INDIA'S TRADE NEWS & VIEWS

July 28 to August 11

India threatens to move WTO against EU's carbon tax

Chetan Chauhan, Hindustan Times

New Delhi, July 28, 2011: India has threatened to move World Trade Organisation (WTO) against the European Union if it fails to withdraw carbon tax to be imposed on flights landing or taking off from European airports from January 2012. Even though the additional per passenger cost would be around six US dollars, Indians would be paying approximately about one billion US dollars a year to Europe. Similar cost for China would be about four billion US dollars.

Money is not the worrying factor for India, as a senior environment ministry official puts it. But, the concern is that the tax will give kick-start similar unfair trade practices in the name of fighting climate change. Europe is already talking about imposing a similar carbon tax on imported high carbon emitting fuels from 2013-14.

In the world's first, the European Union earlier this year decided to bring aviation sector from January 2012 under EU Emission Trade Scheme, which imposed a penalty for failing to keep carbon emissions within 10,000 tonnes a year.

It would mean that a Boeing 747 flying from Delhi to London will exhaust this quota within a month and thereafter, will have to pay the environmental degradation tax for landing on European airports. The decision was taken after EU found that aviation sector was spewing 20 % more carbon dioxide into the environment than previously estimated.

India has not bought the European claim and Indian environment minister Jayanthi Natarajan lodged a formal protest with the European Union this week terming the decision as "unfair" trade practice. Natarajan in a letter urged Europe to withdraw the unilateral tax till a consensus is built on the issue at United Nations Framework Convention on Climate Change.

"We believe European carbon tax is just a start of a new global tax regime to adversely hit business of emerging economies such as India and China…We will have no option other than to approach WTO if it is not withdrawn," a senior government functionary said.

The issue would be discussed at a meeting called by Cabinet Secretary Ajit Kumar Seth on Friday, where officials from ministries of civil aviation, commerce and environment will participate. "We are seeking legal opinion on how we can approach WTO," the functionary said, while explaining that aviation is not trade but service sector. WTO covers only trade sector.

The issue of carbon tax came up at a recent UNFCCC meeting in Bonn, Germany, where India along with the biggest group G-77 plus China opposed it. They termed it as an unfair practice against the developing world as under UN protocol to flight change the historical polluters --- rich countries --- have obligation to reduce carbon emissions and pay to the developing world to adapt to adverse implications of climate change. "By levying carbon tax, developing countries would be paying to rich nations," a government official said.

Environment ministry officials said India will also raise the issue at the next meeting of Basic countries --- a group of India, China, Brazil and South Africa – in August to garner more support against the decision.

India, EU ink deal to end drug seizure for now

TIMES NEWS NETWORK, The Times of India - Mumbai Edition

29 July 2011, New Delhi: India and the European Union have reached an interim settlement to ensure that none of the 27 members of the economic and trading bloc will detain 'Made in India' consignments of generic medicines, which are transiting through Europe.

"Finally, EU has come around and we have agreed on an interim settlement... which means EU will not make any detention within its territory of pharmaceutical products coming from India.We will wait for the final settlement but we have not lost our right to agitate on the matter again," Rajiv Kher, additional secretary in the commerce department, told reporters.

This means that India will not withdraw its case against the European Union in the World Trade Organization's dispute settlement body. India had moved the WTO after consignments of generic or non-patented medicines shipped to Latin America were seized by European customs authorities on charges of intellectual property rights violations. Subsequently, Brazil joined the discussions.

About 17 detentions took place between October-December 2008 at Schiphol Airport at Amsterdam. These consignments, destined for Latin American countries, were initially detained and later destroyed or returned to India."Mere transit does not give you the right to detain (a consignment) when it is not meant for you," Kher said.

Kher said that as per the bilateral understanding, EU would not only stop such detentions but also amend its regulation under which its member countries resorted to such an action. The settlement is interim as the EU Parliament is expected to take about 12-18 months to amend the legislation and then India will examine that law."We will finally withdraw the dispute only after getting convinced," Kher, who is India's negotiator at the WTO said.

