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SUMMARY SHEET

INTERNATIONAL ECONOMIC INSTITUTIONS – IMF AND WORLD BANK - WTO

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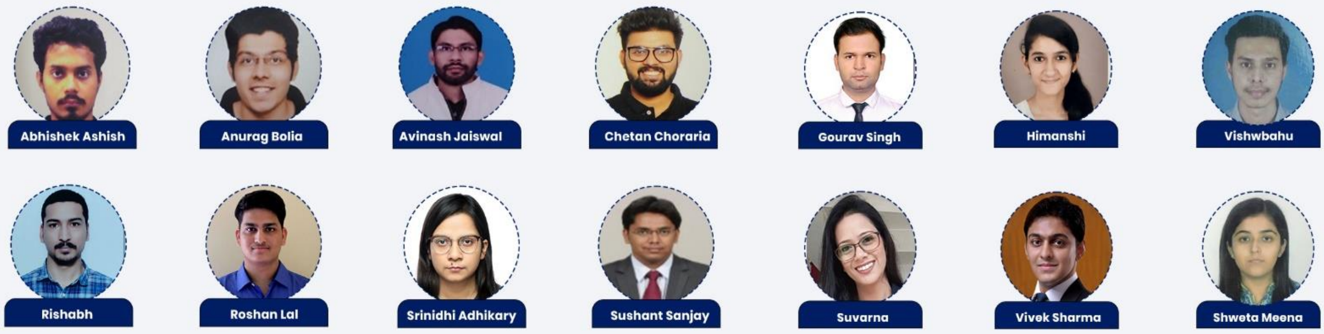

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1 Introduction

IFIs (International Financial Institutions) are institutions that **provide financial support and professional advice for economic and social development activities** in developing countries and promote international economic cooperation and stability.

2 The World Bank

2.1 History

The Bretton Woods Conference, formally known as the **United Nations Monetary and Financial Conference**, was the gathering of **730 delegates** from all **44 Allied nations** at the Mount Washington Hotel, situated in Bretton Woods, New Hampshire, United States, **to regulate the international monetary and financial order after the conclusion of World War II.**

The conference was held from **July 1–22, 1944**. **Agreements** were signed that, after legislative ratification by member governments, **established** the **International Bank for Reconstruction and Development (IBRD)** and the **International Monetary Fund (IMF).**

Note: World Bank was formed in July 1944 with a motto of *'Working for a World Free of Poverty'.*

The International Bank for Reconstruction and Development (IBRD) was later known as the World Bank.

2.2 Composition

- The World Bank is an **international organization** that assists **emerging market countries** to **reduce poverty**.
- The World Bank is not a bank in the conventional sense of the word. Instead, it consists of two development institutions: **'The International Bank for Reconstruction and Development (IBRD – 189 member countries) and the International Development Association (IDA – 174 member countries)'**.
- The Bank works closely with three other organizations. They are the International Finance Corporation (IFC – 185 member countries), the Multilateral Guarantee Agency (MIGA – 182 member countries), and the International Centre for the Settlement of Investment Disputes (ICSID – 158 member countries). All five organizations make up the World Bank Group. All the five institutions mentioned above are headquartered at Washington, D.C., U.S.A.

2.3 Functions of the Five Institutions of the World Bank Group

2.3.1 The International Bank for Reconstruction and Development

- It offers **assistance to middle income and poor but credit worthy countries**, and it also works as an umbrella for more specialized bodies under the World Bank.
- The IBRD was the **original arm of the World Bank** that was responsible for the **reconstruction of post-war Europe.**
- **Before gaining membership in the World Bank Group affiliates** (the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Center for Settlement of Investment Disputes), a **country must be a member of the IBRD.**

2.3.2 The International Development Association

It offers **loans to the world's poorest countries**. These loans come in the **form of "credits"** and are essentially **interest-free**. They offer a **10-year grace period** and hold a **maturity of 35 years to 40 years.**

It complements the World Bank's other lending arm— the International Bank for Reconstruction and Development (IBRD) which serves middle-income countries with capital investment and advisory services. IDA was created in 1960.

Concept Check

Q. The International Development Association, a lending agency, is administered by the

(a) International Bank for Reconstruction and Development
(b) International Fund for Agricultural Development
(c) United Nations Development Programme
(d) United Nations Industrial Development Organization
(e) None of the above

Answer: A

2.3.3 The International Finance Corporation

- It works to **promote private sector investments** by both foreign and local investors.
- It provides **advice to investors and businesses**, and it offers normalized financial market information through its publications, which can be used to compare across markets.
- The IFC also acts as an **investor in capital markets** and will **help governments privatize inefficient public enterprises.**

2.3.4 The Multilateral Investment Guarantee Agency

- It **supports direct foreign investment into a country** by offering security against the investment in the event of political turmoil.
- These guarantees come in the form of **political risk insurance**, meaning that MIGA offers insurance against the political risk that an investment in a developing country may bear.

2.3.5 The International Centre for Settlement of Investment Dispute (ICSID):

It facilitates and works towards a **settlement in the event of a dispute between a foreign investor and a country.**

2.4 Purpose & Function of World Bank

- The World Bank provides **low-interest loans, interest-free credits, and grants**. It focuses on improving **education, health, and infrastructure.**
- It also uses funds to **modernize a country's financial sector, agriculture, and natural resources management.**
- The Bank's stated purpose is to **"bridge the economic divide between poor and rich countries."** It does this by turning **"rich country resources into poor country growth". It has a long-term vision to "achieve sustainable poverty reduction."**

2.5 Membership

- There are **189 member countries** that are shareholders in the IBRD, which is the primary arm of the WBG.
- To become a member, however, a country must **first join the International Monetary Fund (IMF).**
- The size of the World Bank's shareholders, like that of the IMF's shareholders, **depends on the size of a country's economy**. Thus, the cost of a subscription to the World Bank is a factor of the quota paid to the IMF.
- There is an obligatory subscription fee, which is equivalent to 88.29% of the quota that a country has to pay to the IMF.
- In addition, a country is obligated to buy 195 World Bank shares (US$120,635 per share, reflecting a capital increase made in 1988).
- Of these 195 shares, 0.60% must be paid in cash in U.S. dollars while 5.40% can be paid in a country's local currency, in U.S. dollars, or in non-negotiable non-interest-bearing notes.
- The balance of the 195 shares is left as "callable capital," meaning the World Bank reserves the right to ask for the monetary value of these shares when and if necessary.
- A country can subscribe a further 250 shares, which do not require payment at the time of membership but are left as "callable capital."
- The **president of the World Bank traditionally comes from the largest shareholder, which is the United States**, and members are represented by a Board of Governors.
- Throughout the year, however, powers are delegated to a board of **24 Executive Directors (EDs).**
- **The five largest shareholders - the U.S., Japan, China, Germany, and U.K.**

