CHAPTER II

THE WORLD TRADE ORGANIZATION
AND INDIAN AGRICULTURE
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SECTION A

PROVISIONS OF THE AGREEMENT ON AGRICULTURE

INTRODUCTION

The main aim of Agreement on agriculture was to encourage fair trade in agriculture by removing trade distortions resulting from differential levels of input subsidies, price and market support, export subsidy and other kinds of trade distorting support. The Agreement envisaged phased reduction in various kinds of support being given to agriculture by the Member countries. Based on this, it was anticipated that implementation of Agreement on Agriculture (AoA) would raise international prices of agricultural commodities and would improve export prospects for countries like India.

In order to address these issues, we will, in this chapter examine whether WTO Agreement has reduced trade distortions and how far it will be useful tool for India to improve agriculture export.
BACKGROUND OF THE AGREEMENT

Agricultural products (food) accounted for 12% of the world trade in 1993. Therefore, it is one of the extremely important areas in the international trade. Historically, Agriculture Trade Policy has been driven by short-term phenomena. Food crisis led to export control while the glut situation led to import measures. Steady expansion of American production and the special agricultural regime different from GATT led to protectionist measures which influenced world prices. Initially the United States was to gain by this policy but many countries in Europe like France, Germany, Austria, Hungary, etc. reacted by protecting existing procedure and subsidizing exports. The agricultural sector was exempted from GATT discipline.

With the creation of EEC, 1957 (by the Rome Treaty, 1956) and the promulgation of Common Agricultural Policy (CAP), agriculture intervention in Europe became a regular feature. In early 1990s, agriculture in many industrialized countries was regulated, subsidized and centrally planned to an exceptional degree—production quota, State purchasing and distribution, subsidies & administered pricing. As a consequence, all international exports were controlled by these countries without necessarily having comparative advantage. They also became major producers because the farmers, encouraged by the Government in every possible manner, naturally increased their production and exports. For sugar alone the reduction of developing country estimated export revenue resulting from agricultural protection in USA, European Community and Japan was estimated to be equivalent to about half of total International Development Aid. Because of political power of food, such a system of latent protection could be maintained over decades.

In the lead-up to the Uruguay Round negotiations, it became increasingly evident that the causes of disarray in world agriculture went beyond import access problems which had been the traditional focus of GATT negotiations. To get to the roots of the problems, disciplines with regard to all measures affecting trade in agriculture, including domestic agricultural policies and the subsidization of agricultural exports, were considered to be essential.
Clearer rules for Sanitary and Phyto-Sanitary measures were also considered to be required, both in their own right and to prevent circumvention of stricter rules on import access through unjustified, protectionist use of food safety as well as animal and plant health measures.

When Uruguay Round was launched in 1986, it was for the first time that the subject of agriculture was brought on the table as one of the items to be negotiated. After a protracted discussion between the different States spread over a period of more than 5 years an Agreement was finally reached. It has already been seen that Uruguay Round made a provision that the members would have to accept all the discipline simultaneously and there would be no carte-blanche. Years passed by but there was no sign whatsoever of any understanding. A trade negotiations committee was set up to conduct the negotiations which recommended that some contentious items were to be finalized in 4 years. A mid-term review held in Montreal in December 1988 showed, however, that the talks were nowhere near completion and the stalemate persisted. When the Committee met again some months later in Geneva in April 1989, the differences had still not been resolved. The main countries European Union & USA - contributed to 40% of international trade in agriculture and the dispute was between them. A number of countries, namely, Australia, Brazil, Canada, Chile, Columbia, Fiji, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay were called as CAIRNS Group and they supported the USA. EU was, however, supported by EFTA countries and Japan. Even India and some other important countries were playing an important role, though not actively. With no prospect of a settlement in sight, Director General of GATT Arthur Dunkel submitted a comprehensive Draft on 20th December, 1991. He made it clear that the package had to be either accepted in totality or rejected. Dunkel Draft, as it had come to be known, for the first time, put the European Community in direct confrontation with the USA in the field of Agriculture. The USA maintained its demand (opposed by the EU) for total reduction in trade distorting support policies within 10 years. This led to breakdown of mid-term
review in Montreal as stated earlier. Finally, an Agreement was reached between EU and the USA in November 1992 which is called Blair Accord.

Therefore, the agricultural negotiations in the Uruguay Round were by no means easy, the broad scope of the negotiations and their political sensitivity necessarily required much time in order to reach an agreement on the new rules, and much technical work was required in order to establish sound means to formalize commitments in policy areas beyond the scope of prior GATT practice. The Agreement on Agriculture and the Agreement on the Application of Sanitary and Phyto-Sanitary Measures were negotiated in parallel, and a Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-developed and Net Food-importing Developing Countries also formed part of the overall outcome. The implementation of the Agreement on Agriculture started with effect from 1.1.1995. As per the provisions of the Agreement, the developed countries would complete their reduction commitments within 6 years, i.e., by the year 2000, whereas the commitments of the developing countries would be completed within 10 years, i.e., by the year 2004. The least developed countries are not required to make any reductions.

The Agreement established a Committee on Agriculture. The Committee oversees the implementation of the Agreement on Agriculture and affords Members the opportunity of consulting on any matter relating to the implementation of commitments, including rule-based commitments. For this purpose, the Committee usually meets four times per year. Special meetings can be convened if necessary.

PRODUCT COVERAGE

The products which are included within the purview of this agreement are the product defined in Agreement in Annex 1 agricultural products by reference to the harmonized system of product classification. The definition
covers not only basic agricultural products such as wheat, milk and live animals, but the products derived from them such as bread, butter and meat, as well as all processed agricultural products such as chocolate and sausages. The coverage also includes wines, spirits and tobacco products, fibres such as cotton, wool and silk, and raw animal skins destined for leather production. Fish and fish products are not included, nor are forestry products.

THREE PILLERS ON WTO AGREEMENT ON AGRICULTURE

The Agreement on agriculture is a modest first step towards serious reform of international rules governing trade in agricultural products. The agreement built on three pillars:-

- Increased market access for agricultural products.
- Commitments to reduce domestic subsidies on agricultural production.
- Commitments to reduce export subsidies on agricultural product.

The Preamble to the Agreement conceives long term objectives of the WTO members to establish a fair and market oriented agricultural trading system that includes substantial reduction in agricultural support and protection. Further in implementing those commitments on market access developed countries would take fully into account the needs and conditions of developing countries members by providing for them greater opportunities and terms of access for their agriculture products in the market of developed country members of WTO. There is further commitment of fullest liberalization of trade in tropical agriculture products. This commitment as a reform programme is to be made in an equitable way among all WTO Members taking into account non-trade concerns including food security and the need to protect the environment having regard to the Agreement that special and differential treatment for developing countries is an integral element of the
negotiation and also to take into account the possible negative effects on the implementation of programme on the Least-developed and net food importing developing countries.

The objectives of the Uruguay Round negotiation are set out in the agricultural sector in the Ministerial Declaration of the Round and the long term objectives of the reform process has been set in mid term review of the Uruguay Round the Agreement on agriculture consist of 21 Articles with five Annexes.

MARKET ACCESS

INTRODUCTION

One of the cornerstones of the General Agreement on Tariffs and Trade (GATT) is the general rule against the use of quantitative restrictions on trade. Tariffs are preferred by the GATT because they are inherently less trade distorting than no tariff barriers (Non-tariff barrier/NTB): a border measure, regulation, or other Government action other than a tariff used by Governments to restrict imports from, and exports to, other countries. Examples: embargoes, import quotas, quantitative restriction (quotas), licensing, domestic support programs, labeling and health standards, technical barriers to trade, and exclusive business practices. Unlike NTB's, tariffs do not establish maximum ceilings on imports. While NTB's tend to insulate markets, tariffs allow global price changes to be transmitted to the domestic market. Tariffs are predictable and transparent to exporters, and they do not discriminate between suppliers nor exclude imports of lower-cost goods. Despite these advantages, prior to the Uruguay Round, GATT members had never reached agreement on how to discipline the use of NTB's to protect domestic agricultural sectors from international competition. Many NTB's were integral and essential elements of domestic agricultural policies in

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place in each country and could be disciplined only if accompanied by changes in domestic policies.

Therefore, since the birth of GATT to WTO i.e., for the fifty years, it is established that the agricultural sector in international trade has been subjected to innumerable non-tariff barriers which have taken various shapes and forms such as quotas, variable import levies and voluntary import and export restraints. To remedy this situation, the Agreement on Agriculture requires:

1. a guaranteed minimum access level for all agricultural products;
2. the 'tariffication' of non-tariff barriers into tariff equivalents; and
3. the use of tariff-rate quotas to ensure that the market access commitments are honoured.  

**PROVISSIONS OF URUGUAY ROUND**

WTO Members in the Agreement on Agriculture have agreed to minimum access opportunities for products, which are not significant imports of specific member countries. Countries were also prohibited from adopting new NTB's. All tariffs were to be reduced from their base period rates (1986 for existing tariffs and 1986-88 for tariff equivalents) by a total of 36 percent, on a simple average basis, with a minimum cut of 15 percent for each tariff.  

The provisions on tariff in the Agreement on agriculture are given in the following table in the precise manner.

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*Article 4*

*Tariffication and Tariff Reduction, John Wainio USDA, Economic Research Service*
<table>
<thead>
<tr>
<th>Changes in policies</th>
<th>Trade liberalization</th>
<th>Safeguards, exceptions, special and differential treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-tariff barriers to be converted to tariff equivalents equal to the difference between internal and external prices existing during the base period (1986-88).</td>
<td>Reduce existing and new tariffs by 36 per cent (24 per cent for developing countries), on a simple average (unweighted) basis, in equal installments over 6 years (10 years for developing countries).</td>
<td>Special temporary agricultural safeguard mechanism put in place for products subject to tariffication; imposed if increase in volume of imports or drop in price of imports exceeds certain trigger levels.</td>
</tr>
<tr>
<td>All tariffs to be bound (i.e., cannot be increased without notification and compensation).</td>
<td>Reduce tariffs for each item by a minimum of 15 per cent (10 per cent for developing countries).</td>
<td>Special treatment allows countries, under certain conditions, to postpone tariffication to end of implementation period as long as minimum access opportunities are provided.</td>
</tr>
</tbody>
</table>

Countries also agreed to provide minimum levels of import opportunities for products that were subject to tariffication. Where imports were less than 5% of domestic consumption in the base period, minimum import access opportunities equal to 3 per cent of domestic consumption in the base period were established in the first year of the Agreement (1995), increasing to 5 per cent by the end of the implementation period (2000). Where imports exceeded 5 percent of domestic consumption in the base period, countries were required to maintain the access opportunity that existed in the base period. To ensure that these access opportunities could be met, countries established two-tiered tariffs, called tariff-rate quotas (TRQ). A two-leveled tariff where the tariff rate charged depends on the volume of imports. A lower (in-quota) tariff is charged on imports within the quota.

4Ceiling binding: In cases where an existing tariff was not already bound, developing countries were allowed to establish ceiling bindings. These ceiling bindings could result in tariffs that were higher than the existing applied rate. The ceiling bindings took effect on the first day of implementation of the WTO Agreement on Agriculture.
volume. A higher (over-quota) tariff is charged on imports in excess of the quota volume. TRQ's, which included the minimum or current access level of imports on which the country agreed to, impose a "low or minimal" bound tariff. A higher bound tariff (the "tariff equivalent" calculated via the tariffication process) would apply to any imports in excess of the minimum or current access commitment.

Thirty-seven WTO Members have tariff rate quotas listed in their schedules with a total of 1,371 individual tariff quota commitments.\(^5\) The average quota fill rate for the period 1995-1999 has been approximately 63%, that is, about one-third of all quotas are not filled in any given year. In addition, a significant number of quotas are reserved for specific countries and a great deal of flexibility exists with respect to the administration of those quotas that are open to all exporters. The fact of the matter is that world exports of agricultural products are concentrated in a handful of WTO Members. A WTO Member will assess duties on agriculture imports that are in excess of the minimum or current access level commitments for the imported product. For example, assume that during 1996-1998; a WTO Member limited imports of butter to 10,000 tons (subject to a tariff of 4% \textit{ad-valorem}) with the result that the WTO Member's domestic market price for butter was 75% above the world market price. Under tariffication, that WTO Member might establish a tariff-rate quota for butter with an in-quota quantity of 10,000 tons and in-quota tariff-rate of 4% \textit{ad-valorem} and apply an over quota tariff of 75\% \textit{ad-valorem}.

