Centre for WTO Studies
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INDIA, WTO AND TRADE ISSUES

Bi-monthly Newsletter of Centre for WTO Studies

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Dear Reader,

It gives me immense pleasure to introduce you to the Centre for WTO Studies, coinciding with the inaugural issue of our new bi-monthly newsletter: " India, WTO and Trade Issues". The Centre for WTO Studies – WTO Centre in its shorter form – has indeed been functioning since November 2002 in the Indian Institute of Foreign Trade with the objective of providing research and analytical support to the Department of Commerce in the Ministry of Commerce and Industry on identified issues relating to the World Trade Organisation (WTO). However, the Centre has recently undergone considerable strengthening following recognition of the need- acutely felt since the country assumed membership of the WTO - for an organization that could give focused inputs based on in-depth research and analysis on a continuous basis. One, trade negotiations in the WTO are an ongoing phenomenon; and two, WTO agreements have wide-ranging implications for several sectors of the economy. Hence, the Centre is meant to fulfil a long felt need, as also to ensure the much needed institutional memory on WTO issues. An Advisory Body has been constituted, and simultaneously, the faculty has been strengthened, with a wider mandate to carry out research activities, provide independent analysis, and to generate outreach and capacity building through stakeholder seminars, workshops and so on. Knowledge is power, and nowhere more so than in multilateral trade negotiations. The Centre aspires and will strive to be the best of its kind.

(S.N.Menon)

Chairman, Advisory Committee
Centre for WTO Studies

In this issue

WHY THE MINI-MINISTERIAL COLLAPSED:
THE INDIAN PERSPECTIVE

After 9 days and long hours of hard talking, the informal meeting of Trade Ministers of the World Trade Organisation (WTO), commonly known as the Mini-Ministerial, ended inconclusively in Geneva as the Ministers failed to agree on blueprint agreements in agriculture and non-agricultural products. The talks, which began on 21 July were called off on 30 July 2008, as Mr. Pascal Lamy, Director-General, WTO, told participants there was no escaping the fact that the Ministers had been unable to bridge their differences on one key issue: the Special Safeguard Mechanism (SSM) in agriculture, which would have allowed developing countries to raise tariffs temporarily in order to deal with import surges and price falls.

On his return from Geneva, Mr. Kamal Nath, Minister of Commerce and Industry, who led the Indian delegation to the talks, gave India's perspective on the outcome on July 31, 2008 in New Delhi:

Commerce & Industry Minister Mr. Kamal Nath addressing the media after the breakdown of the talks in Geneva .

Commercial Interests Cannot Take Primacy Over Livelihood Concerns

The primary objective of the Doha Round is to bring the development dimension of international trade to the centre stage. While there would always be commercial interests guiding trade, these interests cannot take primacy over the livelihood interests of billions of poor and vulnerable farmers in the developing world. In the context of the current food crisis and the abnormal rise in food prices, it has become all the more important to preserve and protect the livelihood security of poor farmers and the long-term food security of developing nations.

In view of the subsistence nature of farming in developing countries and the need to insulate the poor and vulnerable farmers of these countries from the uncertainties in the global markets, the instruments of Special Products (SPs) and Special Safeguard Mechanism (SSM) were built into the Doha mandate. The July Framework and the Hong Kong Declaration fine tuned the instruments. SPs are those products that are critical for addressing the food security, rural livelihoods and rural development concerns of developing countries. An agreement was reached in the Hong Kong Ministerial Conference to allow developing countries to "self-designate" an appropriate number of SPs whose tariffs would to take less than formula cuts. SSM, on the other hand, is designed to protect the farmers from sudden import surges and price dips by applying an additional safeguard duty over and above the bound rate.

Why SSM Is Important?

The lack of consensus on SSM was not an issue affecting only India. It affected more than 100 of the least developed and developing countries. The G33 (which has 46 members), the African Group (with 53 members), the African-Caribbean-Pacific Group, the Small Vulnerable Economies, together having a membership of more than 100 countries, had expressed their strong views on the volume and price triggers that would be used to invoke the SSM. They had issued a joint statement on 27 July, articulating their needs and their recommendations on the triggers and the remedies.

The trigger for an SSM is very important because it determines when a safeguard duty can be imposed. If the trigger is too high, the SSM loses its effect because it can only be used in the most exceptional circumstance. Thus, the trigger has to be reasonable.