Member	Subscription Amount (in million USD)	Percentage of Total Subscriptions	Number of Votes	Percentage of Total Voting Power
India	8,212.4	3.18	82,926	3.04
France	10,496.9	4.07	105,771	3.87
United Kingdom	10,496.9	4.07	105,771	3.87
Germany	11,417.7	4.43	114,979	4.21
China	15,489.9	6	155,701	5.7
Japan	19,988.5	7.75	200,687	7.35
United States	42,498.2	16.47	425,784	15.59

(As in November 2021)

3 The International Monetary Fund

The International Monetary Fund is an organization of **190-member countries**. (Principality of Andorra joined the fund on October 16, 2020, as its 190th member). It is headquartered in Washington, D.C

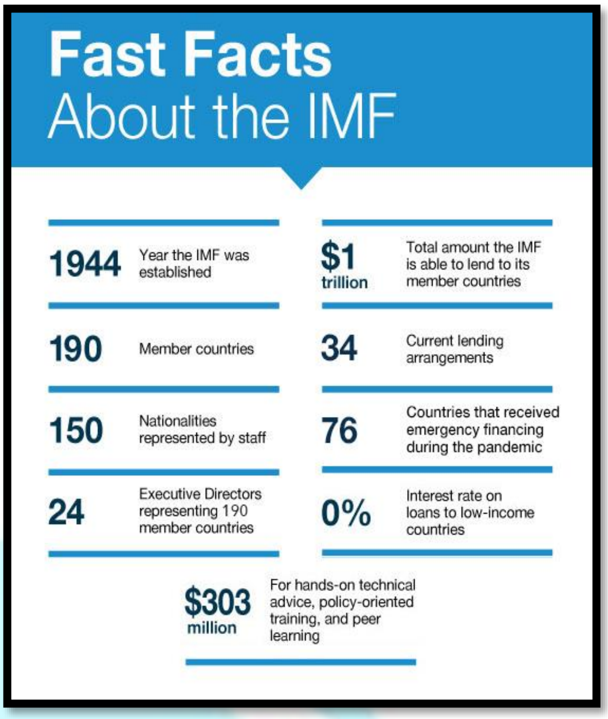
It **stabilizes the global economy in three ways.**

- First, it **monitors global conditions** and identifies risks.
- Second, it **advises its members on how to improve their economies.**
- Third, it **provides technical assistance** and short-term loans to prevent financial crises.

The IMF's goal is to prevent these disasters by guiding its members.

3.1 Background

- Formed in **1944 at the Bretton Woods Conference** primarily by the ideas of **Harry Dexter White** and **John Maynard Keynes**, it came into **formal existence in 1945 with 29 member countries** and the goal of **reconstructing the international payment system**.
- It was created out of a need to prevent economic crises like the Great Depression**.**
- With its sister organization, the World Bank, the **IMF is the largest public lender of funds in the world**.
- Membership is **open to any country that conducts foreign policy** and accepts the organization's statutes.



3.2 What does IMF work for?

- **The IMF is responsible for the creation and maintenance of the international monetary system**, the system by which international payments among countries take place.
- It thus strives to provide a **systematic mechanism for foreign exchange transactions i**n order to **foster investment** and **promote balanced global economic trade**.
- To achieve these goals, the IMF **focuses and advises on the macroeconomic policies of a country**, which affect its exchange rate and its government's budget, money, and credit management.
- The IMF will also **appraise a country's financial sector and its regulatory policies**, as well as **structural policies** within the macro economy that relate to the labour market and employment.
- In addition, as a fund, it may offer **financial assistance to nations in need of correcting balance of payments discrepancies.**
- The IMF is thus entrusted with **nurturing economic growth** and maintaining **high levels of employment** within countries.

3.3 IMF Benefits

- The IMF offers its **assistance** in the form of **surveillance**, which it conducts on a yearly basis for individual countries, regions and the global economy as a whole.
- However, **a country may ask for financial assistance** if it finds itself in an economic crisis, whether caused by a sudden shock to its economy or poor macroeconomic planning.
- A **financial crisis** will result in severe **devaluation** of the country's currency or a major depletion of the nation's foreign reserves.

In return for the IMF's help, **a country is usually required to embark on an IMF-monitored economic reform program, otherwise known as Structural Adjustment Policies (SAPs).**

3.4 Special Drawing Rights

The **late 1960s** witnessed that the **growth in world resources did not keep pace with the growth in international trade.** The **slackness in the growth of resources was mainly due to the dependence on the accretion of gold to monetary reserves**. It was foreboding that the **slow growth of monetary resources** would result in **hampering the growth of international trade** and in **serious BOP difficulties** to many countries. The **need to increase the international liquidity**, i.e., **resources for settlement of international debts**, was felt and after much thought on the subject, it **resulted in the introduction of Special Drawing Rights (SDRs) in 1970**.

SDRs are **entitlements granted to member-countries enabling them to draw from the IMF** apart from their quota. It is **similar to a bank granting a credit limit** to the customer. **When SDRs are allocated the country's Special Drawing Account with the IMF is credited with the amount of the allotment**.

Originally, SDRs were to be utilised only for meeting BOP difficulties. But as a consequence of endeavors to make it an international unit of account, the **use of SDRs has been liberalised**. Now SDRs **can be used directly among the members without the approval of the IMF**. **A country may swap SDRs with another country** to acquire a currency it desires. SDRs may be **utilised to pay charges to IMF.** SDR has gained importance both as a **reserve asset** and as a **unit of settlement** of international transactions. Some **international banks accept time deposits designated in SDRs**. **Some countries have pegged their currencies to SDRs**.

3.5 India and the IMF

As **founder member of the IMF**, India was initially assigned a **quota of $400 million or about 5.2 per cent of the total**. Being the **eighth largest quota holder**, India was also given a **seat on the IMF's Executive Board.**

As a member of the Fund, India has derived following benefits:

- **Foreign Exchange for Meeting BOP Deficits:** The country has made use of the Fund's facilities a number of times to meet her BOP requirements. Such drawings of foreign exchange have enabled the country to tide over the acute foreign exchange crisis and to maintain the imports of essentials goods.
    - While India has not been a frequent user of IMF resources, IMF credit has been instrumental in helping India respond to emerging balance of payments problems on two occasions. In 1981-82, the borrowing amount by India was SDR 3.9 billion under an Extended Fund Facility, the largest collection in IMF history at the time.
    - **In 1991-93, the borrowing amount by India borrowed was a total of SDR 2.2 billion under two standby arrangements**, and in 1991 it borrowed SDR 1.4 billion under the Compensatory Financing Facility. India has not taken any financial assistance from the IMF from 1993. **All the loans taken from International Monetary Fund have been completed repayed on 31 May 2000**.
- **Oil Facility from the IMF:** India resorted to drawals from the IMF under the Oil Facility created in **June 1974** to meet larger outlays for the import of petroleum crude.
- **Assistance under SDRs:** The SDRs provide unconditional liquidity since the participants have access to foreign exchange resources at will.
- **Aid from the World Bank:** The country's membership of the IMF has entitled it to become a member of the World Bank; as a member of the Bank, India has received large technical and financial assistance for the various development projects.
- **Assistance under the Extended Credit Facility:** Loan under this facility is contracted at softer terms but there is a serious conditionality clause attached to it.
- **Preparation of Valuable Reports:** The country has availed the services of the specialists in the Fund for the purpose of assessing the state of the Indian economy and for preparing valuable reports on various aspects of the economy.
- India has received technical assistance in a number of areas in the last few years from the Fund, including the development of the government securities market, foreign exchange market reform, public expenditure management, tax, and customs administration, and strengthening statistical systems. Indian officials have been provided with trainings in national accounts, tax administration, balance of payments compilation, monetary policy, and other areas by the IMF since 1981.

