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# *Agro-economic-industrial Economy of India and Sustainable Development in WTO Regime*

**Dr. Harmeet Kaur**

Commerce Department, Sophia Girls' School, Meerut, India

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## *Abstract*

*India is primarily the country of villages. And, most of the village-population depends largely upon the agricultural activities. Moreover, the rest of the population, also, relates with such agricultural activities, directly and indirectly. On the other hand, if we see in a big perspective, the population in the urban areas is also depending on agriculture and related sources of earnings. This way, country's maximum development goes through the development of agriculture and related source of earnings. India made significant advances towards achieving its goals of rapid agricultural growth, improving food security, and reducing rural poverty during the last four decades. Sustained food grain production growth enabled India to achieve food grain, self-sufficiency, eliminating the threat of famines and acute starvation in the country. These changes will improve the investment climate for farmers and the private sector to effectively meet market opportunities.*

**Keywords :** Rural India, WTO, Agro-economy.

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## **1. INTRODUCTION**

India is primarily the country of villages. And, most of the village-population depends largely upon the agricultural activities. Moreover, the rest of the population, also, relates with such agricultural activities, directly and indirectly. On the other hand, if we see in a big perspective, the population in the urban areas is also depending on agriculture and related sources of earnings. This way, country's maximum development goes through the development of agriculture and related source of earnings. Thus, fostering rapid and sustained agricultural and rural growth and development remain the key priorities of the Government of India. Although agriculture contributes only about one-quarter of India's total gross domestic product (GDP). Its importance in the economic, social, and political fabric of India goes well beyond what is indicated by its contribution to the economy. The large number of poor agricultural households and their income vulnerability in the country side are major concerns among policymakers. These concerns in turn have driven both agricultural policies (trade protection and private trade marketing controls)

and public expenditures (investments and subsidies) in agriculture.

India made significant advances towards achieving its goals of rapid agricultural growth, improving food security, and reducing rural poverty during the last four decades. Sustained food grain production growth enabled India to achieve food grain, self-sufficiency, eliminating the threat of famines and acute starvation in the country. The increased demand for rural labour generated by agricultural intensification in the 1970s to 1980s raised rural wages and, combined with declining food prices, reduced poverty in rural areas. Aided by sustained, although much slower, agricultural growth in the 1990s, the rural poverty rate (headcount) declined to 26.3 percent in 1999-2000. Indeed, India recently had to contend with problems of plenty with respect to food grains. However, the slow-down in agricultural growth of the 1990s is a major concern. Hence, the GOI's National Agricultural Policy, 10th and 11th Five Year Plan placed ever the high priority on raising agricultural productivity to achieve an annual agricultural growth

rate of 4 percent . The inner support system of Indian agricultural set up is so strong that it is rarely possible that any catalytic event may shake the economy.

Latest Statistics show that agricultural growth and rural income has largely been unaffected by the economic slowdown, this, despite the fact that the contribution of agriculture to total rural income has actually come down. Instead, we have a growing service industry and alternate revenue channels from horticulture, poultry, fisheries and other activities which are less rain-dependant and were virtually non-existent a decade ago. India's 638000 villages, which harbor 72.2 per cent of the population, once the albatross around its neck, are now the signpost to its future.

Rural development has always been an important issue in all discussions pertaining to economic development, especially of developing countries, throughout the world. In the developing countries and some formerly communist societies, rural mass comprise a substantial majority of the population. Over 3.5 billion people live in the Asia and Pacific region and some 63% of them in rural areas. Although millions of rural people have escaped poverty as a result of rural development in many Asian countries, a large majority of rural people continue to suffer from persistent poverty. The socio-economic disparities between rural and urban areas are widening and creating tremendous pressure on the social and economic fabric of many developing Asian economies. These factors, among many others, tend to highlight the importance of rural development. The policy makers in most of the developing economies recognize this importance and have been implementing a host of programs and measures to achieve rural development objectives. While some of these countries have achieved impressive results, others have failed to make a significant dent in the problem of persistent rural underdevelopment.

**Rural :** Is an area, where the people are engaged in primary industry in the sense that they produce things directly for the first time in cooperation with nature as stated by Srivastava (1961). Rural areas are sparsely settled places away from the influence of large cities and towns. Such areas are distinct from more intensively settled urban and suburban areas, and also from unsettled lands such as outback or

wilderness. People live in village, on farms and in other isolated houses. Rural areas can have an agricultural character, though many rural areas are characterized by an economy based on logging, mining, oil and gas exploration, or tourism. Lifestyles in rural areas are different than those in urban areas, mainly because limited services are available. Governmental services like law enforcement, schools, fire departments, and libraries may be distant, limited in scope, or unavailable. Utilities like water, sewer, street lighting, and garbage collection may not be present. Public transport is sometimes absent or very limited; people use their own vehicles, walk or ride an animal. A society or community can be classified as rural based on the criteria of lower population density, less social differentiation, less social and spatial mobility, slow rate of social change, etc. Agriculture would be the major occupation of rural area.

