

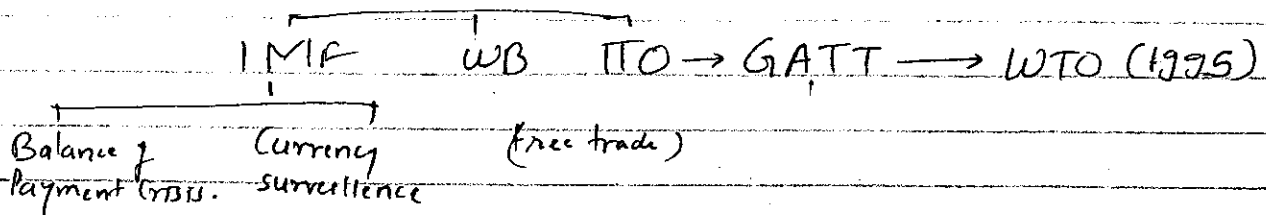
trade before

Globalisation of Intⁿ Economy

- World Capitalist economy & Globalisation
- Evolution of Intⁿ Economic system from Bretton Woods to WTO
- Socialist economies and CMEA [Council for mutual eco. assistance]
- Third world demand for NEO [New intⁿ eco order].
- Responses from developed & developing societies
- India and Global South.
 - Relations with Africa & Latin America.
- India and NEO
- India and WTO

Interdependence &
Hegemonic Stability Theory.

BWI



WTO World Trade Organisation

Purpose of WTO

- To formulate laws, rules, & regulations for Intⁿ trade. (It is a rule making body)
- To keep surveillance on the actions of member countries.
- It also offers a platform for settlement of trade related disputes

Philosophy of WTO

- It is based on neoliberal idea, i.e., promotion of free trade.
However it also includes the notion of fair trade.
- It is based on the belief that trade is the only way by which poverty and underdevelopment can be addressed.
- It believes that economic interdependence can establish peace on sustainable basis.

Bodies of WTO

Ministerial Conference

It is the highest body attended by Minister of Commerce / Finance of members.
9th Conf: Bali

It is a top policy making body.

General Council

Permanent Secretariat of WTO. It has representation of Secretaries.

It has other councils like Council for Trade in Goods, Services, IPR, etc.

Trade Policy Review Board.

Dispute settlement body

comparative
advantage.

WTO principle of equality.

Present strength of WTO - 160 countries representing 97% of global trade are members.

Membership criteria

For any aspiring member the existing members can determine a criteria.

Decision making at WTO

By consensus.

veto power for every country.

Principles of WTO

- Non discrimination

MFN status to all.

- National treatment (national / external)

- Opening up of economies

means reducing both tariff & non-tariff barriers.

- Compensation for damages for unfair trade practices.

- Differential & Special treatment.

- Linking trade & environment for the purpose of protection of public, plant & animal health & not as a protectionist policy in disguise.

- Building trade capacities of developing countries in general & LDCs in particular.

WTO principles and agreements are not static. They have to be negotiated continuously.

Indra ASEAN FTA
goods first.

Joseph Stiglitz.
criticism of WTO: anti poor.

Present round of talks.

Present round of talks are known as Doha Development Round started in 2001.

DDR

Context of Doha Development

- Adverse impact of WTO policies on developing countries and poor.

Protest against WTO policies started that it was not possible to conduct WTO meetings. e.g. at Seattle & thus venue of talks shifted to Qatar to avoid civil society protest. It was realised that WTO has to address the developmental concerns. This resulted into Doha Development Agenda (DDA)

DDA's features

- Priority to development over trade
- Outcome of it has to be fair & balanced.
- It was decided that agenda to be negotiated as single undertaking
- Special & Differential treatment for developing countries.

Items included in DDA

- Agriculture
- Non agricultural market access
- Services
- IPR
- Trade & development

NAMA

GAAT
X-agric.
X-subsidies.

- Trade & environment
- Trade & transfer of technology
- Singapore Issues
Issues where developed countries are interested.
 - Trade facilitation
 - Govt. procurement
 - Competition policy
 - Trade & Investment.

