INDIA: STRATEGIES AT THE DOHA DEVELOPMENT AGENDA- JULY AND BEYOND

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Introduction

In July 2008, WTO members met at Geneva to decide on the modalities for the Doha negotiations. Due to lack of consensus on various issues, members were not able to reach an agreement and the talks broke down. A lot has happened since July. The global financial crisis has emphasized the importance of multilateral trade cooperation. In fact, the crisis is impacting the way global and domestic policy is being formulated. This ranges from WTO members engaging with renewed vigour in the Doha negotiations to drafting of domestic policies to deal with the crisis.

India has always been an active member in WTO negotiations. India's increasing economic importance and the ability to mobilize the developing world into collective action along with other emerging economies such as Brazil and Argentina, has made it an even more significant player in the Doha round. A marked difference of the Doha round from previous rounds is the active involvement of developing country coalitions in negotiations. Apart from being an indication of changing power dynamics within WTO, this also provided many developing and less developed countries an opportunity to have their concerns heard.

How has the crisis affected India's role in WTO negotiations? Has it led to changed stances? Has it resulted in a regrouping of members and led to the formation of new negotiating coalitions? We have looked at these questions from an Indian perspective and have tried to answer it by analysing three dimensions - India's negotiating positions at the WTO on various issues and the impact the current crisis has had on these positions, its evolving role in coalitions and collective bargaining in trade negotiations and finally the impact and learning that has resulted from past crises, both domestic and international.

This paper is divided into four sections. First, we look at the negotiating stance that India adopted in July 2008 and the domestic considerations that helped shape them. We also examine the impact of the global crisis on India and the change, if any, this has effected in India's negotiating stance in trade negotiations. Within this section we also briefly discuss trade policy formulation in India and the influential interest groups. The second section analyses India's role in collective bargaining as a part of coalitions within the WTO and the factors that led her to assume it. In the next section, we look at how domestic and international crises have affected India in the past and the role these have played in determining internal and external trade policy. The last section outlines two possible scenarios regarding India's participation in the WTO negotiations– one in which the negotiating stance is unchanged and the other in which there is a significant change. The relative likelihood of each happening has also been examined

July 2008 and Beyond

The July negotiations were launched as part of a horizontal process within the Doha Development Round bringing together the different pillars of negotiation. The main objective was to finalize the modalities in agriculture and non-agricultural market access (NAMA) and to move ahead with the scheduling exercise. But disagreement among members on the modalities led to a break down of the talks.

Initially, it was argued that the lack of agreement between India and US on the details of the Special Safeguard Mechanism (SSM) in agriculture, which would temporarily allow developing countries to raise their tariffs in terms of a price fall or import surge, caused the breakdown[1]. It has now been widely accepted that though this was the proximate cause for the breakdown, there are several other contentious issues such as negotiations on reduction of cotton subsidies provided by the US to their farmers which could have stalled the talks as well[2].

Negotiating stances at July 2008

Agriculture is an extremely politically sensitive issue the world over and liberalization in this area has always been slow-paced across the world. In developed countries such as the EU and the US, liberalization in agriculture is a difficult task because large producers and exporters form a strong interest group. In India and other developing countries, it is the fear of loss of livelihood and food security which acts as the stumbling block[3]. The volatility in global agricultural prices also contributes to the wariness of policymakers in developing countries. This is why India's key focus during the July discussions was the SSM which provided Indian farmers temporary protection from sudden surges of imports or sudden fall in prices.