**CALCULATION OF TARIFF REDUCTION**

Having successfully negotiated a set of new rules for agriculture, countries faced the details of putting these rules into effect. In the case of tariffication, the GATT provided countries with a loose set of guidelines to

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\(^5\) WTO, Committee on Agriculture, Tariff and Other Quotas, Background Paper by the Secretariat, G/AG/Ng/5/7 (23 May, 2000), p.2
follow in converting their NTB’s into tariffs and in formulating tariff reduction schedules.

The proposed method for setting tariff equivalents in the AoA was based on a U.S. proposal that relied on calculating the gap between the internal (domestic) price and the external (international) price for the product, expressed as an *ad-valorem* or specific duty rate. The external price is the average f.o.b. unit price set by major exporters of the product, adjusted by adding insurance and freight costs⁶. The internal price is the prevailing wholesale price in the domestic market⁷. Article 4 of the Agreement on Agriculture prohibits Members from maintaining, resorting to or reverting to non-tariff measures, old or new in order to eliminate the adverse effect that non-tariff barriers have had on agricultural trade. The process of tariffication requires members of the WTO to convert existing non-tariff measures into ordinary customs duties & to find them. Non-tariff measures, identified in the Agreement, include minimum import prices, quantitative import restrictions, discretionary import licensing, non tariff measures maintained through state trading enterprises, voluntary export restraints and similar border measures other than ordinary customs duties regardless of whether those measures were grandfathered under GATT 1947, maintained under GATT 1994 waivers, or listed in a country’s Protocol of Accession to GATT 1994.⁸

**DOMESTIC SUPPORT**

**INTRODUCTION**

Domestic support policies were recognized as one source of market and trade distortions in negotiating the Uruguay Round Agreement on Agriculture (AoA). Countries, therefore, agreed to limit domestic policies presumed to be the most trade distorting but to exempt other policies from

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⁶ Attachment to Annex 5 (2)
⁷ Attachment to Annex 5(4)
⁸ Article 4.2
any limitations. A key issue in the next round of trade talks is identification of further limits or exemptions for domestic policies. A critical question is whether, and to what extent, policies exempt from limitations actually alter production and trade. The continuing challenge for WTO negotiations is obtaining effective commitments about domestic support policies to reduce world market distortions in agricultural trade while allowing countries the flexibility they need to achieve their unique national priorities.

Domestic and trade policies are interrelated, change in one has implications for accomplishing the goals of the other. Trade policies, by directly influencing imports and exports, facilitate domestic price and income goals; domestic price, income, and production policies by changing production and prices affect a country's ability to compete in world markets.

Limits of any kind on domestic agricultural policies are unprecedented in a trade agreement. But, because of the interrelationships among policies, limits on domestic policies were thought to be essential to the success of the primary WTO goals of increased market orientation and reduced protection in world trade.

Article 7 of the Agreement read with Annex 2 to the Agreement comes to grips on the trade distorting aspects of domestic subsidies in the agricultural sector. Under the Uruguay Round Agreement on Agriculture (AoA), support levels from domestic policies presumed to be the most trade distorting are subject to upper limits that decline over time.

Negotiators of the AoA recognized the need for individual countries to use domestic policies to address certain issues, especially those related to List of 3 items:-

- equity (e.g., aid to the needy),
- market failure (e.g., environmental programs), and
• the absence of risk markets (e.g., income safety net programs).

As a result, expenditures on selected policies were exempt from reduction commitments, as long as these policies were considered to be no more than "minimally distorting" of production and trade.

A traffic light analogy is used to categorize types of policies. WTO strategies for limiting support were tailored to the different categories or "boxes."

Red box⁹ - In the trade policy area, however, the red box might be considered to contain the quantitative limitations that were replaced by the tariff-rate-quota system. Policies must be stopped or eliminated.

Amber box¹⁰ - The traffic light analogy was that an amber policy be subject to careful review and reduction over time. Amber box policies include policies such as market price support, direct payments, and input subsidies. Policies are subject to limitations.

Green box¹¹ - The green box describes domestic support policies that are not subject to reduction commitments under the Agreement on Agriculture. These policies are assumed to affect trade minimally, and include support such as research, extension, food security stocks, disaster payments, and structural adjustment programs. Policies are exempt from any limitations. An additional category, Blue box¹² - the traffic light analogy was that an amber policy could be converted to a blue policy that could eventually become "green." Blue box policies were seen as acceptable, but temporary or

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⁹ Red box policies: The color coded terminology was originally applied only to domestic policies. There was no agreement to apply the "stop" red light to any domestic policies, so the "red box" has been empty
¹⁰ Amber box policies: An expression that developed during the General Agreement on Tariffs and Trade (GATT) trade negotiations using a traffic light analogy to rank policies.
¹¹ Green box policies: An expression that developed during the General Agreement on Tariffs and Trade (GATT) trade negotiations using a traffic light analogy to rank policies.
¹² Blue box policies: An expression that developed during the General Agreement on Tariffs and Trade (GATT) trade negotiations using a traffic light analogy to rank policies.
transition policies that would help pave the way for further reforms over time. Blue box policies represent the set of provisions in the Agreement on Agriculture that exempts from reduction commitments, those programme payments received under production-limiting programmes? If they are based on fixed area and yields, a fixed number of head of livestock, or if they are made on 85 percent or less of base level of production.

Under the Doha Round, the United States has sought to redefine and broaden the Blue Box to include policies based on fixed area and yields, a fixed number of head of livestock, or made on 85 per cent or less of base level of production, even if they do not include a production-limiting component. It was created especially for payment programmes that limit production and meet specified criteria.

Article 3.2 of the Agreement imposes a standstill on the use of domestic subsidies: subject to the provisions of Article 6, a Member shall not provide support in favor of domestic producers in excess of commitment levels specified in Section I of Part IV of the Schedule. Further having frozen the use of domestic subsidies, members agree in Article 6 of the Agreement to reduce their domestic subsidies in accordance with Part IV of the Member's Schedule submitted at the conclusion of the Uruguay Round. For developed countries, that commitment is a reduction of the remaining non-exempt domestic subsidies by 20% from levels existing during 1986-88 base period in six annual installments. Developing countries are required to make reductions of 13.3% over ten years. Least-developed countries are not obliged to make any reduction, but must bind their levels of support. Once all exempts duties have been accounted for and excluded, WTO Members calculate their non-exempt domestic subsidies using a methodology called the Aggregate Measurement of Support or 'AMS'. Exempt subsidies and the AMS are discussed below. Once the reductions have been implemented, Members thereafter agree to bind their reductions in a Final Round Commitment Level.

\[13\text{Article 15.2}\]
\[14\text{ibid}\]
**Table 2—Distorting domestic policies are limited**

<table>
<thead>
<tr>
<th>Country classification</th>
<th>Reduction commitment</th>
<th>De minimis</th>
<th>Deadline (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>20%</td>
<td>5%</td>
<td>2000</td>
</tr>
<tr>
<td>Developing countries</td>
<td>13.3%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Least-developed countries</td>
<td>0%</td>
<td>10%</td>
<td>*</td>
</tr>
</tbody>
</table>

* Least-developed countries agreed not to increase domestic support policies from the base period.

**EXEMPT ‘GREEN BOX’ SUBSIDIES**

The Agreement on Agriculture sets out a number of general and measure-specific criteria which, when met, allow measures to be placed in the Green Box\(^{15}\). These measures are exempt from reduction commitments and, indeed, can even be increased without any financial limitation under the WTO. The Green Box applies to both developed and developing country Members but in the case of developing countries special treatment is provided in respect of governmental stockholding programmes for food security purposes and subsidized food prices for urban and rural poor. The general criteria are that the measures must be:-

1. The subsidy in question must be provided through a publicly funded Government programme that does not involve transfers from consumers; and
2. The subsidy must not have the effect of providing support to producers\(^{16}\)

\(^{15}\)Annex 2
\(^{16}\)Article 2.1
Government Service Programmes

The Green Box covers many Government service programmes including general services provided by Governments, public stockholding programmes for food security purposes and domestic food aid - as long as the general criteria and some other measure-specific criteria are met by each measure concerned. The Green Box thus provides for the continuation (and enhancement) of programmes such as research, including general research, research in connection with environmental programmes, and research programmes relating to particular products; pest and disease control programmes, including general and product-specific pest and disease control measures; agricultural training services and extension and advisory services; inspection services, including general inspection services and the inspection of particular products for health, safety, grading or standardization purposes; marketing and promotion services; infrastructural services, including electricity reticulation, roads and other means of transport, market and port facilities, water supply facilities, etc; expenditures in relation to the accumulation and holding of public stocks for food security purposes; and expenditures in relation to the provision of domestic food aid to sections of the population in need. Many of the regular programmes of Governments are thus given the "green light" to continue.

Direct Payments to Producers

The Green Box also provides for the use of direct payments to producers which are not linked to production decisions, i.e. although the farmer receives a payment from the Government, this payment does not influence the type or volume of agricultural production ("decoupling"). The conditions preclude any linkage between the amount of such payments, on the one hand, and production, prices or factors of production in any year after a fixed base period. In addition, no production shall be required in order to receive such payments. Additional criteria to be met depend on the type of measure concerned which may include: decoupled income support measures;
income insurance and safety-net programmes; natural disaster relief; a range of structural adjustment assistance programmes; and certain payments under environmental programmes and under regional assistance programmes.

Other Exempt Measures

In addition to measures covered by the Green Box, two other categories of domestic support measures are exempt from reduction commitments under the Agreement on Agriculture. These are certain developmental measures in developing countries and certain direct payments under production-limiting programmes. Furthermore, so-called *de minimis* levels of support are exempted from reduction.

Developmental Measures

The special and differential treatment under the Green Box aside, the type of support that fits into the developmental category are measures of assistance, whether direct or indirect, designed to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries. They include investment subsidies which are generally available to agriculture in developing country Members, agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members, and domestic support to producers in developing country Members to encourage diversification from growing illicit narcotic crops.

In short, Annex 2 lists twelve types of exempt subsidies, including the following:

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17Article 6
Generalized Government service programmes in areas of research, pest and disease control, and training;

Domestic stockpiling for food security and domestic aid purposes;

Direct payment to producers in the form of decoupled income support (support that is not tied to production);

Government's financial participation in income safety net and crop disaster insurance;

Structural adjustment assistance provided through producer retirement programmes;

Structural adjustment assistance provided through resource retirement programmes;

Structural adjustment provided through investment aids; and

Payments under environment and regional assistance programmes.18

Excluded 'Blue Box' Subsidies

Article 6 of the Agreement on Agriculture, in addition to the Green Box subsides exempted under Annex 2 listed above excludes from the Aggregate Measurement of Support (AMS) calculation three other categories of domestic subsidies that have been described as 'Blue Box Subsidies';

1. Certain developing country subsidies designed to encourage agriculture production;
2. Certain *de-minimizes* subsidies, and
3. Certain direct payment aimed at limiting agricultural production.

Article 6.2 of the Agreement excludes three types of Government assistance, whether direct, indirect, from the AMS calculations:

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18Annex 2.2-2.13
Investment subsidies, which are generally available to low income or resource poor producers in developing member country;

Investment subsidies, which are generally available to agriculture;

Subsidies to agricultural producers to encourage diversification from growing illicit narcotic drugs.

In keeping with the *de-minimizes* subsidies, Article 6.4 excludes from the AMS calculation:

1. Product-specific where the subsidy does not exceed 5% of that member’s total value of production of a basic agricultural product during the relevant year; and

2. Non-product specific domestic subsidies where such subsidies do not exceed 5% of the value of that member’s total agricultural production. The applicable percentage for developing countries is 10%.

The third type of 'Blue Box' subsidy is the direct payment made under production limiting programmes and are excluded provided:

1. They are based on fixed area and yields;

2. They are made on 85% or less of the base level of production; or

3. They are livestock payments made on a fixed number of head.\(^{19}\) A WTO Member may confer both Green Box and Blue Box subsidies on its farmers; however, the important distinction between excluded subsidies and exempt Green Box subsidies is that Blue Box subsidies are actionable under an importing member’s countervailing law, whereas Green Box subsidies are not.

\(^{19}\text{Article 6.5(a) of the Agreement}\)
The Aggregate Measurement of Support (AMS) Calculation

Under the Agreement on Agriculture, all non-exempt, non-excluded domestic subsidies are calculated and reduced to a single figure, the Aggregate Measurement of Support (AMS).