However, in the discussions during the Mini-Ministerial, it was proposed that the volume trigger should be fixed at 40% higher than the average imports of the last three years. This implies that if the average imports of a product over the last three years are 100 MT, the imports must cross the level of 140MT for the safeguard duty to be activated. In fact, the proposed volume trigger is much higher than the trigger for the application of Special Safeguards, which the developed countries themselves have used to protect the commercial interests in their agriculture since the implementation of the Agreement on Agriculture began in 1995.

Lack Of Consensus

The proposal was considered unacceptable by the broad coalition of developing countries because it would have rendered the SSM virtually inoperable. India has more than 30 crore people living on less than $ 1 a day. When there was a lack of consensus on this issue in the Green Room, which had the Ministers of more than 30 countries present, the matter was referred to a group of seven countries (US, EC, Japan, Australia, Brazil, China, India) by the DG, WTO. Despite all out efforts stretching over a few days, when there was no consensus, the Mini-Ministerial had to be halted.

SSM Not The Only Issue

The SSM was not the only issue on which progress could not be made. There were several important developing country issues including subsidies on cotton, preference erosion, tropical products and duty free quota free (DFQF) access to LDCs, on which discussions were not held. And, as the WTO DG, Pascal Lamy had indicated, the discussions could not be concluded on the relationship between the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and the UN Convention on Biological Diversity. For the developing countries, this issue is of critical importance for it would help in addressing the twin problems of biopiracy and misappropriation of traditional knowledge.

Signaling Conference on Services

The negotiations on services have moved little during the past two years, which is essentially because a large number of WTO Members have not yet submitted their initial offers. This scenario prevails despite the fact that a few countries, including India, had tried to fast-track the services negotiations in the first half of 2006. From the viewpoint of developing countries like India, the problem in services negotiations has been the lukewarm response of the developed countries to improve their market access offers in Modes 1 and 4. Given this backdrop, considerable importance was attached to the signaling conference on services, which witnessed both the European Union and the United States send out "positive" signals. Importantly, the European Union indicated that it could consider enhancing the quota for providing access to "natural persons" under Mode 4.

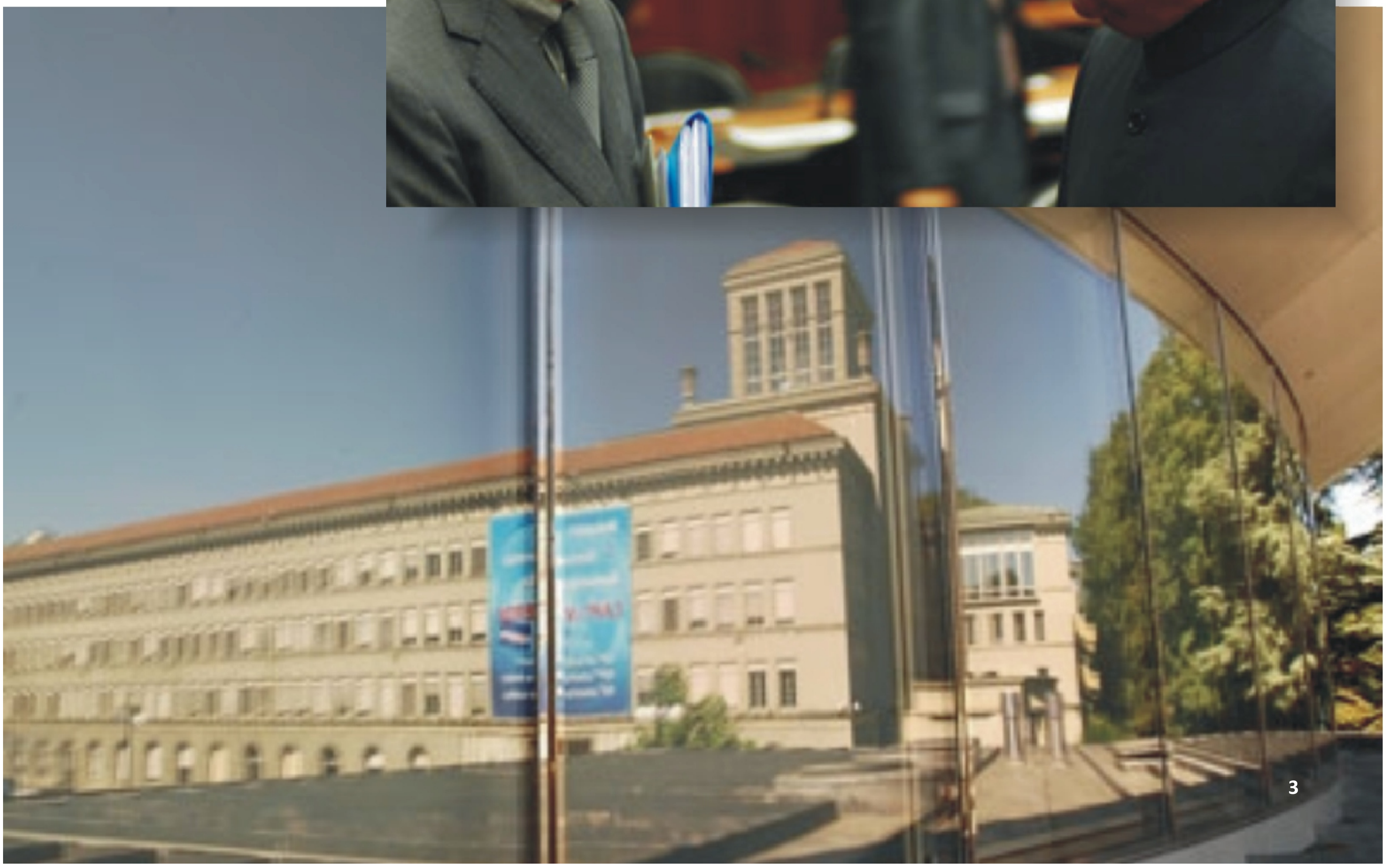
The coming months, Mr. Kamal Nath said, would see attempts at overcoming the current impasse. He reiterated that India stands committed to constructively engage at the WTO to move the Doha Development Round to a successful conclusion.

