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Developing Countries in the 21st Century
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Suparna Karmakar

Abstract

As an institution, the WTO (with 153 members) has functioned very differently from the
GATT. The old power centers within the multilateral trade regime have been joined by new power
centers, especially the emerging economies. Developing and the least-developed members, acting
in coalitions, have become more effective players in the Doha Round with significant success in
ensuring that WTO agreements are in their favour. However, they have not had similar success in
setting the negotiating agendas that meet their expectations and development concerns.

This paper examines the changing contours of the engagement of developing countries, with
special reference to India, in the 21st century WTO system of trade governance. It argues that
emerging developing countries today need to pick up the leadership mantle with determination
and play a constructive role in furthering the cause for sustained trade integration. This will be in
the larger interest of protecting their international market access as well as much needed domestic
reforms. The paper tries to identify the role and responsibilities of emerging powers like India in
the steering and governance of a post-Doha WTO.

KEYWORDS: WTO, Doha Round, developing countries

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here are personal and not to be attributed to the organization represented.
I. INTRODUCTION

Notwithstanding the repeated demonstrated willingness of WTO Members to engage concertedly for a rapid conclusion of the Doha Round, from the numerous setbacks and temporary suspensions of dialogue it appears that the current Round of the Multilateral Trade Negotiation (MTN) is not destined for a speedy conclusion. The breakdown of Ministerial talks in Geneva at the end of July 2008 revealed the continued presence of some stark political constraints on agricultural and manufactured goods trade liberalisation; these limitations are unlikely to go away soon. This failure being third in a row (since the launch of the Round in November 2001) of such meetings aimed at concluding the ongoing WTO negotiations has generated predictable lamentations from analysts on the impending death of Doha and even the demise of multilateralism as the most favoured global trade liberalisation tool.

The entrenched positions of India and China in the agriculture negotiations on issues of developing country flexibilities under the Special Safeguard Mechanism (SSM) which countered offers of the industrialised country players like the US have been cited as the central reason for this most recent dissolution of the Ministerial talks. While agriculture negotiations are central to the conclusion of the Round and have proved a difficult beast to control since the days of the Uruguay Round, it seems that such simplistic explanations and apportioning of blame are counter-productive insofar as they distract from dispassionate evaluation of the core causes of the continued deadlock. Will a resolution of the current impasse herald a smooth transition back to the earlier days when the world trade order seemingly had little problems in concluding MTNs? Or are we in an era when troubled Rounds are the order of the day? What are the underlying reasons for this observed difficulty by WTO Members to come to mutually acceptable compromises to conclude MTNs these days?

While trade ministers of key WTO trading Members continue to meet in formal and informal locations to work out compromises, there is perhaps greater need now, from both WTO analysts and senior functionaries in the WTO Secretariat in Geneva, to introspect on the most proximate causes for the present day problems and to try to find workable solutions. While discussions on what ails the WTO negotiation process began in the aftermath of the failure of the Seattle Ministerial in 1999 to launch a Round, and there is by now a healthy body of literature on the need and conditions for reform in the WTO that have proposed reforms of the institution and of the processes of WTO negotiations,¹ what is perhaps missing from the literature is a view and understanding from the

¹ The most notable among these have been the Sutherland Report and the Warwick Commission Report.
developing world on where their interests lie vis-à-vis the negotiations, the proposed reforms of the system and how these interests may be best served. This paper aims to initiate discussions to bridge that lacuna.

Two related developments appear to be at the root of the recent chaos in the global governance system, with direct implications for the trade governance regime. First, in terms of hegemonic cycles, the United States (US) was a rising contender for hegemony as of 1873, achieved full hegemonic dominance in 1945, and the fruits were reflected in the leadership position it assumed to create the world trading governance regime in 1947 in the form of GATT and in ensuring that the progressive trade integration and tariff liberalisation continued despite the economic turbulence of the 1960s and 1970s. Second, the US dominance on global economy has been slowly declining since the 1970s, and in this new century we are past any semblance of US hegemony. We seem to have entered a multipolar world where the emerging developing countries are beginning to play increasingly definitive roles because of their economic strength, but the global leadership issues still remain unaddressed.

A solution to the above conundrum will not be easily obtained or obtained in the near future. But in resolving it, to begin with, the world and the multilateral trading system needs to realign itself with changing realities of our times where developing countries are emerging as important players in the negotiations and governance systems of both international trade and finance. To quote Martin Wolf, the world economy may have “coped with China’s and India’s economic resurgence”, and accepted the prospects of continued march of the BRICS economies, but it has not yet realigned itself to one of its fallouts, namely the increased clout of developing countries at the negotiating tables of WTO which demands that the developing country concerns be put to the forefront of the WTO negotiations. The Doha Round negotiations only seem to pay lip-service to the development concerns; while the emerging developing countries are now regular

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2 I. Wallerstein, *The Depression: A Long-Term View*, MRZine Commentary No. 243 (October 2008). See also D.A. Irwin et al, *The Genesis of the GATT* (New York: Cambridge University Press, 2008) for a comprehensive exposition of the role and influence of the United States in creating the Bretton Woods (BW) institutions and the GATT protocol. The authors argue that notwithstanding the important contribution from the British and Canadian negotiators, “GATT would not have come into existence without the leadership of the United States”, *id.*, p. 145.

3 The result, in the words of Richard N. Haass, President of the US Council on Foreign Relations, is the emergence of a "nonpolar world". For related discussion on causes and dynamics of geopolitical power shifts, see R.C. Altman, *The Great Crash, 2008: A Geopolitical Setback for the West*, Foreign Affairs (January/February 2009).


5 Brazil, Russia, India, China and South Africa.
invitees to the negotiating high-table, a change still has to be perceived in the mindset of industrialised countries that reflects adjustment to this new reality.

Furthermore, the current shifts in national and international economic and political equilibriums as discussed above also need to get reflected in the decision-making and agenda-setting processes within the WTO. This shift has contributed to the leadership crisis in the WTO today. In addition to the gradual erosion of US economic hegemony over the past three decades and the lack of a clear successor from the industrialised world, the conservatism generated by the current economic and financial crisis also demands that new players assume leadership for ensuring the continued push for multilateral trade liberalisation. As noted by Roger Altman, an important fallout of the financial and economic crash of 2008 has been the erosion of financial resources as well as the economic credibility of the US and the EU to play a leadership role in the global affairs, at least in the medium term. New players therefore need to step in to keep the global trade engines humming through multilateral cooperation and boost global well-being, and WTO negotiations need to be viewed as more than a mere exercise in lowering trade barriers. In recognition of the importance of keeping borders open to diffuse the impact of the ongoing recession, at the November 2008 Washington Summit the G20 Members agreed to “not impose any new trade barriers”. But the above notwithstanding, “(n)ow is (also) the time to figure out what balance is needed between the WTO’s rule-making, liberalisation, juridical and deliberation functions, and the role of the different players, in light of the commercial, developmental and political realities of the 21st century.”