Article 1(a) of the Agreement defines the AMS as follows: "the annual level of support expressed in monetary terms, provided for an agricultural product in favour of the producers of the basic agricultural product, or non-product-specific support provided in favour of agricultural producers in general, other than the support provided under programmes that qualify as exempt from reduction under Annex 2 of this Agreement, which is:

(i) with respect to support provided during the base period, specified in the relevant tables of supporting material incorporated by reference in Part IV of a Member's Schedule; and
(ii) with respect to support provided during any year of the implementation period and thereafter, calculated with the provisions of Annex 3 of this Agreement, taking into account the constituent data and methodology used in the tables of supporting materials incorporated by reference in Part IV of the Member's Schedule".

The 'basic agricultural product' in relation to domestic support commitments is defined as the product as close as practicable to the point of first sale as specified in a Member's Schedule and in the related supporting material.20

AMS subsidies include both budgetary outlays and revenue foregone by Governments.21 Fees paid by producers are deducted from the AMS. A specific AMS expressed in monetary terms is established for each basic

20 Article 1(b)
21 Article 1(e)
agricultural product. Once the AMS has been calculated, subsidy reductions of 20% for developed countries over the six years from 1995 and 13.3% for developing countries were implemented over 10 years. Least-developed countries were not required to make any reduction.

Although AMS is calculated on a product-by-product basic, the commitments for reductions apply to the aggregate amount. This allows countries flexibility to shift support from one product to another, though they are required to keep within outer ceiling limits.

**Equivalent Measurement of Support**

Where it is not practicable to calculate a product-specific AMS as set out in the Agreement, provisions are made of an "Equivalent Measurement of Support" (EMS). The EMS is generally calculated on the basis of budgetary outlays — the money spent by Governments to support a product, for example, rather than market price support calculated with respect to a fixed external reference price.

All Members must notify the Committee on Agriculture the extent of their domestic support measures. This requires a listing of all measures that fit into the exempt categories: the Green Box, developmental measures, direct payments under production limiting programmes (Blue Box) and de minimise levels of support. In addition, where the existence of measures requires it, AMS calculations must be undertaken by Members that have scheduled domestic support reduction commitments and the Current Total AMS must be notified. Where a Member without such scheduled commitments has support measures which are not covered by one or other of the exempt categories, a notification must be made showing that such non-exempt support is within the relevant de minimise levels.
Special formats have been developed by the Committee on Agriculture in order to facilitate compliance with the notification obligations. The requirement to notify is annual, except in the case of Least-developed country Members which are only required to notify every other year. Developing country Members can also request the Committee to set aside the annual notification requirement for measures other than those falling into the Green Box or the developmental or Blue Box categories.

In addition to the annual notification obligations, all Members must notify any modifications of existing or any introduction of new measures in the exempt categories. These notifications too are examined by the Committee on Agriculture on a regular basis.

As most Members do not have domestic support measures other than those falling into the exempt categories, the annual notification requirements are in many cases not particularly burdensome. However, they are effective in providing a basis for policy discussions within the Committee on Agriculture and they also serve a useful purpose domestically in enabling Governments to maintain an annual overview of support to their agricultural sectors.

**Export Subsidies in the Agreement on Agriculture**

The core of the reform programme on export subsidies are the commitments to reduce subsidized export quantities, and the amount of money spent subsidizing exports. The Agriculture Agreement also looks at anti-circumvention questions.

Article 3.3 of the Agreement provides that a Member: "Shall not provide export subsidies listed in paragraph 1 of Article 9 in respect of the agricultural products or groups specified in Section II of Part IV of its Schedule in excess of the budgetary outlay and quantity commitment levels specified

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herein and shall not provide such subsidies in respect of any agricultural product not specified in that Section of its Schedule”.

The Agreement on Agriculture, therefore, tightens its hold on export subsidies by prohibiting export subsidies in two instances:

1. Products that never received export subsidies in the 1986-90 base period may not receive them in the future; and
2. Export subsidies not listed in Article 9.1 are not permitted.

In other words the proliferation of export subsidies in the years leading to the Uruguay Round was one of the key issues that were addressed in the agricultural negotiations. While under the GATT 1947 export subsidies for industrial products have been prohibited all along, in the case of agricultural primary products such subsidies were only subject to limited disciplines\(^2\) which moreover did not prove to be operational.

The right to use export subsidies is now limited to four situations:

(i) export subsidies subject to product-specific reduction commitments within the limits specified in the Schedule of the WTO Member concerned;

(ii) any excess of budgetary outlays for export subsidies or subsidized export volume over the limits specified in the Schedule which is covered by the “downstream flexibility” provision of Article 9.2(b) of the Agreement on Agriculture;

(iii) export subsidies consistent with the special and differential treatment provision for developing country Members;\(^2\)

(iv) export subsidies other than those subject to reduction commitments provided that they are in conformity with the anti-circumvention disciplines of Article 10 of the Agreement on Agriculture. In all other cases, the use of export subsidies for

\(^{22}\)Article XVI of GATT

\(^{23}\)Article 9.4 of the Agreement
agricultural products is prohibited under the Agreement on Agriculture export subsidies are defined as referring to "subsidies contingent on export performance, including the export subsidies listed in detail in Article 9 of the Agreement." As specified in more detail in Article 9.1 of the Agreement, Article 9(1) lists the following export subsidies subject to reduction commitments:

(a) The provision by Government or their agencies of direct subsidies, including payments-in-kind to a firm, to an industry, to producers of an agricultural product, to a cooperative or other association of such producers, or to a marketing board, contingent on export performance;

(b) The sale or disposal for export by Governments of their agencies of non-commercial stocks of agricultural products at a lower than the comparable price charged for the like product to buyers in the domestic market;

(c) Payments on the export of an agricultural product that are financed by virtue of Government action, whether or not a charge on the public account is involved, including payments that are finance from the proceeds of a levy imposed on the agricultural product concerned or on an agricultural product from which the exported product is derived;

(d) The provision of subsidies to reduce the costs of marketing exports of agricultural products (other than widely available export production and advisory services) including handling, upgrading and other processing costs, and the costs of international transport and freight;

(e) Internal transport and freight charges on export shipments, provided mandated by Governments, on terms more favorable than for domestic shipments.

(f) Subsidies on agricultural products contingent on their incorporation in exported product.

By the end of the implementation period a Member must be in full compliance with its budgetary and quality reduction commitments.

24Articles 3.3, 8 and 10 of the Agreement
All such export subsidies are subject to reduction commitments, expressed in terms of both the volume of subsidized exports and the budgetary outlays for these subsidies.

Product Categories

The reduction commitments are shown in the Schedules of WTO Members on a product-specific basis. For this purpose, the universe of agricultural products was initially divided into 23 products or product groups, such as wheat, coarse grains, sugar, beef, butter, cheese and oilseeds. Some Members took commitments on a more disaggregated level. The volume and budgetary outlay commitments for each product or group of products specified in a Member's Schedule are individually binding. The reduction commitments on "incorporated products" are expressed in terms of budgetary outlays only. The ceilings specified in the Schedules must be respected in each year of the implementation period although limited "over-shooting" in the second to fifth year of implementation is permitted. By the last year of the implementation period, Members must be within their final export subsidy ceilings.

Rates of cut

Developed country Members are required to reduce in equal annual steps over a period of 6 years, the base-period volume of subsidized exports by 21% and the corresponding budgetary outlays for export subsidies by 36%. In the case of developing country Members, the required cuts are 14% over 10 years with respect to volumes, and 24 per cent over the same period with respect to budgetary outlays.

Developing countries may, during the implementation period, make use of a special and differential treatment provision of the Agreement (Article 9.4)

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25last item in the Article 9 list
26downstream flexibility
which allows them to grant marketing cost subsidies and internal transport subsidies, provided that these are not applied in a manner that would circumvent export subsidy reduction commitments.

All in all, 25 Members (counting the EC as one) have export subsidy reduction commitments specified in their Schedules, with a total of 428 individual reduction commitments.

**Products with No Specific Reduction Commitment**

The Agreement on Agriculture prohibits the use of Article 9.1 export subsidies on any agricultural product which is not subject to a reduction commitment as specified in the relevant part of the Member's Schedule (with the exception, during the implementation period of those benefiting from special and differential treatment).

**Prevention of Circumvention of Export Subsidy Commitments**

Article 10 of the Agreement on Agriculture prevents circumvention of the export subsidy reduction commitments in four ways: - (1) Members agree not to circumvent the export subsidy reduction commitments through food aid except in conformity with Article 10(1). (2) Member agrees to work towards the development of internationally agreed disciplines on export credits, export credit guarantees and export insurance programmes. (3) Any Member which claims that any quantity that exported is in excess of a reduction commitment level is not subsidized must establish that no export subsidy, whether listed in Article 9 or not has been granted in respect of quantity of exports in question. (4) Export subsidies not listed in Paragraph I of Article 9 shall not apply in a manner which results in, or which threatens to lead to, circumvention of export

[Article 10.2](#)
subsidy commitments, nor shall non-commercial transactions be used to circumvent such commitments.

**Disciplines on Export Prohibition and Restriction**

Where any WTO Member institutes any new export prohibition or restrictions on foodstuffs in accordance with Paragraph (2) of Article XI of GATT, it is incumbent on the Member to observe the following provisions:

a) the member instituting the export prohibition or restriction shall give due consideration to the effects of such prohibition on importing Member's food security;

b) the Member has to give notice in writing before instituting an export prohibition or restriction in advance to the Committee on Agriculture communicating the nature, and duration of such a measure, and shall upon request consult other Member/Members and provides information who have a substantial interest as importer with respect of any matter related to the measure in question.

The above provision does not apply to a developing country Member, unless the measure in question is taken by a developing country Member which is a net food exporter of the specific foodstuff concerned.  

**Peace Clause: Hold Back Subsidies**

Article 13 catalogues the exemptions during the nine year implementation period ending 2006. During the implementation period,
notwithstanding the provisions of GATT 1994 and since the Agreement on Subsidies and Countervailing Measures:

Domestic support measures that conform fully to the provisions of Annex 2 to the Agreement on Agriculture shall be;

i) non-actionable subsidies for purposes of countervailing duties;
ii) exempt from actions based on Article XVI of GATT 1994 and Part III of the Subsidies Agreement; and
iii) exempt from actions based on non-violation or impairment of the benefits of tariff concessions accruing to another Member under Article II of GATT 1994, in the sense of Paragraph 19(b) of Article XXIII of GATT 1994.

Legal action against domestic and export subsidies under:

(i) Member's countervailing duty law;
(ii) The Agreement on Subsidies and Countervailing Measures;
(iii) Article XXIII of GATT on the basis of 'adverse effects', 'serious prejudice' or 'non violation nullification and impairment', may be brought under the following circumstances;

First, all Green Box domestic subsidies are exempt under all three types of legal action. Secondly, all non-exempt domestic subsidies that do not grant support to a specific product in excess of the amount received during 1992 marketing year are exempt from action under (ii) and (iii). However, they are not exempt under (i) if they cause injury to a domestic industry producing a like product, in which case, they may be subject to an importing Member's countervailing duty law. Thirdly, all non-exempt domestic subsidies exceeding reduction commitments are subject to action under (i), (ii) and (iii). Fourthly, export subsidies that conform to the Agreement's reduction commitments are
exempt from action under (ii) and from 'adverse effects' and 'serious prejudice' actions under (iii) but are subject to a GATT, 'non-violation' and 'nullification impairment action'. If they cause injury to a domestic industry producing a like product, they are also subject to an importing Members countervailing duty law, but 'due restraint has to be shown in initiating any countervailing measures'. Finally, all export subsidies exceeding reduction commitments are subject to action under all three types of legal action.

RESOLVING DISPUTE

In the case of disputes involving provisions of the Agreement on Agriculture, the general WTO dispute settlement procedures apply. Nevertheless, the Agreement also provides for certain mechanisms that can be used by Members to address their concerns without recourse to these procedures. In particular, the review process of the Committee on Agriculture provides a forum for discussion and consultation. This process is mainly based on the notifications and on a provision allowing any Member to rise at any time any matter relevant to the implementation of the commitments under the Reform Programme as set out in the Agreement. There is also a counter-notification provision. Furthermore, the Working Procedures of the Committee allow Members to request the Chairperson to mediate in concerns that may arise between them. The use of instruments under the auspices of the Committee on Agriculture does not, however, prevent any Member from seeking formal dispute settlement at any time.