India is not completely satisfied with the draft amendment prepared by EU and has taken up the matter with the authorities. But New Delhi is convinced that given the backlash from the civil society and support from members of European Parliament there should not be any hurdles in passage the amendment.

Though European customs authorities have not seized any consignments since December 2008, Indian drug makers are under constant fear of seizure of consignments meant for Latin America, the largest market for locally-produced generic drugs. Indian companies have also started using alternate ports such as Johannesburg for transit. Indian pharmaceutical exports total about $10 billion per annum, most of which are generic drugs.

India exempts Japan from anti-dumping duty on PVC Paste Resin

New Delhi, July 28 (PTI) India has exempted Japan from the anti-dumping duty imposed on chemical used in manufacturing of leather products, while confirming that the levy will remain on China, South Korea, Russia, Thailand, Malaysia and Taiwan.

The imposition of duty, which is for a period of five years, is aimed at protecting the interest of domestic players from cheap inward shipments into the country.

The duty ranges from USD 1,471 to USD 1,707 per million tonne of the Poly Vinyl Chloride (PVC) Paste Resin.

"The product had been exported to India from the subject countries (except Japan) below their associated normal values," the Department of Revenue said.
The dumped imports of PVC Paste Resin have caused a material injury to the domestic industry, it said.

In June 2010, the Directorate General of Anti Dumping and Allied Duties (DGAD) had imposed a provisional duty on imports of these products from countries, including Japan.

Now, the DGAD again reviewed the situation and concluded that the duty will be imposed for a period of five years (unless revoked, superseded or amended) with a retrospective effect from July 26, 2010. This would not be applicable for Japan.

The chemical is used in artificial leather (Rexene), coated fabrics, tarpaulins, toys, automotive sealant and adhesives. PTI TA RK TVS 07281554

Govt lifts restrictions on cotton exports

New Delhi, July 31 (PTI) Amid abundant availability and a crash in prices, the government today removed restrictions on the export of cotton and permitted shipments under open general licences (OGL) for the remainder of the current season.

The cotton season runs from October to September. Cotton exports for the remaining two months (August and September) have now been put under OGL, Commerce Secretary Rahul Khullar told PTI.

"Now, exporters only have to register with the Directorate General of Foreign Trade (DGFT)," he said.

The issue came in for review at a meeting of secretaries in the ministries of commerce, textiles and agriculture, convened by Commerce and Industry Minister Anand Sharma here last week.

In October last year, the government had capped cotton exports at 55 lakh bales (170 kg each) to protect the domestic textiles industry in the face of rising raw material prices. An additional 10 lakh bales were permitted for export in June, after prices had corrected sharply.

Prices have declined to about Rs 31,000 per candy (356 kg) now from the peak of Rs 62,500 per candy in March-end.

The restrictions on cotton yarn were removed from April 1, after the manufacturers found themselves saddled with big inventories following the curbs on exports.

Besides the changing dynamics in the market, administering the restriction has proven to be "a big headache" for the Commerce Ministry, especially after the recent allocation of 10 lakh bales, as some exporters have taken the issue to different courts, sources told PTI.

They said it was in this context that Sharma reviewed the situation with the three secretaries on the weekend.

According to the estimates of the Cotton Advisory Board (CAB), the cotton surplus at the end of the current season would be 52.5 lakh bales on account of lower industry demand. In February, the CAB had estimated it at 27.5 lakh bales.

Likewise, the projection for domestic consumption of cotton this season has been lowered to 236 lakh bales, as against the earlier estimate of 265 lakh bales, on account of high inventories.

The cotton production projection, however, has been increased to 325 lakh bales for the current season. MORE PTI RR ARV ARV 07311455

No blanket ban by EU on ayurvedic medicines: Azad

New Delhi, August 02 (PTI): The European Union has not imposed any blanket ban on Ayurvedic medicines. It has, however, formulated a directive on traditional herbal medicinal products (THMPD), which has restrictive impact on India's exports of herbal medicinal products to EU, Health Minister Ghulam Nabi Azad said in the Rajya Sabha today.

