



Globalization and Indian Negotiation on Agriculture

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ABSTRACT

The socio-economic regulation has significant impact in shaping foreign policy choices of any country. This paper tries to analyze one major thrust in Indian foreign policy: trade with specific reference to agriculture. It focuses on the domestic factors and compulsions in shaping the foreign policy of India on specific issues related to social welfare of the common people. Ideational liberalism one of the important variant of liberalism makes an important assumption that socio-economic regulations play an important role in framing the foreign policy of any country. It is significant to identify how the Indian foreign policy makers have decoded these domestic compulsions and incorporated demands into government policies. An investigation is based on the premises that socio-economic domestic compulsions have significant capability to influence the choices of Indian foreign policy.

Keywords: Globalization, Agriculture, Trade, Socio-economic Compulsions, Indian Foreign Policy.

INTRODUCTION

A key feature of agriculture trade regime in many countries is the policy of protection. Trade liberalization and greater global integration since 1990s has increased the frequency and intensity of such fluctuations causing wide sufferings of masses. This has serious food security concern for masses leading to a societal backlash against the free market as argued by Polanyi. Outlined by La via Campesina or international peasantry movement that emerged in 1990s, food sovereignty refers to the right of public to health and socially proper food produced through fair and organically sensitive techniques. It encourages justifiable agricultural actions grounded on small scale, family based production which is predominant in developing states in Asia for the advantage of local groups and their environment. In doing so, it prioritises local and sustainable food production. The impact of trade liberalization on economic growth and food security remains an area of intense debate. Agriculture remains a relatively protected sector in most developed and developing countries. But barriers to agricultural trade

have fallen and farmer subsidies have been disappearing at a far greater pace in developing countries than in the developed world.

The WTO agreement required both developed and developing countries to reduce export subsidies. Agricultural trade liberalisation has worsened the plight of small farmers in developing countries by aggravating already existing uneven opportunities. Domestic markets are flooded with cheaper and heavily subsidised food from developed countries, as a result of which many small farmers in the developing world were pushed out of farming as it became an increasingly unviable livelihood option. In this scenario, India has adopted a foreign trade policy based on the collective welfare of the poor farmers. These are mainly social domestic compulsions on which India has made its stand in international negotiation. This discussion is presented in following sections, namely 1. Method; 2. Results, which looks at the socio-economic domestic compulsions on negotiation of agricultural trade;

Methodology: The study is based on primary and secondary sources. This study looks into the roots of domestic compulsions on Indian foreign policy, which is the story of domestic socio-economic compulsions on negotiation of agriculture trade in Indian foreign policy since 1991. The researcher focuses on the significance of non-traditional security threats in this era of Globalization.

The primary sources include the government document on policies, international agreement between countries. It also includes the information given by the Government institutions as well as the speeches of Indian ministers and international organization officials. The secondary sources include scholarly works such as books, reports, journals, paper presented at seminars and conferences, newspapers as well as from the internet to examine the socio economic issue of agriculture and its impact on foreign policy.

RESULTS

Trade in Agriculture

India as a developing country is holding strong stance in its foreign policy based on the domestic compulsions. India holds the strong protectionist position in this regard. On the issue of trade and agriculture, Indian foreign policy argues that true reforms in agriculture is thinkable when international community is realising the concept of food for all. It can be attained when the necessity for national food self-sufficiency becomes the keystone of the agreement on agriculture. One of the key lessons from Doha negotiations is the need to deal with food security issues that are of specific importance to developing countries. India has performed the role for keeping development at the centre of the Doha negotiations. Certainly India advanced the position of the global south in the WTO. Efstathopoulos argues that India has the potentiality to play a key role in redefining relationship between trade and development which has systemic implications (Efstathopoulos, 2012). India has a protectionist position in agriculture. Agriculture can be seen as central issue because it supports the livelihood of Indian farmers and the poor people of India. The agriculture sector is crucial for the Indian economy which ensures food and livelihood security for the farming population. India has demanded the creation of a special safeguard mechanism for developing countries in agricultural sector. In this case, similar to Brazil, India has a defensive position. By and large the foreign policy of India is strictly aligned with social domestic conditions of India.

