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WTO Agreement on Agriculture: Snatching of Farmers' Livelihood in Developing Countries

Harman Kaur[a],*

[a] Department of Political Science, Panjab University, Chandigarh, India.
*Corresponding author.

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Abstract
World Trade Organization (WTO) is the international body which sets the global rules for trade, and aims at ensuring smooth and free flow of trade. In order to ensure free flow of trade in agricultural sector, Agreement on Agriculture was formulated. The Agreement involves bringing fair competition by establishing market oriented agricultural trading sector. The agreement aims at reducing the subsidies provided to farmers, in order to ensure the smooth functioning of free markets. However, since beginning it has remained one of the most controversial issues as it has been argued that the agreement is tilted against the developing countries and poses a serious threat to the food security in these countries.

Key words: WTO; AoA; Tariff provisions; non-Tariff barriers; Subsidies

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In response to Indian government's handling of the peaceful protests of farmers in 2020, Canadian Prime Minister Justin Trudeau had said, "The situation is concerning...Canada will always be there to defend the rights of peaceful protest" (Basu & Sethi, 2020). While Canadian PM was praised for his comments by many, however he faced severe backlash, not only from Indian government and supporters of three farm laws but also from those who were opposing these laws. One issue which was pointed out by all the criticizers was Canada's contradictory stand towards Indian government's farm subsidies, at World Trade Organization. Governments' aid for food security and provisions for Minimum Support Price have become bone of contention between developing and developed countries. US, Canada, Australia and others have remained major opponents of Indian government's aid to its farmers. Both US and Canada submitted a notification in 2018 alleging that India "substantially underreported its market price support" for five types of pulses (Singh & Tembey, 2020, para.6). However, on the other hand, OECD (Organization for Economic Cooperation and Development) countries levels of agricultural subsidies have increased from US$247 billion in 1986-88 to US$274 billion in 1998 (World Trade Organization, 2000). Here, the questions arise: Why are developing countries unable to protect their agricultural interests in WTO, even when agriculture comprises major share of their GDP?, and most importantly why do developed countries adopt double standards at domestic and international arena regarding agricultural policies? The answer lies in contradictory provisions of Agreement on Agriculture.

1. AGREEMENT ON AGRICULTURE (AOA)

1.1 Brief Overview

General Agreement on Tariff and Trade (GATT), from period of 1947-1994, allowed its members to use export subsidies on agricultural primary goods. However, main agricultural commodities faced trade barriers on a large scale. In 1980, industrialist countries were dumping surplus agriculture production under the export subsidies and thus, disturbed the world markets. In order to ensure fair and market-oriented agricultural trading system, Agreement on Agriculture (AoA) was concluded during Uruguay Round in December 1993. Its aim was to make the agricultural markets more accessible to farmers throughout the world by cutting down tariffs, reducing domestic support and elimination of export subsidies. The Agreement was ratified in Morocco in 1994 and implemented on January 1, 1995. Reduction commitments were to be observed by both developed (till year 2000) and developing countries (till year 2004), however least developed countries were given exemption under this. For addressing the issues raised by developing countries, a special and differentiated treatment clause was added. AoA hoped that proposed structural change would expand the international trade by bringing transparency, spatial distribution of agricultural products and by increasing share of exports from developing countries.

2. CONTROVERSIAL FRAMEWORK

The major critique of AoA is regarding its design. AoA is designed while ignoring the differences in agricultural patterns and practices in different parts of the world. In large number of developing countries, agriculture is underdeveloped, thus there is no surplus production for domestic market and exports. At the same time, agricultural sector lies at the core of their economies. Agriculture in such countries is considered a means of livelihood and source of survival. However, AoA is framed by assuming that the liberal model of agricultural trade would benefit the developed and developing economies alike. Thus, it is required to be taken into consideration that farmers of developing economies need protection of their respective government policies for sustaining their livelihood in tough competition under open market economy. Economic growth and food security can be achieved in these economies only by fully developing the potential and domestic capacity of agricultural sector.