Agricultural negotiations

- It is most politicised area & now proving to be most difficult.
- Agriculture has been most protected area. ^{huge} subsidies

Purpose of agricultural negotiations

- Trade liberalisation
For the free trade distorting practices have to be eliminated.

3 pillars of negotiations

- Market access
deals with reducing trade barriers/tariffs.
- Eliminating export subsidies
- Domestic support

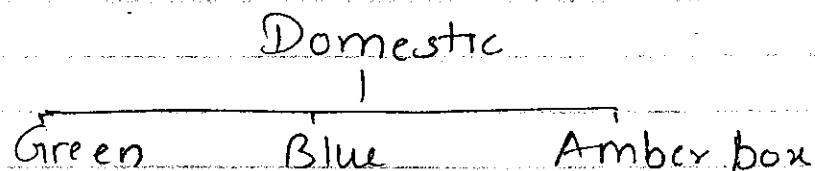
Impact of trade liberalisation on agri.

For the first time agri was negotiated in Uruguay round of talks resulting into the basic AOA (Agreement on Agriculture).

WTO policies have adversely impacted

agriculture sector, poor farmers & food security
in developing countries.

It is



A, B - no subsidy restrictions.

- do not directly contribute to production.

G - ~~research~~ R & D, disasters

B - ~~VA~~ Livestock.

A - directly related increasing production.

- fertilizers, seeds, electricity.

Special & Differential treatment 1995.

Developed

Developing

demonstrates
limits

1/11/14

Domestic subsidies

Domestic subsidy is considered as a trade distorting measure. Hence in 1995, Agreement on Agriculture, the concept of 'Boxes' was adopted.

Green Box Subsidy:

Does not directly contribute to increase in production. e.g. subsidy for R&D, Natural disasters. This is the prominent form in developed countries. They are permissible ^{with} no limitations.

Blue Box Subsidy:

e.g. given for livestock, not considered as increasing production & also permissible.

Scandinavian countries are primarily (Sweden, Norway) interested in Blue Box subsidy.

Amber Box Subsidy:

Measures that directly contribute in increasing production. This includes subsidy on fertilizers, electricity, seeds, govt. procurement, etc.

There is a system by which subsidies here are made limited. It is calculated by

TAMS (Total Aggregate Measurement Support).

This subsidy has to go gradually. Presently, developed countries are under obligation not to give support ^{more} than 5% of the total value of agricultural produce.

Measurement is w.r.t. 1986-88 prices.

& developing countries not more than 10%.

(de minimis - minimum that permissible limit).

This subsidy is of special concern to developing countries.

In absolute sense if we quantify the permissible limit for developed countries a much more than in developing countries.

Issues in agricultural negotiations

- Food Security

WTO liberalisation actions may impact food security in developing countries, also has long term aspects of impacting their development prospects & internal cohesion.

Difference in perspective of North & South

- For countries of North, agriculture is a matter of commerce, whereas in South it is a way of life & there is a livelihood issue.

Difference in agri. sector of North & South

- In North, just 4% of the population is dependent, but in South around 70% of the population is dependent.
- In North, the share of agriculture in GDP is 3%, but in South it is around 26%.
- In North, it is commercial, but in South it is subsistence farming.
- North is much advanced in technology & is placed in less hostile environment & climate conditions.

- per capita land holding less in South.
- Countries of South have small capital, limited public investment in agriculture and are located in adverse climatic conditions.

Significance of agriculture for developing countries.

- Agriculture forms the basis of growth of industries.
- Large no. of people are employed in agricultural sector.
- It has a major role in rural development & poverty alleviation.

Impact of

WTO Agreements on agriculture so far.

- Adversely impacted the growth of agriculture
- Farmers going for cash crops, thus threatening food security
- They have been subjected to price volatility of agricultural goods.
- It has increased rural indebtedness.
- Farmer suicides have increased.
- The marginal farmer in India, can't compete with rich farmers of North which continue to get huge amt. of subsidy directly as well as indirectly, as well as export subsidy.
- Developed countries put non ~~tariff~~ ^{tariff} barriers.

Present Conflict on Food Security
& India's standpoint

Nutritional scenario in the country

- India faces serious problem of hunger & malnutrition.

According to NS data, avg. caloryie intake has been declining.