Under article 5 of the WTO Agreement on Agriculture many developed countries including the EU and the US have access to a special safeguard (SSG) which is similar to the proposed SSM that lets them temporarily raise tariffs when facing an import surge or price fall.[4] This safeguard was available only to those countries that engaged in a process of 'tariffication' (converting non tariff barriers to tariff barriers under the Uruguay round). This flexibility was availed by 39 members. Most developing countries, including India, could not avail of this because they had relied more on unbound tariffs rather than non tariff barriers in the pre Uruguay round period[5]. The negotiations for SSM revolve around providing a similar mechanism for developing countries to use in times of crisis. This mechanism in contrast to the SSG is proposed for only developing countries and would cover all products irrespective of tariffication. The SSM if implemented would allow developing countries to raise tariffs temporarily when faced by an import surge or price fall which might affect food and livelihood security. The trigger for the temporary rise in tariffs would be either an increase in volume of imports or a decline in prices over a certain agreed base period. Much of the SSM is agreed upon. What seems to be the point over which there is disagreement is the extent of the volume trigger that could lead to the SSM raising tariffs above the Uruguay round bound tariff rates.

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[1] WTO NEWS — DDA JULY 2008 PACKAGE: SUMMARY 30 JULY http://www.wto.org/english/news_e/news08_e/meet08_summary_30july_e.htm

[2] Good,Keith, 'Doha' Demise', A summary of Farm Policy News, http://www.farmpolicy.com/?p=851,31 July 2008; Sharma,Devinder, ' What caused the WTO collapse? It was the cotton subsidies, stupid!, http://www.stwr.org/imf-world-bank-trade/what-caused-the-wto-collapse-it-was-the-cotton-subsidies-stupid.html,12 August 2008.

[3] Jank, Marcos Sawaya, Ian Fuchsloch, Géraldine Kutas, 'Agricultural liberalization in multilateral and regional trade negotiations',Inter American Development Bank, Working Paper SITI-2003

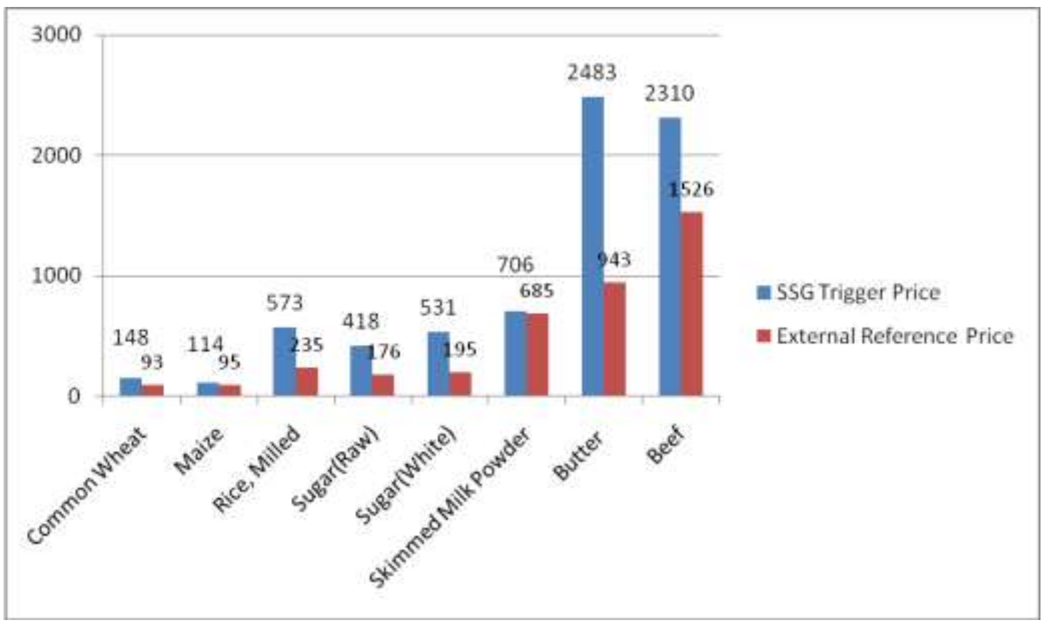
[4] In order to invoke this safeguard, three conditions have to be met: i) the product in question must have been subjected to the tariffication process; ii) the product must be designated in the country Schedule as a product for which the SSG may be invoked; and iii) the criteria for either a price-based trigger or a quantity-based trigger must be met.

