

TFCTN-RSIS Seminar Notes

TFCTN-RSIS Seminar on: “India and the Doha Round”

Speaker: Pradeep S Mehta, Secretary General of CUTS International, India

**Venue: Seminar Room 2&3, Level B4,
S Rajaratnam School of International Studies, NTU**

Date: August 17, 2010

Introduction

In this seminar, the Pradeep S Mehta, the Secretary General of CUTS International India, talked about the formation of the World Trade Organisation (WTO), its role in international trade negotiations and dispute settlement between nations and concluded with what the future of the WTO looked like. He emphasised how agriculture remained the most debatable areas of trade negotiations between the developing and developed nations (specifically India and China versus the United States of America and the Economic Union) making an early resolution of the Doha round of negotiations unlikely.

Speech

How was the WTO formed? What role it plays in dispute settlements between nations?

Mehta started his speech by asking participants what they understood about the WTO. He then talked about how the WTO was formed in 1995 from the earlier General Agreement on Tariffs and Trade (GATT) that was established in 1947-48 by 27 countries. The Uruguay Round of negotiations started in 1986 and ended in 1993-94 and it took seven gruelling years to form WTO.

He referred to the dispute settlement system of WTO as its crowning glory as its decisions were binding unlike in the case of its predecessor GATT, where the dispute mechanism system was not binding and it was up to the disputant countries to accept or reject the resolutions.

He explained that the dispute settlement system helped create level playing field in bilateral trade agreements and prevented smaller countries from being bullied by developed nations. He pointed out that since its establishment, the WTO's resolutions had largely been in favour of developing countries.

Trade negotiations and dispute settlement

Mehta said that the decisions of the WTO were reviewed every two years by a ministerial conference. The first ministerial conference was held in Singapore in 1996. The developing countries did not understand trade policy relations or how they are politically negotiated. Citing the case of the European Union (EU) and the United States of America (USA) when the former banned the entry of US hormone treated beef into the country followed by US taking the case to the WTO, Mehta stated that even rich countries fought each other on trade related matters. He said many

countries were particular about imports and that was often an issue of discussion and negotiations.

Agriculture: Biggest problem in trade negotiations

According to Mehta, agriculture was the most contentious issue in international trade negotiations and often the deal maker or the deal breaker. He said that further liberalisation was being negotiated under the Doha round that was initiated about about 9 years ago. A declaration was adopted with development as the core agenda of the Doha round.

However, there was no progress on Doha round of negotiations.

Doha round -nine years of negotiations

Mehta said that there was no progress on the Doha round as there did not seem a possibility of a settlement between the two major disputants – the US on one hand and India and China on the other – on the issue of agriculture tariffs in India and China. He said that being large agricultural markets, India and China could not open up to the commercial farming interest of the EU and the US. It could be a problem now for the EU in the wake of the financial crisis.

He said that the West offered huge unreasonable subsidies leading to global inequities. The agreement to reduce these subsidies had been minimal and will continue to remain a problem for negotiations. He quoted the OECD reports that the West offered about a \$1 billion a day on agriculture, amounting to a \$2 a day per cow in the EU. While in Africa, there was a high number of people living under \$2 a day.

Problem of bilateral agreements against the Multilateral trade agreements and the Quid Pro Quo

The US had about 150 agreements with many countries where it had a higher obligation on intellectual property rights (IPR) than what was required in multilateral agreement of WTO. One of the rules negotiated in the Uruguay round of negotiations was trade related IPR.

Mehta said multilateral negotiation involved a give and take (Quid Pro Quo) and cited the example of how during the Uruguay Round the developing countries consented to trade related IPR pushed hard by the European Union and American pharmaceutical lobbies, in exchange for an end of quota system on textile and clothing.

Future of WTO and spillover effects on issues like climate change and increasing multilateral agreements

Mehta stated that many skeptics believed that the WTO system could come under attack for not reaching a conclusion on the Doha round of negotiations. He, however, felt that the institution will not stop functioning as long as its dispute settlement system was in place but the situation might lead to a diversification of resources and energy into non-multilateral trading agreements, impacting large emerging countries like India. He said that bilateral agreements often led to distortion in duty structures. He also felt that if the multilateral trade agreements did not move forward or if there was an inertia on the part of WTO, it could have a spillover effect on areas like climate change where countries will remain non-committal on reducing their emissions.

Questions and Answers

Q1) How had WTO policies affected common man? Is there a bottom up approach, especially in the developed world?

Answer – Mehta replied that the WTO was the vehicle for globalisation. He said that even before the WTO was formed the skeptics felt that globalisation will create a new kind of slavery where one will have to pay to use one's own knowledge. He concluded that in the overall context, like in case of India, people had realised the value of globalisation instead of looking at it as a threat.

Q2) Given the importance of agricultural products in developing countries, was it really necessary to facilitate free trade of agricultural products in these countries?

Answer – Mehta said that there were demands that agriculture was kept outside the WTO. However, during the Uruguay Round of GATT, agriculture was brought in by net food exporter countries (CAIRNS) led by Australia, did not meet subsidies. Mehta concluded that liberalisation was important and that subsidies had to come down stating 60-70 per cent of a developing nation's population connected to agriculture even if not it were not dependent on it as against 3-4 per cent such people in the US or EU. Agriculture meant a lot to a large number of people in a developing nation.

Q3) Is Federalism a problem for India? There is often a clash between the ideals of the state and the Centre, do you think India loses ground on negotiations due to this dichotomy?

Answer – Mehta responded by saying that such was not the case in India and he wished it were so. The Constitution of India allowed the Central or the Federal government to negotiate any international treaty and this was challenged by West Bengal and Kerala just after the WTO came into being and they lost. States can make noises but they did not have right on how the government of India negotiates trade agreements.

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About the speaker

Mr Pradeep S Mehta is the founder general secretary of India-based think tank Consumer Unity and Trust Society (CUTS International). He also serves on policy making bodies of the government of India on issues related to trade, environment and consumer affairs. He chairs the Advisory Board of the South Asia Network on Trade, Economics and Environment, Kathmandu, Nepal.

In the past, Mehta has been an advisor to the Director General of the WTO.

He holds a Bachelor's Degree in Commerce and also studied law in India.

