

## **Indian Economy: Some Contemporary Perspectives**

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**Lecture 37**

### **Indian Economy- India & WTO 3**

So, hi everyone, we are now going to talk about the new topic which is called Indian WTO. So, in the last two sessions, I have covered the WTO section and I thought it would be good that we should be focusing more on this and at least we should have some kind of clarity on the India's stand on WTO, what we have gained and where we started and to what extent we are considering WTO as a serious organization in addressing our trade issues.

And we are also trying to focus on how we can, we can also think about in a forward looking manner, the areas of concern for India and how India is trying to convey to the and in the upcoming or the future WTO meetings. So, what will be the future concerns for India. So, I have tried to at least give you some kind of background.

So, it may not be a complete background about the India's issue, because it will take more than five to six lectures to cover, because the India's interest lies in the area of GATTs, the trade and services, TRIPs and also the most importantly is the agriculture.

So, agriculture especially in terms of export subsidies and domestic support, there are some concerns and we have already discussed in the last two sessions that how we have to think about the WTO case as one of the upcoming areas in the sense that going ahead the advanced economies, they do not want to talk about the industrial policies, because they have shifted their production processes in developing countries. So, they are more now talking about the e-commerce or they are more into the competitive policies.

They are also trying to emphasize more on the services part, on services part also developing countries have concerned, because some developing countries have attracted the attention and have become one of the major suppliers of supply services, especially in the area of information technology and IT enabled services and in that direction also, developing countries have not been able to get the due attention in WTO meetings.

So, historically, I will try to give you some background and I hope whatever we have covered so far in WTO terms, whatever the methods or whatever the non-tariff barriers that we have discussed, it will come again and then in the light of that it will be good that you will have some kind of idea about how we progress have WTO meetings and what kind of lobbying organizations, how countries they always try to combine their interest with the interest of the

like-minded, they always try to form an union or some kind of group or it may be called a pressure group.

So, that demands are also heard and there will not be any kind of, there will not be any kind of dispute, trade disputes happening. In the early 1990s when, so the WTO came into being in 1995 from the GATTs and then we had the whole lot of idea about how we can, we can agree on the GATTs rules and regulation.

There are different kinds of kinds of declarations. For instance, we have the Doha declaration, then there is Singapore and then again in Bali, we had a again, but in Nairobi, we were not able to focus that much, so those concerns we will try to address here.

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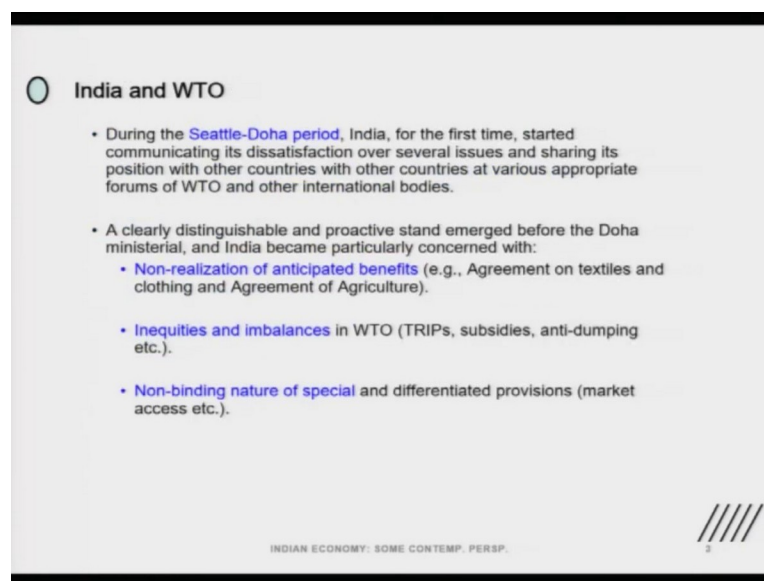
I have referred the same material that I had mentioned in the last two lectures. So, it is on World Trade Organization. So, this is the authentic source to refer about the WTO issues, I have already mentioned. Then you can also refer ministry of commerce and trade website there are also WTO concerns are mentioned. There is also an OECD insights international trade that talks about the developing countries interest. So, that is also a very good document.

Then we have the economic survey, chapter 8, I had mentioned. Then from the web sources, you can refer n number of web sources, but I found out one particular article on the wire, then on ORF also you have some details, comparative analysis mentioned about different WTO meetings and how India, what was the stand of India and then you have the WTO issues related blocks, so it is up to you to refer.

But I think these references will be sufficient to have an idea about (( ))(05:01) is also is having one or two documents to refer on the WTO. So, I would request all of you to at least have a look on these websites and at least try to read about world trade report is one, I would always recommend that those who are from economics or those who want to work in future in the area of trade, they will have good reference to look at.

And it also provides a lot of insights about the forward looking scenarios of trade, how and how countries will be interacting, what will be the concern and in a more futuristic manner. So, that I would request everyone to look at.