This paper explores the role of developing countries in the context of a 21st century WTO, focusing in particular on the leadership that emerging countries like India can provide in not only breaking the current impasse and taking this round to a rapid conclusion, but also in ensuring that the concerns of developing countries are brought out to the fore in future rounds of WTO negotiations. The plan of this paper is as follows: the following section will discuss the changes

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6 This transition is observed from around 2006.
8 When the Doha Round was launched in 2001, the price of oil was US$ 25 a barrel, a ton of rice cost US$ 170. By mid-2008, oil prices surged to US$ 147 a barrel, and rice to US$ 1080 a ton. Prices of both commodities have dropped precipitously since then, and in the second week of January 2009, oil prices are at less than US$ 40 while the benchmark Thai rice stood at around US$ 550 per ton. Such vast changes in circumstances have had a profound human impact world over and call for urgent action on part of all stakeholders to resuscitate and stabilise the global economic system. In fact, as part of the proposals of the G20 to reshape the international financial system that is in the midst of the worst financial crisis since the Great Depression, Britain has pushed for an early completion of the Doha Round.
observed in the multilateral trading system from GATT era to the WTO, followed by an analysis of the evolving nature of engagement by the developing countries in this dynamic system. Section III will discuss in brief the specifics of the Doha Round that have brought out the inconsistencies of governance in the multilateral trade regime so starkly, which I believe has contributed to the continued impasse experienced in this Round. In Section IV, I will discuss how the developing countries like India should change their manner of engagement in the system to transition from being the leader of the developing world to emerging as an important decision maker in the multilateral trading system by not only actively engaging in agenda-setting but also providing the necessary concessions to get the stalled negotiations moving again. Finally, Section V summarises and suggests a way forward to get the Round moving again.

II. FROM GATT TO THE WTO: DYNAMIC CHANGES IN THE NEGOTIATING ENVIRONMENT

It is widely acknowledged that agriculture is the key to a successful conclusion of the Doha Round. Further, it is apparent that a forward movement in agriculture is critical for reinstating the credibility of the multilateral trading system that is enshrined in the WTO. But in analysing the present-day successes and failures of the world trading system, it is useful to begin by recalling the assumptions of the GATT policymakers, which form the foundation for this system. There were two main objectives sought at the Bretton Woods (BW) Conference in 1944 and at the subsequent conferences that led to the negotiations of the GATT (General Agreement on Tariffs and Trade) and an (ultimately abandoned) International Trade Organization (ITO). The first objective, and the more important one at that time, forgotten and overlooked today, was the prevention of another war. The idea was to build institutions, which would avoid the problems that occurred in the inter-war period and that were blamed for leading to the Second World War. Sustained and ever-deepening trade liberalisation and integration through multilateral negotiations among Members was acknowledged as one of the three tools on economic integration under the BW system which would help reverse the pernicious trend of protectionism and beggar-thy-neighbour policies that the world had lapsed into during the two World Wars. Economic betterment of the

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10 It is important to recall that the lack of disciplines on agriculture and production subsidies was a serious bone of contention between the signatories during a major part of original GATT negotiations. Disciplines on agriculture (and textiles and clothing) has continued to be the bone of contention in WTO negotiations ever since.

world by reopening and liberalising the world financial and trading system was therefore the second main objective of GATT.\textsuperscript{12} While the institution governing GATT (i.e. the ITO) was stillborn owing to the failure of the US Congress to ratify it, the GATT protocol of agreements to reduce and bind tariffs was brought into force in 1948.

Since its emergence more than sixty years ago, however, the post-war world trading system under the aegis of GATT has gone through numerous stages of development. In the 1950s, given the reluctance of the US to negotiate on agricultural subsidies, countries negotiated on modalities of reducing tariff barriers and other non-tariff border barriers (esp. quantitative restrictions) to trade primarily in manufactured goods. Also, border barriers may not have been as vital or significant at that time, since there were other, more natural barriers to trade in agricultural products and services. Today, the world trading system is motivated by a third objective, namely, managing economic interdependence, popularly known as “globalisation”. The natural trade barriers to cross-border economic activities have declined dramatically due to falling transportation costs, progressive reductions in the transaction costs and technology-led dismantling of knowledge and information barriers through improved communication systems. These developments have increased the remit of tradability to many more products, and in particular the agricultural products and services, which were earlier deemed largely untradable.

Today, farmers can ship fresh produce to locations halfway around the world, based on information about the demand pattern and the product cycle in the target markets. Similarly, many more services are now produced and supplied from spatially disperse centers of production, and traded in order to take advantage of the cost efficiencies in different markets, as had been the practice in the 20\textsuperscript{th} century with respect to manufactured products. All these have changed the contours of the multilateral trading regime, the outcome of which was observed in the vastly enhanced agenda of the WTO. In the pre-Uruguay GATT era, the main thrust of multilateral trade negotiations was exclusively focused on progressive reduction of tariff barriers to trade in manufactured goods; but, the Uruguay Round which heralded the WTO regime brought many more items into the trade negotiation agenda, most important of which were agriculture, services and intellectual property rights. Not surprisingly therefore, with the ever-increasing agenda new complexities of negotiations have emerged and concluding a WTO Round is deemed that much difficult when compared to the GATT era on

\textsuperscript{12} In 1945 President Roosevelt commented that “trade is fundamental to the prosperity of nations” and the “purpose of the whole effort (tariff reductions) is to eliminate economic warfare”. Cordell Hull, Roosevelt’s Secretary of State argued that “unhampered trade dovetailed with peace; high tariffs, trade barriers, and unfair economic competition, with war”. D.A. Irwin et al (2008), \textit{supra} note 2, p. 13.
this count alone. In particular, the scope of the ongoing negotiations is much larger and deeper than in any previous Round.\footnote{Analysts also point out the following as other barriers to a rapid conclusion of the Doha Round: the method of negotiation (single-undertaking) is also much more ambitious; the large number of (developing country) Members makes it difficult to arrive at a consensus; Member driven nature of the organisation; etc. These have resulted in a very complex negotiating process and failures in large part can be attributed to unrealistic expectations of WTO Members. See S. Karmakar, “From Uruguay to Doha: India at the Negotiating Table”, in Suparna Karmakar, Rajiv Kumar and Bibek Debroy (eds), \textit{India’s Liberalisation Experience: Hostage to the WTO}? (New Delhi: Sage Publications, 2007) for a detailed analysis of the problems faced in the ongoing Doha negotiations.}

But is the enhanced remit of the negotiations to be blamed for all that ails the Doha Round? If not, what are the distinguishing elements between GATT and WTO, both as organisations and negotiating processes, which may have contributed to the problems? Finally, is Doha an outlier in terms of the difficulties it is facing? Answers to these questions are interdependent. First, history will bear evidence that concluding MTNs has never been easy. Although they might seem like successes in retrospect, it is important to recall that few of these MTNs went smoothly, including the original GATT negotiations of 1940s. Statistics indicate that recent WTO rounds have on average experienced a crisis at about five years into the Round and then gone into a hyper-drive mode. It took five years to conclude the Tokyo Round, and the Uruguay Round took nearly eight years and several starts and stops to be sealed. For certain, it would have been a miracle if the Doha Round were to conclude in less than that time, which it hasn’t; in the words of Jagadish Bhagawati, “miracles do not happen in trade (negotiations)”. And “with each successive round, the negotiators’ task has grown more complex, even as their ability to close trade deals has increasingly been impaired by the greater visibility of the process and the growing involvement of a variety of protectionist lobbies and stakeholders.”\footnote{J.N. Bhagwati, \textit{From Seattle to Hong Kong}, Foreign Affairs (WTO Special Edition, December 2005).} Also, the current financial and economic crisis (touted as the worst since the Great Depression) and the protectionist sentiment it has evoked in the industrialised countries is not helping the cause of liberalisation.

