



Core issues at the WTO

Relevancy:

- ✓ GS Prelims, GS Mains paper II, III
- ✓ International institutions, World Trade Organisation, WTO issues, concerns of developing nations at the WTO

Recently:

- ❖ India held an informal WTO ministerial meeting in New Delhi on March 19-20.

Background:

- The issues pending with the WTO are not moving.
- No business-relevant decision has emerged from it in the past two decades.
- There was no significant decision taken at the 11th WTO ministerial conference (MC11) that took place at Buenos Aires in December 2017.

What are the core issues that need to be addressed?

- Agriculture, Digital business, Fisheries subsidies, Services, Investment, Trojan horses and Institutional crisis are the major issues that need the attention of the participant countries.
- Developed and developing countries hold conflicting positions over these issues.

Let's discuss these issues one by one:

- Agriculture:
 - The developing countries offer an annual subsidy of over \$260 billion to their farmers. This subsidy enables their farmers to export their produce at a very low price.
 - This is detrimental to the domestic farm produce of developing countries and thus the poor farmers suffer.
 - This is because the cheap imports make these farmers uncompetitive in their own country.
 - The developing countries demand that the rich countries should cut their subsidies, while the latter want the former to lower their import duties.
 - For India, the fight WTO is about Food Security.
 - The Indian government offers MSP (Minimum Support Price) for certain crops. This MSP is higher than the market price of the crop. This ensures profit for the farmer.
 - To ensure food security of around 600 million people, the India government sells this produce at subsidised prices. But this in violation with certain WTO rules.
 - Seeking a permanent solution to the issue of food security is India's foremost concern.
- Digital Business:
 - At the 11th Ministerial Conference (MC11), it was agreed to continue zero import duty treatment to electronic transmissions until 2019.
 - Most online business is owned by the giants like Google, Amazon, or Facebook, which are based in developed countries.
 - Developed countries want rules that ensure a free run to these companies across the world. But many countries feel that the digital business is still evolving.
 - If the WTO makes rules for the digital business, then there would be no room left for the developing countries to regulate their business.
 - Moreover, there is no consensus even on the definition of e-commerce or digital product.
 - Some activities of online firms are a threat to human values and democracy (they give a free run to porn and terror groups).
 - It is also important to understand that the online social media firms these days are making great influence on public opinion. So, a free hand cannot be granted to these online platforms.
- Fisheries Subsidy:



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- Rich countries oppose subsidy granted by developing countries to poor fishermen for whom fishing is the only source of livelihood.
- These countries led by the EU, the US and Japan provide the most subsidy — 65 per cent of the total annual \$35-billion fisheries subsidy.
- But as these subsidies are largely non-specific or Green Box.
- Services:
 - The sector contributes to 70 per cent of the world GDP, but only 20 per cent of world trade.
 - Country-specific domestic regulations (DR) act as the primary barriers to services trade. Developed countries have a clear lead over others as they already have a robustly implemented DR set-up.
 - Now these developed countries want other countries to adopt these DRs.
 - In essence, there are no new obligations for them.
 - India and other developing countries need to create their own DRs.
- Investment:
 - The inclusion of investment as a subject in the WTO was rejected in 1996 because the WTO makes rules for trade.
 - At MC11, a group of 71 countries led by the EU issued a statement calling for discussions on developing a multilateral framework for investment facilitation.
 - But most countries feel this is only a small part of the investment regime and hence should be left as it is.
- Trojan Horses (Hidden Agenda):
 - At MC11, joint declarations were adopted on promoting the participation of MSMEs and women in trade.
 - But African countries, India, and many others stayed away apprehending that these could lead to a discussion on market access issues which are already being discussed in other negotiating groups.
- Institutional Crisis:
 - The US President Donald Trump's use of the 'threat to national security' provision of the WTO for imposing tariffs reveals his disdain for the WTO process.
 - This clause empowers a country to take any action to counter a threat to its national security.
 - The entire WTO membership must confront and oppose Trump before it is too late.

Conclusion:

- Improving the standard of living of people and ensuring full employment are two of the important stated objectives of the WTO. Many countries need to reconcile their negotiating positions with these.
- The members of the WTO must address these issues.





Farming: As a market-based enterprise

Relevancy:

- ✓ GS Mains paper II, III
- ✓ Agriculture, problems of farming, farmer distress, market-based solutions to farming

Recently:

- ❖ Farmers in Maharashtra and Gujarat held peaceful protests on the anniversary of Gandhi ji's Dandi March of 1930.

These protests were different from past farmer agitations:

- The protests were mostly silent and disciplined, mostly leaderless, non-disruptive and non-violent, and well organised.
- It received the sympathy of middle class city dwellers, food and water from bystanders, free medical services from volunteer doctors, and also bandwagon support of all political parties from the left to the right.
- The State government agreed to all the demands, including pending transfer of forest land to Adivasis, expanding the scope of the loan waiver and ensuring higher prices for farm produce.
- Farmers' protests are not new. There have been many recommendations by various committees in the past, but they have not been implemented.
- Take the case of M.S. Swaminathan report, which is over 10 years old. And several of its recommendations have not been implemented.

What should be done?

- Seek solution outside farming sector:
 - Productivity in agriculture sector is very low in India. This reflects disguised unemployment.
 - This is because of lack of opportunities in industrial sector.
 - Employment in industry should be pushed and ease of doing business should be improved.
- Treat farming as a business:
 - There needs to be a direct link between the Farmer and the Buyer.
 - The monopoly procurement regime and the APMC (Agriculture Produce Market Committees) need a revival.
 - Contract farming should be encouraged.
 - Credit access should be increased.
 - Foreign Direct Investment (FDI) in the entire 'Farm to Fork' chain is very restricted. This needs to be liberalized.
 - Land leasing laws also need revisions. Focus should be more on land consolidation and crop diversification.
- Loan waivers are a bad idea:
 - Loan waivers become imperative, more for moral and ethical reasons, than economic.
 - Loan waivers punish those who worked hard and repaid, and the cash anyway goes to banks, not to farmers.
 - Banks don't issue fresh loans out of their own risk aversion.
 - Hence, loan waivers are a bad economic idea but often a political compulsion.
- MSP discourages crop diversification:
 - The farmers are rewarded with 50% more minimum support price (MSP), no matter what the cost.
 - This paradigm of cost plus pricing is bad economics.
 - Sugarcane grows cheaper in Uttar Pradesh in the Gangetic plains than in drought-prone Maharashtra.
 - But with an assured cost plus MSP, there is little incentive to diversify crops to suit weather and cost conditions.



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- Some positive steps taken by the government recently:
 - Neem-coated fertilizer has reduced leakage, and direct benefit transfer to the farmer-buyer will reduce subsidy further.
 - Soil cards ensure appropriate matching of inputs to soil conditions.
 - Giving tax holiday to the farmer producer companies is also the right fiscal incentive.
 - The government's aim to double farm income in the next four years is a near impossible feat, but signals the right intention.

Conclusion:

- The big agenda is to unshackle agriculture to make it a truly commercial market-based enterprise;
- to create opportunities outside farming for large scale exit of the workforce;
- to connect farmers to the value chain of farm to fork, including agribusiness;
- to remove restrictions on movement and exports of farm produce and let them tap into international market, to also allow easier land transfers including leasing;
- to encourage crop diversification and land consolidation that reverses fragmentation.

Source: *The Hindu*

Q. The solution to the problem of farmers' distress lies outside the farming sector. Analyse.



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