In short, the membership of the Fund has been instrumental in implementing various schemes under the developmental plans.

However, India has been **highly selective in approaching the Fund**. It was in **early 1990s** that it became **necessary for India to approach the IMF** for a massive assistance to restore a sense of viability to her foreign exchange position. With the aid of **concessional loan from the IMF in 1991** and subsequent adoption of **stablisation and adjustment programme**, India successfully **overcame the BOP crisis**. It prepaid this loan it would be seen that **India has all squared up its borrowings from the IMF**.

3.6 Emergency Funds

- The IMF also offers **emergency funds** to **collapsed economies**, as it did for **Korea** during the **1997** financial crisis in Asia.
- The funds were injected into Korea's foreign reserves in order to boost the local currency, thereby helping the country avoid a damaging devaluation.
- **Emergency funds** can also be loaned to countries that have faced **economic crisis** as a result of a **natural disaster**.

All facilities of the IMF aim to **create sustainable development** within a country and try to create policies that will be accepted by the local populations. However, the **IMF is not an aid agency**, so all **loans** are given on the **condition** that the **country implement the SAPs** and make it a priority to **pay back what it has borrowed.**

Currently, all countries that are using IMF programs are developing, transitional and emerging market countries (countries that have faced financial crisis).

3.7 Problem of Voting Procedure

- The countries that hold majority of vote are the capitalistic countries and their grip over the decision making is bound to invite criticism and it does invite criticism.
- Let us take the example of the **United States which hold nearly 17% of the total votes** in the IMF; the irony is that to take any special decision according to the **Articles of agreement** out of the total number of votes 85% majority is required which means that the United States has **the extraordinary power of effectively vetoing** every important policy making decision.

Member	Quota (Millions, SDR)	Quota Share (%)	Votes	Vote Share (%)
United States	82994.2	17.46	831407	16.52
Japan	30820.5	6.48	309670	6.15
China	30482.9	6.41	306294	6.09
Germany	26634.4	5.6	267809	5.32
France	20155.1	4.24	203016	4.03
United Kingdom	20155.1	4.24	203016	4.03
Italy	15070	3.17	152165	3.02
India	13114.4	2.76	132609	2.64
Russian Federation	12903.7	2.71	130502	2.59
Brazil	11042	2.32	111885	2.22

- This is **just one of the many ways in which a group of four –five countries have literally hijacked** the working of the IMF.
- This also implies that such right quite emphatically excludes the majority of the member states in as far as the working procedure is concerned.

3.8 Recent IMF Reforms

The reforms were agreed upon by the 188 members of the IMF in 2010 in the aftermath of the global financial meltdown. However, there implementations were delayed due to the time taken by the US Congress to approve the changes. But were finally approved by the US Congress in December 2015, thus making them finally effective.

- Gives boost the representation of emerging economies like India, China, Brazil, Russia and increases their power and greater say in IMF.
- India's **voting rights increased by 0.3% from the current 2.3% to 2.6%.** China's voting rights increased by 2.2% from current 3.8% to 6 %.
- These **reforms shifted more than 6% of the quota shares to emerging and developing countries from the US and European countries**. Russia and Brazil also have gained from the reforms. **US's quota share dropped from 16.7 per cent to 16.5 per cent** but it will **retain its veto power**.

- China will have the 3rd largest IMF quota and voting share after the US and Japan. While **India, Russia and Brazil will also be among the top 10 members of the IMF.**
- The combined quotas or the capital resources of IMF also have doubled due to reforms to $659 billion from current $329 billion.
- The doubling of quotas means that the shares (roles) of advanced European and Gulf countries have been reduced and that of emerging nations particularly China has been increased.
- The voting power and quota shares of the IMF's poorest member countries will be protected.
- Under the reform, for the first time IMF's Executive Board will consist entirely of elected Executive Directors and it ends the category of appointed Executive Directors.

EMERGING IN IMF

Change in ranking of countries by IMF quota after latest reforms

Country	Before	After	Direction of changes
US	1	1	◀▶
Japan	2	2	◀▶
China	6	3	▲
Germany	3	4	▼
France	4	5	▼
UK	4	5	▼
Italy	7	7	◀▶
India	11	8	▲
Russia	10	9	▲
Brazil	14	10	▲
Canada	9	11	▼
Saudi Arabia	8	12	▼
Spain	15	13	▲
Mexico	16	14	▲
Netherlands	12	15	▼

Source: IMF

After all the system was meant to help the less privileged countries and not countries with rapidly thriving economies who in the current state of affairs seem to be the chief benefactors of the existing setup.

Reports published by IMF
- Global Financial Stability Report
- World Economic Outlook

4 World Trade Organisation

4.1 Background: The origin of WTO

- The World Trade Organization (WTO) **came into being in 1995**.
- One of the youngest of the international organizations, the WTO is the **successor to the General Agreement on Tariffs and Trade (GATT)** established in the wake of the Second World War.

GATT
- The General Agreement on Tariffs and Trade was the **first worldwide multilateral free trade agreement.**
- It was in effect from **June 30, 1948, until January 1, 1995.**
- It ended when it was **replaced by the more robust World Trade Organization.**

- So, while the WTO is still young, the multilateral trading system that was originally set up under **GATT is well over 60 years old.**
- The **past 60 years** have seen an **exceptional growth** in world trade. Merchandise exports grew on average by 6% annually. Total trade in 2000 was 22-times the level of 1950. GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth.

4.2 How was the System Developed?

- The system was developed through a series of trade negotiations, or rounds, held under GATT.
- The GATT completed **8 rounds of multilateral trade negotiations (MTNs).**
- The **first rounds** dealt mainly with **tariff reductions**, but **later negotiations** included other areas such as **anti-dumping** and **non-tariff measures.**
- The **last round — the 1986-94 Uruguay Round — led to the WTO's creation.**
- The negotiations did not end there. Some continued after the end of the Uruguay Round.

