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Current issues in the WTO negotiations: a development view

Transcript of remarks of Ambassador Jayant Dasgupta, Permanent Representative of India to the World Trade Organization made at the WTO Public Forum session on Doha and the Multilateral Trade System: From Impasse to Development? on 26 September.
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By Jayant Dasgupta

I will focus on three or four issues in my presentation today. The first one will be on the current status of the negotiations and where we are going till the Bali Ministerial in December 2013. The second issue will be on the other initiatives being taken by WTO Members in achieving their market access ambitions outside the WTO. The third issue would be on the prospects for Bali and the new issues, the new challenges and finally on the prospects for development. Can developing countries expect their requirements, needs and ambitions regarding development through trade to be satisfied to a certain extent?

On the first point, as you know, apart from trade facilitation (TF), there is just no movement in any area in the Doha Round negotiations currently. Trade facilitation is being pushed very aggressively and relentlessly by the developed countries. The arguments which have been put forward are that they are good for the developing countries, perhaps the implicit message is that 'you don't know what is good for you. We are telling you this is good for you, so please go ahead and accept it'.

The second message is that 'imports are good for you' (I will come to this later in the new issues which is about global value chains).

On trade facilitation, the attempt is to balance it off against three issues, first is LDC accession which has been completed in "a satisfactory manner", then the 28 Agreement-specific proposals of Cancun and finally the S&D monitoring mechanism relating to all the WTO agreements signed in the Uruguay Round.

These are the three things which are sought to be traded off against TF, and this is considered to be an adequate package. Now, what we have to see is whether within TF, there is adequate balance between the demands of the developing countries, if there are any, and whether TF as a package can balance what is being given outside by way of the Agreement-specific proposals, S&D monitoring mechanism and the LDC accession package. There has been a very clear message in this regard in the last General Council meeting and the previous General Council meetings also.

The African Group coordinator has made it very clear that TF can't be harvested alone. There has to be external balance and these 28 Agreement-specific proposals, S&D monitoring mechanism, LDC accession will not be adequate. There have to be other things in the package. The LDCs' group has said that for instance in the case of the LDC accession package, there are 33 LDCs who are existing members of the WTO. There are 3 whose accession is almost complete because they have made their offers, and it is almost (that is what we hear) 100% binding of all their tariff lines in NAMA and Agriculture. Apart from these 3, there are 6 or 7 others who are waiting in the queue but whose accession may take place after 10 years, 15 years, one doesn't know.

So, if you look at the accession package, it is not going to benefit either the 33 existing members who are already there or the 3 who are about to accede within the next few months or maybe one year. And what it is going to provide is perhaps some degree of flexibility over the next 15 years or 20 years for the rest of the LDCs to accede at some point in the future.

The question that my friend Abdul Hannan (Ambassador of Bangladesh) had raised was what is it by way of market access that LDCs are getting against what has been agreed upon in the Hong Kong ministerial mandate and in the December 2012 MC8 political guidance of the Ministers. There are four issues which have been listed out. The first is duty-free quota-free, the second is cotton, the third is about services waiver, not only a statement saying that 'alright, you now have the waiver and under this any country can give you access' but concrete access through a fresh schedule. The issue is when will that schedule come which will give that access.

Trade Facilitation, very broadly speaking in academic literature including in the World Bank studies, incorporates both export facilitation and import facilitation. Export facilitation has been found to contribute the maximum to global trade gains, and export facilitation is all about improving the infrastructure, whether it is ports, roads, railways or computerisation. The World Bank study which is often quoted, of course out of context and in a very partial manner, says that there will be $377 billion of additional trade gained from Trade Facilitation.

But of that, the majority, the large chunk, comes from export facilitation, which is about improving the infrastructure, improving the computerisation and e-services of the countries. Since the developed countries are already at a high level in terms of their infrastructure, computerisation, human resource development, putting more men on the job, they can adhere to whatever norms are laid down. So, they don't have to pay anything, they don't have to really improve their infrastructure. It is the developing countries who need to improve their infrastructure for exports growth, and that will not be paid for by the developed countries. That has been made clear.

So, "trade facilitation" for developing countries will be mainly and basically import facilitation and that, the World Bank study has concluded, will account for just $33 billion against $377 billion overall gain. So, only $33 billion of additional trade will result against a global trade volume of $14.5 trillion today from customs or import facilitation. It is next to nothing.

But the issue is about two things, the import facilitation is going to be done mainly by the developing countries because the developed countries have already done it. Now, if the developing countries are to do it, they will have to improve their infrastructure relating to imports - port handing facilities, customs, more people on the job, computerisation etc. And obviously their imports are also going to increase as a consequence. That has to be balanced against some kind of compensatory mechanism through which they get additional exports and for the expenditure that they will have to incur on import facilitation infrastructure, they need to be paid, they need to be assisted. That is not forthcoming. So, these are some of the outstanding issues.