WTO Members agreed to initiate negotiations for continuing the agricultural trade reform process one year before the end of the implementation period, i.e. by the end of 1999. These talks began in early 2000 under the original mandate of Article 20 of the Agriculture Agreement.31

30 Article 18.6
31 Article 20

68
These negotiations will examine what further commitments are necessary to achieve the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform. The negotiations are also to take into account factors such as the experience gained during the implementation period, the effects of Uruguay Round reduction commitments on world trade in agriculture, non-trade concerns, special and differential treatment to developing country Members and the objective to establish a fair and market-oriented agricultural trading system.

THE MINISTERIAL DECISION

The Ministerial Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least-developed and Net Food-Importing Developing Countries. This Decision was adopted as part of the outcome of the Uruguay Round negotiations on agriculture. The Decision recognizes that while the progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all Members, during the Reform Programme Least-developed and Net Food-Importing Developing Countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs.

Ministers agreed to a number of mechanisms to ensure that the implementation of the results of the Uruguay Round does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries. These mechanisms include a review of the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention and the initiation of negotiations to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the Reform
Programme; the adoption of guidelines to ensure that an increasing proportion of basic foodstuffs is provided in fully grant form; and agreement by the developed country Members to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure.

Ministers also agreed to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favor of Least-developed and net food-importing developing countries. The Decision recognizes that in case of short-term difficulties in financing normal levels of commercial imports, net food-importing developing countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties.

The Decision's follow-up is monitored by the Committee on Agriculture and it is subject to regular review by the Ministerial Conference. As part of a series of steps to make the Decision operational, the Committee established a WTO list of Least-developed and net food-importing countries since the Decision describes but does not list the countries that are to be covered by the Decision. As of July 1999, total membership on that list stood at 19 developing country Members (Barbados, Botswana, Cuba, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela) plus all Least-developed countries.
THE AGREEMENT ON SANITARY AND PHYTO-SANITARY MEASURES (SPS)

The Uruguay Round also introduced new rules governing trade restrictions used to protect human, animal and plant health in the Sanitary and Phyto-Sanitary Agreement (SPS). Measures must be applied only to the extent necessary to protect human, animal or plant life or health. They must be based on sound science and must not arbitrarily or unjustifiably discriminate between trading partners.

The SPS Agreement provides a balance between the ability of countries to decide the appropriate level of protection against health risks and the requirement for protective measures to achieve that level of protection to be based on sound science. It also permits a precautionary approach by providing for provisional measures to be adopted where information is still insufficient, provided that a serious attempt is made to establish a more informed basis for action within a reasonable period of time. The SPS Agreement is separate to the AoA and is not currently up for re-negotiation.

THE FUTURE

The Agreement on Agriculture is a first step in the ongoing process of reform in international trade in agriculture. The Preamble to the Agreement makes it clear that the WTO Member's long term objective is a substantial reduction in Government support and protection of the agricultural sector and accordingly the Members to the Agreement have agreed by orienting negotiations in future also. Article 20 obligates the Member nations of WTO to consider the following issues in further negotiation in this sector:

(a) the experience from implementing the reduction commitments;

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32 Article 20
(b) the effects of the reduction commitments on world trade;
(c) non-trade concerns, special and differential treatment to developing countries and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the Preamble to the Agreement; and
(d) what further commitments are necessary to achieve the above mentioned long term objectives.

The Doha Development Agenda

The WTO 4th Ministerial Conference, held in Doha 9-14 November 2001, concluded with an agreement on the launch of a new round of negotiations to further liberalize world trade, known as the Doha Development Agenda (DDA). The Doha Declaration contained an important text on Agriculture. This commits WTO Members to substantial cuts in market protection and trade-distorting domestic subsidies as well as reductions of, with a view to phasing-out, all forms of export subsidies. At the same time it committed Members to take account of non-trade concerns (e.g. environment, rural/social development, animal welfare) and to negotiate special and differential treatment for developing countries.

An ambitious timetable was established which required modalities (rules and commitments) to be agreed by 31st. March 2003 and detailed Schedules of commitment in time for the next WTO Ministerial, held in Cancun, Mexico 10-14 September 2003. Negotiations were to have been completed by 1st. January 2005.

Most key countries in the negotiations (including the EU) had submitted proposals for agriculture modalities to the WTO by early in 2003. This enabled the then Chairman of the Agriculture Negotiating Committee

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33 see Annex2
34 Stuart Harbinson
to produce his own modalities paper in February 2003. But positions remained too far apart on important issues for agreement to be reached by the 31st. March 2003 deadline.

**CAP Reform**

The June 2003 Agreement on CAP Reform was concerned primarily with internal support for agriculture. It will reconnect agriculture with the market place and re-direct subsidies away from price support towards a sustainable future based on environmental, rural and social concerns. But its outcome has significant implications for external trade. Most important of all was the decision to decouple subsidy payments from production. In doing so, payments became Green Box compatible, being "domestic support measures which have no, or at most, minimal trade-distorting effects or effects on production" and thus no longer liable to reduction commitments.

But decoupling did more than just that. By breaking the link between subsidy and production, it reduced incentives for overproduction and the creation of surpluses which Europe has traditionally exported onto world markets with the aid of export subsidies. These subsidies can now be expected to decline.

So, although CAP Reform was not explicitly concerned with trade measures, it helps Europe to make a better WTO offer on those measures than would otherwise have been possible.

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35 updated in March 2003
Cancun, 10-14 September 2003

The Ministerial Conference is the highest authority in the WTO and is required to meet at least every two years. It is composed of representatives of all WTO Members and can take decisions on all matters under any of the multilateral trade agreements. The 5th meeting of the WTO Ministerial Conference took place in Cancun, Mexico between 10 and 14 September 2003. It marked the halfway point in the current world trade round, the 'Doha Development Agenda', launched at Doha, Qatar, by the 4th meeting of the Ministerial Conference in November 2001.

Although individual Member States are Members of the WTO in their own right, the EU negotiates on trade issues as a single body, with the EU Commission having the negotiating responsibility. The UK feeds into this process through the EU's own internal negotiating and co-ordination mechanisms. We also liaise closely with other trading partners outside Europe.

The UK objective on agriculture in Cancun was to achieve a strongly liberalizing outcome which would bring benefits to producers and consumers both at home and abroad, with particular concern for developing countries.

The failure to reach agreement in Cancun was a bitter disappointment. The immediate cause of the breakdown concerned differences over the "Singapore Issues"- investment, competition, trade facilitation and Government procurement - but there were also differences in other areas. However, progress was made in Cancun, including on agriculture, and negotiations have continued in Geneva with a view to getting the Round back on track.
The Framework Agreement, 1 August 2004 and Subsequent Developments

The Framework Agreement lays down a set of guiding principles providing parameters for the more detailed negotiations on modalities that are to follow. The DDA timetable has been rolled forward to the next meeting of the WTO Ministerial Conference, to be held in Hong Kong in December 2005, but no specific deadline for the Round has been set for its completion.

The Framework provides firm commitments across all 3 agricultural pillars of market access, domestic support and export competition. The Framework promises to deliver List of 4 items:-

- A substantial reduction in the overall level of trade-distorting Domestic Support, including a 20% down payment reduction in the first year of implementation.
- Equivalent to the entire support reduction implemented over six years of the Uruguay Round. The Blue Box criteria are to be extended and Blue Box subsidies.
- Reduced and capped at 5% of the average value of agricultural production during a period yet to be determined. The Green Box remains unaltered but will be reviewed and clarified.
- The elimination of export subsidies by 'the' date (or dates) to be agreed a part of the DDA Negotiations (no longer is the discussion about 'whether' it will happen, but 'when'). All forms of trade-distorting export subsidies are to be either eliminated or disciplined, so this includes review of the role of export credits, State Trading Enterprises and Food Aid.
- Substantial improvements in market access through a single approach applying to all countries and a tiered reduction formula, with the highest tariffs facing the deepest cuts. Reductions will be substantial, but there is also provision for several products (e.g. sugar).
• Special and Differential Treatment for developing countries across all three pillars.

On 1 September 2005 the former EU Trade Commissioner Pascal Lamy succeeded Supachai Panitchpakdi as Director-General of the WTO and will serve for four years and New Zealand Ambassador, Chair of the Agriculture Negotiations and Chair of the Cotton Sub-Committee, Tim Groser, was replaced in September 2005 by fellow New Zealander, Crawford Falconer. Despite some important political momentum to the negotiations, a "first approximations" of the text on agriculture was not produced by the end-July 2005 target. The "first approximations" paper, once expanded to cover all "modalities" would have been the basis for a draft of the final trade rules to be agreed at the 6th WTO Ministerial Meeting in Hong Kong in December 2005.

At a mini-ministerial meeting in Zurich on 10 October 2005, the US set out new proposals on agricultural domestic support, offering substantial cuts in farm subsidies. The EU immediately followed with a counter proposal. On 28 October the EU tabled a new and final offer on agriculture and other areas of the DDA trade talks to its negotiating partners in the 'Five Interested Parties' or FIPs (Brazil, US, India, Australia and EU). The EU proposals were fully conditional on satisfactory movements in other areas of the negotiation. The EU continued to press for parallelism (i.e. balance) - across the whole Round, across the agriculture dossier, and within the export competition pillar. The cuts offered were within the EU mandate.

Sixth Ministerial Conference, Hong Kong (13-18 December 2005) and Subsequent Developments

The 6th WTO Ministerial Conference was held in Hong Kong on 13-18 December 2005. This Conference was important for enabling the four-year-

36detailed rules, formulae, numbers
old Doha Development Agenda Negotiations to move forward sufficiently to conclude the Round in 2006, and Ministers from the WTO’s 149 Member Governments approved a declaration after six days of intensive negotiations. Although the agreement fell short of the UK’s ambitions, some important steps forward were taken.

The WTO membership agreed to end export subsidies in agriculture by 2013, with a substantial part realized by the mid-point of the implementation period (around 2010). This was only agreed at the last minute, and Members paid tribute to the EU which had the greatest difficulty on this issue. The declaration made clear the agreed date is conditional. Loopholes would have to be plugged to avoid hidden export subsidies in export credit, food aid and the sales of exporting sales enterprises for cotton, the elimination of export refunds would be accelerated to the end of 2006. In addition, cotton exports from Least-developed countries would be allowed into developed countries without duty or quotas from the start of the period for implementing the new Agriculture Agreement. The two sides negotiating this other difficult area paid tribute to each other for what they described as the spirit of compromise: US and the four countries pushing for an Agreement on Cotton (Bali, Burkino Faso, Chad and Mali).

A number of other details were agreed in agriculture, non-agricultural market access and services.

Following the Hong Kong Ministerial in December 2005, DDA Negotiations continued. However, the fundamental stricking point remains - there is a triangle of issues that no-one feels able to move on. These are agricultural market access (where the EU is under pressure to offer lower tariffs), agricultural domestic support (where the US is under pressure) and Non-Agricultural Market Access (NAMA) where India, Brazil, etc. are under pressure to offer something.

37 with technical negotiations in Geneva; small ministerial groups in London, Rio, elsewhere
Many agreed that it was essential that we concluded modalities (political agreement) on Agriculture and NAMA by the end of July 2006, given the expiry of the US Trade Promotion Authority (fast track procedure) the following summer. There was, therefore, immense time pressure, particularly given the number of technical issues that needed to be resolved, as well as movement on the political 'triangle'. Ministers met in Geneva in end June. Most agreed the end of July was the absolute deadline for political agreement.

Following a 6-8 week period of intensive "continuous negotiation" in Geneva, the Chairs of the negotiating groups on agriculture and NAMA produced draft modalities texts (including blanks, options, ranges), which were circulated on 21 June 2006. These texts formed the basis of Ministerial meetings starting on 29 June which were intended to hammer out key problem areas. Ambitiously, agreement on modalities was scheduled for the end of July. The blockage in the Round remained centered on the 'triangle' of key issues (the EU was under pressure to reduce tariffs and increase access to EU markets, the US to reduce domestic support for farmers, and India and Brazil to make credible offers in NAMA). There was widespread divergence and an enormous number of gaps, ranges and options, yet with the right amount of political will everything could have come together in a relatively short amount of time.

Recent Developments

Pascal Lamy\textsuperscript{38} suspended the DDA Negotiations indefinitely on 24 July 2006. This followed the failure by WTO Members to unlock the overarching political blockage (EU to move on agricultural market access; US to move further on agricultural domestic support; G20 to move on Non-Agricultural Market Access) and the subsequent failure by G6 WTO Members (US, EU, Japan, India, Brazil and Australia) to reach agreement on the agricultural dossier.