Second, there have been significant changes in the process and politics of the Doha Round of negotiations. The key actors today are different from previous rounds, and also developing countries are much more active in this Round. For more than 50 years, the US and EU supported by a small group of like-minded countries had been leading the world in opening up global markets in an irregular but steady manner; but this developed country hegemony changed rather dramatically during the Seattle Ministerial meeting. In 1947, when GATT was instituted, only 23 nations participated in that first round of trade negotiations, of
which 12 were developing countries (mostly colonies). The Uruguay Round had 110 signatories. Today, during the ninth round of WTO negotiations, it is 153 nations who are active participants (of which only 24 have the ‘developed’ country status), with an additional 20 countries in different stages of accession. Today, the role of the developing countries in sustaining this process of liberalisation of world markets has become significant, for unlike in the 1950s and 1960s, most developing countries follow an export-oriented growth model. With their stakes in multilateral trade system thus changed, a larger and more diverse group of developing countries have started exercising their “veto power” in every stage of the WTO negotiations. Each country also needs to show gains to their domestic constituencies in order to justify concessions made to the trading partners. Thus, in the WTO era, there has been a decided shift from the US-EU power duopoly in the Uruguay Round to an oligopolistic form of decision-making in the Doha Round that incorporates the G-20\(^{16}\) representation of the emerging country interests in agriculture and non-agricultural market access (NAMA) as an integral part of the negotiating modality.

The expansion of developing country membership has brought in a different kind of problem. The GATT negotiation modality of bargaining between a small club-like group of Members is not tractable in the WTO system; one of the many errors in the process had been the belief that the WTO with its vast membership and much-enhanced agenda could operate in the same way as GATT.\(^{17}\) The GATT liberalisation agenda was advanced progressively on a give-and-get basis where bargains were struck primarily among the industrialised country members, and then multilateralised under the MFN policy to benefit the rest of the membership. Developing countries were marginal players in the 1947 GATT negotiations, and participating largely as colonies of the major negotiators they were not expected to contribute to the bargain process. Also, for most of the GATT era, serious negotiations on reciprocal tariff reductions were held between the major players in world trade, who essentially hailed from the industrialised


\(^{16}\) This second G-20 is a coalition of 20 developing country WTO Members who have been negotiating on market access and other liberalisation modalities in the ongoing Doha Round of negotiations. The G-20 came into being in August 2003, largely as a reaction to the joint framework proposal on agriculture submitted to WTO by the US and the EU. This group is different from the new Group of Twenty (G20) developed and developing countries (mentioned earlier in the text), representing about 85 percent of the world's economy and two-thirds of its population that met in Washington in November 2008 for a two-day emergency summit on the global financial crisis.

world. Simultaneously, by the provisions of special and differential treatment (S&DT) and GATT Part IV provisions linking trade and development issues, developing countries were allowed to make commitments that were less than fully reciprocal. The combined outcome of the above, therefore, was that developing countries as a whole were allowed (until the Uruguay Round when this process changed significantly) to make offers of tariff reduction commitments that suited their particular state of industrialisation and level of development, which in effect allowed them to maintain relatively much higher tariff bindings on most negotiated products.\(^{18}\) This has led some analysts to the (not so correct) view that developing countries got these Rounds “for free”. But this also resulted in the negotiated agreements mainly reflecting the interests of the major industrialised countries that were the key players of the time.

But in today’s changed circumstances, with many developing countries having joined the ranks of major trading nations, it is expected (especially by the industrialised countries) that developing countries, in particular the larger emerging nations, should contribute much more to the reciprocal bargaining process. This perhaps could be attributed to the changed stance of some developing countries in the run up to the Uruguay Round. Unilateral liberalisation in the East Asian countries created a differential preference among a sub-set of developing countries, who by virtue of their export-led growth needed access to industrialised country markets and were willing to offer better access to their domestic markets; as part of a-la-carte coalitions they advanced their positions on market access and rules and also helped to broker the compromise that launched the Uruguay Round.\(^{19}\) This seems to have revised expectations, and in the current Round demands for developing countries to participate in the reciprocal tariff negotiations are high.\(^{20}\) But, it is unfair to demand reciprocity from the vast majority of the developing countries who however do expect that the current trade

\(^{18}\) F. Ismail, *Rediscovering the Role of Developing Countries in GATT before the Doha Round*, 1 The Law and Development Review 4 (December 2008), gives details of the nature of commitments made to the GATT-WTO by developing countries. He argues that developing countries were not passive players and it is unfair to suggest a lack effective of participation by developing countries because in the earlier GATT Rounds developing countries were excluded from negotiations by (1) the principle of supplier rule (where negotiations were held between key trade players), (2) GATT waivers which shielded products of their trade interest, and (3) the reciprocity principle by which countries with limited domestic markets were unable to bargain and induce concessions from developed countries.


\(^{20}\) GATT Part IV, which is still applicable today as part of GATT/WTO disciplines, provides that the “reciprocity” should not be expected of developing countries for the concessions made by developed countries. Whereas implicitly the pressure was on certain emerging developing countries to make better “concessions”, the argument proffered was that they should also be allowed to benefit from the less-than-full-reciprocity (LTFR) provisions.
negotiations would remove the extant market access barriers that remain in industrial country markets. With many marginal players in world trade as actively participating WTO Members in the Doha Round, and with the former having little or no ability to participate in the bargaining process, it is not surprising that the GATT negotiating modality of reciprocity failed when some Members hoped to extend it to a larger Membership.

That said, it needs to be noted that effective negotiations only occur among equals. This brings us to the third systemic change between GATT and the WTO, and which pertain to the manner of engagement of the developing countries in the MTNs. Given their limited economic clout, developing countries needed somehow to create a semblance of equality in negotiating power to match the might of the traditional large players like the US and EU, which they have attempted by way of coalition building. This process had started in the pre-negotiation phase of the Uruguay Round with the formations of the G-10 and the Jaramillo process; however, it is only after the Cancun Ministerial that the coalition-building process consolidated and coalitions became stronger and issue-based. We have discussed that in the GATT era, the developing countries were not expected to participate in the reciprocal negotiations and hence were largely on the sidelines; this had its own drawbacks, but given their economic development concerns and the import-substitution-industrialisation policies followed at home, many developing countries did not even consider participating in the negotiations. This was both a cause and effect of the fact that WTO rules as applied through the 1960s to 1980s were framed by and favouring the domestic sensitivities and interests of the key negotiators, namely the US and the EU, which adversely affected the economic development prospects of developing countries.  