Of course, I don't want to get into the further details of the Trade Facilitation negotiations because most of the proposals have been tabled by the developed countries and they include speedy clearance of consignments in three hours or six hours or 24 hours, clearance of consignments on the basis of bank guarantees or corporate guarantees, advance ruling machinery to be set up - very extensive machinery, everything conceivable under the sun can be referred to it by anybody who is an interested party or an applicant, and you can understand the kind of human resource requirement that it would engender and there is no clarity as yet on where the money would come from, for basically import facilitation for somebody else.

On the 28 Agreement-specific proposals, S&D monitoring mechanism, I am sure my friend Ambassador Faizel Ismail of South Africa, one of the panelists today, will speak in depth and let you know that their market access content is near zero. The two most important proposals out of the 28 Agreement-specific proposals which had a market access content were duty-free quota-free and LDC waiver on services, which have been taken out and on which, it has been very clearly mentioned, there will be no go, they are just not possible. So, that is where we stand.

Now, what are the initiatives being taken by many of the major developed countries outside the WTO. One, is the Trans-Pacific Partnership (TPP). The second is the International Services Agreement (ISA), and of course a host of bilateral agreements or regional agreements on which they are embarking.

One of the questions which have been raised here and this has been raised in other fora as well, is whether bilateral agreements are supposed to be building blocks to a multilateral agreement. How is the ISA, for instance, going to militate against the conclusion of the Doha Round? How is it going to work against it? Now, if you look at a plurilateral agreement of about 20 countries representing about 70% of global trade, which is what the membership of the ISA who are at the negotiating table represents -- if that kind of an agreement gets signed, and it could be because most of them are already involved with each other in FTAs -- if that gets through, it will mean a very high level of ambition and that level of ambition will be sought to be then transposed to the WTO and the developing countries, the rest of the membership, could be forced to accept it.

Now, what will happen is that once this agreement comes through, if and whenever it comes through, the services negotiations going on in the Doha Round will become irrelevant, because already a high-ambition alternative agreement has been reached amongst the major trading countries.

So if the ISA comes through, Services will be taken out of the Doha negotiations effectively. Then agriculture and NAMA will be left out among the market access pillars. In NAMA there are two agreements which are in the offing. One is the ITA2, in which a very ambitious list of 357 tariff lines has been drawn up and it will include any conceivable device which has an electronic chip. It even includes for instance fans and various other electrical devices which are of course open to multiple uses but which are being labeled as information technology products. This will take care of one of the three major sectors on which the US for instance had been pitching a demand for a NAMA sectoral agreement. Chemicals and industrial machinery are the other two sectors for which sectorals were being demanded.

There has been an agreement amongst the APEC countries very recently, about three weeks ago, on environmental goods. And the main issue there which was discussed initially was about single-use products, about truly environmental products or energy-efficient products and ultimately a list of 54 products was agreed upon. Now that is something which we are looking at with a great deal of interest because this list is sure to be sought to be brought into the WTO and sought to be harvested by the Bali Ministerial. So, the ITA2 and the Environmental Goods agreement are likely candidates for Bali. The APEC environmental goods list of 54 now includes AC pumps and motors but the original list of the proponents had included refrigerators, air conditioners and various other multiple use industrial products which I am sure will once again make a slow but sure entry through the back-door into the negotiating list in the WTO. And this could take care of the industrial goods segment of the sectoral demand for NAMA in some measure.

So, where does that leave us vis a vis the market access pillars of the DDA? That leaves us with agriculture sitting squarely in our lap and that will not move towards any conclusion because there are problems in the developed countries about accepting cuts on subsidies and on providing greater market access.

Now, I will quickly move over to the new issues. What are the new issues that are being discussed as the twenty-first century challenges? You know of course, poverty, unemployment, underdevelopment, infrastructure bottlenecks, these are issues which have been there, which continue to plague developing countries in terms of their development, in terms of their export efforts. Unless something is done to address these problems, the developing countries will have a constraint about coming to the negotiating table and just opening up their markets. Why should they open up their markets if they are not going to get commensurate gains elsewhere in terms of jobs, growth or additional export opportunities?

We have increasingly heard the major developed countries speaking about bringing back jobs into their own country. There is a new word which I saw on the internet today, it’s about ‘in-sourcing’, which is you provide enough incentives or disincentives to companies in your own country which have out-sourced so that they bring back the jobs to the country, maybe at a competitive disadvantage, but you know that is the kind of pressure that is being built up. So, even the industrialised countries are talking of re-industrialisation, about putting more stress on their manufacturing sector.