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So, let us start, so India earlier when before Seattle and Doha round 1999 onwards, India had made its I would say more strong position in terms of asking for the negotiations, how the negotiation should be and especially for the interest of Indian economic interest, these rounds are important.

So, during Seattle and Doha Round, India had for the first time started asking for the better bargain and it had also aligned with some other countries also. For example, how these countries are going to be and it was also for the first time it was anticipated in terms of how what could be the, especially with regard to the agreement on textile and clothing because we are primarily the exporters of that.

So, there are a concern about that and especially also on the agreement on agriculture, that we have talked about the components of that and especially the subsidies, the export subsidies that the developed world provides. Then it was also about the inequities and imbalances in

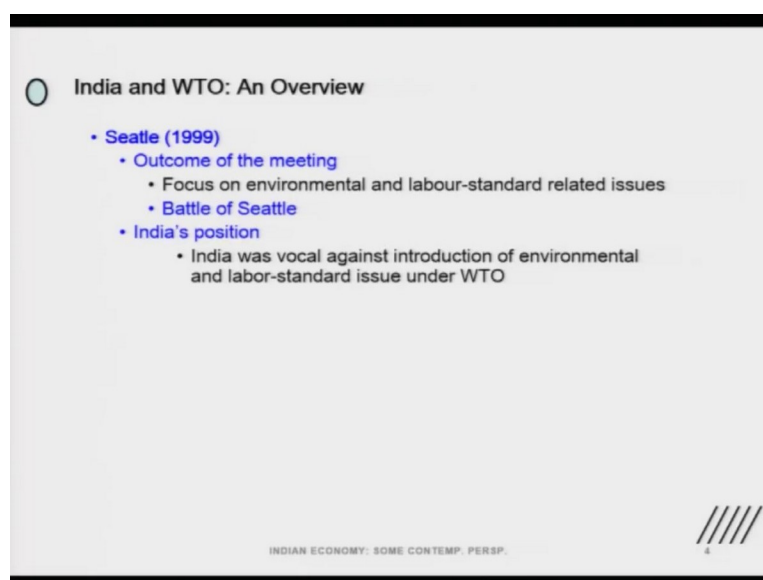
WTO especially with regard to TRIPs, the intellectual property rights, then the subsidies, the anti-dumping majors, safeguards.

So, these were the concerns for India's interest, because after the implementation of GATTs, it became really a major concern for India to bargain with the developed world and at that time the rest of the developing countries were not so, much in favour until we had the Cancun meeting and then in Cancun meeting we were able to find then non-binding nature of special and differentiated provisions.

For example, market access then we have most favoured nations, then we have the trade facilitation through the or basically the rationalization of tariffs and the non-tariff barriers. So, it was all, so in summary, what it looks like that the India had a huge interest in almost all the components of the WTO agreements and then it also led to the widespread interest of India in leading some negotiations and I will discuss that.

And it will also be helpful if you could just have a look, I would say pre-Seattle period that how India was simply a participating nation it was not taking very strong lead. But after the Seattle, when there was a labour regulations and then there were some environmental concern, then India took initiative and started playing an important role.

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So, the Seattle 1999 was important it is also called the Battle of Seattle, because for the first time the global economy had absorbed such type of huge protest about the trade policies and the ministerial meeting, which was supposed to discuss about the environmental and labour standards related issues, basically child labour and how the labour basically with the help of

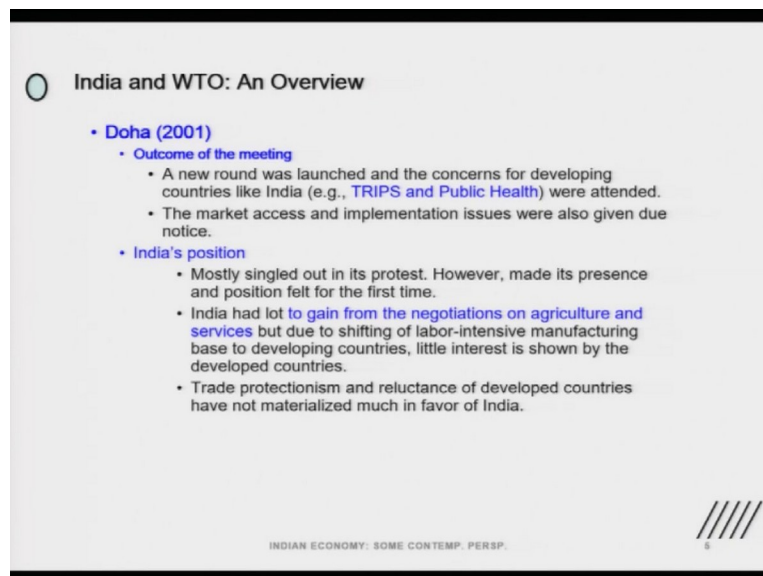
International Labour Organization, they also wanted to bring the issue and add to the Charter of the trade.