In reply to a written question, the minister said Ayurvedic products are currently exported as dietary supplements, for which as of now, there is no registration requirement in most of the countries.

However, some countries require notification of such products. Many products have been notified in different countries (Italy, Belgium, Finland and others) by some Indian companies, he said.

The minister said India has been doing bilateral consultation with the European Union on Traditional Herbal Medicinal Products Directive since 2004 and has raised its concerns on this issue in the Technical Barriers to Trade (TBT) Committee of the WTO.

Hina hopeful of getting EU package

Anita Joshua, The Hindu

2 August 2011, ISLAMABAD,NATIONAL: Buoyed by her India visit, Pakistan Foreign Minister Hina Rabbani Khar on Monday was hopeful of getting the time-bound Pakistan-specific European Union (EU) package that New Delhi has been blocking for nearly a year now.

Briefing journalists here along with Polish Foreign Minister Radoslaw Sikorski, she said that after the bilateral visit to India, Pakistan was hopeful of getting that package. Following last year's devastating floods, the EU had offered trade concessions for a year to help Pakistan's textile industry tide over the difficulties caused by the deluge.

India's contention has been that there is no guarantee the waiver will benefit the flood-affectees. Also, it would set a precedent as EU has never in the past made such a concession for a natural disaster. Though India, Bangladesh and Peru are blocking this in the WTO Committee, Pakistan believes that if New Delhi withdraws its opposition, the other two countries will come around.

Making an oblique reference to India, Mr. Sikorski said the EU had offered the trade concession to Pakistan as the best possible deal for the situation facing the country, but it needed consensus within the World Trade Organisation (WTO). “One of your neighbours has objections,” he said; adding that Poland would continue with its efforts to “unblock that which is blocked at [the] WTO.”

Poland has just taken on the rotational presidency of the EU, and Mr. Sikorski is here both as a representative of his country and on behalf of the Union's High Representative for Foreign Affairs and Security Catherine Ashton.

Mr. Sikorski – who had visited India last month – was appreciative of Pakistan's efforts to normalise relations with its neighbours. Stating that it is particularly difficult to do so when there is a history, he cited Poland's own difficulties with its neighbours.

The first ever Polish Foreign Minister to visit Pakistan, Mr. Sikorski was particularly appreciative of Pakistan's role in the collapse of the Soviet Union that helped free Poland. “Poland is thankful to Pakistan for what it did then by siding with the free world. You have paid a heavy price for it and we feel your pain.”

Mr. Sikorski – who met President Asif Ali Zardari and Prime Minister Syed Yusuf Raza Gilani – said the Pakistani leadership had made it clear that they do not want charity but market access.

India pledges 'early' decision on foreign retail

Agence France Presse

3 August 2011: India will make an early decision on whether to allow foreign direct investment in its vast retail market, which would be one of the country's biggest economic reforms, a minister said Wednesday.

Multi-brand global companies such as US-based Wal-Mart currently operate as wholesalers but cannot sell directly to the Indian public, amid fears that big international retail chains could swamp small family-run stores.

"Once recommendations formally reach my table, we will take an early and appropriate policy decision," Commerce Minister Anand Sharma told parliament, hinting that the decision would be in favour of loosening restrictions.

The decision will be in "supreme" national interest and create millions of jobs across the country, Sharma said.

India's tight foreign investment rules are aimed at protecting small "mom-and-pop" stores in the sector where less than 10 percent of consumers shop in bigger, well-known department stores.

The minister's statement came after a panel of top government bureaucrats approved a plan to liberalise the retail sector whose annual sales are estimated at around $450 billion annually.

The policy change would mean foreign retailers could start selling to Indian shoppers through partnerships with Indian retailers and be allowed to hold up to a 51 percent stake in local joint ventures.