SNAPSHOTS

MINI-MINISTERIAL, GENEVA (July 2008)

Director-General, WTO, Mr. Pascal Lamy with Mr. Kamal Nath in Geneva

Venue of the Mini-Ministerial, Geneva



WTO Centre launches Stakeholder Consultations on the NAMA Sectoral Proposals

In the Doha Round Negotiations in WTO, **the negotiating text dated 10 July 2008 released by the Chairman of the Negotiating Group on Market Access (NGMA) includes proposals on Sectoral elimination of tariffs on goods belonging to 14 sectors. These sectors are Automobile and related parts; Bicycles and related parts; Chemicals; Electronics/Electrical products; Fish and Fish products; Forestry products; Gems and Jewellery products; Raw materials; Sports equipment; Healthcare, pharmaceutical and medical devices; Hand tools; Toys; Textiles, clothing and footwear; and Industrial machinery.**

The Department of Commerce mandated the Centre for WTO Studies to assist in evolving a negotiating position of the Government of India on this subject through a consultation process with the industry and other stakeholders. As a beginning, the Centre arranged consultations on Chemicals; Electronics/electrical products; and Industrial machinery.

For consultations with related stakeholders, the Centre has finalized as its partners: Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Indian Export Organisations (FIEO) and the Federation of Indian Small and Medium Enterprises (FISME). The first consultation was held with CII in New Delhi on 28 August, 2008, attended by the officials of Department of Commerce. The Indian industry was apprised of the latest developments in the WTO negotiations and the Sectoral proposals. The views from the industry were taken note of. A series of consultations are also scheduled to be held outside Delhi with stakeholders in a number of states during September-October 2008 including Ahmedabad, Chennai, Hyderabad, Ludhiana, Kolkata, Mumbai, Pune and Bangaluru, besides Delhi.

Automotive Trade Workshop on WTO, FTAs

Society for Indian Automotive Manufacturers (SIAM) jointly with Centre for WTO Studies, IIFT and Automotive Component Manufacturers Association of India (ACMA) organized the 'Automotive Trade Workshop Phase VI' on August 14, 2008 in New Delhi. Officials from the Department of Commerce briefed the participants on the current status and the latest developments in the WTO negotiations and bilateral/ regional trade agreements. Discussions were held on the Sectoral and anti-concentration proposals. The industry representatives also expressed their views and concerns on these issues. They urged that India should not undertake any additional commitments under these proposals.