But at that time, the most of the country countries had protested whether there was no standard norms to go for and especially the labour intensive economies were concerned, that their production process if it is not being streamlined and if they do not have proper policy to deal with, then they will have to, then design their policy according to the WTO agreements. So, that was the concern and at that time, since it had become a really big issue.

So, India took the position and it had gone against the introduction of environmental and labour standards issues, under WTO because at that time, most of the developing countries were just trying to figure it out how and most of the developing countries were just coming towards the market oriented economies and even India during 1999, we were just in the formative years of opening up the economy.

So, liberalisation process taking place, we were just trying to streamline certain norms rated with regulations with labour with regard to labour and other activities. So, it was not very suitable time to just align the labour policies with the WTO, because WTO had safeguarded the interest of the advanced economies and at that time, it was the case that we had a limited bargain. But with the help of developing countries coming together at one platform, it was easier to throughout this particular damage to the labour standards.

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**India and WTO: An Overview**

- **Doha (2001)**
  - **Outcome of the meeting**
    - A new round was launched and the concerns for developing countries like India (e.g., **TRIPS and Public Health**) were attended.
    - The market access and implementation issues were also given due notice.
  - **India's position**
    - Mostly singled out in its protest. However, made its presence and position felt for the first time.
    - India had lot to **gain from the negotiations on agriculture and services** but due to shifting of labor-intensive manufacturing base to developing countries, little interest is shown by the developed countries.
    - Trade protectionism and reluctance of developed countries have not materialized much in favor of India.

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Then was the Doha Round of 2001. So Doha Round, because it was after the 9 by 11. So, most of the developed countries were more in favour of seeking the attention of developing

countries, they were giving favours, because it was more like giving more support, in terms of minimizing terror related issues in those countries and that is why the security concerns relate to the more discussions on the TRIPs and the public health.

So, it was also one of the rounds, where there were detailed discussion and also the issues of market access, then its implementation was also discussed. India's position was not very strong in this, but it was still it was discussed, it became part of, India became part of the negotiations, but it was not as strong as we see these days.

So India, but given the negotiations India had lot to gain on agriculture and services because of the TRIPs and also because of the subsidies consideration that were made. So, basically with regard to the, with regard to the production process and also with regard to the production enhancement and giving the farming community in India, more safeguards.

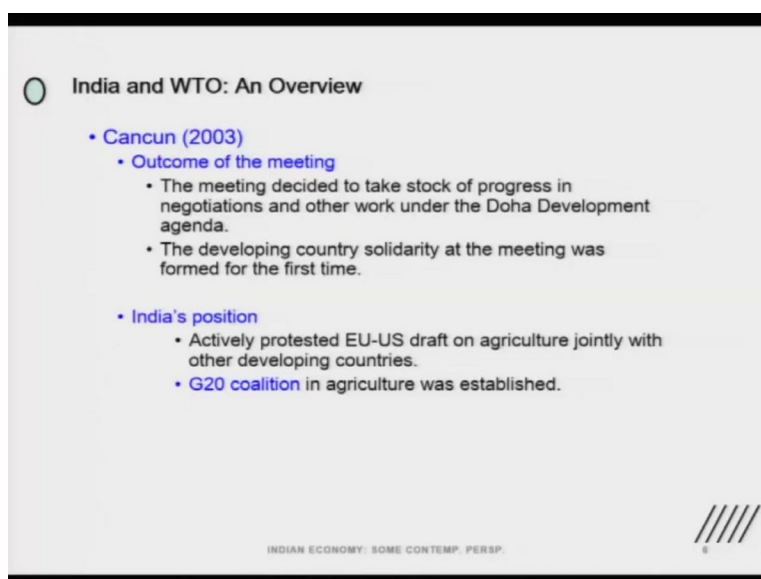
So, with regard to that, it was easier. Because of the developing economies showing limited interest, because they had already shifted their production process in the developing countries. So it was very limited, and that is why it was not paid much attention and that is why the Doha declaration is still it became one of the controversial issues because no one paid attention and it became a, it came like a situation that if you will not accept one, then you cannot accept anything.

So, each and every whatever was agreed during this ministerial meeting, it was supposed to be agreed by everyone then only it will come into force otherwise not and most of the developed countries since it was about the manufacturing process, intellectual property rights, it was also about the concerns later with agriculture.

So, most of these countries, the advanced economy did not pay much attention and since the manufacturing houses were shifted to the developing economies, so some kind of productionism also started from the advanced economies that how they can safeguard their economies from the kind of services or output is being produced.

Some kind of labour intensive regulations were made feasible and especially in those activity in which developed countries had the advantage. So, this was one of the regions, but the whatever was discussed, it was not in a very concrete form and then and that is why the Doha declaration led to the further discussions on the subsequent meetings and still the reference of Doha is given, but developing countries for the first time had a clear cut, say on the policies with regard to manufacturing and the services and even agriculture.