[5] Gifford, Mike, 'Resuming Doha: Overcoming the SSM impasse', Trading Ideas, International Food and Agricultural Trade Policy Council, http://www.agritrade.org/blog/?p=62, September 16,2008

The key concern that India shares, along with many other developing countries[6], is to ensure that the volume trigger level is low enough to ensure sufficient protection. For developed countries, the main concern is the possible misuse of the mechanism and the fear that it could be used as a trade barrier even when livelihood concerns are critical. In July, while India proposed a trigger at 115 per cent[7], the US argued for it to be at 140 per cent[8]. This difference could not be resolved and consequently, the discussion did not move on to other issues on the agenda.

An interesting fact here is that a study by Hoda and Gulati (2008) reveal that countries such as the EU and US who are protesting against the SSM have used the SSG mechanism available to them many times and in fact even taken liberties by using triggers higher than the corresponding external reference prices (Graphs below).

Figure 1: SSG Trigger Price and External Reference Price for the EC: A Comparison, 1995-2000



Source: Hoda and Gulati(2008), WTO Negotiations on Agriculture and Developing Countries

Figure 2: SSG Trigger Price and External Reference Price for the US : A Comparison, 1995-2000

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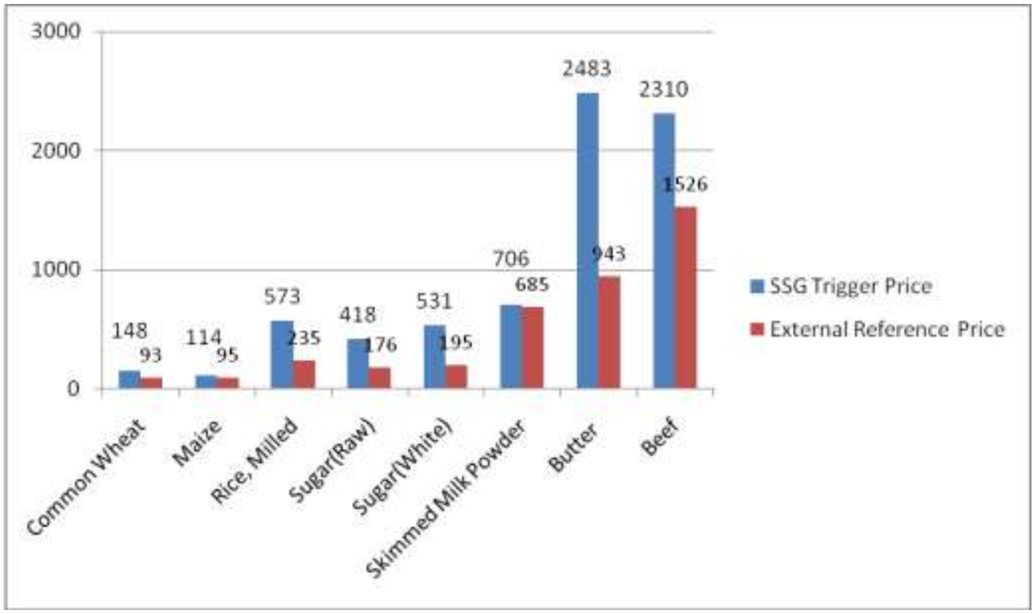
[6] It would be interesting to note that developing countries such as Brazil and Argentina who have strong export interests are more in support of the US proposed trigger of 140%

[7] The triggers are described as percentages of the base (average annual size of imports over the preceding three years according to para 124), so a trigger of 115% is a rise of 15%. The size of the safeguard tariff increase is the "remedy" and depends on the trigger.

[8] An unofficial guide to agricultural safeguards, GATT,Old Agricultural Mechanism and new SSM, WTO, http://www.wto.org/english/tratop_e/agric_e/guide_agric_safeg_e.htm, 5 August 2008



Source: Hoda and Gulati(2008), WTO Negotiations on Agriculture and Developing Countries

This study raises the question whether developed countries are hesitating to provide developing countries a flexibility they already enjoy and utilise.

