

Conference Proceedings: Summary of Sessions

Inaugural Session:

Indian Council for Research on International Economic Relations (ICRIER) organised a one-and-half day International Conference on **WTO and the Doha Round: The Way Forward**, on April 6 and 7, 2006 at the ITPO Conference Hall, New Delhi. This conference has brought together leading academicians, policy analysts, policy makers, experts and trade-negotiators to interact and brainstorm and find a way forward for a successful conclusion of the ongoing Round. The Hon'ble Commerce and Industry Minister of India, **Mr. Kamal Nath** **inaugurated** the Conference. **Mr Pascal Lamy**, Director General of the WTO gave a special address at the inaugural session.

Welcoming the guests and delegates, Chairperson ICRIER, Mrs Isher J Ahluwalia said that that Mr Lamy is visiting India for the first time as the Director General of the WTO specifically to attend the conference. Although he has been to India earlier and is well aware of India's concern on issues like agriculture, TRIPS etc. She also appreciated the initiatives that have been taken by Mr. Kamla Nath for piloting the Doha negotiations for last two years. Mrs Ahluwalia added that "India is ready to open trade but rules must be fair. And it is on the rules that we sometimes disagree". Quoting Mr Lamy she that "the moment of truth is fast approaching and there is no time to waste".

Inaugurating the conference, Mr Kamal Nath said, "it is important to acknowledge the achievements that were made in the Doha round as there is no time left. He added that "the way to move forward was by looking at things from a future perspective and simulating the economic architecture accordingly". He stressed that the results must be achieved in accordance to the ambitions but it should not be limited to the development concerns only. Mr. Nath added that "In spite of having lot of responsibilities, Mr. Lamy has shown a great persuasive power in the whole process of negotiations". He lauded Director General for his personal involvement and management for ensuring that the Hong Kong Ministerial was not a failure. He was hopeful that Mr Lamy would be able to give direction and meaning to a successful conclusion of the Doha Round.

Addressing the Conference Mr Lamy said "India is a key member of the WTO and has benefited from a more open global trading environment. It has always played an active role in almost all negotiating areas". Mr Lamy added "In the

agriculture sector India has both defensive and offensive interests. He was confident India would be able to cleverly balance both the interests by insisting on an ambitious tariff reduction formula as well as forcefully make the case of protectionism needed in certain sectors like textiles". He also said, "It was in India's interests to see a drastic reduction in industrial tariff peaks applied by the EU and the US as India also has an important role to play in negotiations on services, trade facilitation and anti-dumping".

Mr Lamy highlighted the fact that the DDA was aimed at focusing on development and correcting the imbalances in the trading system. He stressed that the end of the Doha Round was fast approaching and it will require hard work, determination and nerves to focus on the final goal for strengthening the multilateral trading system. He mentioned that currently 60% has been achieved and a sizeable package is yet to be achieved. He said the focus of negotiations today was on reaching an agreement by the end of April on three key areas - relating to quantum of reduction of agricultural subsidies, of agricultural tariffs and of industrial tariffs.

Mr Lamy warned that there will be many losers in the Round from developing countries especially, the smallest and weakest countries and the WTO itself. He hoped that given what is at stake, India would contribute its best to help achieve a win-win situation and a successful conclusion of the Round.

ICRIER, established on August 18 1981, is celebrating its 25th anniversary this year as an autonomous nonprofit research organisation engaged in multi-disciplinary policy-oriented research. ICRIER's research and related activities are intended to foster improved understanding of policy choices for India in an era of growing international economic integration and interdependence. Recent work has focused on the following thrust areas: Trade, Openness, Restructuring and Competitiveness; WTO Related Issues; Regional and Bilateral Issues; Strategic aspects of India's External Relations; Macroeconomic Management in an Open Economy; among others.

The ICRIER Conference is aimed at providing a platform to key trade representatives and other stakeholders to informally discuss and brainstorm towards identifying new methods of attaining the elusive convergence. This has been deliberately planned to be about three weeks ahead of the 30 April deadline by which the modalities negotiations on agriculture and NAMA are targeted for finalization, and such that discussions and ideas from the interactions during the substantive sessions could help to take the talks forward. ICRIER has been providing the Government of India with important policy inputs on the different aspects of WTO trade negotiations, and is happy to be a part of the negotiating process.

Delivering his vote of thanks, Dr. Rajiv Kumar, Director & CE, ICRIER said: "Since the Uruguay Round, discussions in formal Ministerial gatherings need to be supplemented by informal gatherings or Track II events which not only provides additional forums of discussion and debate, but also helps Members to brainstorm without the pressure of the Negotiating Agenda that formal meetings inevitably lead to. India's trade negotiators have a leading role to play in carving out an outcome from the Negotiations that adequately addresses the concerns of various stakeholders, and ICRIER, with this Conference and another dedicated Services session on 6-7 June, is offering the necessary platform."