India, Pak to compete for vacancy at WTO's highest court

Geneva, August 7 (PTI) India and Pakistan are going to battle it hard for a vacancy for judge at the WTO?s highest court for trade disputes- the Appellate Body-- after New Delhi nominated former trade envoy Ujal Singh Bhatia as its candidate.

As more candidates are expected join the race for two vacancies at the Appellate Body that will be filled by the end of this year, India and Pakistan have already queered the pitch by nominating their recent trade envoys. "I am pleased to inform you our decision to nominate Ujal Singh Bhatia as India’s candidate for the membership of the Appellate Body," India?s trade envoy Ambassador Jayant Dasgupta told his counterpart Ambassador Elin Ostebo Johansen, the chair for the WTO?s dispute settlement body.

"Bhatia," wrote Ambassador Dasgupta, "played an active role in the Dispute Settlement process both as a panelist and as a representative of India in dispute cases."

Bhatia was India’s ambassador to the WTO during 2004 and 2010.

Earlier, Pakistan nominated its former trade envoy Manzoor Ahmad, who has worked closely with Islamabad’s trade ministry. He also served on dispute settlement panels and represented Pakistan in the World Customs Organization.

Ahmad is reckoned as a strong trade liberalizer, sources said.

The Appellate Body is the highest legal limb of the WTO and is reckoned as jewel in the crown for resolving complex global trade disputes.

It is a standing body of seven persons who can uphold, modify or reverse the legal findings and conclusions passed by a dispute settlement panel, which is the lower court.

So far, the Appellate Body has passed rulings in about 200 cases ranging from brooms to sea turtles, and anti-dumping to distorting cotton subsidies. A V Ganesan, former commerce secretary, served on the seven-member bench until 2008.

During Ganesan’s term which lasted for almost eight years, the AB passed some landmark rulings in intellectual property rights, cotton subsidies, and anti-dumping measures.The AB’s rulings on anti-dumping, particularly over its repeat condemnation of the controversial zeroing methodology to calculate anti-dumping margins, have been severely criticized by the United States.

Much would depend on how big is the race going to be from Asia as well as the support of the United States and China, sources added.

India aims for trade deals with Africa
Agence France Presse

9 August 2011: India said on Tuesday it expects to reach a preferential trading deal with the Southern African Customs Union by the end of the year as it seeks to expand its economic footprint on the African continent.

India's trade minister also said New Delhi will be pursuing trade deals with other African nations as the country seeks to catch up with China which has outpaced it in trade and investment in the continent over the past decade.

"India is keen to partner with countries in Africa not only for buying minerals but also for providing technology for mining and exploration," trade minister Anand Sharma said in a speech in the Indian capital.

India and China have turned to Africa in their search for energy resources to power their fast-paced economies, but while China prefers government-to-government deals, Indian investment is mainly in the private sector, notably in telecom, pharmaceuticals and manufacturing.

"We are engaged in a dialogue with the Southern African Customs Union (SACU) for concluding a preferential trading agreement and I am confident we shall be able to do so by December," Sharma said.

SACU, made up of South Africa and its four smaller neighbours Botswana, Namibia, Swaziland and Lesotho, is the world's oldest customs agreement.

New Delhi is also going to start exploratory talks with the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS) on the potential for free trade pacts, Sharma added.

Annual trade between India and Africa increased 15-fold within a decade to $46 billion in 2010 from $3 billion in 2000.

"The government is determined to achieve a target of $70 billion in trade well before 2014," Sharma said.

New Delhi was also committed to working "with our partners in Africa for addressing the infrastructure deficit" in the continent, Sharma added.

Sharma's speech came after Indian Prime Minister Manmohan Singh attended a trade summit in

May in the Ethiopian capital Addis Ababa and offered a raft of measures, including $5 billion in credit lines, to boost India's presence on the continent.