- In February 1997 agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round.
- In the same year 40 governments successfully concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal covering more than 95% of trade in banking, insurance, securities, and financial information.
- In 2000, new talks started on agriculture and services. These have now been incorporated into a broader agenda launched at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001 **(once in every two years, the Ministerial Conference of the WTO takes place).**
- The work programme, the Doha Development Agenda (DDA), adds negotiations and other work on non-agricultural tariffs, trade and environment, WTO rules such as anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries as difficulties they face in implementing the present WTO agreements.

4.3 Objectives of WTO

The important objectives of WTO are:

- ✓ To improve the **standard of living of people** in the member countries.
- ✓ To ensure **full employment** and broad increase in **effective demand**.
- ✓ To **enlarge production and trade** of goods.
- ✓ To **increase the trade of services**.
- ✓ To ensure **optimum utilization of world resources**.
- ✓ To **protect** the **environment**.
- ✓ To **accept** the concept of **sustainable development**.

4.4 Functions of WTO

The main functions of WTO are:

- ✓ To **implement rules and provisions** related to trade policy review mechanism.
- ✓ To provide a platform to member countries to **decide future strategies** related to trade and tariff.
- ✓ To provide facilities for implementation, administration, and operation of **multilateral and bilateral agreements** of the world trade.
- ✓ To administer the rules and processes related to **dispute settlement**.
- ✓ To ensure the **optimum use of world resources**.
- ✓ To **assist international organizations** such as, **IMF and IBRD** for establishing coherence in **Universal Economic Policy determination.**

4.5 Structure of WTO

4.5.1 Membership

Members: The WTO has **164 members**, accounting for more than **98% of world trade**. **Iran** is not a member of WTO.

4.5.2 Secretariat

- The WTO Secretariat, **based in Geneva**, has around 640 staff and is **headed by a director-general**. Its annual budget is roughly 197 million Swiss francs.
- It does not have branch offices outside Geneva. Since decisions are taken by the members themselves, the Secretariat does not have the decision-making role that other inter secretariat, Geneva national bureaucracies are given.

4.5.3 Ministerial Conferences

Note: Kindly refer EduTap's Monthly current affairs magazine for the updates related to the Ministerial Conference of the WTO.

#	Date[1]	Host City
1st	9–13 December 1996	Singapore
2nd	18–20 May 1998	Geneva, Switzerland
3rd	30 November – 3 December 1999	Seattle, United States
4th	9–14 November 2001	Doha, Qatar
5th	10–14 September 2003	Cancún, Mexico
6th	13–18 December 2005	Hong Kong
7th	30 November – 2 December 2009	Geneva, Switzerland
8th	15–17 December 2011	Geneva, Switzerland
9th	3–6 December 2013	Bali, Indonesia
10th	15–18 December 2015	Nairobi, Kenya
11th	10–13 December 2017	Buenos Aires, Argentina
12th	12–16 June 2022	Geneva, Switzerland

4.6 WTO Agreements

- The WTO agreements **cover goods, services, and intellectual property**.
- They spell out the **principles of liberalization**, and the **permitted exceptions**.
- They include individual countries' commitments to **lower customs tariffs and other trade barriers**, and to **open and keep open services markets**.
- They set **procedures for settling disputes**.
- They prescribe **special treatment** for developing countries.
- They **require governments to make their trade policies transparent** by notifying the WTO about laws in force and measures adopted, and through regular reports by the secretariat on countries' trade policies.
- These **agreements are often called the WTO's trade rules**, and the WTO is often described as "rules-based", a system based on rules. But it's important to remember that the **rules are agreements that governments negotiated.**
- The **basis of the present WTO system is Uruguay Round agreements** (which was the 8th-last round of GATT).
- In fact, the **agreements fall into a simple structure with six main parts**: an **umbrella agreement** (the Agreement Establishing the WTO); agreements for each of the **three broad areas of trade** that the WTO covers (**goods, services, and intellectual property**); **dispute settlement**; and reviews of **governments' trade policies**.

Let us study each one in detail:

4.6.1 Goods

- It all began with trade in goods. From **1947 to 1994, GATT** was the forum for negotiating **lower customs duty rates** and other **trade barriers**; the text of the General Agreement spelt out important rules, particularly non-discrimination.
- Since **1995**, the **updated GATT** has become the **WTO's umbrella agreement** for trade in goods.
- It has **annexes** dealing with **specific sectors** such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping.

4.6.2 Services

- **Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport** companies looking to **do business abroad** can now enjoy the same **principles of freer and fairer trade** that originally only applied to trade in goods.
- These principles appear in the **new General Agreement on Trade in Services (GATS).**
- WTO members have also made individual commitments under GATS stating which of their services sectors they are willing to open to foreign competition, and how open those markets are.

4.6.3 Intellectual Property

- The WTO's intellectual property agreement amounts to **rules for trade and investment in ideas and creativity.**
- The rules state **how copyrights, patents, trademarks, geographical names** used to identify products, industrial designs, integrated circuit layout-designs and undisclosed information such as trade secrets **— "intellectual property" — should be protected** when trade is involved.
- The **basic principles related to the Intellectual Property** agreements are mentioned in **"The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)".**

TRIPS

- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is an **international legal agreement** between all the member nations of the World Trade Organization (WTO).
- It sets down **minimum standards** for the **regulation** by national governments of **many forms of intellectual property (IP)** as applied to nationals of other WTO member nations.
- TRIPS was **negotiated at the end of the Uruguay Round** of the General Agreement on Tariffs and Trade (**GATT**) in **between 1989 and 1990** and is administered by the WTO. **(TRIPS became effective on 1 January 1995)**

Geographical Indications

- Geographical Indications of Goods are defined as that aspect of industrial property which refer to the geographical indication **referring to a country or to a place situated therein as being the country or place of origin of that product.** Typically, such a name conveys an **assurance of quality and distinctiveness** which is essentially attributable to the fact of its origin in that defined geographical locality, region, or country.
- Under **Articles 1 (2) and 10 of the Paris Convention for the Protection of Industrial Property**, geographical indications are **covered as an element of IPRs.**
- They are also covered under **Articles 22 to 24** of the Trade Related Aspects of Intellectual Property Rights **(TRIPS) Agreement**, which was part of the Agreements concluding the Uruguay Round of GATT negotiations.
- India, as a member of the World Trade Organization (WTO), enacted the **Geographical Indications of Goods (Registration & Protection) Act, 1999** has come into force with effect from 15th September 2003.

4.6.4 Agreement on Subsidies and Counter-veiling Measures

Agreement on Subsidies and Counter-veiling Measures (SCM): The SCM applies to **non-agricultural products**. It follows the traffic lights approach and **classifies subsidies in three categories:**

i) **Red**: Subsidies with **high trade-distorting effects**, such as **export subsidies**, and those that **favour the use of domestic** over imported goods are prohibited.
ii) **Green**: Subsidies that are **not specific to an enterprise or industry** or a group of enterprises or industries are **non-actionable.**

iii) Amber: Subsidies that are **neither red nor green** belong to the amber category. They are **actionable by the trading partners if their interests are adversely hit.** The affected country can seek remedy through the dispute-settlement procedures or go for counter-veiling duties.

