

Chapter – Seven

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Chapter VII

7.1: Summery & Conclusion:

Since the early 90s India is witnessing various substantial changes in its economy including liberalisation of its economy, Structural reforms, and opening its domestic market for the liberalised world trading system. Since the starting of New economic policy of liberalisation, Privatisation & globalisation India has gone through many ups & downs in its economy. As we have already mentioned in earlier chapters that our study is a comparative one between the Pre & Post WTO period and the overall effects of WTO on Indian agricultural trade, so we have gone through various literatures available (both online & offline) on that topic. What we have found have been discussed in various short chapters on the above. If we summarise them then our study mainly concentrates on implication of WTO on Growth, Agricultural GDP, Production & yield, Export competitiveness, Market share of Export, Changing Composition, Direction, diversity of export, Environmental issues of trade like preserving Bio-Diversity, SPS, etc, TBT, Domestic subsidy, IPRs Under new TRIPS regime and overall impact of AOA on developing country perspective (including WTO Summit, Negotiations on Issues on developing countries, TRIPS, Issues related to Domestic subsidies & export promotions and various Agreements). The analysis on the topic reveals that new international trade system and its rules under WTO not only affected Indian agricultural export but also domestic production, investment, market, Government decision, public consumption, Nature of agricultural trade & demand domestically but also it has significant role in shifting India's decision & role toward the International trade & policies of trade.

7.1.1: Influence of WTO India's Export & External Trade Policies:

If we see the role of trade in country's development and if go through many trade theories by famous economists & Philosophers (Adam Smith, David Ricardo, JM Mill, Malthus, Heckscher Ohlin etc) of the Past & Present we will see that trade has a indispensable role in country's growth & development, which can be understood by giving practical examples of the South East Asian countries which have achieved huge Growth & development in the last decades due to opening their economy to open World trade on contrast to that with comparatively more inward looking restricted trade policies of the Latin American & African nations led to comparatively low growth & development for them. So trade & economic development are very much interlinked as trade provides increase in demand of domestic product, GDP & employment, export, give boost to investment finance and transfer of advanced foreign technology and growth in Import further helps in capital accumulation and price stabilisation (equalising domestic price with international price level of commodities) of the countries engaged in trade and there by maximise their welfare. India always has been in favour of open free & fair international trade and it has shifted its trade policies from inward looking import substitution policies to Export promoting open liberalised trade policies in the 90s, and in this process it has participated in the Uruguay round agreement which led it to join WTO in 1995. The results were significant after WTO as the Indian trade has opened from nearly 14% in 1991-92 to about 36% in 2014-15 and Indian agricultural sector got boost in exporting commercial & Horticultural commodities in the Post WTO regime and its market share in international trade has also increased. The WTO which came

into existence in 1st Jan 1995 as result of Uruguay round discussion, negotiation & agreement (1986-94) advocates liberalising international trade with values of equity, non discrimination, free & fairness and multilateral in character promotes liberalisation, openness, reduction & elimination of tariff & non Tariff barriers to trade, quantitative restrictions and helps developing countries trade & export which resulted the increase of goods trade share of developing countries from 29% in 1994-95 to approx. 45% in 2014-15. With increasing integration with world trade system India gradually decreased its tariff level on imports & exports, completely eliminated import /export licensing & quantitative restriction on trade, participated in multilateral trade negotiations & agreements under GATT & WTO. India's applied tariff level have decreased gradually (the MFN tariff of India reduced to around 12% in 5 years from 15.1% in 2006) though the bound tariff remained high with. The tariff has been reduced mostly on capital goods & advanced machineries along with many other essential products but consumer goods import is still regulated. It is so because to give safeguard to large domestic industries. These gradual moves by India show its commitment to the WTO and liberalising its domestic market & export trade. India even took several initiatives to increase the amount foreign & domestic investments including opening spaces and shares on which FDI can enter in a huge amount including telecom, IT, Insurance & retail sector and gave exemptions of income tax in many areas(STPI, EOU etc) to raise capital domestically.