Brazil Hits China With Tariffs as Potholes Erode New Silk Road

Simon Kennedy

Aug 1, 2011 (Bloomberg)-- The biggest threat to a revolution in emerging market trade may be the emerging markets themselves as Brazil slaps import curbs on Chinese toys, Russia claims China dumps cold-rolled steel and China keeps its currency undervalued.

Such barriers to commerce are digging potholes in the “New Silk Road,” the name given by economists to the burgeoning trade between developing nations that is forecast to be larger than that among advanced nations by 2015.

The tensions may cause intra-emerging market trade to fall short of the 10-fold increase that HSBC Holdings Plc sees as the potential for the next four decades, and thus reduce its role as a driver of world growth. Trade and other barriers may also take the “luster” off emerging-market shares, said Ed Kuczma, who helps manage about $30 billion at Van Eck Associates in New York. Emerging market equities have gained more than double those in developed economies since the start of 2009.

“Thick borders discourage capital inflows, keep people trapped in rural poverty and leave economies persistently underperforming,” said Stephen King, HSBC’s London-based chief economist and author of “Losing Control: The Emerging Threats to Western Prosperity.” “Only if they can connect with each will emerging nations be able to turbo-charge their economic futures.”

Even with restrictions, the so-called BRIC nations of Brazil, Russia, India and China are trading increasingly with each other. Commerce between emerging markets, also known as South-South trade, could account for 40 percent of world trade by 2030 from 18 percent currently, according to Standard Chartered Bank.

Tata in China

Lenovo Group Ltd. (992), China’s biggest maker of personal computers, said May 26 that sales in emerging markets including India, Brazil and Russia climbed 14 percent in the fourth quarter. Tata Steel Ltd. (TATA), India’s largest manufacturer of the metal, will increase investment in China by 5 percent in 2012 to maintain market share, Managing Director Hemant Madhusudan Nerurkar told China Daily in May.

TNK-BP, Russia’s third-biggest oil producer, plans to pay more than $1 billion for a 45 percent stake in 21 Brazilian oil and gas tracts, two people with knowledge of the deal said on July 19. China and Russia have almost completed technical and commercial talks on a gas supply contract, PetroChina Co. chairman Jiang Jiemin said May 18.

Broader benefits may still take time. Simon Evenett, who teaches at the University of St. Gallen in Switzerland, found that between November 2008 and the start of last month Russia imposed 138 protectionist measures against fellow BRIC nations. India took 85 steps, Brazil 52 and China 33. By comparison, the U.S. imposed a total of 30 measures against the group, he found.

No Fraternity?

"There's not much evidence of a BRIC fraternity," said Evenett, noting that the four BRIC nations were among the eight most protectionist in the Group of 20. Russia, which is still lobbying for membership of the World Trade Organization, was No. 1. China, Brazil and India are WTO members.

The annual competitiveness report of the Geneva-based World Economic Forum shows that each of the BRIC nations has higher average trade tariffs than at least 110 other countries, including Nigeria and the Kyrgyz Republic. Tariff rates in 2009 ranged from Russia's 11.6 percent to India's 14.4 percent.

Reducing barriers to trade would reinforce the so-called New Silk Road, a modernization of the name given to the 4,000- mile (6,435-kilometer) network of trade routes crisscrossing Asia, southern Europe and North Africa starting 2,000 years ago. Once traveled by Marco Polo, the route helped promote the growth of civilizations from Egypt to Rome.

Biggest Trader

Its new iteration refers to growing trade links between emerging markets that Citigroup Inc. economists Willem Buiter and Ebrahim Rahbari predict will power an increase in worldwide trade in goods and services to $149 trillion in 2030 from $37 trillion in 2010. They estimate that China will usurp the U.S. as the world's biggest trader within four years.

By 2015, they said, commerce between emerging markets will overtake that within advanced economies and by 2030 that between developed and developing nations. The projections may not be met should free trade fail to take hold, Buiter and Rahbari said in a June 22 report.

While Kuczma of Van Eck identified port operators DP World Ltd. (DPW) of Dubai and Sao Paulo-based Santos Brasil Participacoes SA (STBP3) as standing to benefit from growing trade links between emerging markets, fettered markets may still "take the luster off the emerging market growth story," he said.