The participants were also briefed on the latest state of play on India's FTA negotiations especially with ASEAN, EC, Korea and Japan. The industry representatives expressed their concern on including items from auto and auto components in the tariff concessions list citing the cost disadvantage that the Indian industry is facing vis-a-vis its other trading partners.

In his concluding remarks, Shri G.K.Pillai, Commerce Secretary, welcomed this initiative of the Centre for WTO Studies, ACMA and SIAM to create awareness amongst the industry and hoped that such initiatives would be undertaken on a continuous basis. He emphasised the need for the industry to be prepared to face new challenges arising out of these negotiations.

Mr Vishnu Mathur, Executive Director, ACMA, Dr Biswajit Dhar, Head-Centre for WTO Studies, IIFT, Mr G K Pillai, Commerce Secretary, Mr S Sandilya, Chairman, Trade Policy Group & Treasurer, SIAM and Mr Dilip Chenoy, Director General, SIAM at the Phase VI of the Automotive Trade Workshop (L to R)

Dr Rahul Khullar, Additional Secretary, Ministry of Commerce & Industry at the Automotive Trade Workshop in New Delhi on August 14, 2008

The highest decision making body of the WTO is a meeting of the Ministers of all the Member countries (currently 153). Though the Hong Kong Ministerial meeting of 2005 had laid out a tight schedule for the finalisation of the Agriculture and NAMA modalities (which in simple terms means deciding on the various numbers and provisions proposed for the liberalisation of trade) of the Doha Round (formally launched in November 2001), the timelines could not be met and the negotiations had to be suspended in July 2006 (resumed in February 2007) in view of the wide divergences then existing among different countries on the modalities. The Doha Round of the WTO has been specially designated as a Development Round. The needs and interests of the developing countries lie at the heart of the Round. The primary objective of the Round is the promotion of economic development and the alleviation of poverty in developing countries through providing them a share in the growth of world trade commensurate with their needs of economic development. The third Revised Draft modalities Texts on Agriculture and NAMA were brought out by the Chairs of the respective negotiating groups on 10 July 2008 after intensive negotiations since February 2007. A mini-Ministerial meeting was convened by DG, WTO from 21 to 26 July to finalise the Agriculture and NAMA modalities. But the talks remained inconclusive despite extended discussions stretching till 29 July as the differences among the major participating members could not be bridged. Once the modalities in the areas of negotiations are also finalised, they would all have to be approved in a full Ministerial meeting of the WTO as a part of the 'Single Undertaking', in order to reach a closure of the Doha Round.

SERVICES

Services exports account for 40% of India's total exports of goods and services, and stood at $86 billion in 2007-08. The contribution of Services to India's GDP is more than 55%. The sector (domestic and exports) provides employment to around 142 million people, comprising 28% of the work force of the country. India's exports are mainly in the IT and IT enabled sectors, Travel and Transport, and Financial sectors. The main destinations are the US (33%), the EU (15%) and other developed countries. India has an obvious interest in the liberalisation of services trade and wants commercially meaningful access to be provided by the developed countries to fulfil the Development Agenda of this Round. Since the Uruguay Round, India has autonomously liberalised its Services trade regime across the board, with significant market access provided in core areas of interest to the developed countries, e.g. Telecommunications (74% FDI), Financial Services (26% FDI in Insurance, 74% FDI in private banks, 100% FDI in Asset Management firms etc.), Retail (51% FDI for single brand retailing), Courier Services (100% FDI).

India's interest in services lies in the large pool of trained, qualified experienced manpower providing services by temporarily moving to provide services and then returning to India (Mode 4). Trade in Mode 4 accounts for only a minuscule 1% of global trade at the moment. India has asked for a commitment from the developed countries in Mode 4, inter alia in I.T and I.T Enabled Services, Engineering Services, Health Services, Education Services etc. **The other manner in which India can deliver services is by way of remote supply of services with improved connectivity and vast pool of professionals in various services sectors (Mode 1). It includes outsourcing, BPO etc.** Global trade in Mode 1 accounts for only 18% of total trade. In Mode 1, India wants developed countries to take binding commitments in various services sectors - Health Services, R&D Services, Engineering & Integrated Engineering Services, Construction and Related Services, Computer Related Services, Professional Services, Other Business Services like credit reporting services, collection agency services, telephone-based support services, data processing services etc.

