

# World Trade Organisation and its Impact on Agriculture: An Overview

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**Abstract**— After new economic policy 1991 Indian economy is to the process of transition. WTO and its structural formation has been helping member countries for hassle free international trade by providing platform. There are various functions being performed by WTO. In this paper evolution, functions and its impact on agriculture is discussed. The data on agricultural imports as a proportion of earnings from agricultural exports has progressively declined, and all the balance has become progressively more favorable.

**Index Terms**— WTO, Indian economy.

## I. WTO - the history

The 8<sup>th</sup> and the last round of the multi-lateral trade negotiations held under the auspices of GATT is known as the Uruguay round and it was launched in Uruguay in Sept. 1986. Because of complexities of issues involved and interest fights among participating nations, the Uruguay round could not be concluded in December 1990 as originally scheduled.

But the negotiations dragged on until Arthur Dunkel, the then Director General of GATT presented a draft at embodying what he thought was the result of the Uruguay round. This came to be popularly known as the Dunkel Draft – which was ultimately replaced on 15<sup>th</sup> December 1993, by an enlarged and modified final text as approved by the delegates of different countries of GATT.

This final act was signed by Ministers of 125 governments on 15<sup>th</sup> April, 1994 and the decisions were to be implemented within 10 years since 1995. The Uruguay round took up on following basic topics for discussion:

- Reducing specific trade barriers and improving market access and strengthening GATT disciplines and policies.
- Problem of liberalization of trading in services, Trade Related aspects of Intellectual Property Rights (TRIPS) and Trade Related Investment Measures (TRIMS).

Following the UR agreement, the GATT was converted from a provisional agreement into a formal international organization i.e. WTO, from 1<sup>st</sup> January 1995.

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## II. WTO - the organization

WTO is located in Geneva, Switzerland and the head is a Director General who serves a term of four years. The total staff strength is of 500 persons of varying nationalities. The WTO has 145 members and the decisions are made on unanimity. No country has the right to veto.

**The decision making process:** is overlooked by the Ministerial Conference, comprising ministers of member nations and they meet at least twice a year. The Ministerial Conference can take all decisions on all matters regarding the multilateral agreements.

**Second level:** the day to day work is handled by the General Council, which also acts as The Dispute Settlement Body and The Trade Policy Review Body. The general council acts on behalf of the Ministerial Conference.

**Third level:** there are three more councils handling a broad area of trade, reports to the General Council, the Council for Trade in Goods, Services and TRIPS, etc

**Fourth level:** the higher level councils have subsidiary bodies focusing on various sectors of industry or products or services.

The four principles that members abide by are:

- Extending trade concessions equally to all WTO members
- Aiming for a freer global trade with lower tariff everywhere
- Making trade more predictable through the use of rules
- Bringing about more competition by cutting subsidies

The WTO agreements include the following:

- goods e.g. all industrial products, FMCG, agricultural products, etc Services e.g. banking, insurance, consultancy, etc
- Intellectual property e.g. patents, copyrights, trademarks, etc

These agreements broadly address three concerns:

1. **Same rule for all:** it restricts government or organizations from distorting normal trade by way of subsidizing, dumping or discriminatory licensing policies. The WTO allows exports to be relieved of all indirect taxes such as excise, sales tax, etc since they have a flowing effect on the cost of the product.
2. **Administration of agreements:** detailed guidelines are given as to how the agreements should be

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administered at national level. These apply to antidumping proceedings, standardization, sanitary and measures or settlements of disputes.

3. **Fair deal to businesses:** WTO ensures the rights for business community, right to information, right to present evidence, etc are properly detailed and administered.

The **functions** of **WTO** are as under:

1. The WTO shall increase ease implementation, administration, operation and further the objective of the multi-lateral trade agreements.
2. The WTO shall provide the forum for discussions among its members concerning their multilateral trade relations in matters dealt with under the government.
3. The WTO shall manage the understanding on rules and procedures governing the settlement of disputes.
4. The WTO shall administer the trade review instrument
5. With a view to achieving greater coherence in Global Economic policy making, the WTO shall cooperate with the IMF and its affiliated agencies

The general council of the WTO will serve four main functions:

1. To supervise on regular basis the operations of devised agreements and ministerial declarations relating to Goods, Services and TRIPS.
2. To act as a dispute settlement body.
3. To serve as a trade review mechanism.
4. To establish a goods council and TRIPS council as subsidiary bodies.