"A sound, stable and well-defined open trade policy goes a long way to instilling investor confidence in emerging markets," said Kuczma, whose title is emerging-markets analyst.

Building Material

The longer BRIC nations take to drop trade barriers and controls on capital and credit, the slower the gains for potential beneficiaries. Credit Suisse Group AG's private banking division identified logistic companies, delivery services, building material manufacturers and port developers as winners from more open trade.

Among them: Hong Kong-based container lessor Cosco Pacific Ltd. (1199), Germany's Deutsche Post AG (DPW) and building-material supplier Lafarge SA (LG) of France, the manager of about $1.5 trillion said in a January report.

At the same time, the friction continues. Brazil in December raised to 35 percent from 20 percent a duty on imported toys after local manufacturers complained they were being harmed by a flood of cheap, Chinese-made goods.

Complaints from Brazilian unions and industry groups, including textile producers, have led its government to enact 30 anti-dumping measures aimed at Chinese-made goods, more than those against any other country and almost four times more than directed at the U.S., according to the Trade Ministry.

Glass Fiber

China was the target of a May 30 announcement that India had started an anti-dumping probe on grinding steel balls. The same month, India imposed anti-dumping duties on "certain rubber chemical" imports from countries including China.

Brazilian aircraft-maker Embraer SA (EMBR3) failed to get China's government to approve final assembly of its E-190 aircraft in China because of concerns it would compete with a domestic regional jet, Chief Executive Officer Frederico Curado said in April. Similarly, Indian Prime Minister Manmohan Singh pushed Chinese President Hu Jintao in April to boost imports of Indian information technology and pharmaceutical products.

Russia, meanwhile, in February began an anti-dumping probe into cold rolled steel with polymer coating imported from China after complaints from steelmakers. Prime Minister Vladimir Putin says Russia is free to keep introducing import restrictions until it joins the WTO.

Yuan Strength

Another source of tension: China's policy of limiting the yuan's value to support its manufacturers in the global marketplace. Echoing complaints from the U.S., researchers at the Reserve Bank of India wrote in an April report that China's exchange rate policy "invariably and distinctly provides competitive advantage over its trade competitors."

While the dollar has dropped about 5 percent against the yuan since the start of 2010, the Brazilian real has risen 5 percent against the Chinese currency and India's rupee has fallen just 1 percent.

The yuan policy has drawn fire from Brazilian Finance Minister Guido Mantega, who last week reiterated that Brazil would defend itself from any "currency war" prompted by nations seeking to boost exports through lower exchange rates.

Growing Anyway

"Emerging market authorities are reluctant to allow exchange rates to move to market levels and that is part of the protectionist phenomenon," said John-Paul Smith, an emerging- market strategist at Deutsche Bank AG in London.

Jim O'Neill, chairman of Goldman Sachs Asset Management in London and creator of the BRIC description, said the push will remain toward free trade, noting that commerce has surged in the past decade even with restrictions in place. Investors should buy into that trend even if the current regulatory climate irks them, he said.

The MSCI Emerging Markets Index has risen 102 percent since the start of 2009, compared with the 41 percent gain in the MSCI World (MXWO) Index of 24 developed markets.

"You can wait for the uncertainty to clear, but by the time you do it's probably going to be too late" to profit, said O'Neill. "Acknowledging the powers of free trade for these countries is inevitable. It's just a matter of time before they grow up."

End of the road for Doha?

NAYANIMA BASU New Delhi
Business Standard

10 August 2011: Developed nations crave market access but don't want to cut subsidies, thereby jeopardising the future of multilateralism

When a high-level Expert Group on Trade, chaired by former head of World Trade Organisation

(WTO), Peter Sutherland and eminent trade economist Jagdish Bhagwati, got together to cast their verdicts on the Doha round of trade talks, Bhagwati famously compared it to a parrot in a skit performed by British comedy troupe, Monthy Python. In the skit, a customer holds up a dead parrot in a cage while the shopkeeper insists that the parrot is 'resting'. When the parrot drops off its perch and hits the floor of the cage, the customer is convinced that the parrot has died while the shopkeeper still insists that the bird is only 'stunned' by the fall.

