

Advocates of this theory believe that market inefficiencies may hamper the benefits of international trade and they aim to guide the market accordingly. Protectionism exists in many different forms, but the most common are tariffs, subsidies and quotas. These strategies attempt to correct any inefficiency in the international market.

World Trade Organization(WTO)

Brettonwood conference of 1944 recognized the need for an institution to oversee the liberalization of free trade.

- For facilitating world trade, General Agreement on Tariffs and Trade, (GATT) was established in 1947 at Geneva in Switzerland.
- India was founder member of GATT.

There have been several rounds of negotiations between 1947-94.

Main features of GATT (General Agreement on Tariffs & Trade)

1. Reduction in agricultural tariffs by 30% for all agricultural commodities from 1994.
2. Agricultural input subsidies are reduced by 30%, export subsidies by 36% and value of subsidized exports by 21%.
3. Trade liberalisation policies would bring about 2-10% rise for agricultural commodity prices in international markets resulting in a gain of \$200 billion.
4. As import tariffs are reduced, the domestic demand for imports increases putting pressure on trade balances. The developing countries have to resort to real exchange rate devaluation to increase their exports.
5. GATT reforms are more beneficial to developed countries because of high prices for export goods such as capital goods, machinery etc.
6. According to GATT, India can offer subsidy to increase its export competitiveness with out altering policy related to PDS, food security etc.
7. Under TRIPS, seeds and plant varieties must be protected either by patents or by an effective system of its own or a combination of both.
8. All regulations, rules, restrictions (QRs), export duties, minimum export prices have to be removed to boost exports.
9. TRIMS : No restrictions on quantum of foreign investment.

2nd round	1948	France	Concentrated on Tariff, rules and trade policies till 1964
3rd round	1956	England	”
4th round	1956	Geneva	”
5th round	1960	Dillon	
6th round	1967	Kenny	Antidumping
7th round	1973-79	Tokyo	Framework of GATT arrangements
8th round	1986-93	Uruguay	Boundaries were expanded to TRIPS, TRIMS, GATTs, Agricultural trade etc
9th round	1994.	Morocco	WTO establishment on 01-01-1995

Till 1964, negotiations were concentrated on tariff, rules, trade policies under GATT. In 1982, US suggested new items such as TRIPS, agriculture and service sectors for inclusion in the discussions. Several nations opposed the move initially. Ultimately every one was forced to accept. 1989-94, Dunkel draft was discussed. Lot of opposition including India, but was signed in 1994 at Markesh in Morocco. On the recommendation of Dunkel draft, WTO was established on 1st January, 1995 with head quarters at Geneva. At present there are 153 member countries joined WTO as on 01-01-2010.

Three divisions of WTO:

1. Ministerial level conference: Meet once in two years to take principal policy decisions.
2. General council : Consists of all members, handles day to day work of WTO.
3. Bodies : (a) Dispute settlement Body, (DSB). (b) Trade policy Review Body (TPRB).

Main Functions of WTO :

1. In addition to goods, it covers trade in services, TRIPs and TRIMs.
2. Dispute settlement system is faster and more automatic aims at solving trade problems.
3. WTO has global states similar to IMF and World Bank.

Agreement on Agriculture (AoA)

- AoA was signed as part of the Uruguay Round Agreement in April, 1994.
- It came into force with effect from 1st January, 1995.
- AoA covers three broad areas of agriculture and trade policy, namely.

i. Market Access

ii. Domestic Support, and

iii. Export subsidy

1. Developed countries have to reduce their tariffs by an average of 36% over a period of 6 years from 1995-2000, while developing countries to reduce by 24% in a span of 10 years from 1995 to 2004. Least developed countries are exempted.
2. India is under no obligation to reduce domestic support or subsidies currently extended to agriculture.
3. No export subsidy has been extended in India.

Market Access, Domestic subsidy & Export subsidy commitments under AOA :

S. No	Pillars of AOA	Developed countries(1995-2000)	Developing countries (1995-2004)
1	Market access Tariff cuts for agril products (Average)	36%	24%
	(Base period : 1986-88) minimum cut per product line	15%	10%
2	Domestic support (Base : 1986-88) AMS	20%	13%
3	Export subsidies : (Base : 1986-90) Subsidy volume :	36%	24%
	Subsidised quantities (Volume)	21%	13%

Aggregate measure of support (AMS)

- Subsidies are considered to be market distortions and have a reduction commitment based on product specific and non-product specific calculations of AMS, based on levels of 1986-88 expressed as a percentage and the value of the production of the relevant agricultural product or entire agricultural production.
- There was no requirement in the agreement for reduction commitment if the AMS was 5% for developed countries and 10% for developing and least developed countries.
- In other cases member countries were required to reduce their total AMS by 20% over 6 years by developed countries and 13.3% over 10 years by developing countries.
- Exemption from AMS calculations were granted to green box and blue box subsidies.
- Green box subsidies : Have minimal trade distorting effects such as research, extension, buffer stocks for food security purposes and other similar activities.
- Blue box subsidies consist of measures which have non-distorting and conditional on the limitation on production.
- Amber box subsidies : The reduction commitment applies only to the Amber box subsidies once exemption was given to green and blue box subsidies.

Agreement on the Application of Sanitary and Phytosanitary Measure (SPS)