



India Needs to Show More Willingness to Open Up its Markets In Agricultural Sector

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Trade ministers from 25 WTO member countries met again to try and put the Doha Round of liberalization talks back on track, the developing countries bloc comprising India, Brazil and South Africa made it clear that they were unwilling to take on onerous commitments being pushed by the developed countries.

“In particular, the ministers noted that under the existing draft modalities, developing countries would be required to offer a level of contribution without precedent by any member in any of the previous negotiating rounds. The ministers also agreed that such contributions are not being reciprocated by developed countries,

some of whom still seek further exceptions and flexibilities to continue with their existing trade barriers and trade distorting policies, adversely affecting the developing countries’ interests.

It’s very surprising that - when India and other developing countries are waiting for some movement from the US. They are all ready to clinch the deal. At the same time developed countries can’t push developing countries to make concessions, especially when some of them are unreasonable.

Our modeling results for a Doha multilateral trade agreement that freed up trade in both farm and non-agricultural goods confirm that India is likely to gain disproportionately: one-third as much above the average for low-income countries, and twice the middle-income average, if developing countries fully participate in the round.

Importantly, with cuts not just to farm subsidies but also to import restrictions, agricultural output and incomes would be greater under such a Doha agreement in both India and in developing countries as a group.

According to some results, India has almost the same net trade position (exports minus imports) in both food and other agricultural products under the Doha scenario as in the baseline. Indeed, the share of its agricultural production exported would be up by one-tenth, from 3.0 to 3.3 per cent.

So to generate these outcomes, India first needs to show more willingness to open up its markets in both agricultural and manufacturing. Rather than adopt a defensive position with respect to its own import barriers, its trading partners need to see that if they were to open up more, India would reciprocate in kind.

I agree some how that India needs to take more of a lead in the G-20 in encouraging that group as a whole to be more forthright. The G-20 has made a strong case for cuts in agricultural subsidies under Doha. That is commendable and justified, but it is not enough.

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The Group has to recognize that most of the benefits from farm trade reform will be realized only if agricultural tariffs are also cut. For India especially, cuts in tariffs on manufactures are essential too, given its growing comparative advantage in non-farm goods.

Agricultural distortions are responsible for nearly two-thirds of the potential benefit. And of those agricultural gains, 93 per cent would come from removing import restrictions and only 7 per cent from cutting domestic and export subsidies. So even though policies affecting this sector are politically sensitive, they are simply too important to be sidelined in the Doha trade negotiations.

Trade observers, however, believe that WTO members have some distance to cover before an agreement can be reached. For instance, the details of tariff and subsidy reduction are yet to be finalized. It is widely believed that governments would first deal with the financial crisis and the sovereign debt problems before committing to a fresh round of liberalization.

Apart from reworking the rules to aid developing countries, WTO members are negotiating a reduction in import tariff on farm goods in return for the developed countries lowering their subsidies. A lower tariff structure for industrial products and simpler visa and investment rules for service sector firms is also being negotiated.

There is a strong case for India to step up investment in several farm-related activities. We need to strengthen the input delivery system, rapidly expand irrigation facilities, improve agronomic practices, build rural infrastructure and utilize our strengths in information and communication technologies to empower growers to benefit from open and expanding markets.

Simply put, instead of attacking developed countries over the issue of farm subsidy, India must focus its attention on setting its own house in order. India may not currently be facing a food security risk; but unless domestic production base is strengthened and supplies augmented through growth-oriented policies and steady flow of public investment, over time, the challenge of facing food and nutrition insecurity may become real and daunting.

Reference

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