

TALKING FAIR TRADE IN DELHI

Relevant for: International Relations | Topic: World Trade, WTO and issues involved

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.

The problem at 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.

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.

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.

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