

# BRIEFING PAPER

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## Functioning of WTO Cells in India: A Critique

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*In an era of globalisation and multilateral trading system under the aegis of the World Trade Organisation (WTO), India felt the need to develop information systems with which domestic agriculture could respond quickly in a global economic scenario, as the knowledge gap vis-à-vis the opportunities and challenges of entering into the WTO is enormous. The State WTO Cells have been created as a platform for cooperative effort between the State, the Centre and the various institutions, including non-governmental organisations (NGOs) so that the impact of the WTO agreements can be identified and worked out effectively.*

*WTO Cells were set up to address the problem of acute shortage of information with respect to various implications of the WTO regulations. In the absence of adequate data, state governments are not in a position to take advantage of the various provisions that would safeguard the interests of the farmers and other stakeholders. It was, therefore, that WTO Cells were created in the state governments and in the agricultural universities so that relevant information is collected on a regular basis. This paper takes a critical look at the aims and functioning of the WTO Cells across the country.*

### Introduction

The era of globalisation has spawned the idea of a 'borderless world' with the consequence that trade is no longer the exclusive domain of the national government. One ought to bear in mind that the emerging trade regime under the aegis of the WTO no longer considers trade as an issue to be dealt with at the border. With the lowering of tariffs, non-tariff barriers (NTBs) are emerging as the major issue of international trade. Unless local level policy makers are sensitised to these issues and their impact, they will not be able to respond to the challenges of globalisation with suitable shifts or changes in policy<sup>1</sup>

The State WTO Cells are like academic institutions manned by persons having background on the subject and who are willing to serve for extended periods of time so that a thorough grasp on various WTO agreements and their implications is developed to guide different stakeholders. In India, agriculture is a State subject. This means that the state government assumes complete onus of the functioning of the sector, albeit with the support of the Centre. Various state governments have established WTO Cells. As the basic purpose for setting up these Cells is coordination between States and the Union Government on WTO matters, by and large these cells consist of Government officials.

The primary objective of the Cells is to create awareness and build capacities among farmers and entrepreneurs about the implications of the new global trade regime, including latest information on all global trade agreements relating to agriculture, agro-based environment and market prices for the state, in particular, and the country, in general.

Given that the WTO Agreement on Agriculture (AoA) is very relevant to farmers, the Cells would gather updated information about AoA of General Agreement on Tariffs and Trade (GATT), and agro-based environment and disseminate information to farmers and other related organisations. They would evaluate impact of different agreements and legislations relating to the WTO on provincial agriculture sector and devise measures to make the state government policies compatible with the requirements. Also, they would act as a forum for exchange of ideas and identify initiatives to be adopted by the state government for development and growth of agricultural economy and welfare of farmers in the wake of challenges and opportunities of the WTO. The Cell would liaise between central and state governments, state agriculture universities, agencies as well as all other stakeholders on the WTO policy issues relating to the agriculture sector.

### Objectives

#### Specific

- to prepare the WTO Strategy document for agriculture;
- to document WTO impacts on agriculture and allied sectors on a regular basis;
- to advise and guide senior management of the concerned departments on WTO-related strategies; and
- to determine the communication strategies to advise stakeholders, especially farmers on WTO-related aspects.

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### **Long-term**

- to keep the agriculture sector of the states in line with the changing world in the wake of WTO; and
- to bring in quality revolution in agriculture sector.

### **Short-term**

- to study the implications of the WTO and chalk out strategy and/or adopt protective measures to meet the challenges of WTO;
- to collect international and national data on prices, cost of cultivation, tariff levels, and production and export subsidies for market intelligence studies and to analyse them in a holistic perspective to give early warnings, if required;
- to carry out Strengths, Weaknesses, Opportunities and Threats (SWOT) analyses for all the major agricultural and allied sector commodities in the state in order to devise strategies; and
- to design information bulletins and media presentations that could be transmitted to farmers for optimising production and marketing opportunities due to opening up of world markets and to evaluate alternative options for their profitability and suitability to replace the old ones.

The WTO Cells would prepare 'Market Analysis Reports' to fill the information gap, in case of major commodities, by bringing out daily, weekly and monthly reports for each of these commodities. The 'Market Analysis Report' for a commodity typically covers the following information: commodity prices at major national and international markets; demand supply analysis; price trend forecasting; international trade flows; crop forecasting/diversification; news analysis; freight market information; weather analysis; consumers' preferences; and export prospects.

### **WTO Cell in Some States**

The State WTO Cells have all been established between 2000 and 2004. However, the functioning of these Cells has not been without blemish. This has been on account of:

- lack of interest on the part of the governments – both State and Central;
- inefficiency in the functioning of the Cell;
- internal/structural constraints; and
- lack of awareness due to poor networking with relevant CSOs and other stakeholders.