**Development :** It refers to growth, evolution, stage of inducement or progress. This progress or growth is gradual and had sequential phases. Always there is increasing differentiation. It also refers to the over all movement towards greater efficiency and complex situations. 3 Rural development designates the utilization of approaches and techniques under one single programme, which rally upon local communities as units of action. It provides a large umbrella under which all the people engaged in the work of community organizations, community progress and community relation. Rural Development (RD) is a process, which aims at improving the well being and self realization of people living outside the urbanized areas through collective process. According to Agarwal (1989), rural development is a strategy designed to improve the economic and social life of rural poor.

**The United Nations defines Rural Development as :** Rural Development is a process of change, by which the efforts of the people themselves are united, those of government authorities to improve their economic, social and cultural conditions of communities in to the life of the nation and to enable them to contribute fully to national programme. Rural Development is a process of bringing change among rural community from the traditional way of living to progressive way of living. It is also expressed as a movement for progress. Scope and Importance of

Rural Development Rural development is a dynamic process, which is mainly concerned with the rural areas. These include agricultural growth, putting up of economic and social infrastructure, fair wages as also housing and house sites for the landless, village planning, public health, education and functional literacy, communication etc.

Rural development is a national necessity and has considerable importance in India because of the following reasons.

1. About three-fourth of India's population live in rural areas, thus rural development is needed to develop nation as whole.
2. Nearly half of the country's national income is derived from agriculture, which is major occupation of rural India.
3. Around seventy per cent of Indian population gets employment through agriculture.
4. Bulks of raw materials for industries come from agriculture and rural sector.
5. Increase in industrial population can be justified only in rural population's motivation and increasing the purchasing power to buy industrial goods.
6. Growing disparity between the urban elite and the rural poor can lead to political instability.

The main objective of the rural development programme is to raise the economic and social level of the rural people.

## 2. WTO REGIME

The World Trade Organisation (WTO) is the principle international body concerned with solving trade problems between countries and with negotiating trade-liberalising agreements. The former General Agreement on Tariffs & Trade (GATT) is transformed in WTO on 1st January, 1995 and is the embodiment of the results of the 1986-1994 Uruguay Round of trade negotiations concluded under GATT. However, the WTO extends new disciplines to economic and specially trade in services sectors not covered in the past including such sectors as banking, insurance, transport, tourism and telecommunications as well as the provision of labour. Moreover, it also covers

aspects under trade related intellectual property rights. The WTO and the agreements under it are treaties concluded by member states and therefore form part of international economic law as opposed to international trade law. WTO is the third pillar of the global economic management system with International Monetary Fund (IMF) and the World Bank.

The most important benefit of WTO agreement is strengthening of the rules-based multilateral trading system. This is of particular importance to the nations who are economically weak or want to handle internal or external disputes. If commercial relations of a country were based on economic and political strength, developing countries, like India, would be virtually helpless for their growth and development and increasingly dependent on richer and more powerful countries. In that sense, rules-based multilateralism is a declaration of economic and political independence for less powerful countries.

India is a member country to WTO. And, as such India is in a state of gainer as being a member to the WTO. WTO has passed many rules or suggested many positive solutions to upgrade economy through agriculture. It is also more effectively applicable where there is a close relation between agriculture and industries. And, India is bestowed upon by a good combination of agriculture and industries. We can say India an Agro-economic-industrial country. If the Agro-economic-industrial aspect is energized, the GDP can be achieved more than 10 per cent per annum.

## 3. FOSTERING COMPETITIVE AGRICULTURAL MARKETING AND AGRO-ECONOMIC-INDUSTRY

Agro economic industries are those agriculture based rural industries which process agricultural produce or which cater input needs of farmers or agriculturists. These industries are generally in unorganized forms. Some of which industries are organized, too. These can be categorized as-

- (a) Large Scale agro industries;
- (b) Small Scale agro Industries;
- (c) Cottage Agro industries; and
- (d) Agro-industries which come in the purview of Khadi and Gramoughyog Aayog.