The provisions of special safeguards are also contentious. These were designed to allow developing countries to impose tariff barriers (after conversion from non-tariff barriers) on imports. However, their implications were worse, as developing countries were allowed to obtain benefits only on 31.80% of products as compared to 68.20% for developed countries (Mishra & Agarwal, 2017). Moreover, developed countries tariffs for major agricultural products are about two times higher than those of developing countries. While tariff rates for developing countries are 94% for wheat, in contrast the OECD average in 1995 was 214% for wheat. (World Trade Organization, 2000)

3. MANIPULATION OF TARIFF PROVISIONS

The loopholes in AoA have given developed countries a free hand to manipulate tariff provisions. AoA didn't lay down any specific provisions for converting non-tariff barriers to tariff barriers. The levels of tariffs in developed countries were higher than developing nations. Even though developed countries were required to sharply cut the tariffs, they didn't. Hence, it resulted in higher reduction in tariffs in developing countries as compared to developed nations.

The imposed tariff cut varied with each product however developed economies reduced tariffs to a greater degree on products which brought no significant benefit to their economy, but on the other hand reduced tariffs to a minimum degree on products which were of key significance.

Due to high import tariffs in developed countries, agricultural exports from the developing economies have suffered. Moreover, most of the developing countries are dependent on developed nations for agricultural products, thus removal of non-tariff barriers would increase the prices of such products, thus adversely affecting the farmers.

4. SUBSIDIES PROVISIONS

In AoA, there is a provision for three boxes i.e. Amber box, Green box and Blue box. This division is based on different kinds of aids which can be provided by governments to farmers. Amber box includes subsidies on seeds, fertilizers, power, market price support etc. These subsidies are regarded as trade distorting, thus WTO members are required to bring down such subsidies by 20% in case of developed nations and 13% in case of developing countries. If the set limits are exceeded, it invites penalties.

On the other hand, Green box includes those aids which have minimum trade-distorting effects, thus they are not required to be reduced. The list includes aid for research; pest and disease control; food security stocks; income insurance; disaster relief etc. It is protected from any legal challenge.

The third is Blue box which places no limits on aids. It includes provisions for direct payments and applicable only to developed nations.

The developed countries were required to reduce their subsidies under Amber box category, however, they manipulated subsidies and shifted to Green or Blue box, which are not subject to any limits. Due to high amount of subsidies being given the production in these economies has overflowed. This resulted in dumping. Even though dumping is not allowed in GATT, developed countries through export subsidies are selling their products in developing nations at lower prices. This has resulted into reduction in market prices and low domestic production in the latter. However, countries like India frequently face opposition from Canada, US, Australia, EU and others for exceeding limits of subsidies on inputs and aid through Minimum Support Price, under Amber box category. Similar to restrictions placed on developing economies for domestic support, they are not allowed to increase export subsidies even to the minimum level. While on the other hand, developed countries are allowed to maintain 64% of export subsidies in the base level. Moreover, such subsidies in developed nations are not only provided through 'export subsidy' category, but also provided indirectly through other forms of domestic supports.

5. SUMMARY

It is obvious from the critical analysis of power politics in play at WTO that under the veil of ensuring smooth, predictable and free trade, developed countries are still colonizing the developing economies. The suppression of developing countries' interests at international financial organizations like IMF, World Bank and WTO should not be looked at with surprise. In fact, the analysts argue that the very foundation of these financial organizations was aimed at maintaining control over the resources of so-called third world countries. On the same note, even though the designing of Agreement on Agriculture (AoA) was considered a milestone for maximizing the agricultural trade across various nations, however it did not left any iota of chance to marginalize the interests of developing nations. Even though developing nations concerns were addressed under special provisions clause, however the manner in which the developed nations have successfully manipulated the provisions of one-sided Agreement, have forced developing economies to pull their helping hands from agricultural sector, thus leaving farmers to suffer in the hands of neo-liberal policies. What the world is witnessing now is the monopolization of developed countries in the arena of agricultural trade and snatching of farmers livelihood in the developing nations. In the words of John Pilger, "Contrary to the the myth popular in the West it's been the poor of the world who financed the rich not the other way around... In many ways it's like colonial war. The difference is that these days people and the resources are controlled not by viceroys and occupying armies but by other more sophisticated means." (Pilger, 1992)

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