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Cancun was the major agreement that took place, that had the widespread deliberations on the Doha development agenda. Under that it was also discussed that the developing countries will be given opportunities and developing countries as a strong group, it was formed for the first time.

So, India had a, was able to at least talk more about the domestic interests with regard to the labour with regard to the interest of the farming communities, the stock holdings and all and that is why it became one of the important areas. For the first time the G20 coalition in agriculture was just established, because India wanted badly to make these countries part of and though there was some apprehensions about all these countries coming together.

But since agriculture became one of the important areas and even among developing countries there were concern for example, Brazil and Argentina. They were also supporting India on agriculture issues, especially on agriculture subsidies, but at the same time, they also wanted India to open the market for these economies, so that they can also export and trade.

So, in Cancun the success of India for the first time it was realized from the front because then India had led the group and then it had also contributed a lot in terms of negotiations. So, for the first time, India came out as one of the bigger bargainers or leaders in dealing with the developing countries interest, apart from Brazil and Argentina and later China also.

So, the one of the major successes of this Cancun ministerial meeting was that, for the first time we were able to developing countries were able to seek the attention of the developed world and they were able to bargain, keeping aside their the common interest or the mutual

interest that which they had and they left that for pursuing in future. So, that became one of the areas to talk about.

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**India and WTO: An Overview**

- Hong Kong (2005)
  - Outcome of the meeting
    - Some progress in advancing the Doha Development Agenda.
    - Discussion on agriculture and Non-agriculture Market Access (NAMA) and GATS
  - India's position
    - India negotiated on agriculture and services, NAMA, trade-related intellectual property rights, trade and environment, trade facilitation.
    - The developed countries agreed to the demands of the developing economies to eliminate export subsidies by the end of 2013, with substantive reductions planned by 2010.
    - Regarding industrial sector liberalization, a "less than full reciprocity" principle for developing countries was incorporated in the declaration.

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Hong Kong also had some kind of, I would say, the more to say about the, the management of the policies. So, for the first time, the GATTs, the general agreement and trade and services was discussed in detail and since India had a lot to deal with the GATTs and NAMA also, non-agriculture market access also. So, Doha development since it were discussed and developing countries had a say.

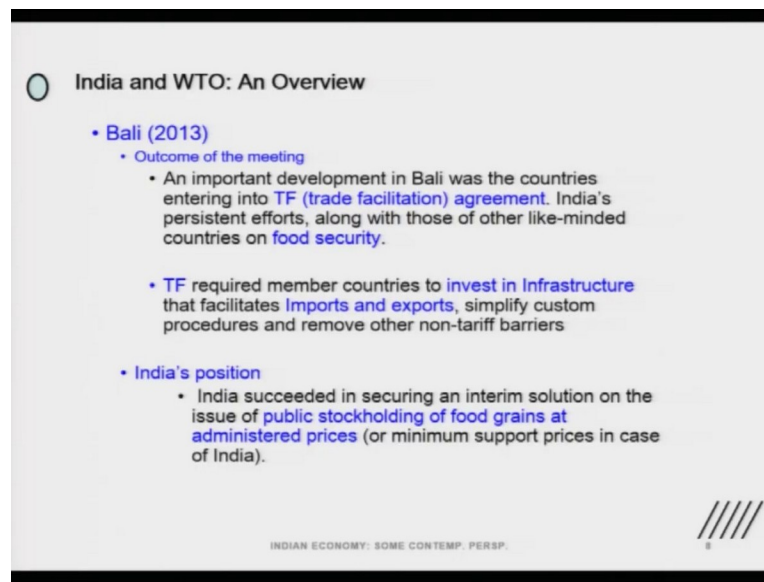
So Doha declaration again was discussed during this particular meeting, but apart from those, there was a discussion on GATTs. So, India negotiated again on agriculture, especially on the stock holdings and food security and other issues became one of the areas to be discussed. This time, we had it was Kamalnath heading the delegation from India and he was able to make at least some progress on the agriculture and services. NAMA trade related intellectual property rights, trade and environment, trade facilitation.

So, these were the areas that were discussed and the trade facilitation was something that was important and India especially on agriculture was able to bargain with the export subsidies and with regard to also from the, from the point of view or some timeline for reduction of the export subsidies, so that there should not be any kind of further discussion. Regarding industrialization, the industrial sector liberalization, there was a, I suppose a special provision made what is called less than full reciprocity.



So, this particular principle also allowed developing countries to go for somewhat limited rationalization of the whatever policies that were undertaken at that time and that also gave India one of the important opportunities to lead the developing group developing countries group and it and this Hong Kong ministerial meeting is important, because for the first time we have deliberated more on the TRIPs part and that also is important to note.

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Then, the Bali meeting came and Bali meeting was not that much in terms of, I would say though, the major focus was on the trade facilitation and developed countries were able to gain hold in this particular meeting and trade facilitation was mostly in terms of investing in infrastructure, that firstly facilitates imports and exports and go also for the rationalization even going for the non-tariff barriers NTBs.

