



Saturday August 9, 2014

## Is it the end of WTO?

T.K.JAYARAMAN

By refusing to ratify the Protocol of Amendment to Trade Facilitation Agreement (TFA) by July 31 the deadline, India stunned the world. It blocked the first trade reform under the auspices of World Trade Organization (WTO)

Nobody expected it from India's new government, which was touted to be business friendly.

The advanced countries were disappointed.

They were keen to free up world trade. By so doing, they wanted to provide an additional vent for their agriculture surplus. The TFA estimated that a deal based on this would increase world growth by \$1 trillion and create several million jobs. Developed countries expected their sagging economies to benefit from rise in trade volume and jobs, and ultimately growth.

The WTO set up 19 years ago now has 160 member-countries. It has been negotiating since 2001, when the Doha summit ended in a fiasco. The failure was due to disagreement between the United States, India and China in regard to measures protecting farmers in developing countries from liberalization of trade.

Reviving the talks in 2011, negotiators at the Bali summit wanted a less controversial TFA, as it sought to streamline customs rules; reducing container handling time and standardization of procedures for shipping goods.

### **A near deal in December 2013**

It was expected the rest of the Doha agenda would be pursued later once the Bali deal was agreed upon. But India had objections. That was the thorny issue of food security: stock piling of food by public procurement from domestic farmers and distribution to the poor at subsidized prices. Subsidies were justified on the grounds of supporting millions of its marginal farmers at prices more than free market prices as well as distribution of food for improving the life of the malnourished poor.

The compromises which gave breathing time, centered on securing an agreement by July 2014 on TFA and a commitment to solve stockpiling and subsidies by 2017. It was also agreed countries whose current stockpiles exceed WTO guidelines would get a reprieve until 2017.

India does not agree. It wants revised WTO norms sooner than 2017 and that too on its own terms.

### **Food security**

Food security is a serious issue in a country of 1.2 billion people where more than 40 percent of children under five years old are malnourished. Public food distribution at subsidized prices to the disadvantaged critically depends on stockpiling.

India argues that WTO norms restrict the value of food subsidies at 10 per cent of the total value of food grain production; and they are based on prices more than two decades old. India wants a change in the base year (1986-88) for calculating food subsidies. Further, it wants norms be revised taking into account inflation and currency fluctuation. According to the current guidelines, the food security programmes nearly breach the cap of 10 per cent, inviting severe penalties.

Reluctance on the part of advanced countries to broker a compromise is the reason behind the deal not going through.

The Indian commerce minister feared: "Once the process of bringing TFA into force was completed, other issues would be ignored, including the important issue of subsidies".

On August 4, support for India's stand at WTO on the food security issue came from a specialized agency of the United Nations, International Fund for Agriculture Development (IFAD), which supports funding food production projects. Its President Kanayo Nwanze observed: "Creating jobs for some other country, while people are still hungry doesn't make sense. The bottom line is that every government has the responsibility to ensure that it can feed its own people".

### **Options before advanced countries**

Excluding India is one option. Another option is to concentrate on finalizing regional trade agreements rather than on global trade. Already, the US and European Union have been negotiating for a regional trading bloc. Simultaneously, the US is promoting the Trans-Pacific Partnership (TPP), which will have its own rules and systems of resolving disputes. India is not in the picture at all.

Isolating a country is not a new thing.

Fiji was isolated by Australia and New Zealand. That led to renewed efforts for fostering sub-regional, Melanesian Spearhead cooperation. India will now be forced to promote South Asian

Association Regional Cooperation in the Indian sub-continent and nurture closer cooperation with Southeast Asian countries.

Geopolitical and economic interests would eventually determine whether India, the world's largest democracy with a growing middle class, offering a huge market for manufactured consumer goods of the developed countries, would matter at all.

Ultimately, it all depends upon who needs whom more!