- There is also decline in protein intake. In 1983, ^{In 1983} avg. caloryie intake for rural areas 2122 Kcal/person/day & 2089 Kcal/person/day for urban areas. For 2009-10, it has become 2020 Kcal/person/day for rural areas and 1946 Kcal/person/day in urban areas.
- Protein intake.

	Rural.	Urban
1983	62 gm/day	57 gm/day
2009-10	55 gm/day	53.5 gm/day.

- According to NFHS (Nat. Family Health Survey) for 2005-06, 45% of children under 3 yrs of age are malnourished.
- 80% of population is anaemic
- 33% of women & 28% men in age group of 15-49 have less than avg. BMI (body mass index)
- Situation is worse than sub-Saharan african countries.

Importance of food security.

- It is a constitutional obligation of govt. in India under art. 21.
- India has to give high priority to food security.
- GoI has been having various programmes for food security.
- Recently Food Security Act has been passed to give statutory guarantee.

$$\text{Subsidy} = \text{MSP} - \text{IP}$$

- Distribution of food grains through PDS. With the enactment of Food Security Act, there is a possibility of India coming under the situation of violating 10% norm and thus will be subjected to punitive actions.
- To provide food to the priority and non-priority households, govt. procures food grains from farmers. The Min. Support Price (MSP) given to farmers is more than market price to ensure that they continue to produce.
- Govt. has to give food grains at Issue Price which is less than market price through PDS network.

Problems due to WTO Agreements

- Lot of food grain gets wasted.
- Govt. had to suspend certain programmes like Food for Work Programme.
- ~~The~~ Food Security Act will increase the problem w.r.t. India's commitments at WTO.

Apprehensions/Views of Intⁿ community

- India will dump huge stock of food grains in world market crashing food prices.
- India is following protectionist policy.
- Instead of continuing with corrupt & inefficient PDS system, it should go for direct cash transfer.

India's viewpoint

- India is looking for permanent solⁿ for food security issue.

- India's proposals are
 - Revision of the reference year taking inflation in food prices into account.
 - Keep food security issue out of Amber Box.

Bali Package of (Dec. 2013)

- It offered as Peace clause for developing countries. As a Peace Clause, developing countries could continue with their procurement programmes PDS for 4 yrs & in the meantime permanent soln will be formulated.

Present status

At Bali, there were agreement on 2 issues.

1. Trade ~~Faci~~ Facilitation

It means rationalising customs and other procedures to facilitate trade.

Basically, addressing administrative barriers and infrastructure issues, like Single Window clearance, e-Payment, faster clearance at Ports, etc.

At Bali, 31st July 2014 ~~at~~ was decided as the day for final adoption of the protocol.

- Both developed & developing countries in general have an agreement on TFA.

So it was to be treated as early harvesting

- It was projected as if it will benefit developing countries and it will result into job creations.

If TFA comes into existence, the estimated figures were

- it will add \$1 trillion to Global GDP. and

- potential of ~~20m~~ 21 million jobs around the world.
- Some developing countries had apprehension that it will benefit developed countries.
- Developing countries may have to divert resources for development of infrastructure to provide easy entry to the goods of developed countries, without commitment of aid.

India's position on & Trade Facilitation

- India has used its veto.

Reasons:

- In reply to Lok Sabha, the present Mo Commerce, has given the reason that, developed countries were only interested in ratification of TFA
- They have shown no interest to find out the permanent solⁿ and once TFA comes into existence they will have no motivation.
- Domestic food security is priority over trade.
- Developed countries not even agree to fast track the negotiations.
- India could not wait endlessly in the stage of uncertainty
- India is not against TFA. India has taken autonomous measure for trade facilitation.
- Budget 2014-15 mentions single window customs clearance
- India is a supporter of multilateral trade negotiations
- India has to work to address the imbalance or anomalies that have come in WTO.
- WTO should work not just for few.

Other debatable issues on agriculture.

1. Special Safeguard mechanism. (SSM)

- It deals with market access of agricultural products.
- Disagreement is primarily betn India & USA
- SSM will come into existence in case there is an import surge. Im
- Importing country can trigger SSM & increase ~~the~~ tariff.
- India USA disagree as to when SSM should come into existence.
- India's SSM point is considered too low by USA & USA's point too high by India.