So, this was also one of the important issues to be discuss in continuation with what we, what we had already discussed in case of Hong Kong meeting. In Bali also the food security became one of the areas and this particular topic was India had taken up this particular issue, though the members for example, Brazil and all they had some other incentives and the developed countries had given them different incentives, especially with regard to the industrial products.

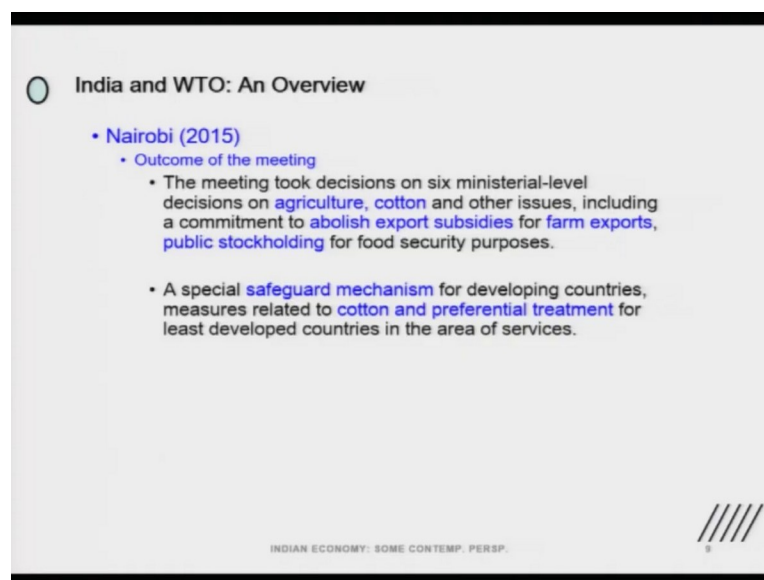
But India continued emphasizing on the food security and as a result, because especially with regard to the stock holdings that minimum support, price support that government gives. So, it was all about mentioning that. So, that is why India succeeded in securing an interim solution, on the issue of public stock holding of food grains at the administered prices,

because about this issue of agriculture from the food security point of view, so that it should not it should not be considered as a one of the violating rules of the WTO.

So, you can understand from the beginning that agriculture remained one of the important topics to be discussed from India's point of view, then there were deliberations on the industrial policies, since the first world countries have already shifted their manufacturing houses in the in the developing countries. So, they were more bothered about the other issues, but India was able to bargain.

From the Cancun meeting India formed a strong group and then since then the developing countries have a proper platform in the WTO and they bargain with that. So, Bali also came in line, but Bali was more about the trade facilitations and at that time, it was discussed widely that how it could be.

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Then it was about the Nairobi and the meeting of Nairobi talked more about the agriculture cotton and other issues in including the commitment for export subsidies, farm exports, public stock holdings, so in case of food security what I discussed in the last meeting in Bali and before that, so in case of first world countries, since US takes lead and even in terms of agreement on agriculture, with different boxes that we have, amber, blue and green in these boxes also US is having a more or less privatized agricultural economy under that these companies have different incentives and different ways to support agriculture.

So, as such it does not violate the WTO norms, but since the market is well developed and the sector is also well developed. So, that is why they have the advantage in terms of dealing

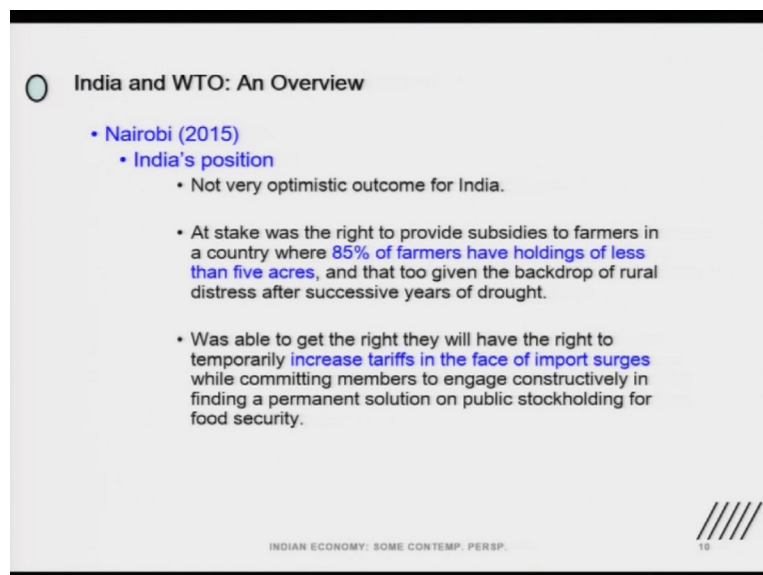
with developing countries produce, which is the, in case of India the food is the subsistence activity and food is just an activity to support also the food chain and food supply chain and that is why the for India the agriculture became one of the, in later periods it became one of the food security issues and is still the matter has not been finalized.

