

Talking fair trade in Delhi

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This article is related to General Studies Paper -II- (International Relations)

The Hindu

6 May, 2019

"At the WTO mini-ministerial meet, developing countries must make a case for stable and transparent multilateral trade."

India will host the second mini-ministerial meet of the World Trade Organisation (WTO), on May 13-14, 2019. To discuss the interests of developing and least developed countries in global trade, this informal meet will also focus on the accusation by the U.S. that these economies benefit from exemptions meant for the poorer nations.

Overall, it could be a preparatory meeting to set a common agenda at the 12th Ministerial Conference, scheduled for June 2020 at Astana, Kazakhstan. The 11th Ministerial Conference (Buenos Aires, December 2017) collapsed despite efforts by 164 WTO members to evolve a consensus on several issues. The U.S. has refused a reduction in subsidies and also pulled back on its commitment to find a perennial solution to public stockholding — an issue central to developing and less developed countries. In fact, the deadlock left many trade analysts wondering whether this was the beginning of the end for the WTO.

Despite the earlier outcomes of the ministerial meetings, the Delhi meet has created some hope of it being a platform to resuscitate the WTO. The issues under discussion will relate to protectionist measures, digital trade, fisheries, subsidies, environmental goods, standardisation and implementation of sanitary and phytosanitary measures, and other matters ripe for negotiation and agreement, mainly investment facilitation. From a plurilateral approach toward multilateralism, members may also ensure the sanctity and 'drivability' of the WTO. It is, therefore, indispensable to bring mutual accord, mainly on the timelines, to implement policies as an outcome of talks.

Bridging the gaps

It may be useful to recollect that the WTO replaced the General Agreement on Tariffs and Trade (GATT) as an international organisation mainly to overcome tussles over trade interests. The economies of the developing and less developed world (with little bargaining power) were unable to gain market access in most of the developed economies (which were influential in negotiations), especially when it came to agricultural commodities. The deadlock on the issue of agricultural trade negotiations, first in the late 1980s and then in 2017, was no surprise. The disagreements between developed countries (the European Union and the U.S.) and developing countries (Malaysia, Brazil and India) to discipline the farm regime in their favour continue, thereby threatening the WTO's comprehensive development agenda.

The expectations of developing countries from trade also get belied due to sizeable support by the developed nations to their farmers in a situation of market failure and other uncertainties. The support through subsidies tends to bring distortions in commodity prices. The Organisation for Economic Cooperation and Development estimates the quantum of subsidies by developed nations to vary from \$300 to \$325 billion annually, which is much higher than that estimated for developing countries. This has become a bone of contention in trade talks as farm lobbies in the U.S., Europe and Japan have steadily exercised political clout to influence officials and lawmakers to continue giving subsidies to farmers.

Another point of concern is that developed countries design and implement stringent non-tariff measures (NTMs) which exacerbate the problems faced by poor countries that are willing to export. NTMs significantly add to the cost of trading. However, the costs of acquiescence with many NTMs are asymmetrical across exporters because compliance depends on production facilities, technical know-how and infrastructure — factors that are usually inadequate in developing economies. These countries are, therefore, unable to compete in international markets and hardly gain from sectors with comparative advantage such as agriculture, textiles and apparels.

Developing countries are willing to break the deadlock on these issues and are preparing a common ground to jolt the mandate of the global trade body. India, in particular, seeks amendment of laws on unilateral action by members on trade issues and a resolution of the WTO's dispute settlement system. The expectation is that the meeting may lead to policy guidance on issues such as global norms to protect traditional knowledge from patenting by corporates, protection through subsidies, e-commerce, food security and continuation of special and differential treatment to poor economies.

Breaking the deadlock

Importantly, if the interests of developing and less developed countries are not addressed, *ceteris paribus*, jargon, convoluted negotiations and dictums will become trivial now and in the future. For example, the 10th Ministerial Conference (Nairobi, December 2015) laid emphasis on agriculture trade. But it was a setback to most agrarian economies, including India and in Africa, when developed countries directly challenged their models of food security designed for the poor. The outcome eloquently showed the constraints of a 'multilateral negotiation system where the need for agreement and not compromise prevails and allows any member, no matter how small, to block any progress on all issues. In what has become an increasingly politicised environment, members with wide and divergent interests have simply halted the process and refused to negotiate in good faith across a spectrum of issues'.