The WTO is a more powerful body with enlarged role and functions than GATT was. To become member of WTO, a country must completely accept the result of Uruguay round.

### III. WTO and agriculture

The WTO agreement on agriculture provides for:  
Reduction of domestic subsidies

- Reduction in export subsidies
- Tariff reduction
- Bindings to provide market access

The WTO Agreement on Agriculture contains provisions in 3 broad areas of agriculture and trade policy: market access, domestic support and export subsidies.

#### Tariffication

The tariffication package contained more. It ensured that quantities imported before the agreement took effect could continue to be imported, and it guaranteed that some new quantities were charged duty rates that were not prohibitive. This includes tariffication, tariff reduction and access opportunities. Tariffication means that all non-tariff barriers such as quotas, variable levies, minimum import prices, discretionary licensing, state trading measures, voluntary restraint agreements etc. need to be removed and transformed

into an equivalent tariff. Simple tariffs including those resulting from their tariffication are to be reduced by an average of 36% with minimum rate of reduction of 15% for each tariff item over a 6 year period. Developing countries are required to reduce tariffs by 24% in 10 years. Developing countries as were maintaining Quantitative Restrictions due to balance of payment problems, were allowed to offer ceiling bindings instead of tariffication.

**Special safeguard** provision allows the imposition of additional duties when there are either import surges above a particular level or particularly low import prices as compared to 1986-88 levels. It has also been mentioned that **minimum access** equal to 3% of domestic consumption in 1986-88.

#### Domestic support

For policies of domestic support, subject to reduction commitments, the total support given in 1986-88, measured by the total Aggregate Measurement of Support (AMS) is reduced by 20% in developed countries (13.3% in developing countries). Reduction commitments refer to total levels of support and not to individual commodities. Policies which amount to domestic support both under the product specific and non-product specific categories at less than 5% of the value of production for developed countries and less than 10% for developing countries are also excluded from any reduction commitments.

#### • Special and Differential Treatment

Provisions are also available for developing country members. Developing countries are permitted for subsidized food distribution to meet requirements of the urban and rural poor. This excluded for developing countries are investment subsidies that are generally available to agriculture and agricultural input subsidies to low income and the farmers not having enough resources.

#### Export Subsidies

The Agreement contains provisions regarding member's commitment to reduce Export Subsidies. Developed countries are required to lower down their export subsidy expenditure by 36% and volume by 21% in 6 years, in equal instalment (from 1986-1990 levels). For developing countries the percentage cuts are 24% and 14% respectively in equal annual installment over 10 years. The Agreement also specifies that for products not subject to export subsidy reduction commitments, no such subsidies can be granted in the future.

	<b>Developed countries 6 years 1995-2000</b>	<b>Developing countries 10 years 1995-2004</b>
<b>Tariffs</b>		
Average cut for all agricultural products	-36%	24%
Minimum cut per product	-15%	10%

<b>Domestic Support</b>		
Total AMS cuts for sector (base period;1986-88)	-20%	-13%
<b>Export</b>		
Value of subsidies	-36%	-24%
Subsidized quantities (base period; 1986-90)	-21%	14%

Source: Centre for WTO Studies' database

The countries which are not developed have to make commitments to lower down tariffs or subsidies. The base level for tariff cuts was the bound rate before 1 Jan. 1995, or for unbound tariff.

These trade agreements, however, significantly impact agriculture, and we are in the middle of a World Trade Organization negotiation round. A multi-lateral treaty that addresses and makes rules for market access, tariffs, import quotas, domestic and export subsidies and sanitary regulations, rules and processes for resolving disputes. With the achievement of self-sufficiency in food grains and some other major agricultural commodities, which used to account for large portion of import bill, overall imports of agricultural commodities have sharply declined. The amount on agricultural imports as a proportion of earnings from agricultural exports has progressively declined, and all the balance has become progressively more favorable.

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