The major concern for India in the area of services is that the markets for services in the larger economies are not sufficiently open, particularly in respect of labour and labour-related services. Furthermore, in order to realise effective access in the larger markets, there is a need to ensure that **predictable** and **transparent disciplines** are put in place for **Domestic Regulations** so that they are not abused to deny access or to create barriers.

NAMA

The NAMA negotiating mandate required WTO member countries “to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries”. Furthermore, it was agreed that the product coverage would be comprehensive and without a *priori* exclusions.

The principle of less than full reciprocity (LTFR) in reduction commitments is a core Ministerial mandate that seeks **lower reduction commitments for developing countries than those undertaken by developed countries. This is to be achieved through the choice of different coefficients in the Swiss formula, for developed and developing countries. In July 2008,**

the Chairman of NAMA Negotiating Group had proposed a coefficient between 7-9 for the developed countries and a set of three options for the developing countries, each of which was in-turn linked to a set of flexibilities. According to this proposal, developing countries opting for the steepest reduction in their bound levels of duties (accepting a coefficient that was between 19 and 21) could keep 6-7 per cent of their tariff lines unbound, provided that these tariff lines did not make up for more than 6-7 per cent of the total value of non-agricultural imports. And, for countries that opted for the least reduction in bound tariffs (those accepting a coefficient of 23-26) it was proposed that they would have to comprehensively bind their non-agricultural tariffs. The reduction of bound tariffs that is to be undertaken in the light of the options proposed by the Chairman of NAMA provides considerable flexibility to countries like India to continue with their autonomously determined pace of tariff reduction on non-agricultural products. In other words, the proposed Doha Round commitments on NAMA would not require these countries to reduce even their current applied levels of tariffs on non-agricultural products. Flexibilities and Anti Concentration Clause (ACC): The current proposal on Anti- Concentration seeks to ensure that a minimum number of tariff lines within an HS Chapter take the full formula cuts and are not excluded by NAMA flexibilities. For India, the 5% or 10% flexibilities options are the barest minimum for it to address its concerns on its vulnerable and infant industries and to protect the livelihoods of millions of people engaged in its small scale, cottage and tiny industries and provide it with the requisite policy space. Sectoral Initiatives: The sectoral initiatives for elimination or harmonization of tariffs in specific sectors are intended to be voluntary and non- mandatory modality. They are not to be used as a tool to override the ambition set up by the formula coefficients and gouge out market access from developing countries. This would turn the development dimension of the Doha mandate on its head.

AGRICULTURE

One of the primary objectives of the Doha Round was to substantially reduce the distortions that have plagued global agricultural markets, caused primarily through subsidies and protection by the developed countries.

Thus far, the negotiations have seen **that the developed countries have been reluctant to lower their farm subsidies, while the onus has been on developing countries to provide greater market access.** However, developing countries have been able to secure access to **two significant measures, viz. Special Products (SPs) and the Special Safeguard Mechanism (SSM) both of which are especially intended to protect the food security and livelihoods of billions of poor and vulnerable farmers, which form the bulk of the farm population in their countries, from the vagaries of the global marketplace..**

The plethora of farm subsidies that the farm sectors in the developed countries continue to enjoy have left a majority of countries in the developing world worse off. The subsidies have artificially depressed commodity prices in global markets and have thus prevented efficient producers in the developing countries from getting their rightful share in the global markets. There is growing unanimity amongst agricultural experts that these subsidies are at least partially, if not fully, responsible for the decline in food production in developing countries and the exacerbation of the food crisis through the diversion of food crops to the production of commercial crops. Cotton is a stark example. Some of the most competitive producers of cotton are countries in West Africa, with millions of farmers engaged in the cultivation of the crop. These countries have witnessed a shrinking of their revenues from the export of cotton since they have been unable to compete with the subsidized cotton originating in the United States.

Although the negotiations in the Doha Round made a serious attempt to reduce farm subsidies, little progress has been made towards this end in real terms. In fact, prospects of reining in of US farm subsidies in the near future were effectively squashed by the recently enacted US Farm Act 2008. According to some estimates, US farm subsidies are expected to increase by $20 billion during the pendency of the new Farm Act (2008-2012).. This in essence means that the farm sector in the United States would continue to provide subsidies using the categories of subsidies in the so-called “Green Box”, i.e. those that are not subjected to any reduction commitments.

