

# A decade of WTO AT TEN



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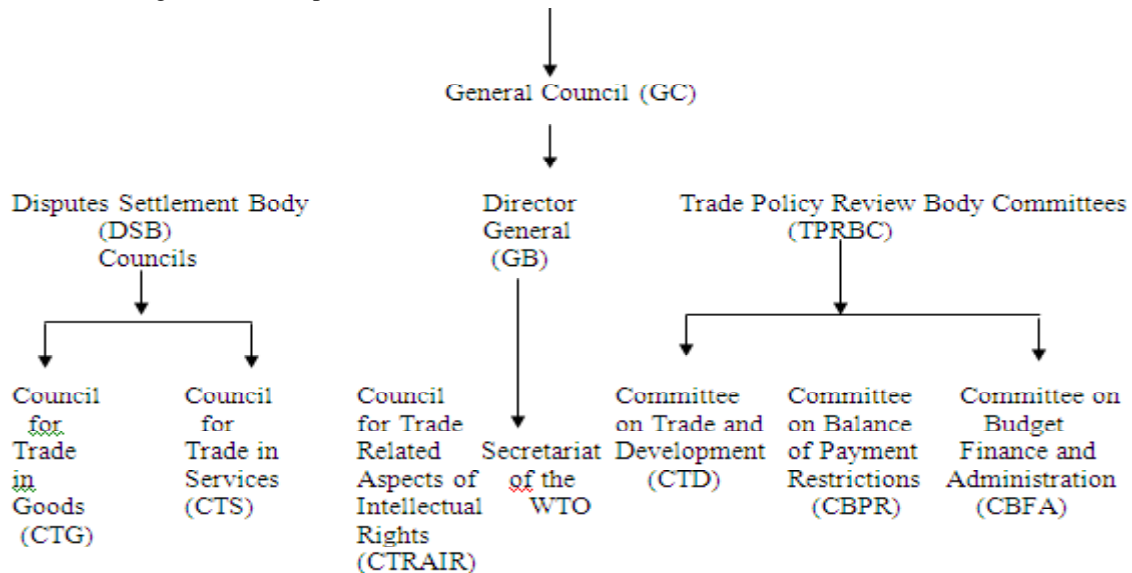
**Introduction :**

The World Trade Organization (WTO) completed 10 years in January 2005 and is getting ready for its sixth Ministerial Conference in Hong Kong in December. The two volumes mentioned above evaluate its progress during the first decade and assess the issues to be discussed in Hong Kong and beyond.

But first a brief account of the founding of the WTO and its essential mandate. Towards the end of the Second World War when the victory of the Allies appeared certain, the United States and the United Kingdom convened a meeting of government representative (which included India) at Bretton Woods, U.S., in 1944. Three (IMF), the international Bank for Reconstruction and Development (IBRD), which subsequently has come to be known as the (World Bank) and International Trade Organization (ITO). Of the three the first two took shape, but the ITO was abandoned because the U.S. was not willing to open up its trade policies. In its place a legal structure called General Agreement on Tariffs and Trade (GATT) was set up. The mandate of GATT was to remove, as far as possible, the variety of tariffs and non-tariff barriers (NTBs) that countries had resorted to during the inter-War protectionist era and to

secure a predictable international trading environment in which industrial and commercial entities had the confidence to invest, create jobs and to trade".

GATT conducted its negotiations in several "rounds" with 23 countries participating in the first "Geneva Round" in 1947, but moving on to the prolonged (1986-1994) "Uruguay Round" in which 123 countries took part. This last round of GATT not only was long, but became more inclusive. As against the discussions on tariffs and NTBs, the Uruguay Round brought in agriculture, services, textiles and garments, trade-related intellectual property rights (TRIPS) and trade-related investment measures (TRIMS) to form the agenda for further negotiations. The agenda had, indeed, become elaborate. Along with the continuation of the discussion on dispute settlements initiated in the previous round, it became clear that GATT would have to yield place to a more thoroughly designed organization. Thus was formed the WTO in 1995. There were apprehensions to begin with, but after a decade the WTO has become a unique international entry with a membership of about 150 countries (including China) and some 30 more countries (Russia among them) waiting to be admitted as members.



## **WTOANDAGRICULTURE**

Agriculture is the most important source of livelihood in developing countries. It employs over 70 per cent of the labour force in low-income countries. The capacity to produce adequate staple foods in just, sustainable ways to meet its food needs in the most important basis for ensuring food security in a developing country.

During the last decade, following the formation of the World Trade Organization (WTO), international trade related issues, particularly indiscriminate imports, have played an increasingly important role in the fortunes of developing countries. Evidence is accumulating that during the first decade of the functioning of the WTO, the livelihood of farmers and farm workers (as well as the overall food security of these countries) have been badly threatened. What is more, there are indications that these disturbing trends may get further aggravated. In the interests of the livelihood of farmers and food security, it is extremely important for all developing countries and those having solidarity with them to resist these trends. It is in this context that the forthcoming Ministerial Meeting (to be held at Hong Kong in December 2005) has become crucial.

The record of international trade following the formation of the WTO is distressing in terms of its impact on poor countries and peasants. As the latest Human Development Report for the year 2005 (HDR) has pointed out, the Doha Round of the WTO, launched in 2001, was billed as a 'development round' and rich countries promised practical measures to achieve a fairer distribution of benefits from globalization but. Four years later, noting of substance has been achieved. Trade barriers remain intact, agricultural subsidies have been increased, and rich countries have aggressively pursued rules on investment, services and intellectual property that threaten to reinforce global inequalities.

The HDR indicts particularly those unfair trade practices, which undermine the livelihoods of small and landless peasants (who constitute two-thirds of all people living in extreme poverty). These practices are linked particularly to the subsidies given by developed country government. The HDR says:

The problem at the heart of the Doha Round negotiations can be summarized in three words-rich country subsidies. ....Rich countries spend just over \$ 1 billion a year as aid to developing country agriculture and just under \$ 1 billion a day supporting their own agricultural systems. In the European Union farmers and processors are paid four times the world market price for sugar, generating a four million tones surplus, which is marketed with the help of more than \$ 1 billion in export subsidies (paid to a small group of sugar processors). Subsidized EU sugar exports lower world prices by about one-third, inflicting heavy losses on sugar exporters among developing countries as well as on sugar crop farmers based in developing countries.

Twenty thousand cotton farmers in the USA are likely to receive government payments of \$ 4.7 billion in 2005-an amount equivalent to the market value of the crop. These subsidies lower world prices by nine per cent to 13 per cent and enable US producers to dominate world markets, in Benin the fall in cotton prices in 2001-2001 was linked to an increase in poverty from 37 per cent to 59 percent. Between 2002 and 2003 rice grown in the USA at a cost of \$ 415 a tone was exported as \$ 274 a tone. This was made possible by US Government payments of \$ 1.3 billion, almost three quarters of the value of the output. In countries like Ghana and Haiti rice farmers were pushed out of national markets by US imports. Since the Doha Round started the US has passed legislation that increase farm support by about \$ 7 billion a year, while also strengthening the link between subsidies and production.

### **Conclusions:**

The problems discussed above make one to believe that the WTO regime is doing more harm than good to Indian farmers and agriculture. It can be gathered from the ground reality that the intention of the rich countries is to jealously protect their own domestic interests in the name of free trade and globalization under the auspices of WTO. It is time to make an objective and analytical assessment of each and every aspect of impact of WTO regime on Indian agriculture and based on those findings we have to resort to corrective measures wherever necessary.

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