India with its huge emerging market & high growth economy and strong commitments to the poor & developing nations and free trade has become an important international player in negotiating trade related issues and rights of the LDCs in international platform and WTO conferences (from Uruguay to Doha & still today) with Developed countries. In formulation of agricultural policies India took two principles one is trade liberalisation and the other is safeguarding domestic economy and agriculture. For that it has joined many international interest groups of countries like G20, G33 etc and India is committed always in defending rights of the developing countries being one of the leading countries of them. India also engaged individually for promotion of its agri-exports on many plurilateral and non multilateral platforms. India has been fighting for S& DT (special & Differential Treatment) and SSM (special safety measures)for developing countries since 4th ministerial conference of WTO to 11th ministerial conference of WTO (Buenos Aires) for developing countries along with it is fighting for reviewing Green box & Blue Box subsidies, elimination or reduction of SSG in case of developed countries, reduction or elimination of domestic subsidies of the US & EU, expanding market access of the Developed nations, revision of new components & amendments under TRIPS, farmers rights, food security and sustainable development. As since Doha Round negotiations to Cancun (2003), Hong Kong (2005), Bali (2013), Nairobi (2015), and Buenos Aires (2017) WTO negotiations no strong amendments has been passed so far by the WTO in order to save and give securities to the agriculture based poor & developing nations. So, India has a significant role in bargaining with the WTO to raise voice against oppressive attitudes of highly influential US with EU towards developing nations. Trade & export growth has tremendous implications in growth & development understanding this India along with reforms and liberalisation process has taken many other Initiatives like infrastructure development, SEZs, devaluation of currency, EPZs and making country wise special economic partnership like **SAPTA, SAARC , ASEAN, CEPA (Comprehensive Economic partnership agreement), CECPA, BTIA (Broad Based trade & investment Agreement)**, etc for free trade. Since the WTO India has devised its EXIM

policy in accordance with domestic political intentions and international order and made both bilateral and multilateral trade agreements. India achieved huge export surges in the Post WTO period since 2004 the Exim policies was to achieve US\$ 200 billion by 2011 and in 2017-18 India has able to achieve export of **US\$ 303.4 billion with 13.2% share of Agricultural sector**. This shows India's potency to achieve in Agricultural export growth in the Post WTO period.

7.1.2: Performance of India's Agricultural sector in the Post WTO regime:

The Indian agricultural sector plays a vital role in providing employment (largest employer in the world with 47% labour employment), food security (about 14% of its large GDP which is US\$ 2.848 trillion in 2017-18) and export (with approx 2% global agricultural export share) In the Post WTO period though it is completely integrated with global agricultural market. India has to meet huge domestic demand for agricultural food crops. It is the largest producer of Banana, Mango, Papaya, Milk, Jute, Lemon, Spices etc second largest producer of Rice, Wheat, and fifth largest producer of over 80% of the total food crops produces in the world.

We have discussed the various impacts of WTO policies in previous chapters. In chapter four we have analyzed the effect of WTO on few major Indian agricultural export commodities where we have found that WTO policies have very least impact on Indian Agricultural trading commodities and the growth of many of these commodity export have not increased substantially rather growth rate of some of them have fall in the Post WTO period (particularly the traditional agri-export commodities like Tea, Coffee, Rice , Wheat, Marine products, Oil Meals, etc performance has not been up to the expectation so far). The share of agricultural production in GDP has declined since the inception of WTO from approx 21% in 1995-96 to approx 14 in 2011-12 to 17% in 2017-18. There is emerging negative sides of WTO is seen since post 2000. One of them is **International price fluctuations**. The WTO under AOA has amended various laws and asks developing countries to abide by them properly, referring them as multilateral and needed to be established for free & fair trade. But the Developed countries violate these philosophies by new loop holes of trade agreements. The DCs particularly EU & US subsidises their agricultural commodities & export heavily with the help of SSG provision and green & Blue box subsidy provision of AOA which distorts International agricultural trade environments by disabling poor countries to compete with them in unequal & non parallel ground. The DCs want more market access of the developing countries under **NAMA** under the WTO. The WTO asks the Developing countries to reduce all types of subsidies and gives no clear mandate for Public stock holding of essential agricultural stock piles. In this way it creates a completely unequal ground between Developed & Developing nations. In Doha declaration of WTO has given emphasis on reduction of Tariff & Non Tariff Barriers which have been followed by most developing countries including India. Apart from fall in demand of the South Asian countries in 1997-2002 and global recession in 2008-11, the decreased domestic support due to WTO rules make the agricultural commodities export growth to fall heavily. Commodities like Tea, Coffee, Oil meals, Cotton, Marine Products etc registered very low or negative growth rate during the Post WTO period. Except Meat all the other Indian agricultural export commodities show greater comparative advantages in trade and most of them have shown higher diversification of Export in our analysis in our study. Still some of the traditional