There was a similar outcome at Buenos Aires in 2017. Developed nations created alliances to prepare the ground to push nascent issues such as investment facilitation, rules for e-commerce, gender equality and subsidy on fisheries, while most developing nations were unable to fulfil or implement rudimentary dictums. For instance, e-commerce has been a key agenda following the second ministerial conference, in Geneva in 1998. It was agreed to 'establish a work programme to examine global e-commerce, with a focus on the relationship between e-commerce and existing agreements. It generated a sizeable debate on the fringes of the conference as many accredited NGOs opposed it and raised concerns that it was a push by dominant global players. The underlying fear was it might allow unfettered access to data, which could then be processed and exploited for profit' by developed nations, mainly the U.S.

The Delhi meeting can be a breakthrough if members negotiate these issues in a convergent manner. The time is opportune for developing countries to voice their concerns and push for a stable and transparent environment for multilateral trade. India must do its homework to focus on the unresolved issues and address the newer ones which are of interest to developed nations, mainly investment facilitation. The WTO needs to be sustained as countries need an international platform to formulate trade rules and bring convergence on divergent matters.

World Trade Organization

What is it?

- The history of the WTO begins on April 15, 1994, when four days of negotiations started in a Moroccan city "Marakesh".
- This conference was chaired by Peter Sutherland, the first Director General of "General Agreement on Tariffs and Trade", which is called "GATT".
- In this conference, "GATT" was given the new name "World Trade Organization / WTO". This organization came into existence from January 1, 1995. Renato Ruggiero, a leading businessman of Italy, was made its first permanent president.
- The World Trade Organization (WTO) is actually a document to control and operate the future economy of the world, which is expanding the business by modifying the old format of GATT.

World Trade Organization and GATT

- The origin of the World Trade Organization lies in "General Agreement on Tariffs and Trade (GATT)". GATT was established in 1948 originally by 23 founding countries, in which India was also one.
- The eighth round of negotiations (1986-1994) under 'GATT' led to the birth of "World Trade Organization" on January 1, 1995, known as the "Uruguay Round". Before it GATT was limited to the trade of goods only.
- Several new agreements were also discussed in the Uruguay Round negotiation, in which the agreement on the common pact of service business and aspects related to the business of intellectual property rights, which have now been incorporated into the original organization "World Trade Organization".
- The World Trade Organization (WTO) is headquartered in Geneva, Switzerland and currently has 164 member countries including India. The latest country to join is Afghanistan.

An objective

- Its main purpose is to set up a free, more transparent and more permissible business system in the world.
- The WTO is based on solid legal mechanisms. Its agreements have been ratified by 164 Member nations. No country has right over the WTO.
- Important decisions are made by the designated ministers of member countries. These ministers meet at least once every two years.
- The World Trade Organization (WTO) has the power to solve business differences from different countries.

Work of the WTO

- Important tasks of the WTO can be mentioned in the following ways:
- Providing facilities for the implementation, administration and operation of the World Trade Agreement and Multilateral Agreements.
- Working as a forum for discussions between members on any future issue related to trade and tariffs.
- Administering the rules and procedures related to settlement of disputes.
- Applying the rules and provisions related to the business policy review process.
- To bring more harmony in global economic policymaking, cooperate with the International Monetary Fund (IMF) and the World Bank, and optimize the world resources.

WTO Ministerial Conference

- The decision making body of the WTO is a meeting of the ministers of its member countries, which is mandatory to meet in two years.
- This conference can decide on any matter under multilateral trade agreement.
- Since the establishment of the WTO, 11 ministerial conference have been held. In December, 2017, the 11th Ministerial Conference of the WTO was held in the city of Buenos Aires, Argentina. The first conference of the WTO was held in Singapore in December 1996.

Expected Questions (Prelims Exams)

1. Consider the following statements-

1. World Trade Organization is an international organization that forms rules for world trade.
2. The latest country joining WTO is Burundi.
3. The headquarter of WTO is situated in Bern the capital of Switzerland.

Which of the above statements is/are correct?

- (a) Only 1
- (b) 1 and 2
- (c) 2 and 3
- (d) 1, 2 and 3

Expected Questions (Mains Exams)

Q. Why is Aggregate Measurement of Support (AMS) in WTO considered the most distorted trade form? Discuss.

(250 Words)

Q. There is a possibility of increasing divide between wealthy and poor nations instead of decreasing due to the inclusion of issues like - investment and e-commerce under WTO. Evaluate.

(250 Words)

Note: Answer of Prelims Expected Question given on 4 May. is 1 (b)

