

Dr Ashwani Mahajan from the Swadeshi Jagran Foundation wished to submit the following memorandum on behalf of people of India.

Dear Director General, WTO

Thanks for the letter!

Do not Buy Peace at the Cost of Import Surge.

Ninth World Trade Organisation (WTO) Ministerial Conference is scheduled in Bali (Indonesia) between December 3 & 6, 2013. If we go into history, WTO came into existence on January 1, 1995. WTO is an institution with membership of almost the whole globe, acting on rule based international trade system, with member countries making binding commitments for running the trade between nations. After the failure of third ministerial conference in Seattle (USA), due to violent agitations, the fourth ministerial was held at Doha (Qatar). Due to the insistence of developing countries, a new round of negotiation was started in the name of Doha Development Round (DDR). DDR was expected to enable developing countries to meet their key development targets by giving them special and differential treatment. However, due to adamant and unjust stand of developed countries, the process of negotiation had almost stopped during the last four ministerial conferences of WTO, after Doha conference (2001); as they (developed countries) were refusing to do away with agricultural subsidies. It is no secret that developed countries including USA and Europe give mammoth subsidies to their farmers by virtue of their economic muscles, as a result of which, their agriculture & dairy produce become cheaper and Indian agriculture and dairy produce can't stand in competition with them. At the time of the constitution of WTO, developed countries promised to do away with agricultural subsidies in the interest of free trade. However they are going back on their promise. Developing countries including India have been insisting on this demand that developed countries must withdraw agricultural subsidies before starting any new negotiations. This is of primary importance for saving agriculture in the country.

Bali Agenda versus DDR Doha Development Round, which was designed to provide special and differential treatment to developing and least developed countries, has been put on hold and the negotiations prior to the Bali ministerial were started for reaching and 'early harvest package' at Bali. In these negotiations the developed countries have been pushing a damaging trade facilitation agreement which makes import penetration much easier for them; but at the same time, make no commitments on providing special and differential treatment to developing and least developed countries. Nor do developed countries take on binding obligations on financial assistance and technical support for building capacities of the developing world, essential for such trade facilitation.

Another issue on the agenda is G-33 (a group of developing countries) proposal, which asks that subsidies on public food stockholding for ensuring food security be considered non trade distorting and therefore be allowed to continue without limit. This is very important for India given the outlay on its food programme and promises made to the people on the Food Security Act. However, it seems that the developed countries have rejected all provisions of this proposal and are now suggesting a 'Peace Clause' which is a limited period handout due to expire after four years. There is no assurance of a serious engagement in trying to meet the ultimate objective, i.e., to allow developing countries to meet food security objectives through subsidies that are seen as essential and non trade distorting because they are confined to domestic markets. Proposed peace clause simply means that developed countries will undertake, not to raise any dispute in WTO for four years, if our subsidies on food security exceed 10 percent of GDP.

Implications of the Peace Clause

It may be noted that, though Food Security Act legislated by India is itself weak and provides the very minimum of entitlement to the people. If this peace clause, being pushed by USA and EU is accepted, it would exempt subsidies in excess of the limit of 10 per cent of the value of total agricultural produce, for a period of 'only four years'. After the lapse of the peace clause period Indian people would be left in lurch, as the WTO commitment (which is binding) would forbid the government to provide any further support to the food security programme; as any more support would attract punitive action under the 'Agreement for Subsidies and Countervailing' measures. It means that, if this peace clause is accepted, it would make mockery of the whole food security programme as promised under Food

Security Act.

On the other hand, while G-33 proposal of developing countries like India to deal with food security issues is being scuttled, the Trade Facilitation Agreement (TFA) to find ways to facilitate trade, simplify and harmonise customs rules and reduce transactions cost for developed countries is being pushed with vigour. Rich nations, including the U.S., want India and other emerging economies to be part of the four major sectoral pacts – TFA, information technology, environmental goods and international services agreement. It may be noted that this issue of trade facilitation was the part of the four 'Singapore Issues' (issues proposed by developed countries to be included in WTO agenda for negotiations), along with investment, transparency in government procurement transparency, and competition, which many developing countries had proposed to remove from the Doha negotiating agenda during the 5th WTO Ministerial Conference in Cancun. Eventually three of the issues were dropped from the agenda through the July 2004 package whilst trade facilitation remained on the table.

Dangerous implications of Trade Facilitation Agreement (TFA)

If developed countries have their way in forcing TFA, it would have serious implications for developing countries including India. The trade facilitation is actually a misleading term, as it is not meant to increase and facilitate international trade, particularly exports from developing countries, but is focused on efforts at simplifying border procedures (e.g. the modalities at the port) to make exports by rich countries easier. We understand that, generally developing countries have very limited export capabilities. The trade facilitation pact as being pushed actually implies import facilitation from the developed countries. This is evident from the fact that trade facilitation negotiations have been focused on measures and policies intended to simplify, harmonise and standardise border procedures. They do not address the priorities for increasing and facilitating trade, particularly exports by developing countries, which would include enhancing infrastructure, building productive and trade capacity, marketing networks, and enhancing inter-regional trade. Nor do they include commitments to strengthen or effectively implement the special and differential treatment (SDT) provision in the WTO system.

It is notable that many countries including India have been facing serious problem of trade deficit because of rising imports and slow pace of growth of exports. For instance in India trade deficit in India reached 10.2 percent of GDP in 2011-12 from merely 2.4 percent in 1990-91. This trade facilitation pact would actually lead to surge in imports of the developing countries and further aggravate the problem of trade deficit.

Further, several of the provisions under negotiations could hold significant administrative and institutional burdens on LDCs and other developing countries. Meeting the obligations as proposed, is likely to involve significant cost for developing countries.

Apart from building, huge infrastructure (both soft and hard) including airports, sea ports, dedicated corridors, roads etc., it would also involve automation of customs system etc. It is unfortunate that no cost assessment has been made by government of India about implementing the provisions of trade facilitation. However, this is a fact that meeting this cost would mean a huge diversion of resources from public services such as health care, food security and education to custom administration.

While some types of infrastructure facilities if created for trade facilitation, may be beneficial for the country, however, this should not be done by way of binding obligation subject to the dispute settlement mechanism and possible sanctions on the country for not meeting these obligations. This is the reason why many developing countries have rejected the proposal and therefore no consensus could be reached in Geneva, ahead of ministerial at Bali. However, it is yet to be seen that what would be the final outcome at Bali.

Thus, we demand from the WTO not to sacrifice the interest of Indian economy in general and Indian farmers by pushing India to accept peace clause.

Dr. Ashwani Mahajan
Swadeshi Jagran Foundation