agricultural commodities have shown higher comparative advantage (including Rice, Tea, and Spices). In case of product export diversification in the Post WTO era we have noticed in our study that Tea, Rice, Marine Products & Oil Meal have shown higher diversification where Cashew showed little and Tobacco, Coffee & spices shown no diversification in export. In the post WTO period India's global share of Export have increased from 0.8% in 1991 to 1.3% in 2006, 1.8% in 2009, 2.01% in 2011 and 2.26% in 2015-16 , so Post WTO regime has helped increasing agri-export share of India in the World and making its good position with among leading exporters of agricultural products. In the Post WTO era there has been created potential environment for developing countries to grow faster in agricultural sector. But the WTO norms are bypassed by the Developing countries as countries like USA, Japan, the EU is giving huge trade distorting subsidies under Amber Box, Blue Box & Green Box, Product Specific subsidies, Direct financial supports to farmers and exporters 9 the US is giving more than US\$ 50000 as per farmer direct support where India giving US\$ 250) where the developing countries are to reduced AMS and maintain de minimis level of support to maintain WTO norms. In this way the Developed countries manages to dominate world agricultural market and elude the probable gains from liberalised world trade market of agriculture after competing in unequal ground with developing nations. WTO again failed to maintain proper global orders in agricultural trade as trade distortions is not only happening when international agricultural commodity prices are falling or fluctuating rather when the export products of the developing countries are failing to match global standards and are being blocked to enter in the Developed nations which are imposing Non Tariff measures like SPS measures on these products. India facing tremendous competition in agricultural exports from other developing nations like the south & south east Asian nations. Along that though India has able to achieve comparative advantages and diversification in trading agricultural commodities and achieved growth of agri-export in terms of total value but the sharp declining trends of export share, Lacking of International Demand and weak domestic support measures making the future of agricultural production and export growth uncertain under the WTO and thereby making India to rethink on its decisions to continue WTO policies properly.

7.1.3: The Significant changes that have taken place in Agricultural trade in the Post WTO Regime in India:

- The expansion of Domestic market for Indian agricultural commodities has taken place in the Post WTO regime.
- The Share of agricultural sector to Indian GDP (**it was approx 21% in 1995, 14% in 2011-12, 17% in 2017-18**) and total export (**18.49% in 1991 to approx 16.5% in 2013**) has declined in the Post WTO period but the agricultural export share (in percentage) to total production has increased in the Post WTO period (**from 4.1% in 1991-92 to 8.9% in 2013-14**).
- There exists divergence in Indian agricultural commodity exports, as in the pre WTO period it is found that India has made effort to specialize in agricultural commodity export in which it has comparative advantage but in the post WTO period no such attempt was made where we can see any specialisation of agricultural commodity export, though in some cases India has able to gain some Comparative advantage in producing & exporting some of the agricultural commodities in the Post WTO

Regime which is the good effect of liberalising its economy.