The central and state governments should continue the momentum initiated over the last decade to progressively liberalize and improve the functioning of internal markets. Such actions include removing permanently: (a) storage, movement and credit restrictions on all commodities and the rice and sugar levy and to limit their enforcement during emergencies only; and (b) the small-scale reservation of a number of agro-industrial activities. The GOI should encourage states to amend their Agricultural Produce Market Acts to allow other (non-government) agencies to develop and operate agricultural wholesale markets, and farmers to market their produce wholesale outside of the state-regulated markets. While the market invention scheme in horticulture aims to provide price support and thus protect farmers from sharp seasonal price declines, the experience with rice and wheat illustrates how interventions can easily distort situation. In the long term, measures to improve the functioning of markets (for example, investments in rural infrastructure) and value-addition (such as agro-processing, cold chains) could offer more efficient and cost-effective methods of relieving seasonal gluts.

Promoting agro-economic-industries including agribusiness, agro-industry and overall rural non-farm sector growth requires improving the overall investment climate. Doing so will require greater industrial deregulation, implementing the value-added tax (VAT), labor market reform, facilitating Medium, small and micro enterprise (MSME) access to credit, and investing in key infrastructure (roads, ports, and more efficient railways), in addition to agricultural deregulation and power sector reform.

It is well recognized that the reform agenda in the agricultural sector requires major expenditure, regulatory, and institutional reform decision that are highly political and controversial. These decisions will require bold, but socially sensitive, efforts by policymakers and their strong commitment to build acceptance among affected stakeholders. Only taking these difficult steps will create the context for Indian farmers to reap the maximum benefits from the country's significant agricultural potential.

Indian agriculture and agro-economic industries suffered more because of various

shortsighted domestic policies than any other factor. The Uruguay Round Agreements are a "single undertaking", requiring all WTO members to accept essentially the same rights and obligations. This was not the case under the former GATT where many lower-income members undertook fewer obligations than developed countries did. Those obligations, including additional disciplines, can be very helpful to reform oriented governments.

Policy discretion is a two-edged sword. Indian agriculture policies are classical case of this. No doubt, it gives governments freedom, but it also allows them to change their policies frequently, sometimes in response to the demands of politically powerful special interest groups, not necessarily acting in the country's overall interests. The recent large-scale inflow of edible oils in India, higher Minimum Support Price (MSP) to already surplus Rice and Wheat and low MSP to scarce pulses are certain examples. The credibility of economic reforms can then be undermined, discouraging both domestic and foreign investors and making domestic and foreign investors hesitant to commit funds to projects other than those who promise a very quick pay-off. Therefore, the "burden" of accepting additional multilateral disciplines on one's own trade-related policies, can often be a blessing in disguise for a government interested in promoting economic growth and development. That is why this is an opportunity for hard working and quality conscious agriculture and agro-economic-industrial organizations in India.

#### **4. MORE OPPORTUNITIES IN FUTURE FOR RURAL ECONOMY**

The Uruguay Round will help the countries to boost their GDP and stimulate global demand for the exports of lower-income developing countries. Estimates of the increase in global GDP from the market access part of the Uruguay Round range from \$40 billion to \$315 billion, a part of which will be spent on goods and services exported by the lower-income developing countries. This way, Indian farmers and farmers' organizations are given a handful of opportunities, provided hard work to meet the international quality requirements and requirements of product presentation are secured. The Uruguay Round

significantly strengthened the dispute settlement procedures. The increase in market access provides opportunities to increase and diversify exports.

## 5. OPPORTUNITIES FOR AGRO-ECONOMIC-INDUSTRIES

The WTO has laid down certain guidelines to avail the above said opportunities as follows:

1. Introducing fundamental reforms in agricultural policies that affect trade;
2. Removal of subsidies from agriculture and allied sector;
3. Phasing-out of quotas on developing countries' exports;
4. Reductions in industrial tariffs and an increase in tariff bindings by a broad cross-section of actual and potential trading partners;
5. The decision to phase-out so-called quantitative restrictions; and
6. Harmonization of quality systems around the world.

Those organisations and people who are not willing to change and upgrade quality and productivity or those who are not willing to change with time will be the straight losers. In fact, India, too, can gain from this change as a challenge and start working to adopt ourselves to the new global economic order. Indian organisations in agriculture and agro-economic industry are likely to gain, perhaps more than any other sector, from a strengthened multilateral trading system, from the phase-out of quantitative restriction on products, and from the opportunities to use new WTO obligations to promote badly needed domestic economic reforms especially in agriculture sectors.

Export subsidies and domestic support are reduced in the major developed exporting countries. And, the extensive use of agricultural export subsidies will phase out with time. The progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all countries. The possible negative effects visible in imports are only of a short-term nature, at the same time the dumping from subsidized exports must be

controlled because this is not a fair competition. This is not because we were not prepared to accept the competition and want to follow the protected environment. But, this is because of the fact that we rarely want to destroy our delicate agricultural base for short-term gains. Our agriculture is not a commercial phenomenon but it is the livelihood of the millions and billions of the Indians, too.