Besides reductions in the high levels of farm subsidies, developing countries seeking market access have been seeking reductions in tariffs on agricultural commodities. The focus of the market access negotiations in agriculture has been on reduction in non-ad valorem tariffs that have been used in good measure by a number of developed countries. It is a well accepted fact that non-ad valorem tariffs conceal the extent of tariff protection that a product could receive, which does not become obvious unless such a tariff is measured in terms of its ad valorem equivalent (AVE). The current round of negotiations has addressed this problem of tariff simplification through a broad agreement on the methodology to be adopted for calculating the AVEs of non-ad valorem tariffs.

India launches Duty Free Tariff Preference Scheme for Least Developed Countries

In December 2005, WTO Ministerial Conference in Hong Kong took a decision to provide Duty Free Quota Free (DFQF) access to the Least Developed Countries (LDCs). This decision is incorporated in Annex F of the Hong Kong Ministerial Declaration. It, inter alia, requires all developed-country Members, and developing-country Members declaring themselves in a position to do so, to provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period of the Doha Round decisions in a manner that ensures stability, security and predictability. The developing-country members were permitted to phase in their commitments and have been given flexibility in product coverage. In the past China and Republic of Korea have announced implementation of such scheme for LDCs in a limited manner. Korea provides concessions on a positive list of products to all LDCs whereas China provides the concession only to African LDCs who are Members of the WTO on products that China imports from these countries.India's Scheme extends concession to all the 49 LDCs and is on the format of a free trade arrangement where duties are reduced/eliminated in gradual manner.

India has implemented a Duty Free Tariff Preference (DFTP) Scheme in August 2008. India's DFTP Scheme is open to all the LDCs and it has followed a FTA approach for granting tariff preference. On majority of these items, duties would be eliminated gradually in 5 years.

This Scheme provides preferential market access on 94% of total tariff lines and only 6% of the total tariff lines remain in the Exclusion List on which no preferential duty access would be granted (out of a total of 5052 products at 6-digit HS, there are only 326 products that are outside the scope of tariff concessions). The items which are kept out of the concession list include items like poultry, milk & cream, vegetables like potatoes, tomatoes, onions etc., coconut, coffee, tea, beverages, spirits, some products of iron and steel etc.

The scheme provides preferential market access on products that comprise 92.5% of global exports of all LDCs. Products of immediate interest to Africa which are covered include cotton, cocoa, aluminium ores, copper ores, cashew nuts, cane sugar, ready-made garments, fish fillets and non-industrial diamonds.

Limited concessions would be available on cut flowers, leguminous vegetables, dates, some fruits & spices, vegetable oils, dyes & chemicals, plastic materials, apparel & clothing etc.

In order to get the preferential treatment, the manufactured products need to undergo a “change in tariff heading” (CTH) between the non-originating raw materials and the finished products and in the process should also lead to a value addition of 30% in the exporting LDC country. This value added includes the cost of local profits of manufacturers, traders etc. as well as the cost of local transportation.

This scheme provides for technical assistance to be given by India to the LDCs on a need-based basis for effective implementation of the scheme.

As of now, seven LDC members have opted to avail this benefit. These are Cambodia, Tanzania, Ethiopia, Mozambique, Samoa, Malawi and Lao PDR. It is understood that more LDCs are in the process of opting for this Scheme

WHO SAID WHAT?

Bi-monthly Round-up of News and Views on WTO and Related Issues

(July-August, 2008)

1. Priority to commercial interests failed WTO talks: Nath Repeated attempts by rich nations to accord precedence to commercial interests over livelihood concerns of farmers led to failure of the WTO mini-ministerial negotiations at Geneva, commerce & industry minister Kamal Nath said while speaking to media persons on his return from Geneva. Commercial interests could guide trade but cannot override the interests of poor farmers in India and other developing countries, he said. Several issues of interest to developing countries were not discussed at all and new elements restricting the flexibilities available to the developing world were introduced, he said while listing out reasons for failure of the mini-ministerial. **(Economic Times dated 1.8.08).**

2. Failure of WTO talks a pause, not breakdown, says Kamal Nath The commerce Minister Mr. Kamal Nath called on the WTO to treat it as a pause, not a breakdown. "I would only urge the Director General to treat this as a pause, not a breakdown, to keep on the table what is there....What is at stake is not mere commercial interest, but so many benefits to our African friends, to our LDCs (least developed countries)", he said immediately after the talks collapsed, adding: "I go back with a very heavy heart. For me personally, I thought it would be a great sense of fulfillment that all the time and years that I've invested in this round would see a closure". **(AFP in Geneva on 30.8.08).**

