

India's Commitment to Equitable, Fair, Free and Sustainable Trade



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The government of India has been one of the key negotiators for the ongoing Doha round of WTO talks, taking a leadership role within the G-20 group of countries, as well as part of the more select group of core negotiators along with US, EU, Brazil and China. It goes without saying that Indian industry has been an integral part of this process, playing a key advisory role to the Indian government as well as engaging governments and businesses of other countries on issues that are central to the Doha round of trade talks.

The need for Indian industry to stay focused on the Doha agenda despite the many challenges and disagreements that has impeded the successful conclusion of these talks arises from a deep understanding of the importance of the Doha round to the process of globalization and the promise of development it offers. Industry stakeholders are under no illusion that the successful conclusion of the Doha round will result in some dramatic increase in trade or even market access for firms in large emerging countries like India. However, what the Doha round does offer are three critical things that lie at the heart of expanding the scope of a truly globalized system of production and consumption that has a space for economic actors from the developing world.

First, it creates greater security of market access. By binding levels of market access commitments it increases the levels of certainty that are crucial for businesses to make longer-term trade related investments. Second, it holds out the promise of addressing issues related to trade distorting measures, especially in agriculture, and making a genuine attempt to deal with non-tariff barriers (NTB) that have become increasingly important as impediments to market access for emerging country firms. Third and perhaps most importantly, it provides much needed legitimacy to the WTO that has suffered steady erosion given the inability of members to conclude the Doha round. Indian business is acutely aware that WTO is the one forum that has the potential to level the playing field for all stakeholders in global trade. The relative success of WTO's dispute resolution mechanism to address concerns of the smaller economies vis-à-vis their larger trading partners is a pointer to WTO's institutional contribution. Staying engaged in the WTO process has created greater awareness among Indian firms about the safeguards and rules that are available to them to protect themselves against unfair trade practices. Thus, a successful Doha round would be a signal from the global political leadership that despite the challenges emerging out of the global economic downturn, the commitment to rules based trade liberalization remains firm.

NAMA

Indian industry approaches the Ministerial negotiations in Doha with cautious optimism. For the most part, industry is comfortable with the non-agricultural market access (NAMA) negotiations and the Swiss formula based tariff reduction approach. However, there are some concerns on specific issues that are elaborated in the following paragraphs.

The demand for mandatory inclusion of large emerging economies in sectoral liberalization. Participation in the sectoral liberalization process was always meant to be voluntary as per the Doha agenda. The recent attempts to make participation in such sectoral negotiations compulsory for large emerging economies will only hamper progress at Doha. Accepting the very principle of it would open a Pandora's box. What stops other countries from insisting that certain countries must participate in specific sectoral negotiations given their share of trade in that sector? Indian industry has firmly rejected any attempts to make participation in sectorals mandatory or even attempts to incentivizing participation in such sectoral negotiations.

The inclusion of remanufactured goods in the NAMA agenda is counterproductive, especially given the fact that there is no

agreement on what constitutes a 'remanufactured' good globally. Indian industry perceives this as an attempt by multi-national firms based in developed economies to dump their used goods on developing country markets. Any attempt to develop consensus on definitions and product standards governing such trade, including sector specific details would be an extremely complicated process and delay Doha indefinitely. More importantly from a longer term perspective, allowing for trade in such products would decrease ability to build longer-term competitiveness through investments in the value-chain in emerging market economies.

With reference to the sectoral standard making process, the Doha mandate requires members to negotiate reduction, and where appropriate elimination of NTB. A number of product and industry specific proposals have been received thus far. However, these sector specific proposals have cross-cutting common principles that apply to all NTB proposals. This is consistent with the traditional industry position supporting elimination of all non-tariff barriers to trade in goods around the world. However, Indian industry is not very comfortable with the text of the some of the proposals. The process of global convergence on standards should be an open and transparent one, and should not prejudice the standard setting process towards norms prepared by the most advanced economies. Emerging economies would need to stay very closely engaged in the NTB negotiating process to see that their interests are safeguarded.

On environmental goods (EG) the debate has centered around two main issues, the definition of what constitutes an 'environmental' good and the appropriate mechanism of creating market access for such goods. The Indian industry strongly rejects any attempts to club dual-use goods into the environmental goods category and in general is against any positive list approach to liberalization. The best solution would be to adopt a project based approach so that genuine environment related projects can access EG without any tariff barriers.

Services

One area where Indian industry has been somewhat disappointed is the pace of negotiations in services and the inability and reluctance of members to deal with practical business concerns when it comes to trade in services, especially trade in professional and technical services including IT. An effective delivery strategy for services combines Mode 1 (cross-border service delivery) with Mode 4 (movement of professional to deliver a service). A large chunk of many professional services can be done remotely, but there still remains a requirement to have some minimum personnel at the client site. The lack of progress on Mode 4 is thus a terrible disappointment. Mode 4 would have tremendous development impact even for the less skilled workforce and would increase the welfare of consumers in advanced economies who require such services.

On a related issue, much more needs to be done at the multilateral level to start the process of mutual recognition of professional degrees and certifications. Non recognition of these degrees represents a barrier to the global trade in skills and as such counterproductive for global economic growth.

Agriculture

On agriculture, Indian industry fully supports the need for elimination of all distortions in trade in agricultural goods and commodities through substantial reduction in all domestic support off all types provided by developed country members by 2012. Also, full consideration needs to be given to food security and livelihood concerns of farmers in developing and least developed countries. In light of that, WTO would need to evolve rules to make it easier to trigger agricultural safeguards to protect the interests of farmers in the event of import surge or price depression. Another area of concern are the components of sensitive and special products that need to

be strengthened so developing country members can address the problems of small and subsistence farmers. Further, developing countries must be given special and differential treatment for border protection and internal support measures in order to secure domestic food supply.

Having spelled out the general industry position, as opposed to some of the key concerns that specific sectors among Indian industry might share, it is important to reiterate that industry

stakeholders in India has a very nuanced expectation from a successful Doha round. Doha is but a small step towards the larger goal of equitable, fair, free and sustainable trade. The ideal is of having a world where ALL factors of production, whether capital, labour, technology or goods can move relatively freely across borders. But however small a step Doha might represent towards this ideal, it would symbolize the global community's commitment to get there one day and for that reason alone its success is critical. ■