## 6. THE CHALLENGE FOR INDIAN AGRO-ECONOMIC-INDUSTRIES

The above discussions make it clear that challenge for Indian agriculture and agriculture-economic-industries has come forward. And, challenge is to face the reality. We cannot ignore it, this is a genuine challenge. The answer lies in a combination of measures:

- ❖ By improving policy-making and macroeconomic management,
- ❖ By boosting training and investment to upgrade quality,
- ❖ Upgrade business management practices and
- ❖ Enhancing knowledge base about the global markets.

It is now widely accepted that the major obstacle to increased exports and growth in the developing countries like India is the inadequate response of domestic producers ("supply constraints") to market access opportunities abroad. Removing, or at least significantly reducing, domestic supply constraints and quality problems in these countries must be a priority. The economies of the countries like India have been hampered by a number of structural factors. They are:

- ❖ Macroeconomic imbalance (fiscal, monetary and exchange rate policies),
- ❖ Biased government policies in favour of non-agricultural sector supported by strong lobbies; (now failed to deliver under competition)
- ❖ Lack of appropriate human and physical capital at large
- ❖ Poorly developed infrastructure especially in rural areas

- ❖ Inadequate and outdated regulatory regimes (including state-run or state-tolerated or government supported private monopolies) many times supported by vested private sector lobbies, and
- ❖ Poorly functioning institutions, including Universities and R&D institutions, for enforcing the rules necessary for a functioning market system.

The strengthening and professionalization of public administrations and institutions, and improvement in physical transportation and communications infrastructures, is an immediate need and necessary. Indian Agriculture and Agro-economic-industries need institutional back up. A key contribution of the domestic as well international institutions should be to provide technical assistance for building the institutional infrastructure to support trade and trade policy.

These efforts include technical assistance to help the private sector to become more outward looking i.e., to develop global view. The focus should be on product and market development, (with a priority on diversifying exports means more products and more markets), trade finance, export quality management, export packaging, and training in international purchasing and supply management.

Strengthening business information networks are also important. In all this, the needs of small and medium size farmers and agro-economic-industries warrant special attention. Domestic and International lending institutions have to play an important role in removing these bottlenecks.

Domestic economic reforms that improve the domestic supply response along with, if necessary, revised foreign direct investment regulations are likely to help the developing countries like India to improve their disappointing record in attracting private investment from, within India or abroad, in agriculture and agro-economic-industrial sector. The additional capital, together with the technological know-how (including organizational, managerial and marketing skills) that often accompany private investment, can play an important role in further strengthening India's ability to expand and diversify their exports by taking advantage of market access opportunities abroad.

## 7. CONCLUSION

In this competitive world our strategy should be to produce the best quality at the lowest cost. This can be encouraged and supported by proper policy reforms and public investments in strengthening agriculture infrastructure and research.

Government and private sector's joint efforts in policy reforms should be to achieve the dream to make Indian agriculture strong enough to face the competition. The political stability and economic prosperity of India depends upon how well we do in our agriculture and agro-economic-industries because this is the only sector which can feed and provide jobs to majority of over one billion human as well as another one billion animal population and that too with self-respect and dignity with a better management of available land and agricultural resources. Profitability in Indian Agriculture will decide the future of India and the social and political stability of India. Economically viable agriculture is the only insurance for stability of Indian social, political and economic system.

Bold actions from policymakers are required to move away from the existing subsidy-based regime and instead invest in building a solid foundation for a highly productive, internationally competitive, diversified agricultural sector. More rapid agricultural productivity growth, as past experience in India shows, can have major impacts on poverty reduction through direct effects on producer incomes, indirect effects on consumer welfare through changes in food prices, employment and wage effects, and growth-induced effects throughout the economy. However the existing policy regime, which is founded on achieving food grain self-sufficiency achieved through high price support and large input subsidies (fertilizer, irrigation, and power), is no longer compatible with the changed environment of twenty-first century, nor is it sustainable. There is need to develop a new strategy for the agricultural sector. Clearly, the current policy regime will not be sufficient to achieve the sectoral growth target of 4 percent per year over the longer term nor to achieve the GOI's poverty reduction goals.

In the future, improving India's agricultural performance will require progress in two key policy areas. The first is to reorient government expenditures away from subsidies toward more productivity

enhancing public investments, including rural infrastructure (irrigation, rural markets, roads, electrification, and drinking water) and services (agricultural research and extension, environmental conservation, land administration, education, and health in rural areas). The second policy change required is to permanently eliminate restrictions on domestic trade

(storage, transport, credit controls), subject to their imposition only in true emergencies, and to remove the levies on rice and sugar, the small-scale reservation of agro-economic-industrial organisation, and state controls on wholesale marketing. These changes will improve the investment climate for farmers and the private sector to effectively meet market opportunities.

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