Historically, the foreign policy of trade and agriculture until the beginning of the 1990s was mainly protectionist. With the growth of the Indian economy, Indian foreign policy started to assert the interest of the global south and

the interest of the huge poor population of India. Scholars like Harrell and Narlikar argue that India's trade policy was mainly technocratic with little consultation with social and economic interest groups (Hurrell and Narlikar, 2006). But after that India started to take a lead role in sustaining southern coalitions. The role of India in G20 and G33 has been as examples. India is continuing to raise a collective voice of the south. India has conciliated with Brazil to stand firm and refuses to accept the US offer to cap its subsidies until and unless the G33's concern about import surge was addressed. Indian foreign policy makers argue that agriculture plays an important role in the Indian economy. Around 70% of the rural households depend on agriculture for their livelihood and employment. The food security of Indian population largely depends on this sector. This is the major reason why India took a strong stance in its policy on agriculture and trade in international negotiations since the beginning of the debate.

India took the issue of reform in agricultural regime. Negotiations on agriculture began in late of last decade of this century under the WTO's agriculture agreement. In Doha development agenda, the issue of agriculture is the main agenda. US is willing to reduce trade distorting domestic support, abolition of export subsidies and better market access. India holds the view that reform in agriculture is the most important goal for every country of WTO regime. But their own producers are not able to compete with surplus agriculture production that developed countries specially US and EU are marketing their products in the world market at low subsidised prices. Such negotiation for India could not materialise in a real deal for the reasons that most involved economies were not very keen on changing their positions (Erixon, 2014). India stood firmly for the cause of its agricultural sector in international negotiations. Indian foreign policy responded on the Bali package by linking it with the question of food security in India. India argued that this package is not going to align with the requirement of domestic conditions. This does not provide developing countries like India special measures to secure food security with in the country whereas developed country members are using trade distorting policies for their own benefit. India argued in the favour of the practice of price support policies and public procurement of staple food for food security. Food security is the key consideration in relation to multilateral trade. In order to safeguard the food security of the huge population, India has to stay procurement of wheat and rice at the Minimum Support Price (MSP). Poor farmers continue to stick to agricultural labor because of government procurement of their products under the food security programme. However current nature of the trade

can be harmful for the developing countries because of their low level of development which cannot match with the developed countries. For that India is adopting many measures including support in farm prices, public stockholding, domestic market, and support for food purchases. The food security can be secured through two ways. First way can be based on the production entitlements wherein food can be produced domestically and the second one is through trade entitlements which reflect the capacity to make adequate foreign exchanges to purchase traded food.

The agreement on agriculture under WTO affected food security in different ways. This agreement can be marked by stipulating many restrictions upon policy freedom of government. The food subsidy in agriculture has depressed the prices in many ways in the past. Food security has been determined by production based entitlements. Food insecure states are those states where both production and trade entitlements are challenging. It can be speculated that the country dependent upon transfer entitlements is close to insecurity because aid is intrinsically unreliable. These entitlements are protected and promoted in the form of protectionist policies of the state. These protections included range of measures like promoting food protection, facilitating the operations of the market, enhancing the value of labour entitlements and providing safety nets. The multilateral policies are likely to put further impact on entitlement protection and promotion policies by introducing different measures like tariff measure, domestic subsidies and export subsidies. The direct effect of policies of Doha round will be to modify the world market condition for agriculture. The most broadly known explanation of food security at the individual level is that of the World Bank. It explains that food security is largely an individual and public affair. Keeping this view in mind, India shows that the reforms in agricultural trade regime remain at the centre of Indian foreign policy.

Indian foreign policy has maintained a strong stance on its protectionist policy in agriculture. The goal of the agriculture agreement in 1995 in WTO was to address agricultural issue. The objective was to shrink the high level of protectionism. The agreement on agriculture contained market access, domestic support and export subsidies. It was to be done through reduction in tariffs. Along with it, it was visualized that states would decrease certain types of domestic provision that possibly distort the trade. Export liberalization will be addressed through the reduction of export subsidies. The WTO rules allow subsidization programme. But as per the rules of WTO, it should not exceed 10% of the total agricultural output. But in India,

the National Food Security Act was brought in September 12, 2003. This act incorporates wide range measures aimed at food security. For India, the main problem lies in the procurement actions. If procurement is going to run at existing market values or less then there is no subsidy involved and on the other hand the procurement action is acted at MSP, then a subsidy is implied and the obligation is that the deviation between the acquisition price and the external reference price should be considered for internal support and consequently part of Amber box measures. In this situation, India tried to look into special methods to protect policies supporting food security. As per the WTO agreement at the Uruguay Round, all support has to be kept within a limit of 10% of the value of production of the product in demand. This cap has constrained procurement and food agenda in developing countries. For this reason, Indian policy sought to change agriculture draft of negotiation in 2008. India as a part of G-33 has proposed a change in rules on agriculture. As the negotiation has not concluded, this has been seen as unfinished agenda. But at the same time, it has met with resistance in negotiation. In 2012 again, under the leadership of India, G33 submitted its proposal to exempt developing countries food security programmes from the 10% rule of WTO. Many a time India's negotiators have argued that food security is immutable to them. Developed countries are not prepared to let developing countries like India cross their minimum subsidy limit of 10% of the total value of food production. But India cannot undermine its socio-economic domestic compulsions at home.