Though there are issues whenever there will be a next meeting, there will be again a new type of issues coming up. But now, since developed countries have already gained and they are self-sufficient in terms of food production, they are also now have almost done with the and they are more relying on the export from the developing world for manufacturing purposes.

So, now, their focus is more on services and they want to talk about the more of the electronic policies, ecommerce and other things. Where in Japan is having a special interest in e-commerce that how ecommerce should be because Japan is being hurt badly by the electronics policies of the WTO.

In the Nairobi meeting, a special safeguard mechanism for developing countries measures later to cotton and preferential treatment for less developed countries in areas of service were approved and it was also was negotiated and that is why the safeguard mechanism help some countries to talk about the or in terms of domestic production, domestic support and this has given one of the areas to talk about.

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India and WTO: An Overview

- Nairobi (2015)
  - India's position
    - Not very optimistic outcome for India.
    - At stake was the right to provide subsidies to farmers in a country where 85% of farmers have holdings of less than five acres, and that too given the backdrop of rural distress after successive years of drought.
    - Was able to get the right they will have the right to temporarily increase tariffs in the face of import surges while committing members to engage constructively in finding a permanent solution on public stockholding for food security.

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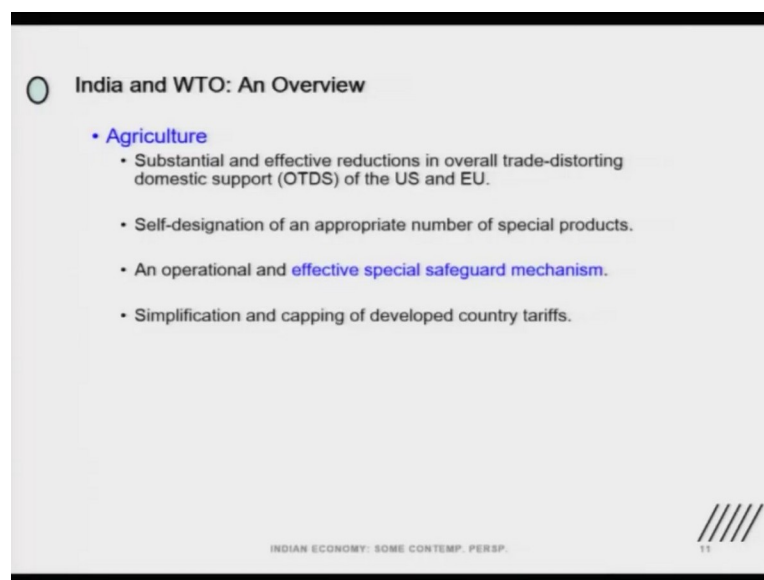
In the case of Nairobi, the for India's side it was not a very good sign, it was not very successful meeting as we saw in case of Cancun and even in case of Hong Kong, because it

was not able to prove and the market safeguards and the export subsidies were not talked in detail and countries were not agreed.

So, at a stake was the right to provide food subsidies to farmers, in a country where 85 percent almost more than five then, less than five acres of land. So, this was one of the areas where the in Nairobi meetings the India was not able to gain that much from the side of trade it was not able to gain much.

India was able to get the right, they will have the right to temporary increase tariff in the face of import surges and also some kind of safeguard mechanisms were adopted. But the agreement on agriculture as such about the export subsidies and domestic support, it was not. It was not successful on that front though the developing world had a platform set and then they had the task to discuss but it was more discussed on GATTs front and the TRIPs front.

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In terms of agriculture, if we talk about then agriculture becomes really important here. So, there is a whole lot of effort to talk about the overall trade distorting domestic support. So, as I mentioned, in case of US and Europe, there you have a, even in the context of blue and green boxes, they provide some incentives to the and they are able to pass on some domestic support to the farmers.

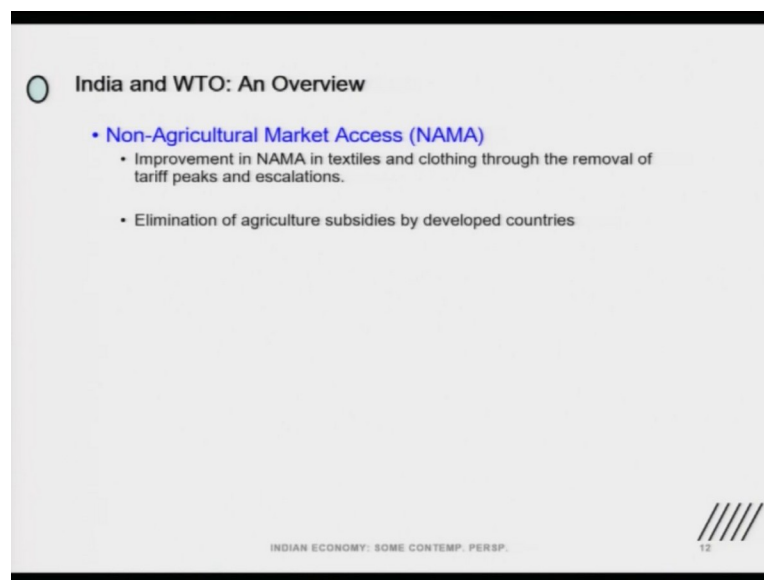
Whereas, in case of developing countries, it becomes really difficult because developing countries normally they do not have that much resource to support and they do not have that much agriculture developed, agriculture market developed, but they provide support through subsidies and subsidies become again, questionable topics.