21 A. Narlikar and D. Tussie, The G20 at the Cancun Ministerial: Developing Countries and their Evolving Coalitions in the WTO, 27 The World Economy 7 (July 2004), 977-958: In response to the attempt by the Quad to bring services within the purview of the GATT, an Informal Group of Developing Countries or G-10 (comprising of Argentina, Brazil, Cuba, Egypt, India, Nigeria, Nicaragua, Tanzania, Peru and the former Yugoslav) had taken a hardline position to block the launch of a new round until the older issues of standstill and rollback were attended to. To counter this, a new initiative among some developing countries was begun to discuss the meaning and implications of including services in GATT. Since this group met under the chairmanship of Filipe Jaramillo, the then Columbian ambassador, this initiative was sometimes referred to as the Jaramillo process. Over time the Members of the Jaramillo process (comprising 20 Members from the developing and least-developed groups) further combined with the Members of a developed country group, the G-9 to take this initiative forward.

22 Y.S. Lee, Reclaiming Development in the World Trading System (New York: Cambridge University Press, 2006) for details of the discriminatory policies that were enshrined in the WTO Rules. D. A. Irwin (2008), supra note 2, p. 117 notes that even during the GATT negotiations, the Indian delegation regarded the Proposals to be aimed at “serv(ing) the interests of the highly industrialised countries by keeping the backward countries in a position of economic dependence”.

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But today, with most countries following the export-led industrialization principle, there are several developing country groups who are active participants in the negotiations, the more prominent and active being the G-20, G-33, NAMA-11 and the LDC Group, where coalitions are based on specific negotiating interests and issues, sensitivities and strategy. Members are active in terms of outlining their concerns as well as demands through these groups, which not only represents them in the small group meeting of the WTO but also helps the group members to arrive at consensus among themselves on complex negotiating issues and modalities. This is especially true in agriculture, which is at the core of the current Round. The discussions at different points in time were also held among different compositions of developing and industrialised country members, namely a new QUAD (comprising of US, EU, India, and Brazil); “the five interested parties” or FIPS (i.e. QUAD with Australia); the G-6 (i.e. QUAD with Australia and Japan); a new G-4 comprising of the US, EU, India, and China, with Brazil often invited as an observer; and most recently the new G-7 (comprising Australia, Brazil, China, the EU, India, Japan and the US).

In a significant divergence from previous rounds, the launch of the current round of negotiations was not driven by market or trade interests. In fact the circumstances leading to the launch of the current Round merits recounting. It was in the aftermath of the 9/11 terror strikes that the developed countries pushed (against the wishes of the developing country Members) the initiation of this round, at a time when there was widespread agreement that poverty creates conditions hostile to peace. It was expressly for this reason that it was decided that the ninth round of the multilateral talks would be termed a “development” round. Further, the Doha negotiations were launched in 2001 under terms that envisaged only limited concessions from developing WTO Members (enshrined in the less-than-full-reciprocity or the LTFR principle) and none at all from the least-developed Members. But with the changing economic scenario since 2001, delivering a development-friendly package for the developing and least-developed countries seems unlikely to get approval from the industrial country stakeholders and negotiators. Making over-arching and generous concessions is not easy when times are tough. This is exemplified in the lack of unilateral liberalisation in key economic sectors in the industrialised countries in recent times, which in turn is reflected in their limited ability to make credible offers at the negotiating table. In fact, the WTO and its policies governing international trade and investment seem to have become hopelessly outdated. They are stuck in anachronistic 20th century

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23 A. Narlikar, *International Trade and Developing Countries: Bargaining Coalitions in the GATT & WTO*, RIPE Studies in Global Political Economy (London and New York: Routledge, 2003), pp. 177-8 has drawn attention to the “spaghetti bowl of coalition activity” that occurs in trade rounds. “Coalitions… have begun to change from the secret societies of GATT days to more publicly prominent ones.”
mindsets, institutions and regulations, increasingly disconnected from today’s business realities. Neither the WTO nor the preferential trade agreements (PTAs) have launched a fresh wave of much-needed market reforms or contained emerging protectionist threats.  

III. LEADERSHIP CRISIS IN THE DOHA ROUND: CAUSE FOR REPEATED DEADLOCKS?

The Doha Round has been tough going from the start. However, pessimism is certainly not called for. As of date, the Doha Round negotiations are seven years old, and given the significant addition to the negotiating agenda in the ongoing round, most critically the inclusion of an highly ambitious deal in agriculture as part of the single-undertaking principle, as well as the enhanced complexity of the issues under negotiation, it would be difficult to effect a rapid conclusion of this so-called Development round to everyone’s satisfaction. Nor is a weak deal desirable. The current impasse, therefore, should be an opportunity for Members to introspect and work out the extra steps they need to take for ensuring that the potential long-term gains from multilateralism are not sacrificed for short-term populism. Much depends on the compatibility among negotiators, between the dossiers they negotiate (and its interface with the political reality at home) and their real commercial interests, and the dynamism of the multiple stakeholders.

One of the key reasons for the repeated deadlocks in the current round has been identified in the lack of credible leadership. Most developing countries continue to be hesitant in engaging fully in the Round; even the more developed of the developing countries are hesitant in assuming leadership position to steer the Round to success. The concerns are not only about the net politico-economic clout that the disparate developing countries as a group (or even individually) can muster to steer negotiations to a conclusion that is acceptable to all and delivers on most of the promises of the Round, but also in the wide divergence in the core development concerns and Members’ expectations of gains from tariff cuts. While developing country Members assume that the Doha mandate will fully honour the development and the LTFR promises, their expectations are fraught during tariff negotiations when they are expected to compensate in other areas in a more-than-reciprocal manner for securing gains in areas of their specific trade interest. Furthermore, demands for LTFR and protection of preferences for development often work at cross-purposes with the core negotiating modality of progressive MFN-based tariff negotiations aimed at creating a level playing field for all. Nevertheless, it is widely acknowledged today that for a successful conclusion of

the Doha Round, compromises need to be made by all and constructive leadership from the key developing country leaders is perhaps more important than what the industrialised country leaders could achieve on their own. Notwithstanding the important role played by the US and EU in this Round in terms of providing the much needed foresight and negotiating push, a credible and responsible developing country leadership would be critical in attaining closure of the current Round and future negotiations.