Bhagwati has happened upon a perfect analogy for the most recent round of trade talks that the world has seen under the aegis of the WTO and the first since the Uruguay round of talks ended in 1999. The Doha round was given life towards the end of 2001, and it was hoped, would usher in a new era of cooperation in trade and multilateralism. Instead, several rounds of negotiations have failed to meet the set deadlines in order to successfully conclude the round. This is mainly because developed countries (US, Europe) have refused to reduce trade distorting subsidies that would allow developing ones (India, China, Brazil) to export more.

As the negotiations have progressed, in general, exceptions for developed countries have become more generous, while flexibilities for developing countries have been made more stringent. Not only has the overall number of Special Products (SP) which can be shielded from tariff cuts by developing countries declined, a requirement of an overall average tariff cut for all SPs has been introduced. "Any scramble for seeking market access from the so-called advanced emerging countries, which goes beyond the existing negotiating mandate, can only erode the credibility of the rule-based multilateral trading system of the WTO," said Abhijit Das, head, Centre For WTO Studies, Indian Institute of Foreign Trade.

For instance, upholding the decision of WTO's General Council, would have required a substantial reduction in developed country farm support, elimination of export subsidies and substantial improvements in market access. Further, the Doha Ministerial Declaration mandated Special and Differential Treatment to be provided to developing countries for their development needs. Doha negotiations appear to have fallen short on each of these elements.

"We are stuck, this is true, but the members are committed to finding a way forward and I am sure that they eventually will," WTO director general Pascal Lamy told Business Standard. Lamy has been spearheading the talks as DG WTO for the last six years.

Naturally, many feel doubtful whether the upcoming meeting of the trade ministers from all 153 members at the WTO headquarter in Geneva from December 15 th -17 th —in effect, Doha's last dance—will be able to achieve anything at all. With the global economy potentially heading into another recession, the Doha round can be sure of commanding very little of the world's attention. "Doha for sure is dead now, at least for few years. Countries might seek to revive the talks again by 2013-14 when hopefully the global economy would be in a better position to negotiate," says

Manoj Pant professor, Centre for International Trade and Development, School of International Studies, JNU.

If Doha does die out, the next obvious question is, do we need to spend all this time and money on trade rounds that seemingly go nowhere? Fact is, a multilateral trading regime is always required as it prevents a tariff war from breaking out. Countries may just start talking again under a new form and agenda just as the Uruguay round was continued with a development dimension that came to be known as the Doha round.

There are huge benefits to the opening up of trade. Lamy himself has conservatively estimated that the Doha deal will bring an increase of at least $130 to global trade. Other estimates suggest that global income could rise by at least $3,000 billion a year.

This hasn't stopped the US from furthering the state of paralysis by making it clear that it would not negotiate based on the negotiating texts that were issued in 2008 because it believed that those texts did not have sufficient market access provision for themselves. Hence, the US wanted countries such as China, India, Brazil and South Africa to give it more concessions. This led to the issuance of another set of texts during Easter this year, which were not accepted by a large number of countries, especially the developing ones. "The US is not in a position to offer anything but to take more from others. Their economy is in deep trouble and they do not have the backing of the Congress to do the deal," says Biswajit Dhar, director general at Research and Information System for Developing Countries.

Earlier this year, while delivering a lecture on Doha round in FICCI, Bhagwati had underscored the fact that failure to conclude Doha would undermine WTO's image as a credible institution. Perhaps the whole endeavour was misconceived. "In hindsight, the Doha agenda appears way too ambitious given that the deal was to be done in only four years and that too through a single undertaking where the ambitions in all the sectors were to be balanced," says Dhar.