1. Special Product

- Special products where country has special interest which it can keep out of tariff liberalisation.
- USA wants to restrict the no. of products (at the max 5) whereas India want more no. of products in this category.

Indias approach is defensive in agricultural negotiations.

aggressive in service sectors.

Intellectual Property Rights (IPR)

IPR were first included in trade talks in WTO. Developed countries want stringent IPR norms. According to them, if countries follow stronger norms, it is beneficial for countries of South as it will facilitate transfer of technology to South, otherwise it will promote innovation.

Major debate is on pharmaceutical sector.

Issues

- Because of 1995 Agreement, there were problems in developing countries. Developing countries could not afford the costly drugs exported by developed countries. Hence, India & other developing countries lobbied for granting compulsory licensing to address public health crisis, epidemics in 2003.

As per WHO estimates, 10 million people die every year because of infectious diseases, 90% are from developing countries.

- After giving concession in 2003, developed countries realised that they have been adversely impacted. They want to restrict compulsory licensing only for domestic purpose & not for export. Whereas India favours continuation of export, as many developing countries cannot do not have infrastructure to produce generic drugs.

- Indian Patent Act - Section 3(d) has been a concern matter of dispute. According to India, it is in accordance to WTO norms.

Whereas developed countries consider it as protectionist & unfair and that India should dilute it.

IPA Sect. 3(d)

- Efficacy clause.

New form of known substance would only be entitled for patent only if it results into enhanced efficacy. 'Evergreening of drugs' will not be eligible for patents, or slight improvement shall not be eligible for patent.

In the past, there have been dispute with Novartis on anti cancer drug Glivec, With Glaxo, on Lapatinib (anti cancer drug).

→ In

In above context, countries of North are defensive and India is offensive.

Recently India has become offensive on the Patent of Biodiversity, traditional knowledge & Geographical Indicators.

Service Sector

Service sector is also a new addition in intⁿ trade.

WTO is going slow & more dependent on voluntary action.

Each country can offer according to its capacity. Earlier India was apprehensive w.r.t. Service sector liberalisation, but now it has become offensive. Negotiations are

taking place in 4 ~~ivates~~ modes.

Mode 1 :

Export of service outside the country.
e.g. BPO sector.

India is interested in Mode 1.

Mode 2 :

Consumption abroad. e.g. Tourism
Developed countries are interested.

Mode 3 :

Establishing commercial presence in
importing country. e.g. Banking & Investment.
Developed countries are interested.

Mode 4 :

Movement of professionals.
India is interested in its liberalisations
whereas developed countries are reluctant.

(4) NAMA (Non Agricultural Market Access).

Good not covered under Agri & service sector.
e.g. fisheries.

This is being negotiated by NAMA II group.

Agri — India ∈ G33 Group.

- Here developing countries have to make more commitments for lowering of tariffs, because developed countries have already lowered down their tariffs.
- Countries of South feel that liberalisation has not helped them. Developed countries still put many non-tariff barriers.

US - NAFTA
North American
Free Trade Agreement

problems that India
may face
catch 22 situation
LDC bargain.

- Loss of money from customs revenue may also impact developmental programmes.

Short note on WTO & Developing countries.

- Developing countries have not benefited by from WTO as expected.
- Developing countries entered in WTO with the belief that it will help in addressing development challenges.
- Agriculture has been a special area of interest. Developing countries did not benefit in agriculture rather even their food security is impacted.
- Special & differential treatment is not adequate. Differential treatment with developing countries only gives extra time, not any substantive differential treatment.
- Dispute settlement ^{mechanism} ~~body~~ of WTO is too costly. Mechanism that is why poor countries do not use it. So far no country of Africa has used it.
- WTO policies themselves create development challenges.
- Multilateral trade is not progressing. There is a deadlock on Doha Development Agenda.
- Developed countries have more bargaining power.
- USA has lost interest in multilateral negotiations & has launched TPP (Trans-Pacific partnership) & Free Trans Atlantic Investment & trade partnership to bypass multilateralism.
- India's bargaining power is getting reduced & India is coming under pressure.