- Both Export & Import of Agricultural commodities have increased in the Post WTO period and the value of Agricultural total export was comparatively higher than total import.
- The average growth of export, percentage share in total agricultural export, and export market share of many of the major Indian traditional Agricultural commodities has declined (**Tea, Coffee, Cotton, Marine products, Oil Meals , etc**) but mean growth rate have increased where for some agricultural commodities it has increased (**Spices, Meat, Cashew, Coarse cereals, Oil seeds, Pulses, fruits & vegetables, several horticultural products etc**) in the Post WTO period as compare to Pre WTO period but the overall export market share in the world has increased in the Post WTO period (from 0.8% in 1991 to 2.01% in 2011).
- The amount of diversification was higher in case of most of Indian agricultural trading commodities in the Post WTO regime as compare to the Pre WTO regime (the value of Simpson Index was higher in the Post WTO period which proves so).
- The composition & direction of the major Indian agricultural trading commodities has also changed in the Post WTO period.
- The Compound Annual growth Rate (CAGR) of Indian agricultural trading commodities was higher in Post WTO period than the Pre WTO period (**the CAGR has increased from 5.94 in the pre WTO era to 12.02 in the Post WTO era**)
- The structural Transformation in Indian agricultural sector is visible in the Post WTO period as commercial export oriented agricultural production is replacing traditional production structure. The production of inedible commercial crops (**Cotton, Bio Diesel**) has increased many times along with change in farm structure due to increase in new kind of demand after liberalisation in the Post WTO era.
- The price regime in the Post WTO era has not been stable since 1995. The international price of agricultural commodities is fluctuating and sometimes remains much lower than the domestic prices of Indian agri-products which are trade distorting, detrimental for domestic agricultural economy and one of the major reasons for slow Agricultural growth & farmer's distress. The reason for this Volatile international price regime is huge subsidies (**under Amber box, Blue Box & Green Box along with AMS, Product Specific & Non Specific Subsidies, direct & huge Subsidies to the farmers & exporters**) provided by the Developed nations to their agriculture along with support measures like **SSG** make their agricultural export commodities comparatively much cheaper and highly competitive in the international market as compare to the agricultural commodities of the Developing nations.

- There has not been substantial increase in investment (Both Private & Public) in Indian agricultural sector (Infrastructure building and marketing) in the Post WTO period.
- The amount of **Income inequality & disparity** has increased tremendously in rural Indian agricultural sector which have led to classification of Indian farmers as poor or marginal, Middle class & Rich in the Post WTO period where farmer's distress and amount of committing suicides have increased much than before in the Pre WTO period
- Despite that the Indian agricultural export has increased in absolute term in the post WTO period, the average share of agricultural export in total export from India has fallen down from 17.5% in the Pre WTO period to 13.62% in the post WTO era, which may be as a result of much increase in the share of non agricultural export in India's total export.
- The value of NPCs of mostly all commodities has gone down in Post WTO period comparing to the Pre WTO era, which implies that exporting capacity or export competitiveness has increased in the Post WTO era.
- India has been highly committed to the international multilateral principles of free & fair trade Under New Trade Regime Called WTO since its inception and maintaining all measures related prevent trade distortions for example it is maintaining very low amount of import & export tariff, it has abolished all kind of licenses and quantitative restrictions related to trade, it is maintaining much lower applied tariff than its bound level & De minimis level, it has decreased product specific subsidies and it gives very small amount of per farmer subsidy (US\$ 250) as compare to Developed nations (approx. US\$ 50000 for US , US\$ 48000 for Japan, US\$ 32000 for EU). India also has been fighting for the rights of its own and for the developing countries in WTO forums, Summits and ministerial conferences, in multilateral, plurilateral and Bilateral levels since 90s and particularly after the Doha round development. But the developed countries particularly the US and then EU has been distorting the environment of free & fair trade by giving huge amount of subsidies to their agricultural sector, Violating multilateral character & trust of WTO institution , bringing highly fluctuating international volatile & trade distorting price regime, overlooking the basic issues of the poor & Developing countries and forcing them to abide by the WTO rules and cut down any trade supporting subsidies with NAMA and increased market access for them along with new issues which have been tabled for discussion and negotiation in the 11th international ministerial conference in Buenos Aires. The role of the WTO in this regard as a guardian of International trade has been highly disappointing as it has failed to negotiate and form common agreement on the long lasting basic issues (**like Market access, domestic support & Export subsidies along with S&DT and SSM and Public stock holding of basic agricultural crops for food securities**) of the developing countries discussed under Uruguay and Doha round. It was expected that after along failure to come to an agreement on these issues in Bali and Nairobi rounds of talk, (as there is a huge difference between the developed and developing countries on these issues,

particularly the US which is committed to go against these issues to start negotiations) renegotiation would start in the 11th MC in Buenos Aires but it ended without any discussion or any kind of any negotiations on the very basic long lasting issues of the LDCs and Developing countries including India.