In this scenario, if you tell the developing countries 'imports are good for you', and today I was attending a panel where I was told that 'imports are very good for you, from a macro point of view there will be jobs'. You know, if I just import more and the jobs are created in another country A, B or C, how am I benefitted? And then of course the other prescription was 'you must improve your domestic policies so that there is better distribution of income'. If I don't generate any additional income through imports, how am I going to distribute next to zero additional income amongst my people? That is something which I think has to be understood by the other side, which is espousing this kind of cause. It needs to be remembered by them that trade is only one of the important means of development. It is not the be-all-and-end-all. It may have been the guiding principle of some of the members of the GATT system or the WTO as it had been conceived many years ago, but now things have changed. The WTO must adapt itself to the new realities on the ground. Without there being enough on the table for everybody to make a gain, for the global welfare gain to be there in a perceptible manner, even the weakest of developing countries to improve their lot, people are not going to be willing or enthusiastic to get into a new agreement simply to provide market access to others.

What are the new issues that are being talked about? I will just touch upon one issue - Global Value Chain (GVC). The GVC has existed, I think, ever since the dawn of civilisation. You know, because, for instance, cotton used to be grown somewhere, very fine cloth used to be made in India and many other parts of the world and sold elsewhere. We never had much gold. It used to come mainly from other countries, and we used to make good gold jewelry. You will get polished diamonds from India though we produce no diamonds. They come from South Africa, which we buy in New York, then polish them and sell them to the rest of the world. So, we are all part of the GVC. The whole issue is how do we move up the GVC, how do we provide more employment, more growth, better benefits to our own people? That is a question which UNCTAD has addressed at great length over the past ten years, but nobody is paying heed to that, because the new mantra is 'global value chains are the latest thing' as if it has appeared out of nowhere only yesterday.

The second mantra about global value chains is 'imports are good for you'. If you accept these two axioms, then the third, fourth, fifth follow. The third is 'if imports are good for you, you should have no barriers at the border.

So, you should have trade facilitation, which means import facilitation, you should have very low tariffs, you should liberalise your services. If you are wanting to export your goods, you need a logistics service, so you must provide market access for logistics services for free. It is good for you. You must have good banking services, financial services. So, please open up. Don't ask for anything in return. It's good for you.'

Fourth is the argument of having no controls on capital flows. A transnational corporation, which has a global footprint in about let's say ten countries, should be free to move capital across borders at will. If it wants to, if it gets a better deal somewhere - some tax break, lower wages, free land, it just moves, no controls. 'Just let it move'.

Now, is this the prescription that is going to suit the needs of developing countries? Is this the kind of a predictable environment that we want for our workers, for our people?

These are things that the global value chain proponents are trying to push through. Now, the GVC is something that will come and hit you from different directions - the World Bank, OECD, G-20, WTO and of course, the UNCTAD. Unfortunately, the UNCTAD studies on GVC have not been mentioned in the same breath as some of the recent literature coming out of the other agencies, because they talk of the diversity and the nuanced approach that needs to be taken for the GVC to provide benefits to all.

The last point I wanted to make is what after Bali? Suppose, in one scenario, Trade Facilitation gets harvested, some kind of environmental goods list gets harvested, some kind of ITA2 gets finalised and concluded, what after that? After that, we apprehend there will be new issues which will start getting discussed in some form or other here in the WTO and they will form the agenda for the new round of discussions which will be on a sectoral basis and not as a part of a single undertaking. For example, an attempt will be made for investment to become a stand-alone agreement amongst the willing. You either enter into this agreement or you stand outside and suffer the consequences of not being a part of it.

So, this is how it is going to shape up in one scenario. Are we ready for that scenario? Do we want to be a part of that scenario, where we stand outside the room and look at things going on inside the room amongst a few maybe richer countries?

That brings me to this point, that the WTO is really faced with a crisis of reconciling the different demands and ambitions of countries which have upwards of $80,000 per capita income and countries which are at $500 per capita income or below. How do we reconcile these? How do we reconcile the development needs, the aspirations, the pressing need of providing employment? I am thankful to the International Trade Union Congress delegate who is part of the panel of the DG who pointed to the urgent need to provide employment all over the world and who said that there will be many wars on employment. You can't have 50% of the youth of your country without a job, standing idle, not getting enough to eat and not bear the consequences.

That is something which we all need to bear in mind, and we need to look at trade not only from the mercantilist angle of more profits, more zeros etc. We need to look at it through the prism of social justice.

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