

GATT Proposals on Agricultural Subsidies Will Benefit Indian Farmers

“Dunkel Terms will cripple Indian PDS” read the headline of an article in the *Times of India* of November 26, 1992. There seems to be a widespread consensus among an influential section of urban intellectuals in India that the acceptance of GATT proposals will ruin the Indian farmer. However this seems to be based on mistaken facts. Most sections of Indian peasantry are likely to benefit if GATT proposals with regard to agricultural subsidies are implemented. A study by Dr Ashok Gulati and A.N.Sharma (*Economic and Political Weekly*, September 26, 1992) shows clearly that it is the farmers of developed countries, receiving massive subsidies from their respective governments, that need to be worried by GATT. The peasantry of developing countries like India who are suffering from negative subsidies are going to be net beneficiaries because their products will become far more competitive in the international market if advanced countries are made to withdraw the heavy subsidies they give to their farm sector. To quote Gulati and Sharma:

“The Dunkel Draft advocates a gradual reduction in subsidies to agriculture by its member countries as estimated by aggregate measure of support (AMS). There is stiff resistance to this proposed reduction in AMS, particularly amongst the European Community...

... [As a result of] liberalisation in agricultural trade... the world prices of agricultural commodities will go up by 16 to 22 per cent... compared to the base year levels of 1986. Developing countries, which are either taxing their agriculture or subsidising only marginally, are likely to increase their

exports and therefore improve trade balance. India, in particular, is likely to gain from rice exports. Producers in these developing countries will have higher incomes, but consumers will have to pay more. In those underdeveloped countries, where supply response is likely to be weak due to infrastructural bottlenecks, and who are net importers of food, consumers will have to bear heavy cost. In developed industrial economies, particularly in European community and Japan, the producers of agricultural commodities will lose while the consumers will gain. On the whole world agriculture will have a tendency to shift from the developed industrial economies to developing countries and the Cairns Group of 13 countries.

...With reforms, it would be legitimate to presume that the production of that commodity would shift from high cost producers to low cost producers. Accordingly, in the case of wheat a shift is not difficult to predict away from the EC, Canada and the US, who happen to be the highest protected exporters, with PSEs of over 32 per cent.

...EC wheat production will decline by about 16 per cent with policy reform. In the short run world wheat prices are expected to rise. Prices will fall in countries with high support programmes leading to a rise in domestic demand and a fall in exportable surpluses. The reverse is expected of countries presently taxing their agriculture.

World rice prices are expected to rise by about 18 to 26 per cent though Japan will witness a fall in prices by about 60 per cent in the short run, and 80 per cent in the long run, causing a rise in consumption by over 21 per

cent. Thailand alone accounts for about 40 per cent of world rice exports and stands to gain most from reform. Indian rice cultivators are net taxed and stand to gain with reform, since increased incentives are expected to increase yields. A rise in prices will also create exportable surpluses and India stands a good chance to benefit from trade in rice.

... In cotton, India shows a situation of net taxation, and production and exports will definitely boom in this sector with a shift away from USSR and Mexico. The other major gainers will be Egypt and Pakistan.

...At the macro level, Japan emerged as the highest protector of its farm sector, followed by the European Community, the US and finally the developing group. The less developed group of countries appeared to tax its producers. Reform in agriculture will benefit these countries, if infrastructure exists, to absorb the shift in growth patterns in commodities worldwide. India will be one of the gainers from the lowering of protection levels in world agriculture.

...[Our] estimates indicate that commodities like rice, wheat and cotton can experience significant exports, more so after the devaluation of July 1991...Oilseeds, are a highly protected industry in India, we should use our earnings from the sale of foodgrains and cotton to finance imports of edible oils because of comparative advantage in the former. Thus by liberalisation the production of oilseeds in India is likely to be severely affected. Sugar-cane may marginally pick up. [Other studies] suggest a great potential for fruits and vegetables....

[Indian] agriculture on the whole would be a beneficiary and a candidate for higher resources (purely on efficiency grounds), if reforms at a global level are carried through. The agricultural incomes are likely to increase, changing the very demand patterns in the country."

European farmers have been up in arms against the implementation of GATT saying that it will destroy their agriculture. French farmers, known to be among the most militant in Europe, have been violently opposing the recent US-EC accord that would reduce subsidies on agricultural exports. They came and offloaded their vegetable trucks on the streets of Paris in early November this year. On November 25, a group went as far as to invade and occupy the Paris stock exchange and disrupted trading by setting off fire-crackers and smoke bombs to protest the US-EC farm trade deal. Such is their clout that they succeeded in persuading the French government to veto an overall world trade accord because of farmers' opposition to the proposed cut in farm subsidies and lowering of import tariffs. (*Times of India* December 18, 1992). Likewise, among others, Finnish farmers, struggling for much of the year against Arctic or sub-Arctic weather conditions, have also been ferociously opposing the GATT proposals. Agriculture accounts for only about three per-cent of Finland's total output and farmers constitute no more than five percent of the work force; but they have enough political clout to ensure that in Finland the producer price level is about twice as high as in the EC. Is it not strange that many of our political leaders and intellectuals should also be opposing GATT proposals with regard to agricultural subsidies, even though they will lead to tilting the balance in favour of Indian farmers by strengthening their competitiveness in the international market?

Manushi.



Sow and Reap

*The farmer was teaching his boys how to run
"Teach me daddy, teach me too,"
the little girl said, her body full of fun.
"You are my little princess," he said lovingly,
"You don't need to know how to run."*

*The farmer was showing his boys how to swim
"Show me daddy, show me too,"
the little girl said, dancing at the rim.
"You are my little princess," he said lovingly,
"You don't need to know how to swim."*

*The farmer was sending his boys to schools,
"Send me daddy, send me too,"
the little girl said her eyes two bright pools.
"You are my little princess," he said lovingly,
"You don't need to go to school."*

*One day, years later, the farmer was drowning.
"Save me daughter save me! he cried,
"But I can't run," she sighed.
"Then think of how to help me!" he cried.
"But I can't think," she sighed.*

*The woman stood still, her eyes vacant.
Soon he stopped thrashing and went down,
She watched him drown,
Then, wondering who would take care of her now,
She wandered slowly back to town.*

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