4.6.5 Agreement on Agriculture

- Agreement on Agriculture was negotiated during the Uruguay Round (1986-1994).
- It is an agreement to reform the agriculture sector and to address the subsidies and high trade barriers that distort agricultural trade.
- The WTO Agreement on Agriculture came into force in 1995.

Aim of the Agreement on Agriculture (AoA):

- The overall aim is to establish a fairer trading system that will increase market access and improve the **livelihoods of farmers** around the world.
- The agreement will create a **level playing field for farmers** around the world, particularly those in poor countries and cannot compete with rich countries that artificially boost their exports through subsidies.
- The **long-term goal of the AoA** is to establish a fair and market-oriented agricultural trading system and to initiate a reform process through the negotiations and ensuring strengthened and more operationally effective rules and discipline

4.6.6 Agreement on Sanitary and Phyto-Sanitary (SPS) Measures

SPS measures are those applied to **protect human, animal, or plant life** from certain risks. These risks are those **arising from the entry, establishment or spread of pests, diseases and disease-carrying or diseases causing organisms**.

- The risks also include risks arising from **additives, contaminants, or toxins**. Disease causing organisms in **food, beverages, and foodstuffs** and from risks arising from diseases carried by animals, plants and products are also covered under this agreement.
- SPS measures include all relevant laws, decrees, regulations, requirements, and procedures, including end-product criteria, processes and production methods, testing, inspection, certification and approval procedures, quarantine treatments, provisions on relevant statistical methods, sampling procedures and methods of risk assessment, packaging and labelling requirements directly related to food safety.
- SPS measures must be **based on international standards, guidelines, or recommendations** where they exist. It is open to a country to **adopt a level of SPS protection higher than that of the relevant international standards** if there is a **scientific justification** or if it is needed by the appropriate level of SPS protection in that country.
- **Members are allowed to provisionally adopt such SPS measures** which, on the basis of available pertinent information and relevant scientific evidence are the best possible measures at the current juncture, although they fall short of the standards set by the WTO. Such provisional measures need to be reviewed within 'a reasonable period of time'.

4.6.7 Agreement on Anti-Dumping (ADA)

The objective of this agreement is to provide the right to the contracting parties to apply anti-dumping measures. These are measures against imports of a product if such imports cause injury to a domestic industry in the territory of the contracting party.

The ADA provides that all countervailing duties should be terminated **within five years of their imposition** unless a review determines otherwise.

The concept of Dumping is elaborated in Detail.

Dumping:

- Dumping is said to occur when the goods are exported by a country to another country at a price lower than the price it normally charges in its own home market.
- This is an unfair trade practice which can have a distortive effect on international trade.

Objective of Anti-Dumping Duty (ADD):

- Imposition of Anti-dumping duty is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect.
- In the long-term, anti-dumping duties can reduce the international competition of domestic companies producing similar goods.
- It is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value.
- The use of anti-dumping measures as an instrument of fair competition is permitted by the World Trade Organisation.

Different from Countervailing Duties:

- Anti-Dumping Duty is a customs duty on imports providing a protection against the dumping of goods at prices substantially lower than the normal value whereas **Countervailing duty** is a customs duty on goods that have received government subsidies in the originating or exporting country.

WTO's Provisions Related to Anti-Dumping Duty:

- **Validity**: An anti-dumping duty is valid for a **period of five years** from the date of imposition unless revoked earlier.
- **Sunset Review:** It can be extended for a further period of five years through a sunset or expiry review investigation.
  - A Sunset review/ expiry review is an evaluation of the need for the continued existence of a program or an agency. It allows for an assessment of the effectiveness and performance of the program or agency.
  - Such a review can be initiated suo moto or on the basis of a duly substantiated request received from or on behalf of the domestic industry.

4.7 Dispute Settlement

- The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is **vital for enforcing the rules** and therefore for **ensuring that trade flows smoothly.**
- Countries bring disputes to the WTO if they think their rights under the agreements are being infringed.
- **Judgements by specially appointed independent experts** are based on interpretations of the agreements and individual countries' commitments.
- The system encourages countries to **settle their differences through consultation**. Failing that, they can follow a carefully mapped out, **stage-by-stage procedure** that includes the possibility of a **ruling by a panel of experts**, and the **chance to appeal the ruling on legal grounds.**
- Confidence in the system is borne out by the number of cases brought to the WTO — around 300 cases in eight years since its formation compared to the 300 disputes dealt with during the entire life of GATT (1947–94).

4.8 Principles of the Trading System

- The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities.
- They deal with agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more.

- But a number of simple, fundamental principles run throughout all these documents.
- These principles are the foundation of the multilateral trading system.

In the following section, we will have a closer look at these principles:

4.8.1 Most Favoured Nation: Treating Other People Equally

- Under the WTO agreements, **countries cannot normally discriminate between their trading partners.**
- If a country **grants someone a special favor** (such as a lower customs duty rate for one of their products) then **it must do the same for all other WTO members.**
- This principle is known as **most-favoured-nation (MFN) treatment.**
- It is so important that it is the **first article of the General Agreement on Tariffs and Trade (GATT),** which governs trade in goods.
- MFN is also a **priority in** the General Agreement on Trade in Services **(GATS) (Article 2)** and the Agreement on Trade-Related Aspects of Intellectual Property Rights **(TRIPS) (Article 4),** although in each agreement the principle is handled slightly differently.
- Together, those three agreements cover all three main areas of trade handled by the WTO.

<u>**Exceptions**</u>

- Some exceptions are allowed.
- For example, **countries can set up a free trade agreement** that applies only to goods traded within the group — **discriminating against goods from outside.**
- Or they can **give developing countries special access to their markets.**
- Or a **country can raise barriers against products** that are considered to be **traded unfairly** from specific countries.
- And in **services**, countries are allowed, in limited circumstances, to **discriminate**.
- But the agreements only permit these exceptions under strict conditions.

In general, MFN means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners — whether rich or poor, weak or strong.

4.8.2 National Treatment: Treating Locals & Foreigners Equally

- **Imported and locally-produced goods** should be **treated equally** — at least **after the foreign goods have entered the market.**
- The same should apply to **foreign and domestic services**, and to **foreign and local trademarks**, copyrights, and patents.
- This **principle of "national treatment"** (giving others the same treatment as one's own nationals) is also found in all the three main WTO agreements (**Article 3 of GATT, Article 17 of GATS, and Article 3 of TRIPS**), although once again the principle is handled slightly differently in each of these.
- National treatment only **applies once a product, service or item of intellectual property has entered** the market.
- Therefore, **charging customs duty on an import is not a violation of national treatment** even if locally produced products are not charged an equivalent tax.