So, as such the effective rationalization of subsidies, trade distorting practices become one of the challenging areas self-designation of an appropriate number of a special product, which means that there are, there are some products which are unique and having some geographical indications. So, this to safeguard that it has become really difficult in these days, because of the not sufficient safeguard mechanism in place.

So, maybe in future, we will have more of the sort of safeguards and operational and effective special safeguard mechanism, this is linked to the second point, the simplification and capping of developed country tariffs. So, under that we had the, at the level of Uruguay round there are bounds under which countries can go for setting up the tariffs. So, with that in mind, India was able to put the tariff high.

So, that there should not be proliferation of or I would say excess supply of food grains in the country. So, that is why we are self-reliant, but still we have not allowed the, in terms of especially the food grains, we have not allowed the foreign product especially, except we have a horticulture and others and time to time we revise. So, this becomes one of the areas to look for.

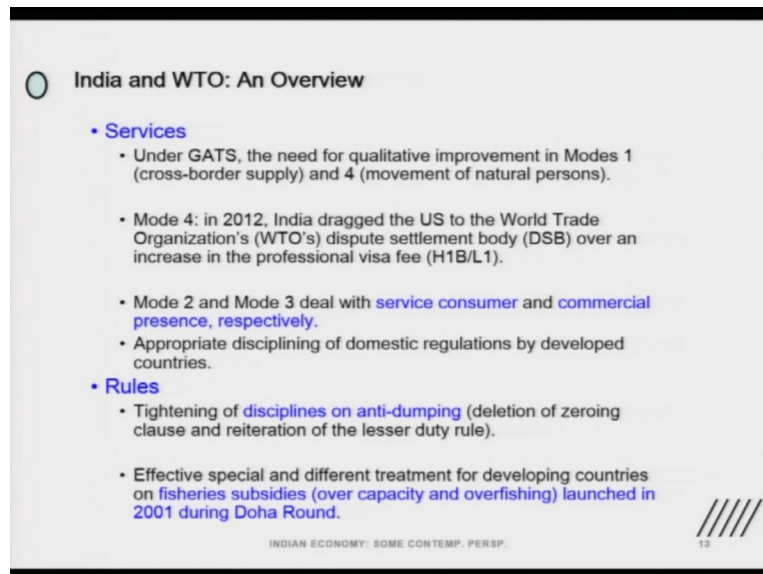
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Then you have the non-agriculture market access. So, improvement in NAMA in textiles, we so this number deals with textiles and clothing. So, developing countries have a lot to say, because developing countries have the access of duty free and most of the developed countries also they do not pay attention on the industrial product, because most of them, most of the countries, they get the product at the duty free rate and the interest of least developed countries is important here in case of textile clothing because they get the benefit.

For example, Bangladesh, then we have the Ethiopia. So, these countries have a gain. So, these issues are still being discussed and not very, and not in a detailed way and these issues are still in to be finalized and they are yet to be finalized and it will take some time. Elimination of agriculture subsidies by developed countries. So, this is what we have discussed again.

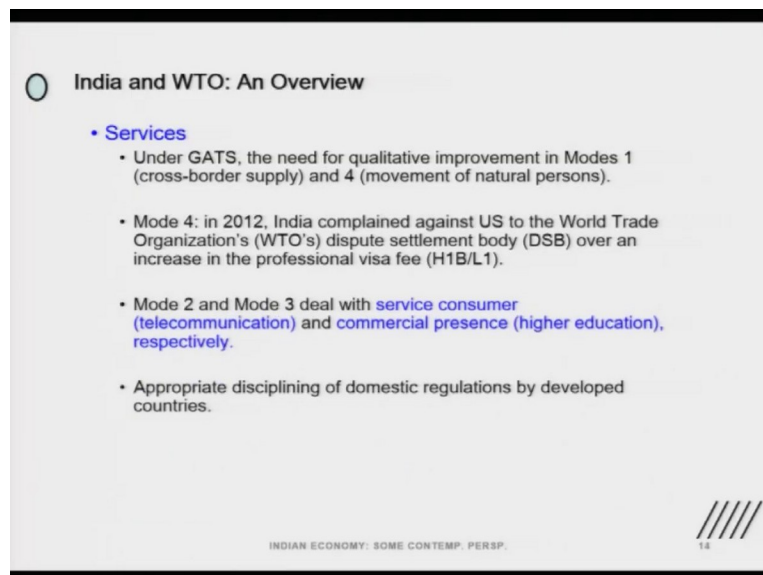
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**India and WTO: An Overview**

