

Editorial

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WTA: Have developed countries honoured commitments?

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THE WORLD Trade Agreement (WTA), which came into force on January 1, 1995, held out great promise for developing countries such as India by way of increase in agricultural exports and higher price realisation. However, in the last five years under the WTA, India has gained little.

The official explanation for the lag is that developed countries (DCs) have not honoured their commitments on reduction in domestic support to agriculture, export subsidies, import tariffs and providing minimum market access. While this may be true to some extent, the real problem lies elsewhere.

The Agreement on Agriculture (AoA) was inequitable and discriminatory. In respect of domestic support, it provided for reduction in AMS (aggregate measurement

support) by the DCs by 20 per cent over five years. The base year for this purpose was chosen as 1986. This is outdated for an agreement which came into force in January 1995!

Despite being unrealistic and illogical, the choice of 1986 as base year was primarily to suit the DCs. That year, the prevailing AMS levels were high. So, when the proposed reduction is applied to an already inflated level, the resultant support (post-reduction) will still be high. The DCs have also used the 'Green Boxes' — a euphemism for support to farmers for research and development, training and advisory services, infrastructure and protection against pests — to maintain subsidies at high levels. In the US, for instance, even as the AMS dropped from \$24 billions in 1986 to \$6 millions in 1995, support under the Green Box increased to \$22

billions. Regarding import tariffs, a reduction of 36 per cent was prescribed over five years as an average, minimum reduction in each tariff line.

Thus, the DCs made small percentage reductions in items requiring heavy protection from cheaper imports, on the one hand, and high reduction in areas of least interest, on the other, to ensure overall compliance.

While the Indian Government is chary of declaring a bound rate of more than 40 per cent, including on sensitive items such as refined oils (even on rice/wheat, it is hesitant to go beyond 60-80/100 per cent), the DCs declared bound rates at exorbitant levels. Thus, the import duty by EU countries on sugar is 300 per cent.

Japan excels them all by levying duty on rice imports at 1,000 per cent.

The AoA required the DCs to increase the share of

imports in consumption from 3 per cent to 5 per cent over five years.

Domestic consumption in these countries being small, primarily due to smaller populations, this by itself would generate little demand. Even this is substantially diluted as imports under TRQ (Tariff Rate Quota) are included for judging compliance.

The DCs have also exploited the provisions under the SPS (sanitary and phyto sanitary) regulations to prevent the opening up of their markets. Already, international standards for SPS pose a challenge to the developing countries.

The DCs have managed to incorporate a suitable clause in AoA to ensure that in actual practice, more stringent specifications are put in place.

The AoA required DCs to reduce export subsidies by 36 per cent over five years. Here

again, the use of 1986 as the base ensured that, even after reduction, the level would remain high.

Ironically, re-exports of products imported under TRQ are excluded from reduction commitments.

The share of TRQ being a substantial 28 per cent of global trade, this enabled DCs to maintain a high overall export subsidy.

Whichever area one looks at, DCs made all-out efforts to ensure that their interests were fully taken care of in the fine print, which all countries, including India, signed.

The AoA was thus heavily loaded in their favour. But, having accepted them, it may not be so easy now to argue that the DCs have not honoured their commitments!

(The author is Chief Economist, The Fertiliser Association of India, New Delhi. The views expressed are personal.)