4.8.3 Freer Trade: Gradually through Negotiations

- **Lowering trade barriers** is one of the most obvious means of encouraging trade.
- The barriers concerned include **customs duties (or tariffs)** and measures such as **import bans or quotas** that restrict quantities selectively.
- From time-to-time other issues such as red tape and exchange rate policies have also been discussed.
- Opening markets can be beneficial, but it also requires adjustment. The WTO agreements allow countries to introduce changes gradually, through "**progressive liberalization**".

- Developing countries are usually given longer to fulfil their obligations.

4.8.4 Predictability: Through Binding Agreements and Transparency

- Sometimes, promising not to raise a trade barrier can be as important as lowering one, because the promise gives businesses a clearer view of their future opportunities.
- **With stability and predictability, investment is encouraged, jobs are created, and consumers can fully enjoy the benefits of competition — choice and lower prices.**
- The **multilateral trading system** is an attempt by governments to make the business environment **stable and predictable.**
- In the WTO, when **countries agree to open their markets** for goods or services, **they "bind" their commitments.**
- For goods, these bindings amount to **ceilings on customs tariff rates**. Sometimes countries tax imports at rates that are lower than the bound rates. Frequently this is the case in developing countries. In developed countries the rates actually charged, and the bound rates tend to be the same.
- A country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade.
- One of the **achievements of the Uruguay Round** of multilateral trade talks was to **increase the amount of trade under binding commitments.**
- **In agriculture, 100% of products now have bound tariffs**. The result of all this: a **substantially higher degree of market security for traders and investors.**
- The system tries to improve predictability and stability in other ways as well.
- One way is to **discourage the use of quotas** and other measures used to set limits on quantities of imports — administering quotas can lead to more red-tape and accusations of unfair play.
- Another is to **make countries' trade rules as clear and public** ("transparent") as possible.
- Many WTO agreements require governments to disclose their policies and practices publicly within the country or by notifying the WTO.
- The **regular surveillance of national trade policies** through the Trade Policy Review Mechanism provides a further means of encouraging transparency both domestically and at the multilateral level.

4.8.5 Promising Fair Competition

- The **WTO** is sometimes described as a **"free trade" institution**, but that is not entirely accurate.
- The **system does allow tariffs** and, in limited circumstances, other forms of **protection**.
- More accurately, it is a system of rules dedicated to **open, fair, and undistorted competition.**
- The **rules on non-discrimination — MFN and national treatment** — are designed to secure fair conditions of trade.
- So too are those on **dumping** (exporting at below cost to gain market share) and **subsidies**.
- The issues are complex, and the rules try to establish what is fair or unfair, and how governments can respond, by charging additional import duties calculated to compensate for damage caused by unfair trade.
- Many of the other **WTO agreements** aim to **support fair competition: in agriculture, intellectual property, services**, for example. The agreement on government procurement (a "plurilateral" agreement because it is signed by only a few WTO members) extends competition rules to purchases by thousands of government entities in many countries.

4.9 Doha Development Agenda

- The **Doha Round of world trade negotiations** - also known as the Doha Development Agenda - was **launched in Doha, Qatar in November 2001.**
- The talks aimed at **further liberalizing trade**, whilst making it **easier for developing countries**, particularly **Least Developed Countries** (LDCs), to **integrate into the WTO multilateral system.**

- The Doha Round began with a ministerial-level meeting in Doha, Qatar in 2001. Subsequent ministerial meetings took place in Cancún, Mexico (2003), and Hong Kong (2005). Related negotiations took place in Paris, France (2005), Potsdam, Germany (2007), and Geneva, Switzerland (2004, 2006, 2008).
- **Progress in negotiations stalled after the breakdown of the July 2008** negotiations over **disagreements** concerning **agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies.**
- The most significant differences are between **developed nations led by the European Union (EU), the United States (US), and Japan** and the major **developing countries** led and represented mainly by **India, Brazil, China, and South Africa.** There is also considerable contention against and between the EU and the US over their maintenance of agricultural subsidies—seen to operate effectively as trade barriers.

An important agreement with respect to India in WTO is the Agreement on Agriculture (AoA):

4.10 Agreement on Agriculture

Let us see this in a detailed manner:

- WTO's agreement on agriculture was **concluded in 1994** and was aimed to **remove trade barriers** and to promote transparent market access and integration of global markets.
- Agreement on agriculture stands on **3 pillars viz. Domestic Support, Market Access, and Export Subsidies.**

4.10.1 Domestic Support: Green Box, Blue Box, Amber Box

Domestic support refers to the government subsidies that guaranteed Minimum Price (or Input subsidies) which are provided at the domestic level either directly or product-specific or both.

Domestic Subsidies are generally categorized into 3 boxes:

1. Green Box Subsidies:

- These are the subsidies that don't distort free trade or distort the free trade at a very minimal or negligible level.
- The example for subsidies are publicly funded government programmes including expenditure on agriculture research and development, agricultural training, subsidies under environmental programmes etc.
- Green box subsidies are non–price supportive thus are exempted from the calculation of Aggregate Market Support (AMS).

2. Blue Box Subsides:

- Blue box subsidies are direct payments under production limiting programmes. According to the WTO, the Blue Box is the "amber box subsidy with conditions" attached.
- The Blue box subsidies aim towards limiting production, by imposing production quotas or requiring farmers to set aside part of their land.
- Blue Box subsidies are also exempted from calculation of AMS.

3. Amber Box Subsides:

- These are the subsidies that are trade-distorting in nature and need to be curbed at any cost.
- The Amber Box contains the category of domestic subsidy that is scheduled to reduce based on the formula called **"Aggregate Measure of Support" (AMS).**

- The AMS is the amount of money spent by governments on agricultural production, except the money spent in the Blue Box, Green Box and 'de minimis' level.

AMS = Total amount of money spent in agricultural production – total amount of blue, green box subsidies – De minimis level prescribed in AoA

4.10.2 De minimis Provision
- Under this provision **developed countries are allowed to maintain trade distorting subsidies or 'Amber box' subsidies to level of 5% of total value of agricultural output.**
- For **developing countries** this figure was **10%.**
- **India's subsidies are growing consistently.**
- This is because **MSP are always revised upward** whereas Market Prices have fluctuating trends.
- By this analogy **India's amber box subsidies are likely to cross 10% level** allowed by de Minimis provision.

4.10.3 Market Access
- Market access means the right which exporters have to access a foreign market. In simple terms, this provision calls for access to imported agricultural goods in the member countries.
- Market Access includes provisions on tariffication, tariff reduction and trade facilitation in agriculture.
- **Tariffication**: Tariffication is the process of conversion of all non-tariff market protection measures such as quotas, sanitary requirements, licences etc. into the tariff equivalents.