Among some of the initiatives undertaken by CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), the 'Grassroots Reachout & Networking in India on Trade and Economics' (GRANITE) is one

project which has been actively involved since its inception in 2005 in actively pursuing action oriented research and advocacy in its eight partner states spread across all four geographical locations of the North, South, East and West of India. The GRANITE National Coordinating Unit (GRANITE NCU), which is the mother unit of GRANITE, advised its partners to make an account of the functioning and progress of the WTO Cells established in their respective states. While the partner organisations have done so, they have also made a number of valid and relevant recommendations, given their area of expertise. A compilation of the functioning and progress of the Cells can serve as vital information to understand the ground realities, and this could be extended to make further recommendations for corrective action.

The WTO Cells functioning in all eight states reflect a *disconnection between the Centre and the State* governments. It is crucial at this juncture to recall that the Constitution of India provides for a polity with clearly defined spheres of authority between the Union and the States to be exercised in the fields assigned to them. *Coordination* is the mainstay of all federations and it becomes more tenuous in a situation like that of India with its 28 States and 7 Union Territories.

The functioning of the WTO Cells in the states has been marked by lack of funds and mutual communication between the Centre and the States. Also clearly evident is the inefficiency of functioning of the WTO Cell. *Paul Heyne<sup>2</sup> mentioned that efficiency is a relationship between ends and means. 'When we call a situation inefficient, we are claiming that we could achieve the desired ends with less means, or that the means employed could produce more of the ends desired'. The condition of the functioning of the WTO Cell, may be judged on the basis of how much of awareness it has created among the beneficiaries and the stakeholders alike with the amount of resources that it has been endowed with.*

The following observations offer a glimpse of the current scenario of WTO Cells in some states:

#### **Rajasthan: a manifestation of Centre-State disconnection**

- The WTO Cell in Rajasthan put forward recommendations on 'Bound rates' and 'Competition Act', much to the lack of any response from the Centre. No worthwhile contact has been made between the Centre and State.
- A marked lack of mutual communication has been seen. The Centre, never asked for any feedback from the Government of Rajasthan about the functioning of the WTO Cell.

In a telling article by Sharad Joshi (Budget: No good Harvest, Really, Business Line, July 21, 2004) the irony of the situation is reflected succinctly in how the farmers emerge the net creditors, if one takes into account the responsibilities that are supposed to be undertaken by the government, since agriculture is a State subject in India.

*...the state has not only failed in its duty of provisioning the requisite services and public goods to its farmers, it has caused more harm than good, through its policies. Particularly if one takes into account the incomes lost on account of the State policies, both in agriculture and commodity markets, and the amounts held by farmers as shares and deposits in various cooperative societies.*

**Tamil Nadu: marred by infrastructural deficiencies**

- In Tamil Nadu, the state GRANITE partners shared views and issues with the WTO Cell but found it wanting in responsiveness due to inadequate staffing.
- Tamil Nadu WTO Cell is also limited by financial constraints.

**Uttar Pradesh: inefficient so far**

- In Uttar Pradesh (UP), a comparatively younger WTO Cell established in 2004, is conspicuous by its dysfunctional character. Since large quanta of internationally traded commodities are produced in the State and a larger number of poor farmers are engaged in the production process, the need for an efficiently functioning WTO Cell is the need of the hour.
- The Centre-State relations with respect to the functioning of the WTO Cell in UP were found wanting. The State Government failed to effectively develop network among relevant stakeholders to spread awareness about WTO issues.
- It is felt that the Centre has rarely involved itself with the functioning the Cell in UP, and in its few interactions with the State, it has only sought to gather data on trade-related matters.

The Cell has been identified by the lack of a basic conceptual clarity. This could be due to the following reasons:

- There have been no clear roles and responsibilities assigned to the officials.
- Money was wasted in unproductive activities.
- The Agricultural Department, which was predominantly involved in setting up the WTO Cell, did not hold any discussions on the same.

In UP, there is no institutionalisation of the mechanism of documentation, and hence information is scarcely available.

**Maharashtra: conceptual crisis**

- In Maharashtra, a committee was set up in 2001-02 to advise the State Government on WTO matters. This committee, however, did not bear the name of WTO Cell; hence it was not bound by any of the objectives of the WTO Cell. This was the reason for dissolving the committee after one year of its inception.

**Andhra Pradesh: hindered by bureaucratic bungling**

In Andhra Pradesh, the WTO Cell was established initially in 2000 in the state Secretariat. This was to serve two main functions:

- to enhance the awareness among senior administrative officials involved in the Cell; and
- to ascertain the impact of the WTO rulings on Agriculture.

However, the Cell was moved to the Andhra Pradesh Agricultural University, Hyderabad. This new centre did not show any progress or usefulness, as it turned defunct. The negative aspects that marred the functioning of the Cell were:

- dearth of human resources;
- lack of new ideas;
- lack of relevant activities; and
- lack of involvement of CSOs reflecting the inability of the Cell to *network* effectively.

In Andhra Pradesh, the WTO Cell was found wanting in involving CSO's/NGOs for capacity building of stakeholders.