But what caused this leadership crisis in the WTO among the traditional leaders? In his paper, Erixon notes that “despite their limitations in engaging significantly in the negotiations in this Round, it would be unfair to blame developing countries for the failures in Doha… A considerably more pronounced problem has been the lack of leadership from the big industrialised countries, most notably the US and the EU. Both have been active in the Round, but mere activity does not translate into leadership”. He argues that the lack of leadership from the industrialised countries stem from their inadequate preparation for the Round. Although they expressed high ambitions in bringing in new areas of regulations into the WTO, they themselves were unprepared for the give-and-take it mandates. Other analysts like Altman blame the weakened global economic and financial situation since the turn of the 21st century for the inability of the erstwhile GATT leaders to make compromises and accommodate demands of others in order to ensure continued participation of Members.

Agriculture liberalisation, inducted into the WTO negotiating agenda for the first time in the Uruguay Round, remains an unfinished business; however, neither the US nor the EU was prepared for the concessions this would inevitably ask of them. On the contrary, immediately after the launch of the Doha Round the US government raised the agricultural subsidies and worsened the situation. The EU was in the process of reforming its Common Agriculture Programme in 2001, but the reforms fell short of the ambitions and made the EU increasingly defensive. Erixon opines that “this failure by the two WTO giants to progress reforms at home has made other countries justifiably suspicious of their intentions and limited their capability to assume leadership.” Experience of past MTNs is indicator enough that most of the multilateral liberalisation under GATT has followed unilateral liberalisation by the Members, which was later multilateralised in a trade round. The lack of unilateral liberalisation by the major trading nations of the world in a key negotiating area like agriculture therefore bodes ill for the prospects of the ongoing Round. In fact on agricultural domestic support, both the US and the EU are looking at possible ways to redefine the permissible domestic policies in a manner such that their own existing programmes can be sheltered from cuts.

26 R.C. Altman (2009), supra note 3.
Also, developing countries have been justifiably suspicious of the hidden regulatory ambitions of the US and the EU. The US has been trying to slip in environmental and labour standards into WTO agreements while EU has been pushing for increased regulatory powers under sustainable development clauses and multilateral investment agreements. Both have undertaken unilateral regulatory actions that have proved trade-impeding. In the present poor economic and financial climate of the West when developing country exports to these economies are naturally weakening, incessant push for unbridled regulatory powers at every opportunity clearly indicates that the erstwhile leading WTO negotiators are not interested in genuine and non-preferential reform and liberalisation.27 Their new professed “mainstream” view on globalisation is clearly biased in favour of new trade regulations rather than opening markets and reenergising this important engine of growth and development.

In the next section, I will discuss the constructive role that emerging developing countries can play in promoting trade liberalisation, and then evaluate India’s role in attaining the same. We begin on the premise that given their increasing integration with the global trading system countries like India, China and Brazil should assume greater responsibilities in jump-starting the stalled Doha Round of trade liberalisation. With the growth poles gradually shifting south and particularly to the Asia-Pacific region, emerging economies with sustained high rates of economic growth and increasing trade-GDP ratios have an obligation to provide the much-needed leadership in this and future Rounds. I also argue that developing countries need to earn legitimacy and equalise their stake in the multilateral trade governance system to be able to ensure that issues of their concern get addressed in the negotiations. With that as our basic premise, we trace India’s past experience as a negotiator in the WTO and analyze possible scenarios that could potentially consolidate India’s position as a sophisticated and mature negotiator, thereby establishing the leadership of emerging developing countries in the WTO.

IV. INDIA IN THE WTO NEGOTIATIONS: CHANGING CONTOURS OF GLOBAL ENGAGEMENT

India, as a founding member of GATT in 1947 and as a member of the WTO, has always been acknowledged as a knowledgeable and sophisticated negotiator. Indian negotiators have always been treated with utmost respect by both the developed and the developing countries. The effective clout that the country wielded in the WTO has changed in recent times, improving in direct proportion

27 F. Erixon (2008), supra note 17.
with its economic growth prospects in the past decade and a half, and today India has emerged as one of the principal negotiators in the WTO. This relative power to influence belies the fact that India’s share in world merchandise trade is only about 1 percent, its trade-GDP ratio is about 45 percent28 (though India has a 2.7 percent share in global services trade and a much higher trade-services GDP ratio), and that Indian businesses have just started their international forays. This gain nonetheless needs to be grasped and nurtured, and it becomes imperative that India’s negotiating stance reflect its new-found pre-eminence in the world. Credible leadership from India is expected by everyone in the interests of a successful conclusion of the Round, and a re-evaluation of India’s strategy would also serve its national interests better as it will have consolidated the country’s newly acquired status in the WTO.

A country’s negotiating strategies reflect not only its domestic economic and political conditions and sensitivities, but also its negotiators’ assessment of their ability to influence the discussions in their favour. To that extent the fact that India today continues to be an important part of all developing country coalitions (rather than striking out on its own as many seem to suggest it ought to) would imply that there is a realism among Indian negotiators in their assessment that a being a part of a unified developing country group will accord a stronger voice and greater gains to the country as a whole. But is this the best that the country can and ought to do to further its own national interests and that of the larger goal of multilateral trade liberalisation? The earlier section has discussed how developing country leadership is necessary to ensure a safe landing for Doha and a sustainable multilateral trading system. So what could be the reasons for India’s hesitation and how may the country overcome them?

We begin with a brief overview of the nature of India’s involvement in the GATT Rounds. The stylised facts of India’s pre-WTO engagement indicate that India chose to follow a strategy of coalition building with developing countries despite the fact that the apparent success of this strategy from India’s point of view has been rather limited. The limited capacity of the country in running the day-to-day business at the WTO headquarters in Geneva and wide gap between the interests of India and the Like Minded Group on the one hand and the US, EU and Japan on the other together led India to think that coalition-building as a low-cost and low-risk strategy in achieving its core trade objectives; membership in these coalitions was thought to give India’s voice greater legitimacy as a representative of a large number of developing countries. But the experience of the Uruguay Round and the perceived “selling-out” of India’s interests during the Uruguay Round gave impetus for a new and more pragmatic strategy in the current Round, in formulating which both the domestic as well as external factors

28 WDI, 2007: Sourced from World Bank National Accounts Database, and OECD National Accounts Data files.
have played equally important roles.\textsuperscript{29} India today more often adopts a supportive role than being the “voice” of the developing countries. Most of the coalitions that India is a part of in this Round are led by other developing country Members.

But will a changed strategy affect the leadership abilities of India? Also, how can India synergise cooperation from Members and eke out concessions from other stakeholders to bring closure to the Doha Round? Finally, what are the initiatives India needs to take to ensure that WTO rules address the industrial development and employment concerns of India and developing countries? In the Uruguay Round negotiations after a similar impasse, the resolution was achieved largely by a mutual adjustment of the respective interests of the US and EU with some minor concessions to other industrialising countries (like Japan and Korea on rice) and some token concessions to developing countries, in particular Brazil. This was exemplified in the Blair House agreement between the two trading partners. In addition, Members requested the WTO Secretariat to provide a draft agreement that could be deliberated upon, thus paving the path for the creation of the Dunkel Draft, which subsequently faced considerable criticism from the developing country group as well as the civil society commentators.