Tariff reduction:
- After the tariffication, Tariff reduction provision mentions the amount of tariff reduction required from countries.
- **Developed countries** have to reduce tariffs by 36% from tariffication with the minimum rate of tariff reduction **of 15% for each item over a 6-year period**.
- But the **Developing countries** were required to **reduce tariffs by 24% from tariffication over the next 10 years.**
- Least-developed country Members were required to bind all agricultural tariffs, but not to undertake tariff reductions.
- Tariff concessions for imports to be maintained at 1986-1988 level at least ('existing' market access)

Trade facilitation:
- This provision called for a certain percentage of agricultural products should be met from the imported agricultural products in domestic consumption.
- Developed Countries must provide access to **at least 5% of imported agricultural products in domestic consumption by the year 2000**.
- Developing countries have to provide the same but by the year 2004 only.
- Least developed countries are exempted from this provision

4.10.4 Export Subsidy
- Export subsidies are special incentives provided by governments to encourage increased foreign sales. These may be in Cash or in kind.
- **These subsidies include**
  - cash payments
  - disposal of government stocks at below-market prices
  - subsidies financed by producers or processors as a result of government actions such as assessments

- marketing subsidies
- transportation and freight subsidies
- subsidies for commodities contingent on their incorporation in exported products

- **Export subsidies** gradually must be reduced to 36% of the value and 21% over a volume in the six years 1995-2000, compared with the reference period of 1986-1988, for developed countries and for developing countries it was fixed 24% and 14% respectively over the period of 10 years.

What is Peace Clause?

- Developed countries criticised the developing and LDC's food security programmes (public stock holding programmes) as a **trade distorting subsidy**. Since the negotiation went on among countries a temporary peace clause was introduced in **Bali Package 2013**.
- The **'peace clause'** said that no country would be legally barred from food security programmes even if the subsidy breached the limits specified in the WTO agreement on agriculture.
- This 'peace clause' was expected to be in **force for four years until 2017,** by the time a permanent solution to the problem was found.

4.11 Special Safeguard Mechanism

A Special Safeguard Mechanism (SSM) would **allow developing countries to impose additional (temporary) safeguard duties** in the event of an **abnormal surge in imports** or the entry of unusually cheap imports.

Trade Facilitation Agreement

- In **December 2013**, WTO members concluded negotiations on a Trade Facilitation Agreement at the **Bali Ministerial Conference**, as part of a wider "Bali Package"
- The purpose of the new WTO Trade Facilitation Agreement is to **expedite the movement, release, and clearance of goods, including goods in transit.**
- Trade Facilitation Agreement (TFA) aims to **harmonize various non-tariff barriers** like custom procedures or administrative hurdles in the **developing & least developed countries** with current **practices in developed countries.**

India became the 76th member to ratify the trade facilitation agreement (TFA) of the World Trade Organization and the **agreement came into force in Feb 2017.**

What does the agreement include?

- **Lowering import tariffs and agricultural subsidies**: It will make it easier for developing countries to trade with the developed world in global markets.
- **Abolish hard import quotas:** Developed countries would abolish hard import quotas on agricultural products from the developing world and instead would only be allowed to charge tariffs on amount of agricultural imports exceeding specific limits.
- **Reduction in red tape at international borders:** It aims to reduce red-tapism to facilitate trade by reforming customs bureaucracies and formalities.

4.12 Evaluation of the WTO

The WTO is different from and an improvement over the GATT in the following respects:

- The WTO is **more global in its membership.**
- The WTO has **introduced commercial activities into the multilateral trading system.**
- For enforcing trade liberalisation, WTO has brought into its framework, many new areas, such as agriculture, textiles, technology, and investment.
- While the GATT had 'contracting parties' , WTO **has 'members' and is a legal organisation.**

- **GATT provisions in case of disputes were time-consuming**. GATT could **levy penalties** only through **unanimous decisions**, which were **virtually impossible**. Under **WTO**, **unanimous are no longer desired**; all **disputes are to be settled within 18 months.**
- WTO has **one-country one-vote principle,** unlike in the World Bank and IMF where the economic strength of rich countries translates into a voting majority.
- Even if **developing countries** differ on specific issues, they can **make a difference if even a few of them stand firm.**
- Both big and small developing countries no longer accept decisions taken behind closed door by a group of select countries.

4.13 Achievements of WTO

In the short period the WTO has been in existence it is being credited with the following achievements:

1. **Greater market orientation** has become the general rule.
2. **Tariff-based protection has become the norm** rather than the exception.
3. **Use of restrictive measures for BOP problems has declined markedly.**
4. **Services trade has been brought into the multilateral system** and many countries, as in goods, are **opening their markets for trade and investment** either unilaterally or through regional or multilateral negotiations.
5. Many **UDCs have undertaken radical trade, exchange and domestic reforms** which have improved the efficiency of resource use, opened up new investment opportunities, and, thus, promoted economic growth.
6. **Bilateralism** has been, to a great extent, **placed under control** by the extension of WTO provisions to services, **TRIPs and TRIMs**. Further, under the unified **DSM**, the possibility of any country unilaterally blocking the adoption of panel decisions no longer exists.
7. The **trade policy review mechanism** has created a process of continuous monitoring of trade policy developments. Also, by promoting greater **transparency**, it has assisted the process of **liberalisation** and **reform**.
8. It has been agreed to **reduce import tariffs on industrial goods**, based on **Swiss Formula**. A Swiss formula is a non-linear formula where tariff-cuts are proportionally higher for tariff which are initially higher. For instance, a country which has an initial tariff of 30% on a product will have to undertake proportionally higher cuts than a country which has an initial tariff of 20% on the same product.

4.14 Limitations of WTO

The WTO, however, has still to make any progress or become more sensitive on the following issues:

1. The **trade reform process is incomplete in many countries**. For instance, some **high tariffs** still remain on which **negotiations are still proceeding** at various levels, notably in the areas of **basic telecommunications and financial services.**
2. There appears to have been **at least some reversals in the overall liberalisation process** in some **developing countries.** Examples are of **increasing anti-dumping measures**, selective **tariff increases** and **investment related measures**. The **developed countries are also blocking** the process of liberalisation by adopting many **neo-protectionist measure**
3. Concerns have been raised that the combination of globalization and technological change creates a **premium on high-skill as against low-skill with growing social divisions.**
4. The **major share of the benefits of the WTO has gone to the countries of the North**. The WTO has **opened up the world economy more rapidly** in areas that **benefit the developed world. Where the benefits of free trade accrue primarily to the UDCs, progress has been much slower.**
5. The WTO has also **not been sensitive enough to the development of non-tariff barriers** to imports from the UDCs, such as **anti-dumping duties**.
6. The **multilateral trade rules** are increasingly becoming a **codification of the policies, perceptions, laws, and regulations of the industrialised countries**. The policies and rules appropriate or

advantageous to the industrialised world are getting established as common rules to be obeyed by the developing world as well. As a result, a **'one size fits all' approach** is **increasingly getting embedded** in the WTO rules and disciplines.