\textsuperscript{38}WTO Director General
Lamy has recently described the current state of affairs as “somewhere between the quiet diplomacy of the last months and the fully-fledged negotiations that will only come when Members are ready to put numbers to the flexibilities they have already expressed in general terms on key issues”. The Chairs of the negotiating groups are currently consulting with WTO Members on how to set about resuming negotiations informally and we see it as very important to capitalize on this momentum and try to secure a deal.

Following the US mid-term elections (7 November 2006), there is perceived to be a narrow “window of opportunity” until the end of March to agree the fundamentals of a final deal (the UK Government believes this). This slightly vague deadline reflects the impending expiry of the US Trade Promotion Authority in the summer of 2007. Although we recognize that there has been very limited progress since July 2006, the UK position remains that we still strongly believe that with the right political will, everything could come together in a very short amount of time. We continue to work constructively to re-start the talks - we believe the DDA holds huge potential benefits for UK and for developing countries. Nevertheless, if there is no further convergence, the negotiations could go into cold storage and the Round is likely to be suspended until after the next US President takes office in 2009.

It is still possible that the DDA will be declared a failure, but this is judged less likely given the wider impact on the WTO and multilateralism more generally.
Agricultural production and consequent food security of the nation is determined in farmers' field. However, farmers' well being is ultimately determined at market place. With the changing scenario, quantities are giving way to quality. Local mandies are networking with national mandies. And WTO would accelerate the process eventually for a global network.

But WTO and its impact upon Indian Agriculture has been a subject matter of heated debates, frayed tempers, extreme views and eventually more confusion. "In India, the WTO Agreement has been dogged by controversy from the very beginning. The proposed agreement on agriculture was seen as a threat to food security and rural employment in the country. There were also concerns about the Indian farmer becoming dependent on the corporate sector and having his traditional rights curtailed. The anxiety about the possible impact of the new trade agreement on agriculture was understandable in a country in which two-thirds of the population depended on this sector for its livelihood." While these concerns have remained in the minds of many, a number of economists have found that there is sufficient flexibility in it from which India may benefit. They think that in respect of the protection of plant varieties, it is possible under the WTO Agreement, to protect the interests of the farmers, while providing incentives for innovation to the plant breeders. The commencement of negotiations in the spring of 2000 at Geneva for continuing the liberalization in agriculture has rekindled the debate on the subject in India.
This section will go into the detail of the pros and cons about the effects of Agreement on Agriculture on Indian Agriculture. But before going into the detail analysis of the provision of the Agreement and their effects on Indian Agriculture, it is essential to know the commitment made by India to fulfill its obligations as a Member of WTO. And what are the proposals given by Indian Government to make the agreement more favourable to us.

INDIA'S COMMITMENTS

MARKET ACCESS

As India was maintaining Quantitative Restrictions due to Balance of Payments reasons (which is a GATT consistent measure), it did not have to undertake any commitments in regard to Market Access. The only commitment India has undertaken is to bind its primary agricultural products at 100%; processed foods at 150% and edible oils at 300%. Of course, for some agricultural products like skimmed milk powder, maize, rice, spelt wheat, millets, etc. which had been bound at zero or at low bound rates, negotiations under Article XXVIII of GATT were successfully completed in December, 1999, and the bound rates have been raised substantially.

DOMESTIC SUPPORT

India does not provide any product specific support other than market price support. During the reference period (1986-88), India had market price support programmes for 22 products, out of which 19 are included in our list of commitments filed under GATT. The products are - rice, wheat, bajra, jawar, maize, barley, gram, groundnut, rapeseed, toria, cotton, soyabean (yellow), soyabean (black), urad, moong, tur, tobacco, jute and sugarcane. The total product specific AMS was (-) Rs.24, 442 Crores during the base period. The negative figure arises from the fact that during the base period, except for tobacco and sugarcane, international prices of all products was higher than
domestic prices and the product specific AMS is to be calculated by subtracting the domestic price from the international price and then multiplying the resultant figure by the quantity of production.

Non-product specific subsidy is calculated by taking into account subsidies given for fertilizers, water, seeds, credit and electricity. During the reference period, the total non-product specific AMS was Rs. 4581 Crores. Taking both product specific and non-product specific AMS into account, the total AMS was (-) Rs.19, 869 Crores, i.e. about (-) 18% of the value of total agricultural output. Since our total AMS is negative and that too by a huge magnitude, the question of our undertaking reduction commitments did not arise. As such, we have not undertaken any commitment in our schedule filed under GATT. The calculations for the marketing year 1995-96 show the product specific AMS figure as (-) 38.47% and non-product specific AMS as 7.52% of the total value of production. We can further deduct from these calculations the domestic support extended to low income and resource poor farmers provided under Article 6 of the Agreement on Agriculture. This still keeps our aggregate AMS below the de minimize level of 10%.

**EXPORT SUBSIDIES**

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of (a) 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. (b) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. We have in fact indicated in our Schedule of commitments that India reserves the right to take recourse to subsidies (such as, cash compensatory support) during the implementation period.
HIGHLIGHTS OF INDIAN PROPOSALS

India has submitted its initial negotiating proposals to the World Trade Organization (WTO) for the mandated negotiations under the Agreement on Agriculture in the areas of Market Access, domestic support, export competition and food security with the objective of protecting its food and livelihood security and creating increased market access opportunities with a view to promoting its agricultural exports. These proposals were approved by the Cabinet Committee on WTO matters.

Indian proposals submitted to WTO on 15.1.2001 can broadly be classified into the following 2 categories:

I) Increasing the flexibility enjoyed by developing countries by creation of a ‘Food Security Box’ for providing domestic support to the agriculture sector under the special and differential provisions as also further strengthening of trade defense mechanisms with a view to ensuring the food security and to take care of livelihood concerns.

II) Demanding of substantial and meaningful reductions in tariffs including elimination of peak tariff and tariff escalation, substantial reductions in domestic support and elimination of export subsidies by the developed countries so as to get meaningful Market Access opportunities.

The proposals in the first category include:

• Additional flexibility for providing subsidies to key farm inputs for agricultural and rural development.
• Exemption from any reduction commitments of measures taken by developing country Members for alleviation of poverty, rural development, rural employment and diversification of agriculture.
• Exclusion from AMS calculations of product specific support given to low income and resource poor farmers.
• Clarifications on certain implementation issues, such as, offsetting of positive non-product specific support with negative product specific support, suitable methodology of notifying domestic support in stable currency to take care of inflation and depreciation.
• Rationalization of product coverage of AoA by inclusion of certain primary agricultural commodities such as rubber, jute, coir, etc.
• Flexibility enjoyed by developing countries in taking certain measures in accordance with other WTO covered Agreements should not be constrained by the provisions of AoA.
• Maintenance of appropriate level of tariff bindings on agricultural products in developing countries, keeping in mind, their developmental needs and high distortions prevalent in the international markets with a view to protect livelihood of their farming population. Also linking the appropriate levels of tariffs in developing countries with trade distortions in the areas of market access, domestic support and export competition.
• Rationalization of low tariff bindings in developing countries, which could not be rationalized in the earlier negotiations.
• Separate safeguard mechanisms on the lines of SSG including a provision for imposition of QRs in the event of a surge in imports or a decline in international prices, as an S&D measure to protect Food Security & livelihood concerns.
• No minimum Market Access commitments for developing countries.

The proposals in the second category include:

• Blue Box and de-coupled and direct payments in Green Box to be included in the Amber Box to be subjected to reduction commitments.
• Accelerated reduction in AMS so as to bring it below de minimise by the developed countries in 3 years and by the developing countries in 5 years.
• Substantial reduction in tariff bindings including elimination of peak tariffs and tariff escalation in developed countries.
• Expansion and transparent administration of TRQs pending their eventual abolition.
• Elimination through accelerated reduction in export subsidies and disciplining of all forms of export subsidization, etc.
• Abolition of Peace Clause for developed countries.

After discussing the commitments and proposals let me explain where India stands from the point of food security because it is necessary to review the role of WTO on Indian Agriculture.

BACKGROUND OF THE INDIAN AGRICULTURE

Pre-Independence India suffered repeated famines, drought and food shortages. In 1966-67, the critical year of drought when India imported 11 million tons of food grain. A year earlier, India had imported 10 million tons of food grain. Around this time, the Paddock brothers, often referred to as 'prophets of doom', concluded in their book, Famine 1975, that by the mid '70s at least half of India would be led to a slaughter house. Considering that India had a long history of hunger and famine, and the subsequent failure of the Government's effort to boost agricultural production in the post-Independence era, we can not disagree with the conclusive analysis drawn by William and Paul Paddock.

Before 1947, Indian history was replete with famine, drought and food shortages. Between 1770 and 1880, as many as 27 food scarcities and famines were recorded. At least 20 million lives were lost in India in about 20 famines that had struck since 1850. Much of this loss was because of misplaced colonial policies which aimed to derive maximum economic gain at the cost of human sufferings and misery. After the British had created a transport infrastructure in the first half of the 19th Century, they began encouraging farmers to grow crops that could be exported. The boom in export trade accompanied by rising prices made farmers shift to cash crops
like cotton, indigo, poppy and sugarcane. The area under food grain subsequently shrank. In other words, efforts to improve agriculture in colonial India were directly linked to the needs of British industries.

As is happening now, the trend during the pre-Independence years showed that the best lands available were used for the cultivation of commercial crops. The cultivation of food grains was relegated, to some extent, to inferior lands, the yield of which is much less even in normal years. The result was a steady decline in food grain output till the Second World War. Per capita food availability from domestic production too had declined. As B. M. Bhatia observes in The Faminies of India: "India kept the precarious balance between increasing population and declining food production partly by turning from an exporter into a net importer of food grains but largely by the easy, though dangerous, expedient of pushing down the already low per capita cereal consumption to still lower levels."

The big gap between minimum requirement and supply continued throughout the post-War period. After all, for a country literally surviving on a 'ship-to-mouth' existence, there was little hope. Soon after Independence, India had begun to seek food aid and in fact emerged as the biggest food importer of this century. In 1951, India got ad hoc assistance of 2 million tons of food grain to tide over the crisis arising from severe drought in several parts of the country. This was the first major food security on a significant scale after Independence.

Till the 1960s, Indian agriculture was not sufficiently able to meet domestic requirements and the country had to rely on food grain imports. Realizing the disastrous consequences of the growing gap between the rates of growth of population and food production, a vigorous 'grow more food' campaign was launched. The key goal of economic planning shifted to attaining self-sufficiency. The First Five-Year Plan, following food imports in 1951, gave maximum importance to the growth of agriculture. Among the measures initiated in the '50s to stimulate food grain production were land
reforms, irrigation, and fertilizer production, strengthening of research and the organization of a national farm extension service. Consequently, increased harvests in the mid-1950s relieved the economy.

The seeds of the Green Revolution were, therefore, truly sown in the mid '60s. What followed next is already part of contemporary history. Wheat production rose to 17 million tons in 1968, an increase of 5 million tons over the highest of 12 million tons harvested in 1964. Indira Gandhi officially recorded the impressive strides in agriculture by releasing a special stamp entitled 'Wheat Revolution' in July 1968. The success of wheat was later replicated in rice. Productivity increases were also recorded in cotton, sugarcane, millets and oilseeds.

The Green Revolution was certainly not a stroke of luck. The resilience was the result of progressive farm policies, determination and sustained efforts of scientists and the vigor of the Indian farmers who readily adopted the improved technology.

This is what the Rockefeller Foundation had to say about the magnificent strides taken: "...the speed with which India's farmers and scientists suddenly gave their country an approach to an abundant food supply, has never been duplicated on an equal scale anywhere in the world, including the scientifically sophisticated United States."

Since the early '70s, the country has avoided famine even during adverse weather conditions, through a carefully designed food security system involving the maintenance of both substantial grain reserves and an extensive Public Distribution System. The devastating drought of 1987, rated as the most severe of this century, affected nearly 155 million hectares. In spite of this, no starvation and hunger deaths were reported. This was essentially the result of excellent food management based on food grain reserves built largely from homegrown wheat and rice.
From the late '60s, the rate of growth in food production generally exceeded the rate of growth of population. Despite the continuous growth in population, the per capita availability of food grain increased from 157 kg per year in 1955 to 177 kg per year in 1995, an increase of 15.7 per cent. Food production has risen roughly four times since the days of Independence, from 50 million tons in 1950-51 to 198 million tons in 1996-97. At the same time, the population has risen from 300 million to 960 million. Milk production too has risen to 68 million tons, the highest in the world. Food self-sufficiency was achieved in the late '70s with the maintenance of a sizeable food buffer. Lately, India has begun to export food grain. About 5 million tons of rice and wheat were exported during the last few years. Skimmed milk powder amounting to about 5,000 tons has also been exported.