Neither of the above means that resolving the impasse seems plausible in the current Round, and the emergence of the G-20 as an important negotiating bloc\textsuperscript{30} has changed the dynamics completely. The US-EU duopoly in negotiations no longer exists. The key difference of the G-20 from other issue-based developing country coalitions is that it is a group of largely diversified developing countries with varied interests, which in turn lends them considerable bargaining power in their ability to trade concessions within the group across issue areas that can facilitate agreement. The diversity of the G-20 Members’ interests also implies that once the group arrives at a common position, it could be deemed a true middle-ground position of developing country demand. However, it would be inappropriate for the G-20 to assume that it represents the interests of ‘all’ developing countries, and therein lies the need for multiplicity of negotiating groups on the same issue. On agriculture, the G-20 is the strongest bloc, but there are other equally influential groups such as the G-33, CAIRNS group, Cotton Four LDCs, Single-Product-Vulnerable-Economies, etc. Most importantly, as discussed earlier, having benefited from autonomous trade liberalisation themselves, the developing countries today are more likely to make trade off’s so that markets in industrialised countries are opened up for their highly competitive exports.


\textsuperscript{30} Some media reports however allege that recently there have been indications of a rift between the export-dependent and import-sensitive Members of G-20.
Further, a draft agreement from the WTO Secretariat would hardly be welcome in this Round. At the Cancun Ministerial meeting, the compromise draft produced by Luis Ernesto Derbez did not enjoy any formal sanction nor was it adopted, but was treated merely as a survey of issues and possible means of resolving them. Even prior to the Hong Kong meeting, the draft texts circulated by the Chairpersons of different negotiating groups was treated as indicative documents of Members’ positions on different issues; these drafts did not even try to suggest any compromise. In fact the WTO secretariat is keen to be perceived as only a facilitator in the Doha negotiations as opposed to even being an “honest broker”. The draft text circulated by DG Pascal Lamy in July 2008 was also more in the nature of consolidating the areas of convergence and highlighting possible solutions where there still remained large divergences. The WTO now takes pride in being seen as a Member-driven institution, and the negotiations it brokers as Member-driven Rounds. This is also a significant divergence from the MTNs during the GATT where a few Members (in a club-like fashion) decided on the deal which the rest accepted.

But India (along with other developing countries) needs to rework its negotiating priorities. Traditionally India has had a rather hard-line outlook on multilateral liberalisation; there was in fact stiff resistance in opening up industrial product market access, even in the sectors where India was opening up unilaterally after the 1991 reforms. During the Uruguay Round India opposed the introduction of new issues like services and intellectual property into the WTO. Even during the launch of Doha, India was a fairly vocal opponent of any new element proposed to be introduced into the WTO and on proposals of deep reforms in any sector. Most probably memories of India’s colonial past continue to weigh on the negotiators’ minds, and it has always been easier for India to undertake unilateral liberalisation (since it implies an action of an independent free will of the Nation) than make deep multilateral commitments. And given that the current WTO rules are structured to lock developing countries into their static comparative advantages (through WTO agreements that can potentially stymie industrial capacity upgradation and restrict moves up the production value chain)31 made the policymakers wary of supporting further liberalisation. However, the country’s unilateral liberalisation moves since 1991 have started to bear fruit and the “national interests” of the country no longer lie in continued protectionism. A reflection of the gradual change in mind-set is seen in the country’s willingness to bind unilateral liberalisation in key sectors of its interest. Voices across the world have also started reminding India that the country must take a longer-term view of the negotiations and take positions that are more aligned with domestic interests and attainable objectives that best serve its

development priorities. India in serving its self-interest should also take lead in initiating necessary changes in WTO rules in order to make them conducive to industrialization and development.

The change in India’s negotiating dynamic, though understated, is palpable. In the current Round, with the US and the EU, India is one of the few “demandeurs” of a strong services agreement, as also in trade facilitation (the only Singapore Issue that was accepted by Members in the 2004 July Framework), which is a major departure from its protectionist mindset of post-Seattle days when India resisted the launch of a new Round of multilateral negotiations. However, there are domestic structural problems in the other two sectors, namely agriculture and NAMA; these are most debilitating in agriculture, and primarily arise out of lack of internal reforms in the sector, which limits the country’s ability to be an overt pro-reformist in the ongoing Round. In fact, the domestic stakeholders in India are sitting on the fence, with some sectors requiring protection while others demanding aggressive liberalisation. This not only presents a dilemma but also seriously constrains Indian negotiators in their ability to produce a good outcome from the Round in any sector. The intra-sectoral trade-offs mandated by “comparable levels of ambition”\(^{32}\) appears to have become both a boon and a bane at the moment. There is little that India can achieve without deep domestic reforms and structural changes which will enable the country to bear the adjustment costs of the multilateral liberalisation proposed in this Round; and these reforms are not easily instituted in a multi-party democracy like in India.

WTO, like its predecessor GATT and notwithstanding the various pro-development provisions incorporated since the Tokyo Round, essentially remains a forum for negotiating better market access on traded products, achieved primarily by means of negotiations on reciprocal tariff reduction. But developing countries (including India) must also be realistic that in terms of pure market access in this Round, industrialised countries would have little to offer by way of tariff cuts, except in reduction of their tariff peaks and tariff escalation. The past 60 years of trade negotiations under the GATT-WTO regime has had tremendous success in reducing the average tariff levels applied by trading Members; average industrial country manufactured product tariffs (notwithstanding the tariff peaks) were around 3.5 percent at the inception of the Doha Round. Hence, even a deep cut in the average manufactured tariffs by the industrialised countries Doha Round will offer only marginal gains unless these are also applied on the products of export interest to developing countries, most of which are in textiles and clothing and leather sectors. Additionally, a lot of market access barriers are applied

\(^{32}\) Para. 24 of the Hong Kong Declaration.
through the WTO-compatible standards and safeguards, which will not be addressed even if deep tariff cuts are accepted.

Even in agriculture, discussions on standards related barriers are getting lesser focus in this Round than the tariff and subsidies. But while there exist significant gains from tariff reduction negotiations in agriculture, there is a possibility that most industrialized countries would be able to shield the products of interest to developing countries, namely dairy and marine products from any tariff cuts under the special product and sensitive product waivers. In the aftermath of the 9/11 terror attacks the industrialised countries promised greater development contents in the Round, as it was deemed a necessary concession to ensure the launch of the Round. However, with the recession of the fears and tribulations of the terror strikes in the industrialised nations and the onset of economic and financial crisis, today it is the mercantilist motive that reigns supreme in the minds of both negotiators and stakeholders in these countries. The reflection of this changed mindset was recently brought to the attention of the world by a statement from the USTR when Susan Schwab pointed out that the focus of US in the Doha Round is on “real market access” and “new trade flows” rather than addressing “issues on development”.