7. The **interests of international trade**, which are primarily the **interests of transnational corporations, take precedence over local concerns and policies** even if such a course exposes the local population to serious health and security risks.
8. The **implementation-related issues** are becoming a source of **serious concern**. These issues cover a whole range of demand to correct while **asymmetries in TRIPS, TRIMS, anti-dumping, movement of people, etc. remain.** Other issues requiring WTO attention relate to agriculture, textiles, industrial tariffs including peak tariffs, and services. In addition, there are what are described as **Singapore issues**. These relate to:
   a. **rules to protect investments,**
   b. **competition policy,**
   c. **transparency in government procurement, and**
   d. **trade facilitation**.

WTO has now become a **forum for perpetual negotiations** on **newer and newer subjects** and for using trade rules to establish standards and enforce compliance even in non-trade areas. Everything now seems to require the hand of WTO, be it foreign investment, environmental or labour standards, child labour, good governance, or human rights.

However, a word of caution needs to be sounded. WTO should not be expanded into a sort of world government, covering every economic subject under the sun, and then using the threat of trade sanctions to bring about a new world order.

4.15 India and the WTO

India is a **founder-member of the WTO**. India has **contributed significantly to the evolution** of the concept of the WTO. In turn, India is already **reaping in a big way various benefits** that can be **directly or indirectly associated with the WTO**.

- India experienced an **unprecedented boom in exports**, as did the world exports in the first decade of the 21st century. This can be attributed, in a large measure to the **WTO-induced lowering of the trade barriers.**
- India has immensely **benefited from the multilateral dispute settlement system** that has been set up under the WTO. Action has been initiated against such powerful economies as the USA on disputes involving India.
- **Adoption of international standards in Intellectual Property Rights** protection would enhance flow of foreign investment and technology.
- Indian laboratories engaged in research in plant varieties and seeds for tropical regions would benefit.
- **Trade in textiles and agricultural products**, in particular, would get a boost.

1. In short, the WTO has **opened up new vistas in international economic relations** for all the countries of the world. In the opened-up world, the stakes of all the countries have multiplied, and so has the degree of rivalry and competitiveness.
   - India, like any other country, would be on guard to save its interests and promote them in a world which is swamped with multifold opportunities.
2. It is also argued that **sovereignty** has to be **trimmed** if one wants **advantages from international organizations.** It is true that all **international agreements set limits to the exercise of sovereignty** of a country.
   - But this **limit** must be **voluntary** and **beneficial** and not forced (explicitly or implicitly). Further, **differences or discrepancies in the sovereignty to be enjoyed by members of the same organization should not be accepted as unavoidable.**

3. The **US undoubtedly enjoys unrestricted sovereignty under the WTO as against the plight of many developing countries.** This was very clear when the panels on dispute settlement under the WTO gave certain verdicts. When Super 301 of the US was subject to dispute under the WTO, the panel accepted the explanation of the US that it will place administrative measures to ensure 'trade security' or 'legal security'.
   - While in the case of India when it pleaded for a similar approach in the case of dispute on TRIPS, the panel argued that only amending the laws can satisfy the WTO's requirements.
4. The **concern shown in India by various segments about the WTO are quite relevant** and, in fact, necessary. **One of the major reasons** for this state of affairs is the **way in which the treaty making/accepting provisions are stated in the Indian Constitution**.
   - While there is confusion on this score, by virtue of **Article 253 of the Indian Constitution**, the **executive power of the union extends to ratifying international treaties and agreements**.
   - **No law has been made in India** regarding the manner in which the government shall sign or ratify international treaties, covenants, etc. **Thus, the executive of the central government in India has the power to ratify the treaties**.
5. This practice is in contrast to the one prevailing in a large number of developed and developing countries where the **treaties have to be ratified by the legislatures** and in some cases by a **two-thirds majority**.
   - Further, in some countries a **referendum is required to ratify international agreements** that their governments enter into. The latter approach of ratification by the legislature indeed is superior to the one we have at present in India. This provision will provide parliament and the public an opportunity to debate on various aspects of the agreements and their implications. Thus, they become willing parties to any decision that is to be taken.
   - The confusions, apprehensions, and fears about the WTO stems from lack of this required consensus. This situation is made worse by the extraordinary secrecy under which the government keeps all information. There is no transparency.

5 Food and Agriculture Organisation

5.1 About

- The **Food and Agriculture Organization of the United Nations** (FAO) is a specialized agency of the United Nations that leads international efforts to defeat hunger and improve nutrition and food security.
- Its motto is “let there be bread”.
- It was founded in October **1945.**
- The FAO is composed of **194 member** states.
- It is headquartered in **Rome, Italy**, and maintains regional and field offices around the world, operating in over 130 countries.
- It helps governments and development agencies coordinate their activities to improve and develop agriculture, forestry, fisheries, and land and water resources.
- It also conducts research, provides technical assistance to projects, operates educational and training programs, and collects data on agricultural output, production, and development.
- The FAO is governed by a **biennial conference** representing each member country and the European Union, which elects a **49-member executive council.**
- FAO have pledged themselves to three main aims:
  - to raise the levels of nutrition and the standards of living of their peoples;
  - to improve the production and distribution of all food and agricultural products;
  - to improve the condition of the rural population.

5.2 Role and Functions

Food and Agriculture Organization (FAO) is a global organization and its functions can be listed as follows:

- Helping Governments and Development Agencies coordinate their activities which are targeted to develop and improve agriculture, fisheries, forestry and other water and land resources.
- Conducting research and providing technical assistance to various projects related to improving agricultural output and development.
- Conducting training and educational programs and also collecting and analyzing agricultural data to improve yield and production.
- The FAO also brings out a number of publications/reports, some of which are, the State of the World, the Global Report on Food Crises, the State of Food and Agriculture, the State of the World's Forests, etc. Check out other reports published by international organisations here.

Other functions include dealing with matters related to Food and Agriculture around the world. It also executes current and prospective activities of the Organisation including its Programme of Work and Budget, administrative matters and financial management of the Organisation and constitutional matters.

5.3 Objectives of the Food and Agriculture Organization (FAO)

- Help eliminate hunger, food insecurity, and malnutrition
- Make agriculture, forestry, and fisheries more productive and sustainable
- Reduce rural poverty
- Enable inclusive and efficient agricultural and food systems
- Increase the resilience of livelihoods to threats and crises

5.4 FAO and India

The Food and Agricultural Organisation of the United Nations has enjoyed a valuable partnership with India since it began operations in 1945. It continues to play a major role in India's progress in the areas of crops, livestock, fisheries, food security, and the management of natural resources. FAO began its operations in India in 1948. It has an office in New Delhi. The nodal ministry for FAO in India is the Ministry of Agriculture.

- The main objective of the Indian Government is to double the income of farmers by increasing efficiency and ensuring equity in a sustainable manner.
- The NITI Aayog is the country's premier policy-making institution that is expected to bolster the economic growth of the country. Its various policies and agendas represent the encircling framework for the Agricultural Sector.