

Informal WTO Negotiations

What is the issue?

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- The stalemate between the developed and developing countries in the WTO has effectively stalled policy progress in global trade.

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- India will host an informal WTO ministerial meeting in New Delhi in a short while in order to negotiate critically contented aspects.

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What is the current meet for?

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- Senior officials of the WTO and trade representatives of Africa, ASEAN, EU, US, China, Japan, and many other countries will gather shortly in New Delhi.

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- They are expected to brainstorm over crucial global trade issues in an informal setting to evolve a consensus on contentious issues for moving ahead.

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- Notably, no business-relevant decision has emerged out of the multiple formal negotiation rounds in the WTO forum for the past two decades.

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- A “Trade Facilitation Agreement” (TFA) was signed in 2013 at Bali, but it turned out to be just an over-hyped face-saver.

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- Also, the 11th WTO ministerial conference (MC11) that took place at Buenos Aires in December 2017 concluded without any significant decision.

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- Seven core trade issues has resulted in conflicting positions of the country and breaking the impasse would require revisiting the very objectives of WTO.

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What are the major domains of contestation?

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Agriculture

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- **Subsidy** - Developed countries have persistently complained that developing countries are distorting trade by recklessly subsidising farmers.

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- Particularly, India's crop MSP program and public procurement for PDS distribution have been flagged as a violation of WTO's subsidy policies.

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- But a nuanced observation reveals that even developed countries have been giving out subsidies amounting to as much as \$260 billion annually.

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- Notably, the developed countries have been cleverly routing subsidies through avenues that have been exempted by the WTO (argued as a policy flaw).

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- **Market** - Due to their cost advantage, countries practicing extensive commercial farming (mostly developed) have been preying on subsistence agriculture economies.

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- This has been catastrophic for small subsistence farmers of the developing world, as their produce is being stifled out even in their own domestic markets.

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- As their farmers are under intense pressure for survival, most developing countries have erected protectionist tariff walls for agro-products.

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- **Contestation** - A realisation that it is a mere trade issue for the developed world, but a survival issue for the developing world is needed.

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- Developed countries are demanding the poor countries to lower their agri-import duties.

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- But contrarily, the developing world has been vouching for a comprehensive renegotiation of the WTO's "Agreement on Agriculture".

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- Notably, India had won a 4 year temporary concession in 2013 called "Peace Clause" to sustain its subsidy programs.

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- But as no alternative permanent solution has been reached, the clause remains operational by default.

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Digital Business

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- **The sector** - Pressured by big names like Amazon, developed countries have been strongly vouching for liberalising e-commerce and online businesses.

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- Notably, these big-ticket online firms and their businesses already hold enormous sway in influencing policy, public opinion and business landscape.

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- While their menacing size and might already looks scary, the contours and scope of digital platforms aren't fully comprehended as yet.

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- **The Concerns** - Many countries feel that the digital business are still evolving and e-commerce hasn't even been defined properly thus far.

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- If the WTO makes rules, this would mean that the countries will have to forego their rights to regulate the digital sector, which isn't desirable presently.

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- While the developed countries are seeking to freeze the lead they've managed to take in the sector, other countries are seeking more time to comprehend the sector better and catch up with the developed world.

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- Notably, the current "Zero Tariff Regime" for e-transactions has been proposed to be retained till 2019 and various clauses are being negotiated further.

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Fisheries Subsidy

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- Fishermen from the developed countries of the EU, Canada and Japan venture far and wide in high-tech vessels to get a bountiful catch.

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- But small fishermen from developing countries are being accused for

depleting the marine stock by practicing unsustainable fishing practices.

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- Rich countries oppose subsidies granted by the developing countries to its poor fishermen, but they dole out indirect subsidies (WTO exempted) to help their fishers.

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- In fact, EU, US and Japan alone provide almost 65% of the total fishing subsidies that total to an annual sum of \$35-billion.

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- This issue has also been slated to be taken up in WTO's next ministerial conference in 2019.

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Services

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- Services sector contributes to 70% of the world GDP, but only 20% of world trade as country-specific domestic regulations (DR) act as trade barriers.

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- In this area, developed countries have a clear lead over others as they already have a robustly implemented DR set-up.

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- As this can further distort the equation in favour of the developed world, India and other developing countries must rush to create their own DRs.

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Investment

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- The inclusion of investment as a subject in the WTO was rejected in 1996 because the WTO makes rules for trade.

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- But 71 countries led by the EU issued a statement calling for discussions on developing a "multilateral framework for investment facilitation".

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- But most other countries feel this is only a small part of the investment regime and hence should be left as it is.

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Crisis Management

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- US President Trump has used 'threat to national security' provision of the WTO for imposing tariffs, which reveals his disdain for the WTO process.

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- Notably, this clause empowers a country to take any action to counter a threat to its national security and is an option of last resort only.

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- While the current US action is reckless, the entire WTO membership must confront and oppose Trump before it is too late.

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How does the future look?

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- Improving the standard of living of people and ensuring full employment are two of the important stated objectives of the WTO.

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- Many countries need to reconcile their positions with these and approach negotiations with the agility to bargain and settle for compromises.

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- It is hoped the WTO Delhi 2018 event will create goodwill, and lead to the development of a common position on important trade issues.

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Source: Business Line

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