

WTO MINISTERIAL CONFERENCE, 2003

Introduction: These ministerial meetings are held once every two years and have caused great tension and anxiety to developing countries like India. This year, agriculture and investment are of the utmost importance for negotiation. This article is evaluated from 'Protecting national interests at Cancun', Bhagirath Lal Das, an article in The Hindu, Aug 2003.

Trade negotiations are like a cycle ride. They have to keep running to maintain balance and keep going. The richer countries are trying to work out ways and means to ensure that the bicycle of trade negotiations does not collapse and that negotiations proceed without ending in abject failure, which would be a serious setback to multi-lateral trade.

The basic proposition at Cancun: Multilateral trade unhindered by governmental interventions in the long run is good for all the parties concerned. Sadly, politicians are too shortsighted to bother about the long run.

The U.S. and European Union have pushed their agenda strongly and obtained concessions from the developing countries without giving them any benefit in return. The developing countries get divided during these meeting and are unable to defend their positions. There is therefore no reason to believe that any more favorable situation will emerge in Cancun than in the past. Hence India has to be well prepared to guard against having to give any concessions that are against its national interest and to obtain benefits against whatever concessions it may give.

Agriculture and investment are among the various subjects to be covered at the Cancun meeting, which are of India's utmost national importance.

1. **Agriculture**

The main imperatives in its national perspective are production of adequate food for domestic consumption and sustenance of its rural agricultural economy. It is important that India does not have any structural dependence on imported food, even though it may import some food now and then for strategic reasons, such as building adequate stocks of a particular food item at a particular time

Both these objectives are hit at present by the high non-reducible domestic subsidies ('green box' subsidies) of the U.S. and the EU. These subsidies are non-trade distortive, having complete immunity against reduction. This immunity is indefensible as the subsidies give financial strength to the farmers of the U.S. and the EU to continue with non-viable agricultural production. Thus these subsidies pose grave dangers to India's two basic national interests mentioned

above. Even if India is allowed to maintain high tariffs, they may still not provide adequate protection as these countries can raise their subsidies at will, which they have done in the past 5 years. Thus, if these subsidies are not checked, India will face unfair competition in future.

Hence it is desirable for India to demand in Cancun that these green box subsidies of the major developed countries should be brought under the discipline of reduction and be eliminated within a specified time frame.

Unfortunately, the draft for consideration at this Cancun meeting prepared by the chairman of the agriculture negotiating group leaves these subsidies untouched. However, the new 14-country developing country alliance presented a counter proposal on agricultural demands that these green box subsidies be capped and reduced.

2. Investment

It is important as nearly two-thirds of the population depends upon agriculture and it is almost impossible to find alternative means of livelihood for them in other sectors for a long time to come.

India is under pressure to succumb to an agreement of the WTO, which will constrain the Government's role in guiding the entry and operation of foreign investment in the country. The objective of the major developed countries (Japan and EU) is to ensure full freedom of entry and operation of their investors in developing countries like India. Such a move has the potential to cause severe danger to India's national interest as explained in brief below.

The normal objective of a foreign investor is to have a high and assured profit in a short time and he will choose the industrial/service sector and the geographical location accordingly. Whereas India's objective should be to have foreign investment for development of its infrastructure, upgradation of technology, production of exportable goods, providing innate strength to its production, services and development of economically weak regions.

The foreign investor's objective may not coincide with India's objective. So, for beneficial foreign investments in best interest of the nation, India needs to retain its role of guiding its entry and operation. The flow of investment will be facilitated by creating a good infrastructure and proper environment, rather than by joining a multilateral agreement.

Note that WTO is not the appropriate forum for negotiation in on investment. It handles trade in goods and services, whereas investment spreads over a much wider area like production, finance, technology, trade and development.

Thus, India has to choose well. It has to work for a formula that reduces substantially the high tariffs of the major developed countries on the products of

export interest to it. In return for getting the benefits of tariff reduction in the major developed countries, India should be prepared to reduce its average industrial tariff level, keeping the flexibility to select the sectors where it would have deeper or softer cuts in tariffs.

Hardly any developing country has been able to stand up to the pressures of the U.S. and the EU in these meetings, still India should try to build up a coalition and maintain its position.

Thus we can see that India's choices in Cancun are very limited with regard to agriculture and investment. India should try to obtain commensurate benefits against whatever concessions it may give.

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