1. Agriculture: Rapporteur - Dr Surabhi Mittal

- Doha Round is a Development Round and its main agenda is to ensure a level playing field for all countries. This round intends to reach a convergence over three major issues by 30th April, 2006: On agricultural domestic subsidies, agricultural market access and NAMA.
- The main issues under the three pillars of agriculture and the suggestions on them are as follows:
- **Domestic Support**
 - Tiered formula for cut in overall Trade Distorting Support (to say 5% of value of production) most important.
 - Additional effort in AMS reduction by developed country members in the bottom band.
 - Reduction in *de minimis* for developed countries.
 - Need to strengthen criteria on blue and green box to prevent box shifting.
 - In the Green Box criteria, it is important to propose that direct payments be limited to small farmers.
 - The developed countries have proposed cut in their domestic support but those cuts don't bring about any real effective cuts and have real commercial opportunities.
- **Market access**
 - Basic approach should be toward progressive reduction, through a tiered formula.
 - Formula to address tariff escalation.
 - Capping is critical
 - Special and sensitive Products: Self selection would be credible only if products are extremely limited in number

- Maximum reliance need to be on Special safeguard mechanism (SSM). Basis for the quantity based and price based SSM is to be finalized.
- **Export Competition**
 - Suggested period of 5 years for elimination of direct export subsidies should be maintained
 - While developing disciplines on export credit for under 180 days the possibility of any exceptions or looseness should be ruled out
 - For food aid fundamental changes are necessary. But we need to think about what type of food aid is to be permitted in non emergency situations is also still unclear.
 - The exporting State Trading Enterprises (STE's) should not have monopoly powers. But these had been an important instrument in development process of the today's DC's at the time of their development and similarly today's developing countries too need them as a policy measure to achieve their development.

The strategies and options to way ahead is

- Developing Countries' offer of tariff cuts must be conditional on steep cut of domestic support of US and EU.
- Domestic support disciplines must be simplified. The current structure based on the three boxes is complex and ambiguous.
- Overall: US need to move forward on domestic support, EU on market access and India, Brazil and other big developing countries need to show greater flexibility on industrial goods.
- Within the framework of WTO, India has enough instruments to cater to her interests. Much of the problems like farmer suicides are very much domestic and to correct these we must set the domestic house in order.
- Although time has almost run out but it is definite that whatever will be agreed on will be done carefully so that mistaken done in the Uruguay round are not repeated.
- Offensive and defensive steps of various countries and groups must balance in this negotiation to make the way forward. It would be a collective mistake to postpone negotiations. There are lots of in-comparables between the developing and developed countries. Even then if the negotiation is disciplined, then it would ensure that all countries would gain.

2. Non-Agricultural Market Access: Rapporteur - Dr Rajiv Kumar

- Outstanding Issues
 - Co-efficient of the Swiss formula
 - Unbound tariffs
 - S & DT
 - Social harmonization
 - Preference erosion
 - Issue of newly acceding countries
 - LDC vulnerability, especially of small island states

- Issues raised for the Way Forward
 - Choice of coefficient is important, since by the Swiss formula, tariffs of the lines on which the formula is applied will come down to below the coefficient agreed upon. Hence, need to ensure by choice of coefficient is such that peak tariffs on products of developing country export interest come down to accord real market access in developed country markets

 - 'Real' market access issues: need to resist any move by trade partners in their attempts to change the basic mandate of WTO by which commitments are to be taken from bound levels. Use of applied rate as base for tariff cuts would mean that developing countries would in future hesitate to make unilateral liberalization; WTO encourages Members to go beyond MFN commitments. India should therefore resist, and take the stance that cuts will be made from bound rates, though choice of coefficient may lead to cuts that go below the applied rules.

 - Credit for unilateral liberalization undertaken is due as earlier in the Uruguay Round, the concessions given by India was in TRIPs, with voluntary offers in tariffs. Now we cannot be made to pay for this; on the contrary need to ensure we get reciprocal concessions for the unilateral liberalization already done

 - Paragraph 24 issues - again identifying level of ambition is important as there is a clear mandate in the Hong Kong Declaration for harmonizing levels of ambition if Agriculture & NAMA.

 - Unilateral liberalisation is good for domestic industry and we are well into the process. However, introspection suggests that India

can make still aggressive offers in NAMA. But unless we get a viable quid pro quo, it may not make much sense to give in.