3. Trade talks failure weighs on other issues The demise of the Doha world trade talks because of splits between wealthy and developing nations suggests other global undertakings, from slashing greenhouse gas emissions to ending food export restrictions, also will face hurdles. Efforts at a global cooperation are all grappling with the same forces: a resurgence of nationalism across the globe, muscle-flexing by emerging economic giants such as China and India, and a fraying of the Cold War ties that bound many developing countries to the US and Europe, Kimberly Elliot, a senior fellow for the Centre for Global Development, a Washington think tank, said."Emerging markets (such as China and India) are taking a big role", she said, sometimes elbowing out even poorer nations. **(Wall Street Journal dated 1.8.08).**

4. No compromise, India awaits positive signal from US to return to WTO talks Signaling its willingness to return to the negotiating table for a global trade deal at the WTO, India on August 13, however, said a resumption of the Doha Development Round talks now depends on WTO director-general Pascal Lamy getting a similar response from the US. "We have always said if the WTO director-general feels there is a chance for (another) opening, then we will be prepared to go again to Geneva," commerce secretary GK Pillai told reporters on the sidelines of a conference organized by a consumer advocacy NGO, the Consumer Unity & Trust Society International, or CUTS and the Federation of Indian Chambers of Commerce and Industry (FICCI). Pillai said Lamy "would get back to us," if he gets positive signals from US Trade Representative Susan Schwab and other officials there. However, Pillai said there was no change in India's stance at the WTO, and added that India will not make any compromises on protection of the livelihood of its poor farmers as well as the interests of its infant and small industries. **(Financial Express dated 14.8.08).**

5. Leaving WTO would leave India without support, says Pawar Agriculture minister Sharad Pawar has rejected a suggestion that India should step out of the WTO because of high agricultural subsidies in the developed countries. "The question of agricultural subsidies has prompted some people to suggest that India should step out of the WTO. Such a step would be self-defeating. We would be singled out and left without support," Pawar said in his book 'Fast Forward', released recently. He said while agricultural subsidies were supported by most of the leading nations, their number has dwindled." This implies that over the next four to five years subsidies would definitely be on their way out,"and India with high labour power would be able to “excel” in global competition once the agricultural subsidies are done away with, Pawar argued. **(Financial Express dated 16.8.08).**

6. Don't cry for Doha: Doha was never a development round, and tomorrow's world will hardly look any different, says Dani Rodrik The latest round of talks in Geneva has once again failed to produce an agreement. Judging by what the financial press and some economists say, the stakes could not be higher. Conclude this so-called "development round" successfully, and you will lift hundreds of millions of farmers in poor countries out of poverty and ensure that globalisation remains alive. Fail, and you will deal the world trading system a near-fatal blow, fostering disillusionment in the South and protectionism in the North. But look at the Doha agenda with a more detached eyes, and you wonder what all the fuss is about. True, farm-support policies in rich countries tend to depress world prices, along with the incomes of agricultural producers in developing countries. But for most farm products, the phasing out of these subsidies is likely to have only modest effects on world prices - at most a few percentage points. While higher world farm prices help producers, they hurt urban households in developing countries, many of which are also poor. The best that can be said is that farm reform in rich countries would be a mixed blessing for the world's poor. Clear-cut gains exist only for a few commodities, such as cotton and sugar, which are not consumed in large quantities by poor households. The big winners from farm reform in the US, the EU, and other rich countries would be their taxpayers and consumers, who have long paid for the subsidies and protections received by their farming compatriots. What about industrial tariffs? Rich countries have demanded sharp cuts in import tariffs by developing countries such as India and Brazil in return for phasing out their farm subsidies. (Why they need to be bribed by poor countries to do what is good for them is an enduring mystery.) But here, too, the potential benefits are slim. Applied tariff rates in developing countries, while higher than in advanced countries, are already at an all-time low. According to World Bank estimates, complete elimination of all merchandise trade restrictions would ultimately boost developing-country incomes by no more than 1 per cent. The impact on developed-country incomes would be even smaller. And, of course, the Doha Round would only reduce these barriers, not eliminate them altogether.