Meanwhile, where multilateralism and Doha seem to be on the retreat, bilateralism has thrived. Since 2008, when the negotiations last broke down in Geneva, India has signed a number of comprehensive bilateral deals with countries like Japan, Korea, Malaysia and the 10-member ASEAN (Association of South East Asian Nations) bloc. "Increasingly the second function of WTO that is trade liberalisation is being performed in alternative forums namely the regional groupings that have led to numerous regional trade arrangements (RTAs) or bilateral free trade agreements (FTAs). These RTAs are driven by the mutual interdependence of neighbours as well as reciprocity," said Nagesh Kumar, chief economist and director, UN Economic and Social Commission for Asia and the Pacific (UNESCAP).

In the meantime, all eyes are now on the December talks where the future course of Doha will be decided.

The Doha talks started on a note of egalitarianism, of letting poorer nations export more of their products while the rich countries gain market access for their industrial produce. Instead, the game revolved around developed countries gaining more and more tariff-free access of developing country markets in a suspiciously brazen, neo-colonial agenda. For multilateralism to succeed, trade to flourish and cooperation amongst countries in an increasingly interlocked global economy to thrive western nations need to assuage their developing partners that this isn't business as usual.

December talks to look at future course of action

Nayanima Basu, Business Standard

9 August 2011: Trade ministers from 153 member countries will meet for the eighth Ministerial Conference at the World Trade Organisation (WTO) headquarters in Geneva from December 15 to 17. The members are expected to chalk out the future course of action to keep the decade-old Doha round of global trade talks going, said WTO Director General PASCAL LAMY in an interview with Nayanima Basu.

Edited excerpts:

Is the Doha round dead?

Multilateral talks are never declared dead. No member has declared the talks finished and I don't expect that any of them will. Look at the disarmament talks or negotiations on whaling. These negotiations have gone on for decades and they are still on-going. In the world of today, our problems are global in nature and the solutions to these problems must in turn be global. Whether it is about addressing the inequalities of the multilateral trading system, combating global warming or addressing hunger and poverty, the only way forward is with governments working together. Reaching decisions in a multilateral framework is difficult, but there is no real alternative.

There was no consensus on package for the Least Developed Countries (LDCs)?

There was an effort to try and agree on an LDC package to implement earlier commitments, which would significantly reduce trade-distorting subsidies to cotton farmers, and open developed country markets and emerging markets, which are able to do so to at least 97 per cent of exports from LDCs. However, it became clear that political sensitivities, particularly in Washington, did not allow this to happen. So we tried to put together a package specifically for LDCs and add other issues like trade facilitation. But key countries had concerns with one issue or another, while others wanted to add more issues to the mix. In the end, the necessary movement in positions that would allow our members to reach a consensus was not forthcoming.

Will you discuss the LDC package in the upcoming December ministerial?

We will continue to see if we can reach an agreement on an LDC package.

What is going to be the main agenda of the December ministerial?

First and foremost, the conference will focus on the regular work of the WTO, including reviewing and giving direction to all the areas which take up the day-to-day work of the organisation. Members believed it was more productive to focus on the preparations for the eighth Ministerial Conference in December and to begin the difficult discussion of how we pick up the Doha round in 2012. The principal focus will be the preparation for the 8th Ministerial Conference and charting the future course of the Doha negotiations.

Although it is wrong to suggest Doha and WTO are synonymous, it is an unfortunate reality. So does the failure of Doha talks mean a dent in WTO's credibility?

You are right to suggest that the WTO is a great deal more than the Doha negotiations. The WTO oversees trade agreements that constitute the foundation of the global trading system and disputes that are being negotiated for over 60 years. We provide the forum for the settling of disputes among member countries, we monitor developments in the trading system and we interact closely with other organisations in programmes such as Aid-for-Trade. These functions have little connection to the negotiations, and I do not see them being adversely affected by the current lack of agreement on the Doha round. Our problems with the Doha round are of concern, of course, but the overall functioning of the WTO remains very good.