

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

The struggle for Third World markets has led two agricultural superpowers, namely the European Union (EU) and the United States (US) to press for the inclusion of agriculture in the Uruguay Round (UR), a discipline which was outside the General Agreement on Tariff and Trade (GATT) – World Trade Organization (WTO) attention. Prior to the Uruguay Round (UR), agriculture was de facto outside GATT discipline and was the main sticking point that held up the UR. The competition between the agricultural superpowers turned fierce, but it was not so much for what their farmers had suffered. The victims were largely the Third World farmers, especially the small-scale operators. Regarding the Blair House Accord (BHA), which was negotiated only between the US and the EU in 1992 and 1993, then relabeled the GATT Agriculture Agreement and tossed to other GATT members in 1994 on a take-it-or-leave-it basis. Rather than seriously advancing a mechanism to advance free trade, the two superpowers resorted to the rhetoric of free trade to regulate a condition of monopolistic competition, with each other seeking advantage at the margins. Behind the scenario of such agreement, there are lots of low productivity farmers in the developing countries and needing effective agricultural support from their respective governments. For example, in the case of Malaysia, will such agreement help to upgrade the welfare and the condition of rice producers who are relying on the hands of the government support through its subsidy mechanism? As stipulated in the Agreement on Agriculture (AOA) of the WTO, among

other things, mentioned that the objective of such agreement is to provide for substantial progressive reductions in agricultural support and protection (e.g., subsidies). If such agreement is taken seriously and imposed on rice producers, their welfare and standard of living will be worse than before.

This negative implication of such agreement if seriously imposed, though it might sound like an 'over-exaggerated hypothesis' because the government have been supporting rice producers even before Independence until today. But it is worth considering some other areas of how the WTO could possibly induce indirect yet undesirable impact, towards the agricultural sector development in the country. It was proved that in the arena of international economics relation where the developing and developed countries are 'playing in uneven field' which in most part were dominated and won by the latter. In this light, it is inevitable to expect the outcomes of such interactions between the forces that are operating outside the economy (the WTO) and within the economy itself, particularly in the agricultural sector development. Such phenomenon can shape and direct the paths of further economic development process in the country positively or adversely. As we proceed to the following chapters, these possibilities will be analyzed.

### **1.1 Importance of the Study**

For this study, it is hoped that it will provide an insight of the situation at hand and thus will spark ideas and vision to initiate, create and implement a more practical and effective actions to be carried out. Clearly, the writer foresees the importance of such study to be conducted and hopefully will be further elaborated and refined.

## **1.2 Objective of the Study**

The objective of this study is to analyze the impact of interactions between the policies and relevant regulations which are agreed upon in the WTO as stipulated in the Uruguay Round of Multilateral Trade Negotiations and the further progress of agricultural sector development in Malaysia. Focus will be on issues concerning the outcome of such interactions and how it can give effects for further economic development in the country.

## **1.3 Methodology**

The study will be carried out through analysis of reliable information regarding the matter under study. The study will be presented in a comprehensive form with the aid of simple analysis tool such as tabular presentations. This study uses a collection of a number of published materials relating to the matter under study. Such purpose is to gather all relevant information for analyzing the matter under study. The study also uses annual reports, such as Economic Reports (various years), Malaysian Plan (various series) and Internet sources regarding matters relevant to the scope of the study. Governmental and policy documents were also used in this study. Other sources were in the form of various books, journals, magazines, newspaper articles and available theses related to the study.

## **1.4 Limitations of the Study**

As in any other studies conducted, limitations are inevitable. For this study, time constraint is the main factor due to the time period given to complete the research.

Accessibility and availability of essential information and reliable data to justify and support arguments presented in this study is also a factor contributing to such limitations.

### **1.5 Organization of the Study**

The study is divided into five chapters. Chapter 1 presents the introduction, objective, methodology and limitation of the study that is being conducted. Chapter 2 presents the literature review concerning the agricultural sector development and performance and its strengths and weaknesses during the past decades. In Chapter 3, an overview of the origin and role of WTO and AOA will be presented. It focuses on how certain elements in the AOA gives effect to the issue raised in the previous chapter. Chapter 4 provides the analysis of the consequences of such agreements and regulations towards the agricultural sector development in Malaysia and propositions regarding the issues under study. Finally, Chapter 5 will present the policy implication and conclusion for this study.