The Doha Round was constructed on a myth, namely that a negotiating agenda focused on agriculture would constitute a "development round". This gave key constituencies what they wanted. It provided rich-country governments and the then-WTO Director General Mike Moore with an opportunity to gain the moral high ground over anti-globalisation protesters. It gave the US a stick with which to tear down the EU's common agricultural policy. And it was tailor-made for the few middle-income developing countries (such as Brazil, Argentina, and Thailand) that are large agricultural exporters. But the myth of a "development" round, promoted by trade officials and economists who espouse the "bicycle theory" of trade negotiations - the view that the trade regime can remain upright only with continuous progress in liberalization - backfired, because the US and key developing countries found it difficult to liberalise their farm sectors. What ultimately led to the collapse of the latest round of negotiations was India's refusal to accept rigid rules that it felt would put India's agricultural smallholders in jeopardy. **(Dani Rodrik, Professor of Political Economy at Harvard University's John F. Kennedy School of Government, in Business Standard dated 6.8.08).**

7. Next agenda: India must ensure services are part of WTO talks The discordance between the major participating countries on agriculture and NAMA emphasizes the point that the global community may have to wait a while longer before the Doha round is concluded. India must consider the strategy that it would have to adopt to ensure that all critical issues included in the Doha mandate are taken up in right earnest and there are a range of issues other than agriculture and NAMA in which the country has large stakes. The lack of significant movement in services negotiations is of particular concern to India. India is seeking enhanced market access in a number of services sectors in major markets, especially through cross-border transactions and movement of natural persons. This objective can be realized only if India is able to develop coalitions with like-minded countries, as it has done in agriculture and NAMA. **(Dr. Biswajit Dhar, Professor and head, Centre for WTO Studies, IIFT, Economic times dated 31.7.08)**

FORTHCOMING EVENTS

(i) Stakeholder consultations on NAMA Sectoral negotiations

(September-October 2008)

PARTNERS	PLACE	DATE
CII	Delhi	28 August 2008
FICCI	Ahmedabad	02 September 2008
FIEO	Chennai	04 September 2008
FIEO	Hyderabad	05 September 2008
FIEO	Ludhiana	12 September 2008
CII	Kolkata	15 September 2008
FICCI	Mumbai	16 September 2008
FISME	Pune	18 September 2008
CII	Bengaluru	19 September 2008
FICCI	Delhi	03 October 2008

(ii) Training on WTO and RTAs for Delhi-based officers of DGFT

22 September -1st October 2008

(iii) Training on Trade Negotiation Skills being organized in collaboration with the WTO Secretariat and the Department of Commerce

13-17 October 2008

(iii) Training on WTO and RTAs for non-Delhi based officers of DGFT

20-24 October 2008

Centre for WTO Studies

विश्व व्यापार संगठन अध्ययन केन्द्र

About the WTO Centre

The Centre for WTO Studies has been functioning since November 2002 in the Indian Institute of Foreign Trade. The major objective of the Centre is to provide research and analytical support to the Department of Commerce on identified issues relating to the World Trade Organisation.

The Centre has recently undergone considerable strengthening. It has now a wider mandate and is tasked to carryout research activities, bring out newsletters on WTO related subjects, organise outreach and capacity building programmes through seminars, workshops, subject-specific meetings etc. and to be a repository of important WTO documents in its Trade Resource Centre. An Advisory Committee has been constituted to guide the work of the Centre.

The Centre is currently engaged in research activities on following WTO related subjects:

- **Agriculture**
- **Intellectual Property Rights**
- **Agreement on Sanitary and Phytosanitary Measures**
- **Agreement on Technical Barriers to Trade**
- **Trade Facilitation; Technology Transfer**
- **Issues relating to Environment and Trade**
- **Labour Issues**

ADVISORY COMMITTEE

The Centre for WTO Studies works under the overall guidance and supervision of an Advisory Committee, which consists of the following:

Mr. S.N.Menon
Former Commerce Secretary, Govt. of India - Chairman

Mr. S. Narayanan
Former Ambassador of India to WTO, Permanent Mission of India, Geneva - Member

Dr. Rahul Khullar
Special Secretary, Department of Commerce - Member

Mr. K.T. Chacko
Director, IIFT - Member

Dr. Biswajit Dhar
Head, WTO Centre, IIFT Member - Secretary

Mr. Jayant Dasgupta
Joint Secretary, Department of Commerce - (Special Invitee)

Mr. Amarendra Khatua
Joint Secretary, Department of Commerce - (Special Invitee)

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