In the interest of securing the extant gains from the Doha negotiations so far, it appears that the developing countries themselves, and in particular the emerging developing countries, would need to show progression and make sufficient concessions to get the talks going. Furthermore, there are distortions in the WTO system that have been built-in within the industrialised countries during the earlier rounds of multilateral negotiations, for example the high tariffs and distortionary exclusions of key product lines in agriculture and textiles and clothing, that need to be addressed openly and whose reversal calls for proactive engagement from the developing countries. These are not easy concessions for the industrialised countries to make, and to be able to justify these to their domestic constituencies,

33 This is a new concept introduced during past couple of years of the Doha negotiations. Presumably it implies that for the negotiated market access to be “real”, tariff levels facing the exporters should be lower than what is currently experienced. In terms of negotiations, it means that the tariff cuts will have to deep enough to bring the bound tariff rates below the currently applied ones. For that to take place, either the developing countries will have to accept tariff reduction coefficients (under the simple Swiss formula) of say 15 or so, or apply reduction commitments from their currently applied tariff rates and not the bound rates, in contradiction to the accepted modality of tariff reduction in the WTO. This unique situation has come by because of the extensive unilateral tariff reduction exercise undertaken by the developing countries since the Uruguay Round, which had created very large gaps (known as “water” in WTO parlance) between their bound WTO tariff rates and the applied rates. The problem with requiring such deep reduction commitments from developing countries is that it violates the LTFR allowed to developing countries. Developing countries are justifiably arguing that they are being penalised for doing the right thing outside the negotiating room.

34 US Congressional statement in March, 2008.
industrial country negotiators need to secure credible offers of market access from the advanced developing countries.

Finally, by not assuming leadership to affect a resolution to the intransigence in current talks, in effect the developing countries are foregoing potential benefits that greater market access and domestic reforms would bestow on their own economies. By extension, developing countries are also foregoing the possibility to set a future WTO negotiating agenda that best serve their development concerns and market access interests. Developing countries seem happy to continue as a “rule-applying” group rather than a “rule-making” one.

V. THE WAY FORWARD

In analyzing the way forward, I propose some short- and medium-term strategy that India’s negotiators may consider. It is clear now that focusing solely on coalition building offers a limited solution and India needs to explore other options and negotiating strategies in order to restart serious negotiations. It is undeniable that the multilateral regime offers the least distortionary and least discriminating means of external sector liberalization. The world community is waiting for leadership from emerging developing countries like India in resolving the present impasse.

The experiences in the Doha Round’s NAMA negotiations are relevant at this point. The NAMA negotiators in particular are facing two unprecedented challenges. First, the developed countries’ tariffs are low on average, but often high on the products crucial for developing countries, such as textile, clothing and leather products. Second, the bound tariffs of the major developing countries (Brazil, India, Indonesia, Mexico and South Africa) are high (on average 35 percent, with peaks up to 150 percent) while their applied tariffs are moderate (on average from 8 to 15 percent). Negotiators therefore face the daunting challenge of offering “real market access” for all participating Members, as called for by the industrial countries, simultaneously with allowing the flexibilities accorded to developing countries in the July Framework on LTFR in reduction commitments (the problem is discussed in detail in footnote 32). In fact, there is also an “across-the-board unwillingness to pay for other nations’ unilateral reforms”35, which goes a long way to explain why the tried-and-tested approach to reciprocal trade bargaining have not worked this Round. A key issue now is how to take account of the increasing influence of developing countries which have become major

participants in world trade, and are consequently strong voices at the negotiating table.

However, the main problem with the NAMA negotiations in this Round, is that the proposed gains from negotiated tariff reduction have failed to enthuse the driving force of the previous round of negotiations, i.e., the business community. Further, reciprocity as a pillar of trade negotiations appears to have lost its utility, and in fact is now being used as a tool for protectionism. As Krugman\textsuperscript{36} famously pointed out, the economist’s case for opening markets is essentially a unilateral case. If trade liberalisation brings about economic benefits, market opening should be pursued regardless of what other countries do. Nonetheless, economists go along with reciprocity because it serves a useful political economy purpose, in particular when faced with vested interests within the country. Negotiated as a part of a package of trade commitments, governments often find themselves in a better position to proceed with market opening, because they get the support from those constituents that gain from the improved access to market opening. Mutuality of concessions also (according to Jagdish Bhagwati\textsuperscript{37}) implies fairness and makes adjustment to trade reforms politically more acceptable.

This is not to say that reciprocal concessions did not contribute to trade negotiations; they have in fact played an important part during the GATT era in multilateral trade liberalisation. Therefore, WTO tariff negotiations since the past couple of Rounds are undertaken on a reciprocal basis, and cuts are proposed and undertaken from the existing bound levels of tariff rates. However, this modality appears to have lost its efficacy in the current round of MTN, due simply to the significant amount of unilateral opening that has been undertaken by most developing WTO Members since the Uruguay Round (and the industrialised countries having already reduced their tariff bindings to a very low level); the business community is disenchanted with the incremental gains that the tariff negotiations in this Round could potentially bring. As a result, the industrialised country negotiators are now pressurising their developing country counterparts to concede additional market access in a manner that accords “real market access” as the acceptable cuts which would meet the LTFR requirement do not cut to below the applied rates of their key trade partners. In other words, the industrial country negotiators propose that developing countries should take cuts from their applied tariff levels, and not seek credit for unilateral liberalisation of the past decade in this Round.

\textsuperscript{36} P. Krugman, \textit{What Should Trade Negotiators Negotiate About?}, 35 Journal of Economic Literature (March 1997), 113-120.

On the other hand, currently most industrialised countries at an average have binding caps on their manufacturing tariffs well below the 8 percent proposed in the Swiss formula, usually at less than 3 percent, and removal of which would provide limited additional market access to developing countries. However, a handful of politically sensitive sectors - often those, such as textiles, in which poorer countries are competitive exporters - have been shielded to a significant extent from liberalisation. A coefficient of 5 or 6, say, might not make a substantial difference to duties already at 2 or 3 percent, but would mean even sharper cuts for these higher tariffs, prompting opposition from the rich country business communities. According to the Washington-based Progressive Policy Institute, a narrow range of household goods such as clothes, shoes, luggage, linens, and plates and cutlery account for three-fifths of US customs revenue, although only 7 percent of imports. Exports from the poorest countries face the highest tariffs of all. Thus, Cambodia's exports - principally clothing - face an average tariff of 17 percent in the US market, while Britain, with its different export base, faces duties of only 0.7 percent. This has resulted in significant anguish among the developing country negotiators.

