (extensive domestic market reforms, heavy investment in building and maintaining infrastructure, etc.) to improve efficiency and competitiveness of domestic produce.

➢ Government of India can also utilize direct transfer benefit scheme to target and rationalized agricultural subsidy to needy and actual beneficiaries. Scheme can also be rationalized the food subsidy by reduce distribution cost in public distribution system.

➢ It should continue to play leadership role in negotiating agreements with sound analytical basis and support of other developing countries with similar interest. A dedicated group of about 100 experts, on full time basis, should work on the WTO issues to provide analytical basis for negotiations and to help in planning appropriate strategies to strengthen Indian agriculture to face increasing trade liberalization and globalization.

➢ India has to counter the challenges in the export of traditional items from the developing countries. In this regard, prioritization, enhancing production and processing efficiency, marketing and transport infrastructure, maintaining quality, stable supply etc. need to be immediate attention.

➢ Lastly, the study has many limitations for analyzing the functioning of WTO in Context to agricultural subsidy in India so there is need to organize a comprehensive empirical research study by taking a adequate number of sample from all over India for more appropriate agricultural subsidy policy.