- **Services**
  - Under GATS, the need for qualitative improvement in Modes 1 (cross-border supply) and 4 (movement of natural persons).
  - Mode 4: in 2012, India dragged the US to the World Trade Organization's (WTO's) dispute settlement body (DSB) over an increase in the professional visa fee (H1B/L1).
  - Mode 2 and Mode 3 deal with service consumer and commercial presence, respectively.
  - Appropriate disciplining of domestic regulations by developed countries.
- **Rules**
  - Tightening of disciplines on anti-dumping (deletion of zeroing clause and reiteration of the lesser duty rule).
  - Effective special and different treatment for developing countries on fisheries subsidies (over capacity and overfishing) launched in 2001 during Doha Round.

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**India and WTO: An Overview**

- **Services**
  - Under GATS, the need for qualitative improvement in Modes 1 (cross-border supply) and 4 (movement of natural persons).
  - Mode 4: in 2012, India complained against US to the World Trade Organization's (WTO's) dispute settlement body (DSB) over an increase in the professional visa fee (H1B/L1).
  - Mode 2 and Mode 3 deal with service consumer (telecommunication) and commercial presence (higher education), respectively.
  - Appropriate disciplining of domestic regulations by developed countries.

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In services, India have a lot to say, because now we have become services driven economy. So, under GATS, General Agreement on Trade and Services, there are four types of modes. So mode one talks about the cross border supply, mode two talks about the mode of natural resources, in mode four India has a lot to say, because in mode four we have the movement of a natural person from one location to another for the sake of supporting the job services or the

contract services and for that reason, the US and India is always at power when whenever they contest to each other, whenever there are issues with issuing number of visa.

Mode two and mode three are related are also controversial. For example, he talks about the service consumer, service consumer means you are going to provide from one location to another, so one country to another. So, that is about the telecommunications sector in most of the countries that is not the major concern.

Commercial presence is going to be the major concern, bigger commercial presence means it is about higher education, you are going to shift your product services in that country and from there you want to, you are going to produce.

So, in that case under GATS the higher education is going to be another area where in the likelihood that in India we will have the foreign universities coming and they are, there is always a consideration of considering higher education under GATS bringing higher education under GATS, though India has not paid that much attention, but it is likely that this will come out and India is also in, has not shown any strong disinterest in this direction.

But going ahead it will be and then the subsidies on education and giving a cheap education will become some kind of contestable topics. The rules tightening of the disciplines on anti-dumping that we have already talked about, how anti-dumping measures have helped the market to, or protect the domestic market.

For example, in case of steel I had given the example in 2015, when China was down, how China and Japan wanted to put the, dump their excess is steal in the country and then government had to take temporary measures to thwart that kind of excess supplies, so that domestic producer will also be able, able to operate. Especially officially subsidies, there is a, in Nairobi meeting also it will discussed in detail about the fishery subsidies, talk about the overcapacity overfishing and especially in case of services, we have already talked about, how it is being built.

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Then we have the trade related aspects of intellectual property rights and these talks about the convention on biodiversity, because TRIPs it is likely that if there are some plants, some health benefit or some kind of health important or plants with health importance or some kind of fauna and flora suitable for the consumption of human being if TRIPs is going to apply, then that will be the concern. So, that is why there are concerns with that enhanced production of geographical indicators other than the wines and spirits. So, those are also concerned.

New concerns that have come up is about the, as the developed countries are now looking more on the government procurement, how government is going to procure. So, for example, agriculture policy that we have right now we have gone for the amendment in ECA. So, it has become one of the important issues and one of the reasons why government is now getting back to the private mode is that it is also having concerns from the WTO side some commitments.

Then you have the e-commerce and then you have the investment and then competition policies. So, India contested about the ecommerce policies, because it has not yet designed the e-commerce policy and India has sufficient market and it is going in a good direction. So, if it will allow for foreign companies to completely entering the market that it will simply discard the all the efforts made.

So, that is why until and unless India will have its own policy, then only it will be important. On investment also see in each and every country is now asking for foreign direct investment. So, the national interest will also be compromised if there are some excess importance given



to foreign direct investments. So, there are more concerned about that, competition policies, how under the TRIMs, how under the TRIMs there are equal or level playing field created for domestic and foreign firms.

So, those are the concern and at the end, I would say that, at the end I would say that, we in India in WTO, we have seen that agriculture manufacturing, then we have the textile clothing, then again then TRIPs, GATTs have become one of the areas to talk about and going ahead these issues are going to come up again and since the developed countries are now taking over again and the developing countries are more focusing on.

But given the diversification that is happening in the developing economies, it is less likely that developed world, a will be easy to sell through their ideas or sell through their propositions of expanding their trade compared to or some kind of discriminatory trade practices. So, going ahead a developing country will be more stronger and India will also be, also will have good times. So, I hope whatever we have discussed so far it has been useful for all of you. Thank you. Thank you so much.