We see that the Indian agricultural sector and Agricultural trade has transformed from inward looking import substituting and depending on domestic market with price stability in the pre WTO period to outward looking export promoting with more dependence on international demand and price volatility on the post WTO period. So opening or liberalising of Indian agricultural sector trade to the world made Indian market more lucrative place for the international countries which may bring investments and thereby change the structure of traditional Indian agricultural trade but there no guarantee that it will go in favour of sustainable development for healthy future growth of this sector.

7.2: Policy Recommendations

The Export growth of agricultural commodities is immensely significant for India and other developing countries. India should focus on the area exporting of agricultural commodities where it has strategic and comparative advantages along with diversifying agricultural trading commodities. In the following we have discussed several measures and probable policies which may help India to overcome from Infrastructural & export growth bottlenecks to revamp its agricultural export and reach new heights of growth and development in agricultural sector.

- i. India should make strong policies for Growth & sustainable development of domestic production & distribution and international export of its agricultural commodities and implement them as a national obligatory commitment without delay.
- ii. India should encourage both Private & Public investments in a large number to meet & develop the infrastructural need, domestic & international market chain and research & development of seeds, organic use of fertilisers, Water management & irrigation etc. Promoting Public-private partnership to the effect of inviting more investment in the infrastructural development to achieve an integrated system covering the entire procedure involving processed food beginning with production to processing to packaging to marketing . More Integrated domestic market leads to more effective global competition.
- iii. The export of food processing sector along with several horticultural products and fruits & fruit juices, Spice, vegetables have revealed to be advantageous comparatively & strategically for India, so India should promote export and maintain international standards (focusing on SPS standard) of this commodities to boost growth and export diversification apart from exporting traditional agricultural products. India should also focus on export growth of those commodities, whose export has declined substantially (Coffee & Tea) in the post WTO period.
- iv. India should focus on negotiating bargaining strongly with WTO members both multilaterally & bilaterally on agricultural trade on the basis of Doha round and many issues generated in

India after legislating new amendments like SPS (Sanitary & Phyto Sanitary measures), TBT (Technical Barriers To Trade), CBD (Convention on Bio-Diversity including Un charters) under TRIPS regime of WTO, reduction of tariff & non tariff measures, Product specific subsidies by the DCs, along with its farmer's safety and rights and food security of its citizens.

- v. Minimum support prices (MSP) should be provided by the Government of India to the farmers of their agricultural produce in order to save them from fluctuation of domestic and international price level (market prices of basic agricultural commodities fall due to heavily subsidising agriculture by Developed countries and Dumping due to over production).
- vi. The Governments both at state and at the centre should develop harmonized policy to back the regional exporters to promote agricultural export surplus. There should be provision of funds to the small regional exporters to encourage more export. Effective market strategy should be prepare to boost up India's trade both import & export with age old trading partners like CIS countries, African Nations, USA, EU and south Asian countries.
- vii. India should not stop negotiations of Doha Round agendas and constantly insist in WTO forum for reduction of huge domestic support & subsidies by the developed nations.
- viii. The WTO is a new reality after the end of Cold war which can't be avoided in any way if a country don't wants to be isolated from the world economy & trade and India has become an integrated part of it so politically, economically & intellectually India should be ready to face, debate, negotiate and bargain both in multilateral, plurilateral & bilateral level of the comprehensive policy regulations of the WTO and place them according to the capacity and need of it with obligatory responsibility & accountability to its commitment to WTO along with this India should also prepare to face recessions and slow down growth & demand in the international market and fight them technically to protect its domestic market & economy from its influence.
- ix. India should learn from South Asian countries and from their bitter experience related to food safety measures and continues playing a leading role with all developing nations in fighting and bargaining for the rights and issues them.
- x. India should bargain & negotiate on the protection of its agricultural sector along with its farmers (to guarantee them food security and right on traditional seeds) with WTO and should not compromise on these issues.
- xi. The central Government of India should sit & talk to its all state governments on Implementing WTO framed regulations, discuss on various implications of it on regional level basis and take decision jointly with the active supports of the states on market reforms, liberalising trade, bringing cost effective flexibility, interstate coordination, capacity building, increasing domestic investment on agricultural infrastructures to improve domestic competitiveness and efficiency and diversifying crop production and experimenting with Production of more cash crops

regarded as high value crop through Horticulture, Floriculture etc and also livestock rearing, Fishery, herbal and medicinal plants can open up new opportunities.