The other concern that India has in agriculture negotiations is the extent of possibly trade distorting subsidies that are being provided by developed countries and the possibility that they might be engaging in shifting subsidies across categories/boxes to avoid capping commitments. For instance under the December 2008 revised draft modalities for Agriculture the allowable OTDS for the US is to be cut by 70%. Thus the present \$48.3 bn allowable level is cut to 14.4 bn. But under the recent 2007 notifications the US applied OTDS level was much lower, around 7 bn, giving it a lot of leeway. Data and some research over the past years indicate that developed countries, particularly the US and the EU, might be using the option of shifting trade distorting subsidies under Green Box heads to avoid subsidy reduction commitments. In fact US government notifications on domestic support to the WTO reveal that while the current total AMS (Subjectable to reduction commitments) of the US fell from \$14 bn in 2001 to \$6.5 bn in 2007, there was a sharp increase in GB subsidies from \$50 bn in 2001 to \$76 bn in 2007. If this indicates a shifting of subsidies across boxes to avoid capping commitments, then it has serious implications for developing countries and the negotiations under the WTO[9].

We now turn to market access for non-agricultural goods. The four key issues that were being discussed at the July ministerial meet were tariff reduction coefficient for advanced economies, level of coefficients and flexibilities for emerging economies, anti-concentration provisions and participation in sectoral negotiations. Before explaining each of these in detail it has to be emphasised that the central concern for India in negotiations on non agricultural market access is retaining future policy space.

[9] ICTSD,TWN

The July text and the later December text on NAMA link coefficients for tariff reduction to flexibilities. While for developed countries a coefficient of 8 is proposed, a set of three options of 20, 22 and 25 is proposed for developing countries with flexibilities linked to each of these (detailed in table below). The flexibilities in terms of excluding a certain percentage of tariff lines outside the application of the tariff reduction formula are further subject to an anti concentration clause which seeks to ensure that no HS chapter is totally excluded from tariff reduction.

Table 1:Coefficients and Flexibilites

Coefficient	Flexibilites
20	At least half the formula cuts on 14% tariff lines s.t. Imports not exceeding16% of value or No cuts or binding on 6.5% tariff lines s.t. imports not exceeding 7.5% of value
22	At least half the formula cuts on 10% tariff lines s.t. imports not exceeding 10% of value or No cuts or binding on 5% tariff lines s.t. imports not exceeding 5% of value
25	No flexibilities

India had bound around 69 per cent of its tariff lines during the Uruguay round with an average binding duty of 33.4 per cent. Applying the coefficients proposed by the NAMA text to the tariff lines would not require the applied rates to be reduced and hence does not affect India adversely immediately. What it does affect, though, is future policy space by reducing the gap between the bound and applied rates. This is because the current applied rates in NAMA and Agricultural tariff lines are low in relation to the bound tariffs. The graph below shows the average bound and applied tariffs in agriculture and NAMA commodities.

Table 2: India's Bound and Applied Tariffs in 2008

Product Category	Simple Average Final Bound	Simple Average Final Applied
Total Products	50.2	14.5
Agricultural	114.2	34.4
NAMA	36.2	11.5

Source: WTO World Tariff Profiles 2008

Further these coefficients would be against the mandate of 'Less Than Full Reciprocity' since developing countries would have to engage in steeper cuts than developed countries since existing bound tariff levels in developing countries are much higher. (See table below).

Table 3 : LTFR Principle (% Cut in dutiable Lines)

	Brazil	India	EC	US
Developed Country Proposal				

Swiss 10 & 15	66%	73%	33%	35%
NAMA 11 Proposal				
Swiss 10 & 35	45%	54%	33%	35%
Swiss 5 & 30	49%	57%	49%	51%
Chairman's Modalities				
Swiss 8 & 20	59%	68%	38%	40%
Swiss 8 & 22	57%	66%	38%	40%

Source: Ratna, R.S, 'WTO NAMA Negotiations; Present State of Play', Presentation at ICRIER

The significant concern for India is the Anti Concentration Clause linked to flexibilities that has been proposed. The ACC could adversely affect the protection provided to India's sensitive sectors, particularly in small and medium enterprises. Sectors both small scale and otherwise such as marine products, garments, silk, automobiles and aircrafts have been identified as vulnerable and likely to be affected by this clause.