EFFECTS OF AGREEMENT ON INDIAN AGRICULTURE

If we are so self-reliant in food, if we have food security, if we are very happy from the performances of our agriculture then why on the initiative of the Shetakari Sanghatana, the Maharashtra-based farmers' organization, a Kisan Kumbh (Farmers Rally) was held, in New Delhi on 6th April 2001? Why On October 2, 2005, on the occasion of Mahatma Gandhi's birth anniversary, at the Azad Maidan in Mumbai. More than 50,000 farmers from 14 states of India including Uttar Pradesh, Rajasthan, Haryana, Punjab, Himachal Pradesh, Madhya Pradesh, Jharkhand, Chattisgarh, Uttranchal, Gujarat, Karnataka, Tamilnadu, Kerala and Maharashtra belonging to different farmers' unions participated in a huge Rally which was organized by Indian Coordination Committee of Farmers' Movement?

In reality, Indian Agriculture is in deep crisis as a result of a decade of trade liberalization. Farm debt and farmers' suicides are the most obvious indicators of the agrarian crisis engendered by WTO Rules, the forced removal of QRs and the consequent dumping and decline in farm prices and
the rising costs of production as global corporations like Monsanto grab control of our seed sector.

The Agreement on Agriculture (AoA) under the WTO envisages free global trade of agriculture commodities with certain stipulations. It imposes a strict regime of permissible and non-permissible subsidies by governments to support their agriculture and provide for a strict regulatory system. Clever manipulation of their subsidy reduction commitments has in reality increased the support to farmers in the developed countries. But before the agreement could come into effect developed countries, in order to circumvent these subsidy-related provisions, transferred non-permissible subsidies to permissible categories. That is a number of developed countries have continued to provide high domestic support to their agricultural sectors. At best the policies in many developed countries have only been cosmetically altered by shifting the support from one "Box" to another. Consequently, European and US farmers continue to receive the same aggregate level of production and export subsidies as they did prior to the AoA. The annual subsidy to farmers in the USA, who are only 2 per cent of the population, is $74 billion. Other study shows in the United States, subsidy to a mere 90,000 farmers has increased by 700 times since 1996. In the past one year, the US has provided an additional US $26 billion to its farmers. The situation in the EU is similar to that of USA. In absolute terms, the farm support in the OECD countries increased by 8% to reach the staggering figure of US $363 billion in 1998.

In India, we are being told that our Aggregate Measure of Support (AMS) being negative, we can still raise our subsidies to farmers. In reality, India is committed to do away with agricultural subsidies under the Structural Adjustment Programme of the World Bank and the International Monetary Fund. In any case, India provides only $1 billion worth of indirect subsidies to 700 million farmers!
The crisis in Indian Agriculture is evident from farmers' suicides in every corner of the country and since 1995 more than 25000 farmers' brethren have committed suicides all over the country. This is because of the cascading effect of the capital-intensive, corporate agribusiness-driven, export-oriented, peasant-insensitive domestic policies coupled with the subsidized import surge due to withdrawal of Quantitative Restrictions, which has led to depression in the domestic farm gate commodity prices. The burden of the agrarian distress has fallen on the small and marginal farmers in India. This is a direct result of the WTO's Agreement on Agriculture that protects subsidies in the developed countries and allows them to dump cheap commodities in countries such as India.

A recent FAO [Food and Agricultural Organization] study concludes that there has been hardly any change in the volume of exports. Tariff peaks continue to block exports from the developing countries. Tariffs still remain very high, especially in the cases of cereals, sugar and dairy products. Sanitary and Phyto-Sanitary measures continue to be a major barrier in diversifying exports in horticulture and meat products.

Selective reduction in tariffs by the developed countries has also blocked the exports from developing countries. And on top of it, only 36 countries (all developed) have the right to impose special safeguard provisions if agricultural imports distort their domestic market!

With free fall of farm prices, farmers are pushed into higher levels of external input intensification and enlargement of farm operations in a desperate bid to stay afloat. Artificially low prices that are decoupled from costs of production are the most important distortions in trade. And low prices are more closely connected with monopoly in agribusiness than with overproduction. U.S. and E.U. do not have real surpluses or "overproduction". U.S. imports twice as much beef as it exports. U.K. imports twice as much milk as it exports. The issue is not overproduction but "distorted" production.
Decoupled support therefore promotes non-sustainable large-scale industrial production & low prices. It is therefore intrinsically linked with & coupled to non-sustainable production and unjust prices. It is decoupled from sustainability & justice. The vary structure of WTO Rules therefore distorts trade against small farmers, against food sovereignty & against trade justice. The rules are trade distorting in & of them-selves.39

The Government is promoting corporate farming & capital intensive agriculture. This is one of the causes of the agrarian crisis. Yet it is being offered as “renewal of Indian Agriculture” & the “2nd Green Revolution” based on biotechnology & new seeds. This was the theme of the Prime Minister’s speech at the Science Congress and the content of the U.S–India Agriculture Agreement.

The “2nd Green Revolution” based on biotechnology is failing the farmers like the “1st Green Revolution”. According to Dr. Vandana Shiva’s path breaking study, the “Violence of Green Revolution” changed the paradigm of agriculture. The 2nd Green Revolution, based on biotechnology & genetic engineering will have even higher social and environmental costs than the 1st. Green Revolution.

Monsanto’s Bt. Cotton has already caused havoc in Andhra Pradesh, Maharashtra, Madhya Pradesh. A recent study by the Vidarbha Jan Andolan Samiti has shown that during the June–December in 2005, 212 farmers ended their lives in one region of Maharashtra. Of these 182 were from the cotton heart land of India. 170 of the 182 suicides are of cotton growers who grew Monsanto’s Bt. Cotton. Monsanto sells its GM cotton seed to Indian farmers at the same price as it sells in the U.S. The price of transgenic seed (Rs.1600/450 gms) has a "royalty" component of Rs.1200, even though Monsanto does not have a patent for Bt. Cotton in India. In contrast, local seeds are sold for Rs.550/kg. Farmers’ suicide in Vidarbha overlaps with

39WTO Agreement On Agriculture By Vandana Shiva
regions where Monsanto sold its GM seeds. For the farmers of Andhra Pradesh and Maharashtra Bt. Cotton has emerged as a killer. The Andhra Pradesh Government has filed a case before the Monopoly and Trade Practices Commission in Delhi against Mahyco Monsanto Biotec (India) Ltd (MMBIL), challenging the "Revenue Model" adopted by the multinational for sourcing its transgenic Bollgard cotton seed technology to Indian companies.

Terming the company's decision to collect Rs. 1250 as royalty on each packet of cotton seeds sold in the state as a fit case to punish it under the MRTP Act, the State Government argued that Andhra farmers were forced to pay through the nose.

As seed monopolies grow, prices of seed will increase. But where the State Government will go and under act because to oblige the provision of WTO Indian Parliament has eliminated MRTP Act.

### TABLE 3

**WORLD'S TOP 10 SEED COMPANIES + 1**

<table>
<thead>
<tr>
<th>Company</th>
<th>2004 Seed Sales (US Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monsanto (US) + Seminis (acquired by Monsanto 3/05)</td>
<td>$2,277 + $526 pro forma = $2,803</td>
</tr>
<tr>
<td>2. Dupont / Pioneer (US)</td>
<td>$2,600</td>
</tr>
<tr>
<td>3. Syngenta (Switzerland)</td>
<td>$1,239</td>
</tr>
<tr>
<td>4. Groupe Limagrain (France)</td>
<td>$1,044</td>
</tr>
<tr>
<td>5. KWS AG (Germany)</td>
<td>$622</td>
</tr>
<tr>
<td>6. Land O' Lakes (US)</td>
<td>$538</td>
</tr>
<tr>
<td>7. Sakata (Japan)</td>
<td>$416</td>
</tr>
<tr>
<td>8. Bayer Crop Science (Germany)</td>
<td>$387</td>
</tr>
<tr>
<td>9. Taikii (Japan)</td>
<td>$366</td>
</tr>
<tr>
<td>10. DLF-Trifolium (Denmark)</td>
<td>$320</td>
</tr>
<tr>
<td>11. Delta &amp; Pine Land (US)</td>
<td>$315</td>
</tr>
</tbody>
</table>

(Source: ETC Group Global Seed Industry Concentration Report 2005)
While costs of production rise, prices of agricultural produce are falling, not because of "efficiency" and "productivity" but because of $400 billion subsidies and agribusiness monopolies which drive farmers' prices down. The world prices of the agriculture commodities have gone down mainly because of the high domestic and export subsidies attached to the developed countries' commodity exports. For example, the OECD data shows that in the 25 OECD countries the Total Support Estimate (TSE), a measure of domestic support, rose from US $275.6 billion (annual average for base period 1986-88) to US $326 billion in 1999, while US has given a fresh subsidy of US $190 billion in 2002 under the US Farm Bill 2002.

Since the inception of the WTO, there is a steep decline in the prices of agricultural commodities internationally. From 1980 to 2000, world prices for 18 major export commodities fell by 25% in real terms. During this period the decline was especially steep for cotton (47%), coffee (64%), rice (61%), cocoa (71%) and sugar (77%). For example, international cotton prices came down from 128 cents per pound in 1981 to 38.7 US cents per pound in 2002. Similarly rice prices came down from 565 US $/ton in 1981 to 160.8 US $/ton in 2002 and sugar prices came down from 18.11 US cents per pound in 1981 to 5.68 US cents per pound in 2002. According to a report, the 2003 US figures show that the agriculture exports from US were sold much below the cost of production:

• Wheat was exported at an average price of 28 per cent below cost of production.
• Cotton was exported at an average price of 47 per cent below cost of production.
• Rice was exported at an average price of 26 per cent below cost of production.

And as long as the subsidies continue, the dumping of artificially cheapened agricultural products to developing countries will continue. This has serious effects on rural livelihoods and food security in countries like
India. The distortions and imbalances in agriculture trade have also drastically affected the prices, incomes and livelihoods of small farmers in India. Instead of addressing their distorted trade practices, the developed world is putting pressure on developing countries to lower the agricultural tariff to allow fair market access to the developed world and their agribusiness corporations. The agricultural tariff in India is already very low and there is very little capacity to undertake further significant cuts without disrupting their rural economies. Tariffs are the only instruments available to our country for protecting our farmers.

In India in 1990-91, the average applied rate of import tariff was 113%, which was drastically lowered to 35% in 1997-98, which increased to 41% in 2001-02, but again it declines and in 2004-2005 the average applied tariff is 37.5%. Hence the average applied tariff rate in 2004-05 is almost 65% lower than the average applied rate in 1990-91. Some of the key agricultural goods have the minimum applied tariff rate in India, which include pulses 10%, Maize 15%, milk powder 15%, etc.

The diversity of crops that Indian farmers grow is not merely "tariff lines". They are the basis of farmer's lives. They are our biological and cultural Heritage. They are the source of livelihood of millions. From the pepper, cardamom and coconut in the gardens of Karnataka and Kerala, to the saffron and apples of Kashmir, from the rices of Orissa and Bengal, to the wheat of Punjab, Haryana and U.P, from the jowar and bajra of Rajasthan, to the Mandua and Jhangora of Uttaranchal, every farmer and every species is necessary for India’s ecological and food security.

The Governments Agenda for renewal of agriculture is in fact no different from the WTO package of capital-intensive corporate farming. This will not renew our agriculture; it will destroy the livelihoods of our peasants and small farmers.
With the withdrawal of quantitative restriction and reduction in tariff, there is a surge of cheap subsidized imports in India. The import of pulses has increased from 490.75 thousands tons in 1995-96 to 1992.8 thousands tons in 2002-2003. Similarly import of spices increased from 24.28 thousands tons in 1995-96 to 147.69 thousands tons in 2003-2004. Import of sugar increased from 29 thousands tons in 1996-97 to 932.3 thousands tons in 2004-05. Edible oil imports increased from 1061.99 thousands tons in 1995-96 to 5290.2 thousands tons in 2003-04. Cotton import increased from 2.92 thousands tons in 1996-97 to 387 thousands tons in 2001-2002.

By allowing the free import of pulses and oilseeds, we are going to kill India's dry land farming because pulses and oilseeds are the most important crops of the dry farming areas and it is the poorest of the poor who are in the dry farming business. Although the WTO talks about micro-enterprises supported by micro-credit like our own Grameen Bank, the macro-economic policies of the developed countries are going to destroy the micro-enterprises of the poor and developing countries.