- xii.** Biotechnological R & D in the field of agriculture can bring about revolution in agri-trade because it propagates low cost and high yielding productivity. So effective policy should be taken to inspire Public-private partnership in establishing more research institute. India's rank is third in Asia pacific so far as patent filing is concerned and India is one among the top most five countries that under takes R & D in agriculture. There should be maximum and strategic utilization of low cost physical force, Intellectual & Biological resources to the effect of cost effective production.
- xiii.** Government should take step toward crop insurance starting from the production to the last step of export. The banks of the country should come forward in this regard. The ministry of agriculture with APEDA and EXIM Bank should make provision for easy credit for Agriculture to promote export.
- xiv.** India should build more export processing zones (providing special facilities for agricultural commodities export) and encourage farmers to produce more food crops rather than inedible or non food crops to fight problems like food shortages in a situation of sudden international price rise. Development of basic infrastructure for agriculture has been shaped into agri-trade industry after WTO is imperative. Development of road way & connectivity, transportation heavy goods carrier, supply of water & electricity are must.
- xv.** Frequent change in import/export regulations may hinder the stability of domestic price level and interest of the domestic and international consumers so for consistency and stability in domestic and world market Govt. should formulate stable agricultural trade policies consistent with the WTO policies and commitments here in India.
- xvi.** India should special care to promote its agricultural products in the global level & enhance its capacity to endorse them with international & environmental standards to fight enormous competition from other Developing countries. In doing so it should prioritise with special & immediate attention in enhancing production, marketing, processing efficiency along with building infrastructures for maintaining quality of products and stable supply chain with good transport facilities. Government should also venture into forging policy to bring about new trend of contract and corporate farming and association of farmers should be motivated to grow crops with the view to marketing both at regional and global level. Their procedure includes creation of and driving to SHGs for farming, nurturing crops, production of seeds etc.

India is the second largest populous country (with more than 132 crore) in the world with agriculture as the chief source of livelihood to almost 805 of the rural population of the country; there by forming backbone of the nation's Economy. Compared to the other nations the percentage share of agricultural contribution to the nations GDP is still much high. In the Post WTO era the scope for India's economy to grow on the basis of agri-trade has considerably expanded. WTO & open free trade regime no doubt opens up new Vistas for the expansion of the economy but posed certain challenges at the sometime. India must contend for equal & in discriminatory trade policy

implementation of WTO policies in the WTO rounds and ministerial conferences to counter deceptive & tricky strategies of the Developed nations. India must demand for obliteration or reduction of all types of tariffs and non tariff barriers and total cut down in the domestic subsidies given by the Developed nations and there by violating the WTO commitments, for making room for greater market access. Domestic demand and supply conditions and some other factors contribute large to alteration of India's top export commodities between the year 1997-2014. The Developed countries commitments in the Doha round agreement have revealed to be fake as most them giving huge subsidies and high level of AMS to their agricultural sectors. The US, Japan, EU are providing huge product specific support to boost international agricultural export of certain commodities like Wheat, Rice, Soya bean, Corn, Peanut, Dairy, Cotton and on many processed foods etc where India is maintaining De minimis level of AMS and the AOA has no issue with India in case of domestic subsidies. According to many Indian agricultural policy makers and renown economists all kinds of subsidies (Green Box, Blue Box, and amber Box) with high level of AMS from the developed countries are distorting international trade and reason for the obstacles for the developing countries to benefit from free trade which WTO upholds. Unlike other resource poor developing nations India has huge potentialities to develop the economy by optimal utilization of labour, Intellectual, Biological resources in agricultural sector. India along with many Asian emerging economies can be able to counter the unfair challenges posed by developed nations and by adding innovations to policy making to move forward with stronger strategy encompassing the entire agri-business starting from production till the export of the commodities.