Editorial

9th MINISTERIAL CONFERENCE OF WTO AT BALI: ISSUES AND OPTIONS

The ninth biannual ministerial conference of the World Trade Organization (WTO), scheduled at Bali, from December 3-6 is being held almost two decades after the consensus was arrived on December 15, 1993, on the Uruguay Round Final Act (URFA), creating the WTO and embodying various multilateral trade agreements (MTAs), which liberalized trade and investments across the globe. But, economic asymmetries have widened much faster in the post-WTO regime, with protracted closure of an ever increasing number of marginal units across the world. Access of vast masses to high intellectual property based products has also diminished considerably. In addition to this, the growth in trade, all through these 2 decades, had been without corresponding growth in the output or jobs. Agreement on trade related investment measures of the WTO (TRIMs) has led to the concentration of manufacturing into selected countries. Most of the manufacturing, along with all other forms of value additions have largely concentrated in China and few other countries alone, which has again prompted several countries, including the industrialized ones, to resort to several protective measures, numbering above 400 across the world, to protect indigenous capacities and employment. This raises doubts about sustainability of the liberal trade and investments regime, vis a vis the objectives of inclusive growth, employment generation and income enhancement for the masses across the globe, as construed in the agreement establishing WTO. This also necessitates a comprehensive reappraisal of all the MTAs at the ensuing 9th biannual ministerial conference, being held at Bali.

The ensuing ninth ministerial conference of the WTO has, though, once again invoked interest amongst the 159 member countries of the WTO, to bargain seriously on the agenda for development, after a gap of 8 years, since the sixth biannual ministerial conference held in 2005 at Hong Kong. But, the industrialized countries appear to be largely targeting the food security arrangements in the developing countries, including India and other G-33 countries, just to secure a reciprocal commitment from these countries on trade facilitation much to their prejudice.

The conflict of interests between the industrialized nations and the rest of the world has again come to surface. Indeed, the demand of the developing countries, especially of the G-33, to get revised the External Reference Price (ERP) of agriculture products fixed in 1986-88 which has long been outdated, is being opposed just to compel these countries to accept trade facilitation. The ERP of rice notified by India is just Rs 3.52 per Kg, (as was prevailing in 1986-88 period), while the current year's Minimum Support Price (MSP) is Rs. 19.65. So, the Indian subsidy on rice per Kg, according to the existing Uruguay Round Final Act (URFA) would come to Rs 16.13 per Kg. Considering the limit of de-minimis support at 2 % of the value of the particular crop, India's entitlement to use MSP this year would be limited to bare 10 million tones, whereas the projected procurement needs for the year would be at around 35 million tonnes. De-minmis support means the minimum crop specific agriculture subsidy that can be given by India as per URFA. The G-33 coalition, including (India, China & 43 other countries) has proposed for either updating the ERP to reflect the global prices or to deflate the current MSP to bring it to 1986-88 levels, by using World Bank inflation figures. But, the developed countries have so far offered a “Peace Clause” which would provide a respite for two years only, that too with a barter for trade facilitation. The developed countries have not been agreeing to this most rational and logical proposition of the G-33, inspite of the fact that the revised draft of agriculture deal issued in the December 2008, provided an explicit foot note to enable the developing countries to continue with their public stock holding for food security. This foot note was incorporated after sustained negotiations and a compromise solution arrived between the key members such as the

US, the EU, India, Brazil, Australia, and China. So, now seeking a compromise in trade facilitation by offering a peace clause amounts to regress back on this 2008 undertaking.

Basically, the deal on trade facilitation would prove to be a one-sided boon to facilitate imports into the developing countries, from the developed ones, potentially endangering the trade and current account balances as well as the growth in manufacturing sector into these countries. The biggest beneficiary of such an import liberalization, as a consequence of trade facilitation measures would be the China while the US, and EU; would be a relatively lesser beneficiary, who have all the way been exerting much pressure for it, on the developing countries. Otherwise, on the whole, all major exporters, including the US EU, in addition to the China would derive a unilateral fortune from an expedited shipment process for their products and even be able to get advance ruling from the WTO and introduce penalty discipline if countries fail to provide the requisite infrastructure facilities for customs and other clearances to the exporting countries, whether these are for auto parts, pharmaceuticals or other products.

The Least Developed Countries (LDCs), which have been pressing for favorable rules of origin, duty free and quota free access for their industrial goods, (which was agreed at Hong Kong 2005 ministerial), a waiver from undertaking services commitments and elimination of cotton subsidies, too are being ignored and are being given a Nelson's eye. The US and EU are strangely silent upon this demand of theirs, when pressing for a deal on trade facilitation. On the contrary, the issue of trade facilitation is not a priority for them (LDCs) which has emerged as the central agenda for the Bali ministerial conference.

Most of the developing countries, including India have been suffering from an unprecedented surge in imports, experiencing impediments in the way to sustain industrial and agricultural growth and facing problem of declining or poor access to products with high IPR component. The list of impediments in the way of sustaining balanced development and growth, with their cause and effect relationships, on account of certain rigidities in the MTAs might constitute a long text. However a recent example of India where the purpose of the recent draft telecom manufacturing policy was rendered infructuous just due to the agreement on Trade Related Investment Measures (TRIMs) is worth reference here. The condition of using minimum 30 percent indigenous contents in the telecom products to be sold in the country, which was being proposed in the aforesaid policy was declared to be in contravention with the TRIMS.

So, looking towards the asymmetries emerging in the world economic order in the post-WTO regime as well as, in view of the impediments being faced in the way to food security programmes of the developing countries, along with the other hurdles coming in the way of balanced economic growth across the countries, the majority of the MTAs need to be reappraised. The agreement constituting the World Trade Organization provides for amendments into the existing MTAs with three fourth majorities. So, a dialogue needs to be initiated on it immediately and has to be taken up at Bali.

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