- Less than full reciprocity in cuts is a basic pillar of WTO which cannot be ignored or negotiated. New proposals are being made looking at perpetuation of protectionist tendencies in developed world which are basically aimed at shielding, in Prof Debroy's words, "newly declining (developed) countries" and the "refusing to develop countries". India is not among either group, but should not compromise on the principle of less than full reciprocity.
- Unbound products - the flexibility allowed in the NAMA framework is needed to address domestic sensitivities. While there seems to be a convergence on use of a constant mark up on applied rates and use of a nonlinear formula, the degree of allowed is yet to be firmed up. A minimum of 5% of product lines need to be kept out of reduction commitments; however, the panel felt that India could show some concession and give up the demand of applying less-than-formula-cuts for certain items.
- Refurbished/remanufacturing goods - is an issue of concern and the problem arises from the fact that the definition of 'new goods' not clearly defined even in the Indian context. The government needs to make necessary changes in domestic Foreign Trade Policy to reflect this emerging issue of concern.
- Discussion on Sectorals in the backburner, as non-mandatory, though several papers have been coming in on a regular basis. However, in certain sectors it may suit India to push for sectoral tariff elimination/ harmonization.
- In the final outcome, it was agreed that countries (in particular developing ones like India) are better off with WTO and the multilateral process as the FTAs and RTAs create more distortion and trade diversion, and only complicates the process of doing business.

3. Services: Rapporteur - Dr Arpita Mukherjee

- The negotiations in services started on January 2000 and then became an integral part of the Doha Round of negotiations. Although the services negotiations started much ahead of the negotiations in agriculture and NAMA, the progress of the negotiations is slow. Moreover, negotiations in

services are more complex than in case of NAMA and agriculture. In the case of agriculture and NAMA, once the formula is decided the rest of the negotiations fall in place but in case of services intense negotiations covering different sectors and on cross-cutting issues are required for arriving at a consensus. Services negotiations in the Doha Round are significantly behind schedule.

- India is a proactive player in the services negotiations and its stake in the multilateral negotiations is high since it is not a member of any major trading blocks.
- Since the beginning of the current Round, India is pushing for greater market access in Modes 1 and 4.
- In Hong Kong it was agreed that members would explore all possible negotiating methods available with the GATS parameters and accordingly members decided to undertake plurilateral negotiations in addition to the bilateral request-offer negotiations. As per the deadline set in Hong Kong (of 28th February), members have submitted the plurilateral requests and first services cluster was held between 27th March and 7th April. Around 35 countries participated in plurilateral negotiations. Plurilateral requests have been made in 16 sectors, in Modes 1/2, 3 and 4 and in MFN (both general MFN exemption and for exemption of MFN in audio-visual and financial services). Developed countries have made most of the requests (Japan in 13 sectors and US and EU in 12 sectors each) and target countries are mostly developing countries. India, Brazil, Philippines, Malaysia, South Africa are some receiving the largest number of requests. Some developing countries such as Mexico, India and Chile also made requests.
- India received requests in 14 sectors and for removal of MFN exemption in audio-visual services. India made requests in Modes 1/2 and Mode 4 and computer related services.
- During the services cluster end of March and first week of April, members sought detailed clarifications on what the requests entailed, described their current policy regime and indicated to the extent to which the requests could be met.
- India has identified sectors in which it could meet the demands listed in plurilateral requests. In certain sectors India has met the request substantially. These include Construction and related engineering, logistic services, maritime transport, etc. In some sector it would be difficult for India to meet the requests. These include retail services, legal services, etc.

- There is likely to be another round of plurilateral discussion in May 2006.
- The requests are dominated by developed countries and many developing countries are defensive about participating in the negotiations. The seminar called for greater participation of developing countries in the services negotiations. It also called for greater cooperation among developing countries and technical assistance from large developing countries to others.
- It highlighted the need to address domestic regulations. Many barriers faced by professionals in developed country markets are related to domestic regulation such as qualification and licensing requirements. On their part, even proactive developing countries such as India are not able to make commitment in certain sectors since the regulatory regime is still evolving.
- It was pointed out that the coverage of Mode 4 needs to be widened to accommodate some of the interest of other developing countries. There should be more cooperation between sending and receiving economies so that some of the ambiguity regarding the quality of workforce, security issues, etc. can be resolved.
- Along with market access commitments, the focus should be on securing national treatment commitments.

4. Rules: Rapporteur - Dr Suparna Karmakar

Doha Round has a limited mandate to clarify and improve existing articles in the agreements on Anti-Dumping, subsidies and safeguards, and rules on RTAs. The discussions were however focussed on AD, ASCM & fisheries subsidies.

Way forward suggested:

- AD needs to balance interests- India is hit more seriously by abuse of these provisions by trading partners than its own use thereof; hence, need a pro-exporter bias to redress
- Anti circumvention (the sweeping proposal by US) - the vague wording raises the possibility of misuse and abuse. So need to ensure predictability and more fair rules that clearly defines the balance of rights and obligations, and calls for circumspection and care.
- Now shipper review - retain the requirement of accelerated review, and if it is possible make more precise the requirement of the *bona fide commercial*

sales. Flexibilities are needed to prevent abuse and improve transparency. India could then be open to further disciplines.