We are number one in the world ahead of even the superpower USA. But unlike in the USA, 90 million people in India, who own one or two buffaloes, deal in 75 million tons of milk. Under the WTO regime, India would be free to import milk and milk products. What will happen to one of the most successful co-operative movements in India now? What will happen to the White Revolution we are so proud of?

There is another problem that has arisen as a result of our accepting WTO Norms. Every country has to allow fishermen of other countries to catch fish in its territorial waters. India exports special grade fish (Tuna and Prawns) to other countries and earns substantial foreign exchange. Around 10 lakhs people are dependent on fishing. Deep sea fishing leads to exhausting not only fish resources, but also displacement of our people in fish catching, processing industries, etc. This too is an issue that needs to be discussed at the appropriate WTO Forum.
India, which is the largest producer of vegetables, is importing vegetables at a very low tariff. India, one of the largest producers of rice, is importing rice freely under the Agreement. What will happen to the Green Revolution, which made the country (born in the backdrop of famine) the largest producer of food products in just 50 years?

Moreover, India does not provide for any direct subsidy to its farmers. Surplus states like Punjab are being asked to compete in a global market, which has already been fixed. The WTO-generated environment would also inevitably give rise to a fresh national debate as to why the deficit states should buy Punjab’s wheat and rice against the cheaper subsidised foreign food freely available under the WTO. Rail freight of 1 ton of wheat from Punjab to Andhra Pradesh is Rs. 1260 as against the sea freight of Rs. 1000 from the faraway Australia.40

The dumping of these agricultural commodities led to depression in the domestic farm gate prices, which led to a deep agrarian crisis and caused increased cases of farmers’ suicides because farmers fail to get even their principal capital investment in agriculture, therefore they are compelled to take loans for different reasons.

According to the National Sample Survey, 48.6% of farm households are in debt. The two most important purposes of taking loans were stated to be “capital expenditure in farm business” and “current expenditure in farm business”. At the all India level, out of every 1000 rupees taken as loan, 584 rupees were borrowed for capital intensive agriculture.

Agriculture in Punjab is mechanized; though, this came alongside farm-engineering technologies and high-yielding varieties that changed the landscape of Punjab in the mid-60s. The over mechanization, however, is also a cause of debt burden on the kisan, who has acquired tractors, its

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40Don’t just drop grains: Kanwaljit Singh
accessories and other machinery more out of social prestige and ego than need. He has also opted for indiscriminate loans/borrowings that are diverted to either meet the family’s committed expenditure, on social functions or to repay old loans. He is in a debt trap and several of the ilks have paid a heavy price: unable to repay their debt, they have committed suicide.

TABLE 4

Farmer’s Debt by Purpose of Loan, All-India

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PER CENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure for farm business</td>
<td>30.6</td>
</tr>
<tr>
<td>Current expenditure for farm business</td>
<td>27.8</td>
</tr>
<tr>
<td>Expenditure for non-farm business</td>
<td>8.8</td>
</tr>
<tr>
<td>Marriages &amp; ceremonies</td>
<td>11.1</td>
</tr>
<tr>
<td>Education</td>
<td>0.8</td>
</tr>
<tr>
<td>Others</td>
<td>21</td>
</tr>
</tbody>
</table>

(Source: NSSO, 59th. Round)

Indebtedness is driving farmers to suicide. A change is needed in agriculture policy to end the vicious cycle of debt and the brutal epidemic of farmers’ suicides.

"The advocates of liberalization argue about fair competition. They expect an Indian farmer who has invested just $100 in his farm and who dries his paddy on the road, to compete with an American farmer who must have invested $1 million in infrastructure. So, where is the level-playing-field when the comparison is 1-1, 00,000? The countries, which are competing with our poor farmers, have only macro-enterprises where one farming family may have 1000-2000 acres of land and they use highly automated, mass production technology in agriculture. Agriculture in India belongs to the
Gandhian pathway of production by masses in contrast to the western, highly industrialized and automated agriculture.

After all, with food production increasing in the US and in the European Union, the focus is only on how to find bigger and reliable markets for exports. In the US, for instance, food production is slated to multiply in the years to come. And incidentally, agricultural exports are the second biggest export earner for America.41

"The WTO Ministerial does not bring relief to our farmers. Its outcome will aggravate the farm crisis" said Mr. S.P. Shukla who was India's Ambassador to GATT during the Uruguay Round and is currently the Convener of Indian People's Campaign against WTO. While the Government has claimed that the decisions arrived at in Hong Kong will protect our farmers, the pressure on our farmers will further increase. Firstly, northern subsidies will not end. The export subsidies that are to and by 2013 are an insignificant proportion of subsidies that distort prices and lead to dumping. Secondly, the category of "special products" does not prevent imports and have the destruction of domestic markets. And only 1 to 20 per cent of total tariff lines can be classified as special products.

It is obvious, therefore, that benefits to developing countries in terms of increasing their exports will only occur after complete elimination of export subsidies and substantial reduction in domestic support in the developed countries have been effected. In this context, India has demanded a substantial reduction in the trade distorting domestic support and elimination of export subsidies by developed countries.

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 &

41Indian farmers not benefiting from WTC agreement by Devinder Sharma
Agricultural Organization (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 Phyto-Sanitary (SPS) Measures continue to be a major barrier in diversifying exports in horticulture and meat items. Fresh commitments have, therefore, to be negotiated to substantially improve Market Access for products of particular interest to developing countries. Since entry of new comers is difficult in the existing Tariff Quota (TRQ)\textsuperscript{42} 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.

**EFFECTS OF AGREEMENT ON WOMEN AGRICULTURIST**

Rural Indian women are extensively involved in agricultural activities. However the nature and extent of their involvement differs with the variations in agro-production systems. The mode of female participation in agricultural production varies with the land-owning status of farm household. Their roles range from managers to landless labourers. In all farm production, women's average contribution is estimated at 55% to 66% of the total labour with percentages, much higher in certain regions. In the Indian Himalayas a pair of bullocks works 1064 hours, a man 1212 hours and a woman 3485 hours in a year on one hectare farm, a figure that illustrates women's significant contribution to agricultural production. The impact of WTO rules and policies of trade liberalization in the agriculture sector on women is distinctive for four reasons.

\textsuperscript{42}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.
First, women have been the primary seed keepers, processors. They have been the both experts and producers to food, from seed to the kitchen. WTO impacts women’s expertise and productive functions throughout the food chain. The Trade Related Intellectual Property Rights (TRIPs) Agreement impacts women's knowledge and control over seed.

The Agreement on Agriculture impacts women's livelihood and income security and also has secondary impacts in terms of increased violence against women. The Sanitary and Phyto-Sanitary Agreement has a direct impact on women's expertise and economic role in agro processing.

Secondly, as globalization shifts agriculture to capital intensive, chemical intensive system, women bear disproportionate costs of both displacement and health hazards.

Thirdly, women carry the heavier work burden in food production and because of gender discrimination get lower returns for their work. When WTO destroys rural livelihood, it is women who lose the most. When WTO Rules allow dumping which leads to decline in prices of farm products, it is women already low incomes, which go down further.

Fourthly, their position vis-à-vis WTO is also more vulnerable because as the livelihood and incomes of farmers in general and women agriculturists in particular are eroded, they are displaced from productive roles and their status is further devalued, while the patriarchal power of those who control assets and benefit from asset transfer due to globalization is increased, other social processes are triggered which result in increased violence against women.

The violence associated with displacement, devaluation and disempowerment takes the form of intensive violence, increasing incidences of rape, the epidemic of female feticide, and growth in trafficking of women.
Women also bear the ultimate burden of farm suicides, since they are left to look after their households without assets but with the burden of indebtedness.

Over the period 1994-2004, the drive for market liberalization and globalization has severely impinged on the rural household economies. The traditional mode of agricultural practices has been obliterated.

The Green Revolution had set in the process of replacing of traditional farming knowledge and practices of seed saving. The recent economic system giving a free hand to MNCs in agriculture sector has further caused a rapid shrinkage of the traditional practices and replacement of folk crop varieties by high yielding and hybrid varieties, which escalated the cost of agriculture production while stagnating productivity.

In the past few years ever since the globalization became the mantra, plantation sector too has been at the receiving end. The unrestricted import and the sharp fall in the international price, whether it is tea, coffee, rubber or palm oil has been negatively impacted. Coffee price dropped from their highs and the producers had to take massive cut in their profit.

In coffee plantation, the average working days of the labor largely women have reduced by 30% affecting their survival. A sharp decline is also witnessed in the tea export from $542 million in 1998 to $209 million in 2003. Tea plantation workers in Kerala, West Bengal and Tamilnadu are facing starvation, following the closing down of several small and medium tea companies. Starvation deaths among workers of abandoned tea gardens in West Bengal have assumed disastrous proportion.

In case of rubber, the integration of Indian market to that of international led to the building of huge surplus stocks, reducing the prices,
thereby intensifying the problem of growers and jeopardizing the job prospects of tapers and women associated with them.

Based on the research study, field surveys and the public hearings, Diverse Women for Diversity has made the recommendation for the National Commission for Women and the Government of India, some of the recommendations are:

- Trade and technology policies must protect the livelihood of women in agriculture. The Agreement on Agriculture must be reviewed with a gender perspective.
- Women's work in agro processing is both an important source of livelihood and important source of safe and culturally diverse food. Food Safety Laws designed to destroy household and community based agro processing need to be changed. The Sanitary and Phyto-Sanitary Agreement of WTO must be reviewed with women's livelihood and expertise of agro processing in focus.
- The quantitative restrictions must be reintroduced to protect the agriculture from dumping of artificially cheap subsidized products. The right to countries to protect special products and special safe guards, measures must be used to protect the livelihood and income of women.
- Organic farming needs to be promoted to increase women's productive role in agriculture, decrease health hazards from toxic chemicals and avoid the drain of scarce family income to pay for unnecessary chemicals.
- Use locally procured grain for all public food related programmes and schemes like Integrated Child Development Programme, Food for Work, Jawahar Rozgar Yojana, School Mid Day Meals, as well as in all other public sector institutions such as primary health center, district health center and other places.
- Disparity in wages based on sex must be stopped.
- The families of suicide victims should be treated in the same way as victims of natural disasters such as earthquake.
Minimum support price should be fixed for the plantation sector, like tea, coffee, rubber, jute, areca nut, cardamom, where large number of women is involved.

Awareness should be created among women involved in agriculture and plantation sector about the impact of globalization and WTO policies.

Women should be increasingly involved in the decision making process in agriculture. Today, while wife is the sarpanch, but it is only her husband who takes all the decisions.

MEASURES TO SAFEGUARD INDIAN AGRICULTURE

To cope with the detriments of the Agreement on Agriculture, the Government of India has taken some drastic measures. Some of the measures are as follows:-

- Import duties on a number of agro and other items have been increased. For example, the duty on areca nut has been raised from 35% to 100%, on poultry products from 35% to 100%, on wheat from 0% to 50%, on skimmed milk powder from 0% to 60% for imports beyond the tariff rate quota (TRQ) of 10,000 tons; on apple from 35% to 50%, on rice from 0% to 70%, on broken rice and paddy from 0% to 80%, and on sugar from 27.5% to 60%.
- In the Budget 2001-2002 customs duty on tea, coffee, copra and coconut as well as desiccated coconut has been increased from the present rate of 35% to 70%. The rate of duty on crude edible oils, except soyabean oil, which ranged from 35% to 55%, has been increased to a uniform rate of 75%. Similarly the duty on refined oils which ranged from 45% to 65% has also been hiked to 85%. Customs duty has also been enhanced on import of crude palm oil by vanaspati manufacturers from 25% to 75%. However, sick vanaspati units would pay @ 55%. It needs to be mentioned in this connection that customs duty on edible oil has to harmonize the interests of both domestic producers and consumers.
In the Budget Speech for the year 2001-2002, the Finance Minister has categorically assured that the interest of farmers would be adequately safeguarded and the Government would move swiftly whenever there is a perceptible threat on account of imports. It has also been announced in the budget that countervailing duty equivalent to state excise duty would be levied on imported alcoholic beverages.

➤ Import of all packaged commodities have been subjected to compliance of all the conditions of the standards as are applicable on the domestic packaged commodities in accordance with the Weights and Measures (Packaged Commodity) Order 1977.

➤ Import of 131 products has been made subject to compliance of the mandatory Indian quality standards as applicable to domestic goods. For compliance of this requirement all manufacturers/exporters of these products to India are required to register themselves with Bureau of Indian Standards (BIS). The list of 131 products includes various food preservatives and additives, milk powder, infant milk food, etc.