The stand of Indian foreign policy on food security is to ensure the domestic food security. India argues that the food security of many developing states have been influenced in past by northern farming supports. These have depressed the charge and value of many products. Key food security worries in agricultural rounds are: confirming that tariff cuts do not occur in a way so as to decrease government revenue essential for capital support to internal production (particularly for small farmers), and the provision of transfer and safety nets which mainly means guaranteeing that there is an acceptable transition period and proper technical and capital aid to support substitute sources of government revenue to be obtained. The different boxes have been used by the developed countries to protect various agricultural subsidies causing huge surplus in production and they dump the surpluses all over the world. These subsidies become actual reason for oversupply in the world market. Till 2003, US is allowed under Agreement on Agriculture to deliver \$ 363 million in export subsidies for wheat and wheat flour and the EU can limit it to \$14 billion a year (Sharma, 2003). Till

2003, the level of dumping by the US alone ranges around 40% for wheat, 30% for soyabeans and 57% for cotton. Moreover each time, wheat and sugar that the United Kingdom retails on international market is priced 40 to 60% lower than the cost of production (Sharma, 2003).

Indian foreign policy takes the stance against the developed countries for using trade distorting policies. Developed countries have used wide range of complex methods of rules used for Amber box subsidies that is considered trade distorting. At the same time, green box and blue box subsidies includes the farm funding that only the rich states are enjoying and providing. New EU agriculture policy also made no attempt for the reduction commitment. Like US, it has shifted the most blue box subsidies to green box. There is no by which any significant commitment regarding the reduction of the subsidies. Developed countries practiced the high tariff to block imports from developing states. For this purpose they have used the special safeguard measures (SSM). Till 2003, developed states took benefit of this flexibility by keeping the right to use special safeguard measures. In developed countries, there are tariff cuts under agreement on agriculture without any meaningful reductions. They have disregarded the spirit of the agreement. The US exports meat, corn, wheat, bakery products and more fruits and vegetables. Agriculture is one of the most important sectors of the US economy that contribute more for making its trade balance. This has been made conceivable by hefty subsidies and deletion of the trade barriers by the developing countries (Sharma 2003:3, 5). No doubt for this purpose, the US has adopted a more aggressive posture. Developing countries are made to follow WTO commitments and lifting of quantitative restrictions which would facilitate to their market by the developed countries. India argues that the liberalization of agriculture sector can be harmful and could have dangerous consequences such as unemployment, hunger and poverty unless they are accompanied by a removal of farm subsidies of developed countries. Developing countries have argued that the subsidies of developed countries must decrease before developing countries' tariffs are reduced. The second issue is more related with the lack of effective disciplines in respect of international food and export credit. These have been practiced by the US for disposing off their oversupplies (Dhar, 2013).

Previously it was asserted that reduction of subsidies was tied with bringing down of market access barriers. This would help the low cost producers in the developing states to make major gains. But the expectations of developing countries are largely unmet. Agricultural commodities have seen a downward pressure because of

the weight of subsidies executed by the country belonging to the European Union and the US. Domestic support has been identified as trade distorting subsidies and non-trade distorting subsidies. The subsidies which fall in "Amber Box" are subject to various disciplines. On the other hand subsidies under the Green and Blue were not subject to any discipline. Domestic support has been extended by the US and European Union, two influential members of the WTO. Farmers of these countries enjoy the high level of subsidies in comparison to their counterparts in the developing countries. These countries have used substantial flexibilities in the subsidies with a view to increasing their market supremacy. Produces of subsidised crops have been able to trade their produce well below the economic costs of production (Dhar, 2013). It creates the situation which is more favourable to developed countries and is not consistent with the requirement of developing countries like India. Indian foreign policy has shown a strong stance on this type of trade distorting policies imposed by the developed countries.

Declaration: *We also declare that all ethical guidelines have been followed during this work and there is no conflict of interest among authors.*

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