- Sunset reviews – need to limit subjectivity and improve transparency of ‘likelihood tests’ and provide clear definitions of method of calculation etc. need to push for automatic termination of sunset review duty, ideally after 5 years, but definitely after say 7-10 years. One view was that if duty is allowed to continue, should impose new duty from date of expiry and not allow imposing retrospective duties.
- Dumping margin : currently, de minimis rates are at 2% which needs to be raised to 5%. Also, whereas now the rates are applied on percentage of total imports, it should be calculated on percentage of total domestic consumption. To discourage small margin initiation misuse, should not allow cumulation of markets for the purpose of initiation.
- Lesser duty rule - should pursued seriously. India applies the principle and is a demandeur of mandatory application. However, we could be persuaded to accept a limited mandatory application of LDR to original investigation and thus provide some flexibility to countries to use preferred methodology.
- ASCM – the export competitiveness issue is of pre-eminent importance. A clarification of what is a ‘reasonable and effective & verification system’ need to evoked in our favour
- Issue of ‘prohibited subsidies’ – a clearer definition is needed as to what is prohibited. This new development is a cause for concern as further erosion of policy space is being envisaged. Also, application of Prohibition Rules should not apply to developing countries, especially the Annex 7 countries as in the case of export subsidies.
- Fisheries subsidies - important for overall balance in rules negotiations. However, need to ensure that for developing countries we:
 - Protect interests of small fishermen
 - Protect support for deep sea fishing
 - Exclude from disciplining inland fishing

Valedictory Session:

Summing-up by Chairman: Mr Gopal K Pillai

- Urgency on WTO is critical: USTR has said recently that the Doha Round is Dead and US will walk out. Is this a political stance? US now blaming EU for refusing agricultural market access.
- Issues remain unresolved, but a negotiated deal is still possible. This would require all Members to move away from their extreme positions and make adjustments albeit without any compromise on the core issues of concern.
- Agricultural negotiations in DDA only in their second round: can't expect miracles. There is a pressure on demands for subsidy cuts: it is a political issues as huge amounts of money and constituencies are at stake
- But need to use this opportunity to discipline agriculture, especially vis-à-vis the different boxes of subsidies and direct payment issues; but how to translate this into gains?
- On agricultural market access, the US proposal is ambitious. The G20 proposal seemed to be fair, but now that also seems unattainable; may have to settle for less.
- On sensitive products and SSM: treatment thereof is more important than the numbers. Here even an additional 3-5% market access for any formula will be a good deal. However, it is an important issue; potential deal-breaker so far as India is concerned.
- Tariff caps: developed country peaks in items of interest is much higher than our peaks (1800% versus 300% in certain commodities). Sensitivities also exist. So could have one agreement for the bulk of commodities, and another special deal (say 3-5 times the other agreed upon rate) for the sensitive items.
- Tariff simplification – this needs further discussion
- NAMA – a much easier proposition for us, and flexibilities are more easily attained. Can agree on constant mark-ups on unbound products between 20 and 30; consensus on coefficients could also be easily found.

CIM, Mr Kamal Nath : Valedictory Address

- Need to look at the larger picture for India. Look at where India will be in the next 10 years vis-à-vis agriculture; experience of last 10 years not a good model to follow. Hence the new economic architecture of India

needs to be fitted into the Doha deal. So need to see where we can get market access in agriculture through the DDA.

- Subsidies and domestic support hinders market access for others. Need to discipline, also prevent shifting of boxes, so that see real cuts in subsidies given. Providing support because one can is an unfair trade practice. Can't allow this to perpetuate, though is a legitimate WTO action. DDA mandates disciplining and not elimination; need to move to the second scenario eventually.
- However, need to put own house in order first. Define level playing field, and implement at home by the right tariff and revenue structures to match our external aggressive stance.
- Challenge in NAMA is the infant industry protection, but for how long. We have a large gap between applied and bound rates (water) that could be narrowed, and we could use this effectively to help domestic industry to loose fat and gain lean muscle, while continuing to protect and support small industries. Past experience of long protectionism has valuable lessons.
- The water in agriculture: can cut this and use as a negotiating tool. Need to identify where are the real cuts and how they hurt, as opposed to the notional ones. The pace of taking cuts are also important.
- Rules are the next most important issue that will matter in international trade and would be the more contentious of the future issues: in a close-to-zero-tariff regime, misuse and abuse of Rules provisions need to be prevented – decide which fights to fight. The speed of dispute settlement verdicts will also be an important issue for the coming decade.

Dr Rajiv Kumar proposed a Vote of Thanks to all participants and promised that ICRIER would continue be the policy analyst and think-tank for the GOI and provide research assistance to evaluate the emerging areas of concern.