The consequence of the above political grand-standing by the developed and developing country groups has resulted in the current NAMA stalemate. This author therefore suggests, that in the interest of concluding the current Round of WTO negotiations, Members may consider the following intra-sectoral tradeoff. The developing countries (at least the larger ones, and certainly India given the large gap or “water” between its bound and applied tariff rates) should agree to bind their unilateral regimes in return for deep cuts in the protected tariff lines in the industrialised countries and rationalisation of the applied NTBs, in particular those related to technical standards and regulations. Also, emerging developing economies like India that are rapidly turning into net-food-importers could consider being less defensive about the agricultural market access issues. At a time when growing food security concerns mandate an open import regime, livelihood concerns and producers gains need to be balanced carefully with the consumer welfare and economic efficiency gains from a more open regime. Furthermore, since most countries are unlikely to significantly reverse their current low applied tariff regimes (and in cases of contingency the emergency safeguard measures can always be invoked) they can prove themselves as equal

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38 The simple Swiss formula is a mathematical formula designed to cut and harmonize tariff rates in international trade. The formula, first introduced by the Swiss Delegation, cuts the higher tariff rates more deeply. The NAMA negotiators in the Doha Round have agreed (in the December 2008 text) that the following formula shall apply on a line-by-line basis: \[ t_1 = \frac{(a \text{ or } (x \text{ or } y \text{ or } z)\times t_0)}{(a \text{ or } (x \text{ or } y \text{ or } z) + t_0)} \], where, \( t_1 \) = final bound rate; \( t_0 \) = base rate of duty; \( a = 8 \) = coefficient for developed Members; \( x = 20, y = 22, z = 25 \) (to be chosen as per the extent of flexibility developing country Members decide to opt for) = coefficients for developing Members.
and serious players in the Round by offering a more liberal market access than seen so far, in return for elimination/reduction of the pernicious tariff peaks in the industrialised countries in sectors of their trade interest.

But more importantly, this would allow Members to focus on the more crucial of the market access barriers in industrialised countries: i.e., the non-tariff discriminatory and protectionist standards. It needs to be remembered that even under the grand preferential agreements as the African Growth and Opportunity Act (AGOA) and the Everything but Arms (EBA), it becomes increasingly difficult for the beneficiary Least Developed Country (LDC) trade partners to enter the US and the EU markets the higher they go up the product value chain. The days of substantive gains from reciprocal tariff negotiations seem to have gone; Members should get tariffs out of the way and start negotiating upfront the real concerns for market access. And having taken the lead in ensuring the speedy conclusion of the Doha Round, these new change-agents would get to wield a stronger economic and hegemonic clout in determining the evolving global economic architecture as well as in setting the future agenda for the multilateral trading regime and trade governance.

In the present scenario of weakened economic prospects, food and fuel inflation, and the general mood of rising protectionism in all countries (manifest in aggressive use the anti-dumping provisions), it is unlikely that Members will make offers with adequate concessions to lead to a successful conclusion of the ongoing WTO negotiations. While some still retain hope for a miraculous resolution of the stalemate in the near future, a realistic assessment of the proposals on the ground seem to indicate that there is little on offer that can lead to anything better than freezing the existing offers in the three market access pillars of agriculture, NAMA and services. Given that the new Farm Bill in the US (already adopted by the US Congress) has reversed the earlier trends reducing farm subsidies, it appears that the erstwhile advocates of aggressive globalization are rolling back their established stance on market economy. The concerns all around pertain to potential job losses (and economic restructuring) that could result from a further lowering of trade barriers between the developed and developing countries. It is getting increasingly difficult to convince negotiators (in words of Keynes) that they will gain more on the swings than they lose on the roundabouts.

However, this is also the time for developing countries like India to assume a more pro-active role and make the necessary concessions to jump-start the stalemated Doha Round. And as suggested, binding the unilateral liberalisation in manufactured products (albeit with proper safeguard mechanisms instituted which are more in line with the erstwhile Special Safeguard Mechanism or the SSG
mechanism\textsuperscript{39} in the Agreement on Agriculture for industrial countries) in the current Round would herald India’s arrival into the WTO negotiating scene as a credible and serious player of the MTN game. Until the Tokyo Round, it was the unilateral liberalisation in the manufactured goods arena which was negotiated and bound in the MTNs by the important industrial country Members, and MFN-ised. This practice helped to bring down the industrial country average tariff rapidly to the present day 3 percent level, which the emerging developing countries like India and China have benefitted from. India by adopting a similar posture as the US, Canada and Europe of the 1960s and 1970s would also help to bring down the tariff barriers and serve the cause of promoting south-south trade.

It is true that the real stumbling block in the Doha Round is agriculture, and there is very little that developing countries can do to change problems with the agriculture policies of US and EU. However, it is also true that trade negotiations are all about trade-offs and compromises to keep Members engaged. The proposed move by India will certainly introduce a strong enough shock to attract attention of the industrial country stakeholders, and a potential trade-off between better market access in products of trade interest to the key industrial groups in a large and growing market like India would provide some negotiating flexibility to the industrial countries to make better offers in agriculture and other products of trade interest to the developing country group. Experiences with PTAs indicate that negotiations on issues like agricultural subsidies stand a better chance of favourable hearing in the multilateral fora. It is hoped that by moving forcefully on the manufactured market access front India could provide a stronger incentive to the industrialised countries to return to the negotiating table and thereby help break the ongoing impasse.

But will that mean India losing an important bargaining chip at the WTO, i.e., the reciprocal tariff reduction? An argument has been made that with the demise of reciprocal tariff reduction as a credible negotiating tool, countries must find other non-tariff means of shielding the sensitive and vulnerable sections of the society from international competition; standards appear to be the most preferred tool chosen by WTO Members. Holding onto an ineffective tool makes

\textsuperscript{39} The Agreement on Safeguards provides general safeguard measures. However, the SSG makes it easier for the safeguard to be used in agriculture; for example, the normal safeguard requires evidence of injury before action can be taken, while the SSG in the Agreement on Agriculture does not require such evidence. However, the SSG was available for use only by those countries that undertook the exercise of "tariffication" in the Uruguay Round. This included many of the developed countries but only a small proportion of the developing countries (only 22). To redress this, the developing countries are now insisting that a new SSM be established which can be used by developing countries. But, the safeguard mechanism being negotiated in the Doha agriculture talks is a much weaker form of protection when compared to the SSG.
little sense. Recent research at ICRIER\(^{40}\) has shown that the progress in liberalisation and its link with WTO are at best limited and peripheral. Barring the requirements of deeper liberalisation commitments from countries acceding to the WTO, there has been little that the WTO negotiations have contributed to the promotion of liberalisation in WTO Member countries, notwithstanding perceptions to the contrary. Even in the Uruguay Round, the best compliance round for India, the ongoing liberalisation and globalization programme from 1991 had helped to reduce the gap of India’s obligations under WTO. WTO being a forum that is mandated to push progressive market opening (essentially in manufactured goods since these were the most traded when the institution and its predecessor was conceptualised), India met the NAMA tariff reduction obligations under Uruguay Round without running into many problems at home.

Today India is in a much better position vis-à-vis multilateral negotiations due to the continued unilateral liberalisation moves, and most industrial sectors in the country will not have to face significant real adjustment costs from the grand liberalisation move proposed above. On the other hand, the multilateral binding of the unilateral liberalisation in the key market access pillar of NAMA would help create immense goodwill and clout for India in the multilateral trading system, and simultaneously clear the way for placing squarely on the negotiating agenda the regulatory issues that are the real market access barriers. The first mover advantage will give India the much needed legitimacy for claiming the leadership position for agenda-setting in forthcoming trade Rounds.

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