➤ An Inter-ministerial Group headed by Commerce Secretary was constituted on 28/7/2000 to assess the likely impact of the removal of QRs on imports and to suggest suitable corrective measures. Departments of Agriculture & Cooperation; Consumer Affairs; Small Scale Industries and Agro & Rural Industries; Chemicals & Petro-Chemicals, Fertilizers, Petroleum and Natural Gas; Animal Husbandry & Dairying as well as the Ministries of Heavy Industries & Public Enterprises and Information Technology have been represented in the Group.

Although maintenance of quantitative restrictions (QRs) on imports is not permitted as per Article XI of GATT, the Government can, if the situation so warrants, utilize the mechanism of raising the applied tariffs within the bound rates, if such a gap exists and take measures such as anti-dumping action, safeguard actions and imposition of countervailing duties, which are permissible under certain specified circumstances under the WTO Agreements, in order to provide protection to the domestic producers. Imports are being closely monitored and the Government is determined to ensure
through the appropriate use of the above mechanisms that imports do not cause any serious injury to the domestic producers.

AGRICULTURAL IMPORTS

From the import data for the period April–October 2000 it is seen that the import of wheat, rice, coffee, fresh fruits, millets, sugar cane individually have not been more than Rs. 15 Crore, which is insignificant compared to the total domestic production of these items.

Increase in imports of certain agricultural commodities like edible oil, areca nut, skimmed milk powder was noticed recently. In case of edible oils (crude and refined), the duties have been regularly revised to check the growth in imports. Similarly import duty on skimmed milk powder and areca nut has also been increased. The increase in duty on skimmed milk powder has been very effective and the imports have come down heavily. The total import of this item, which stood at Rs. 101 Crore during the year 1999-2000, has come down to less than Rs. 3 Crores during the first seven months of the financial year, 2000-2001.

There are apprehensions in certain quarters that the prices of tea, coffee, pepper, natural rubber, raw jute, milk and cream have declined significantly on account of a surge in imports. Whereas prices are mainly a function of demand and supply, the demand for a particular product depends to a great extent on consumer preferences. An analysis of the import data (as shown in the table below) reveals that there has been no significant surge in the imports of these items. It will not be correct in general to attribute the present decline in domestic prices of such commodities except edible oils to import surges or to our WTO commitments for the domestic sector.
TABLE 5

Import Values of selected Agricultural Commodities

(Value In Rs. Crore)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Coconut</td>
<td>0</td>
<td>0.37</td>
<td>Negligible (0.01)</td>
<td>0.87</td>
</tr>
<tr>
<td>Tea</td>
<td>64.82</td>
<td>25.75</td>
<td>20.23</td>
<td>16.08</td>
</tr>
<tr>
<td>Coffee</td>
<td>14.39</td>
<td>6.50</td>
<td>5.31</td>
<td>10.75</td>
</tr>
<tr>
<td>Pepper</td>
<td>60.8</td>
<td>47.44</td>
<td>35.00</td>
<td>41.6</td>
</tr>
<tr>
<td>Natural rubber</td>
<td>91.17</td>
<td>59.78</td>
<td>45.40</td>
<td>25.5</td>
</tr>
<tr>
<td>Raw jute</td>
<td>86.38</td>
<td>143.81</td>
<td>83.78</td>
<td>39.71</td>
</tr>
<tr>
<td>Milk and cream</td>
<td>12.31</td>
<td>96.90</td>
<td>91.45</td>
<td>5.66</td>
</tr>
<tr>
<td>Edible oil</td>
<td>7588.93</td>
<td>7983.8</td>
<td>6240.61</td>
<td>4472.03</td>
</tr>
</tbody>
</table>

CONCLUSION

Today, 70 per cent small, marginal and medium farmers, who own and operate on less than four hectares face an uncertain future in the new world order under the WTO—World Trade Organization that has created a global free trade club. Because of unsure incomes these peasants are losing confidence in themselves, as also their dignity and self-respect. This is forcing them out of the land in search of work in cities. This trend has started and will spring new problems.

As the cleavage between haves and have-nots widens, it might lead to social tensions, precipitate existing urban chaos, infringe on the already inadequate socio-economic services and disturb law and order.
The first SOS message is from Harkrishanpura (Bathinda). It is loud and clear. Desperation has forced these people to put up a signboard saying "Village on sale," a telling comment on their socio-economic conditions, as also failures of the politico-administrative system. Harkrishanpura desires "freedom from land, alternative livelihood and freedom from the shackles of debt." This is a wake-up call. Is the Government incapable of implementing its policies and reforms and enforcing its rules meant for the welfare of the people? Is scientists', economists' and bureaucrats' ineptitude deliberate? It is time to help agriculture emerge from the lurch, as idle farms are a potential source of unrest.

Today, the kisan is struggling to survive. He is an abandoned child of a failed marriage between farm research and farming practices, a victim of exploitative scenario rendered by WTO. If we were to compare the case of Indian agriculture with Indian industries itself, we would find that Indian industries enjoy a lot of protection. The import duty on most of the industrial commodities is 50-100 per cent. As the industrialists have powerful associations like the CII, FICCI, etc, their voices are heard. But who will talk for the emancipated, poor farmer? 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 maximization will be the guiding principles during the ongoing negotiations.

Regarding the impact of liberalization of trade in agriculture in the long term, Indian agriculture enjoys the advantage of cheap labour. Therefore, despite the lower productivity, a comparison with world prices of agricultural commodities would reveal that domestic prices in India are considerably less with the exceptions of a few commodities (notably oilseeds). Hence, imports to India would not be attractive in the case of rice, tea, sunflower oil and cotton.
On the whole, large scale import of agricultural commodities as a result of trade liberalization is ruled out. Even the exports of those food grains which are cheaper in the domestic market, but are sensitive from the point of view of consumption by the economically weaker sections are not likely to rise to unacceptable levels because of high inland transportation cost and inadequate export infrastructure in India.

Above all we should note, 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 in any way 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.

"In commodities like rice, cotton, vegetables and fruits, we have a very big advantage over other countries. We are one of the cheapest producers of these items in the world. But we don't have the infrastructure to store. India can easily export all these items and export is very important for us as we import oil and it is a big burden on the Indian economy. Even though we have excellent prospects in agriculture, we talk only about the export of software. We can easily export rice products, wheat products, agro-based products, processed fruits and vegetables and thus employment and income are generated.

"India is one of the largest producers of horticulture products but the Indian farmer is denied the advantages of advanced technology. So, in the post-harvest period, a lot of items like onions, tomatoes and many other
vegetables go waste. We need storage facilities so that vegetables and fruits do not go waste."

The gap between the producers' price and the retailers' price is very high. "But the major problem that we face is lack of technology and safety standards. But there is a huge market for such products. And here in India, labor is cheap, production cost is very low and this is where we have to invest."

Agriculture cannot afford to maintain status quo. There is a need for a paradigm shift from old production-centric policies to suit the new world economic order, where quality determines market access, where value-added produce is consumer-oriented with multi-choice benefits and where produce is grown by adopting eco-friendly farm practices sans agro-chemicals. Organic farming has to make its way.

The WTO regime has introduced new hazards, uncertainties, opportunities and challenges, requiring scientists to re-orient and re-prioritize research and applied technology and clever bureaucrats to find ways to put agriculture and economy on a new global trajectory.

Agriculture shouldn't be viewed as a tool to produce agricultural commodities needed for the urban consumers. That is so in the western world. So, one has to look at trade policies from two ways, one is our external obligation, which is to WTO, etc. At the same time, we have our internal obligation also. And our obligation should be to our own people and not to the WTO, says Swaminathan.

We are not obliged to allow free import of food products, says, Swaminathan. "Some may say that we are obliged to do so under the trade agreement. But we are not. In the trade agreement, there are provisions for non-tariff barriers. And so far, the non-tariff barriers are invoked only by the
industrialized countries by raising issues like child labour, environmentally harmful effects, etc. They argue strongly because the industrialized and developed countries want a free market on their terms, and unfortunately we have never argued our case well."

Other than the issues raised by the developed countries, there is also a provision in the Agreement that allows a country to invoke non-tariff barriers when it feels that the import of a particular item will affect the food security of the country. Swaminathan says, "I say that food security in India is security of livelihood. Today, the famine of jobs is the cause of famine of food in India. Where there is income, there is food and where there is no income, there is no food. So, our country should immediately develop a precautionary package on non-tariff barriers, which will safeguard our environmental security and the livelihood security of the poor. Trade must become an instrument in poverty eradication as is being advocated by the rich nations. Trade policy should be such that it should encourage and not kill micro-enterprises, cottage industries, food processing industries, etc. It is going to be disastrous if we don't look at this problem seriously. Yes, we can get out of this mess and it is entirely in our hands. We have to study the rules of the game, which are supposedly pro-poor and pro-woman. So, the precautionary package shouldn't be an arbitrary package but a well-argued package which should carry conviction. We will have to strike a balance between the competing interest of 10% farmers who generate marketable surpluses and consumers belonging to the economically poor sections of the society."

It is also argued that, because of increasing price of domestic agricultural commodities following improved export prospects, farmers would get benefits which in turn would encourage investment in the resource scarce agricultural sector. With the decrease in production subsidies as well as export subsidies, the international prices of agricultural commodities will rise and this will help in making our exports more competitive in world market. Given our agro diversity, we have the potential to increase our agro exports in a substantial way. In the words of Shri A.V. Ganesan, "There will be growing
pressure from the farmers to realize higher prices for their produce and to narrow the gap between the domestic and external prices. Our industrialists are pressing for a ‘level playing field’ vis-à-vis foreign enterprises; our farmers will press for a ‘level playing field’ for the prices of their products vis-à-vis international prices. Both the pattern of production and price expectations will increasingly be influenced by the demands and trends in world markets.

On the one hand, the price incentive could be the best incentive and could give a strong boost to investment in agriculture as well as adoption of modern technologies and thereby to the raising of agricultural production and productivity. On the other hand, the rise in domestic prices would put pressure on the public distribution system and accentuate the problem of food subsidy. Furthermore, freedom to export agricultural products without restrictions will also need shedding the long-nurtured inhibition against their imports. The nature and character of State intervention and State support will have to undergo qualitative changes in order not only to realize the opportunities for exports, but also to cope with the implications of our agriculture coming into increasing alignment with the international market place”.

"The question is, what do we want? More slums in the urban areas or prosperous rural sector? The urban slum is a good index of the lack of opportunities in the rural areas for livelihood. Otherwise, why should the villagers come to the city and live in such horrendous conditions? No human being wants to live on a pavement. They would rather live in a hut in a village than lie on the urban pavement."

"We have already celebrated the fifth anniversary of the Copenhagen Social Summit, which was also called the Poverty Summit. Copenhagen warned that if we could not eliminate poverty, soon it would lead to social disintegration and there will be more ethnic conflicts and violence. We have started seeing the unrest in Africa, and also to some extent in India."
"As the WTO is not like the IMF where a country's voting power depends on the shares it holds in the bank, every Member in the WTO has a vote. There is no difference between a Nepal or a Bangladesh or a Japan or a USA there. It is mandatory in the forum to have consensus in every policy. So, if twenty countries block a policy, nothing can be done."

But the problem with India, according to Dr Shankar, is that India never goes to the WTO meetings well prepared. "They don't do their homework at all. If you talk in favor of the poor, nobody interferes as in the multilateral negotiations; there is a consensus that you must have special treatment for developing countries. Unfortunately, we don't use expertise or argue our case. The other countries go well prepared and it is not only the Government but the labor unions, academics, economists, members of commerce and even the press goes to argue for their country. There are 70-80 developing countries and India can group all of them together and be the leader," says Shankar.

Gurumurthy holds the English speaking Indian responsible for this devastating condition. "The problem is the bureaucracy also is a Macaulayan product. They are Macaulay's children. So, they don't go there to argue our case but to seek posts in the WHO, WTO or UNCTAD. We have not produced patriotic bureaucrats of a higher order. We need hardened patriots. Why should you blame the bureaucrats alone? What about the media? Politicians, by far, are the most trustworthy people as far as the country is concerned. They won't compromise if they know what they are compromising and what they are not. But the problem is they are ignorant."

Still Gurumurthy is optimistic because he feels "the WTO is a collapsible institution and it is bound to collapse because life is lead locally by the majority. Who fought at Seattle? The local forces. Swaminathan wants India "to take pride in poverty". He says, "Let us not hide it. Say that we are a poor nation and our obligations are with the poor. Our first obligation should be to the 450 million poor people and not to the World Trade Organization."