**Orissa: marked by internal inconsistencies**

*Structural or internal constraints* are significant revelations that have come out of this analysis. In Orissa, where WTO Cell was established in 2001, there were 11 members who initially comprised the WTO team, amongst whom the Agriculture Production Commissioner was its Chairman and Director. There were, apart from the Chairman, six bureaucrats, academicians, and an environmentalist. Some flaws were:

- No member represented the Textiles/ industry/IT department of the Cell.
- There was little budgetary allocation.
- There was a perceptible lack of capacity building.

**West Bengal: prominently absent**

The WTO Cell does not exist in West Bengal. Despite considerable effort, not much progress has been made and there are a few major hurdles:

- The ruling party set up cannot be ignored. No matter how much headway is made at the bureaucratic or ministerial levels, nothing seems to move unless the party gives its nod.
- Bureaucratic bungling has also stood in the way of the establishment of a WTO Cell.
- There is also widespread apathy among the people. The Left Front Government which has been in power in West Bengal for the last three decades and more has definitionally established itself as a pro-poor government and people tend to assume that whatever the government does will keep the interest of the poor safeguarded.

**Karnataka: refreshingly different!**

The WTO Cell in Karnataka is a success story and there are many lessons to be learnt from it. Karnataka established a Karnataka Council for Technological Upgradation (KCTU), funded by the Karnataka State Government. The WTO Cell here has so far:

- initiated a task force on agriculture and horticulture;
- started WTO Relay Centre – KCTU – WTO Newsletter, a quarterly publication;
- participated in meetings organised by GRANITE;
- created a database of the WTO implications on farmers;
- established a network with agencies at the industry and government level;
- conducted sector specific training programmes;
- been involved in intellectual property facilitation, i.e. it provides guidelines;

- provided intellectual property applications and handholding services to industry and trade;
- assisted 74 investors/small scale industries (SSIs) to file patents, trademarks and geographical indication (GI) registration; and
- established a separate wing to look into the issues of agriculture, under which a special task force was set up to look into the new initiatives.

### In Lieu of a Conclusion

While India has recognised the need to correct structural flaws in the world trade in agriculture, a few new recommendations are being considered in the process. For instance, the examination of the question of de-linking the agriculture and non-agriculture products from the ambit of the WTO is being considered by the Commerce Minister, Kamal Nath to secure the livelihoods of millions of farmers in India, as well as other developing countries. These and other similar negotiations are being sorted out at the higher echelons of the policy making bodies. However, these policy initiatives, which directly have their impact on the farming communities of the developing countries, in general, and India, in particular, may prove to be elusive to the farmers and those related to farming. For any policy to be effective, it is imperative to reach out to the grassroots. This becomes more pertinent when it is for the farmers to grapple with issues of globalisation. The predominantly uneducated farmers urgently need capacity building in this regard. The efficacy of WTO Cells in this regard, would be a great catalyst in assisting farmers and other stakeholders.

With specific reference to globalisation, by raising awareness, linking local needs with national and international issues and building capacity, the WTO Cells aim to develop better-informed stakeholders, who could comprehend the impact of globalisation. It is here that the WTO Cells and CSOs play an important part.

In order to make sure that the WTO Cells serve their purpose, they undoubtedly require improvement on a war footing. In addition to the lessons that ought to be emulated from the Karnataka WTO Cell success story, there are some more recommendations:

- The WTO Cells should be in constant touch with CSOs working towards the improvement and development of the agricultural sector, and trade-related issues.
- The government needs to take initiative in facilitating capacity building and awareness creation that is seen to be required at both the levels – farmers as well as the WTO Cell officials.
- CSOs, with relatively in depth knowledge on trade and agriculture, can be involved actively in addressing the offensive and defensive interests of the state regarding possible threats and opportunities.
- More currently, with the relevance of patents and other intellectual property rights (IPRs) gaining credence, GI registrations should be made more easily accessible and CSOs could be involved actively.
- The Cell should be structurally revamped to serve as an effective bridge between the Centre and the State, thereby addressing the lacunae in the disconnection of communication.
- A number of officials in charge of the Cells across different states share the same sentiment that the Centre should be more proactive in providing guidelines to the states on which areas they need focus. Clear deadlines in achieving certain targets to be accomplished by the WTO Cell should be defined. A regular update on the WTO negotiations and its implications on the farming sector could be circulated.
- A more conducive, perhaps institutionalised structure could be created from which the WTO Cell may be able to associate with CSOs more comprehensively.

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### Endnotes

- 1 As cited by Prof. Indranil Bose, in his research on the Agricultural Scenario in West Bengal as part of the GRANITE-KIC initiative of Oxfam Novib. He currently also heads the Department of Political Science, St. Xaviers College, Kolkata.
- 2 Paul Heyne was a senior lecturer in Economics at the University of Washington in Seattle. He had a Ph.D. in ethics and society from the Divinity School of the University of Chicago.

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