Though India is open to participating in sectoral negotiations, her stand has been that participation should be voluntary and non-mandatory. Further, they should not to be used as a tool to circumvent the modalities of tariff reduction through application of the swiss formula or to exact additional market access from developing countries.

Though the mandate of the July ministerial meeting was to decide on the modalities on agriculture and NAMA before moving onto the other issues such as services trade, a signalling conference on services was held in mid-July to assess the extent of liberalisation in services trade that countries were willing to engage in. This conference had ended on a positive note but service industry associations in the US, which had welcomed the conference, reversed their position in January 2009 stating that the positions taken in July 2008 were not tenable[10]. India's stance on services is more offensive while its stance on agriculture and industry is more circumspect. As an emerging global power in IT and business services, the country, in fact, is a demander in the WTO talks as it seeks more liberal commitments on the part of its trading partners for cross-border supply of services, including the movement of natural persons to developed countries (Mode 4). With respect to Mode 2 also, India has offensive interest. India is actively participating in both the bilateral request offer process and also in plurilateral negotiations. India has also offered to make significant improvements over its Uruguay round commitments in the revised offers submitted to the WTO.[11]

Post- July Scenario

The global scenario has undergone drastic changes since July 2008. Though the financial crisis had been brewing for a while, it was after the Lehman Brothers crash in September 2008 that it began to deepen and affect economies around the world. Unlike previous crises that were confined to a country or a small number of countries, the current crisis has spread very quickly across the global economy. Many of the emerging economies, including India, which were

[10] T.S Vishwanath, Economic Times, September 2nd, 2009

[11] Mukherjee, Arpita, 'Barriers to Trade in Services :the case of India, TERI GALT Update, Volume 3, Issue 2, March 2009

spared the first round of adverse effects of the crisis, were affected when the crisis spread to the real from the financial sector[12].

The severity of the crisis can be judged from the IMF's forecast for the global economy. During last ten months (i.e. from July 2008 to April 2009), IMF revised its forecasts four times, all in the negative direction. In July 2008, it projected a growth rate of 3.9 per cent for the world economy. But just within three months, it was reduced to 2.2 per cent in November 2008 and further to 0.5 per cent in January 2009. Finally in April 2009, for the first time in sixty years, the IMF predicted a global recession with negative growth of 1.3 per cent for world GDP in 2009-10[13].

Table 4: IMF's growth projections

	GDP Estimates for 2009				**GDP Estimates 2010**	
	Jul, 2008	**Nov, 2008**	**Jan, 2009**	**Apr, 2009**	**Jan, 2009**	**Apr, 2009**
USA	0.8	-0.7	-1.6	-2.7	1.1	-0.04
UK	1.7	-1.3	-2.8	-4.0	0.2	-0.4
Germany	1.0	-0.8	-2.5	-5.0	0.1	-1.0
Japan	1.5	-0.2	-2.6	-6.1	0.6	0.5
France	1.4	-0.5	-1.9	-2.9	0.7	0.4
Canada	1.9	0.3	-1.2	-2.5	1.6	1.1
Italy	0.5	-0.6	-2.1	-4.4	-0.1	-0.4
Russia	7.3	3.5	-0.7	-5.9	1.3	0.5
China	9.8	8.5	6.7	6.5	8.0	7.5
India	8.0	6.3	5.1	4.5	6.5	5.6
World	**3.9**	**2.2**	**0.5**	**-1.3**	**3.0**	**1.8**

Source: World Economic Outlook updates, IMF

The transmission mechanism of the secondary impact of the financial crisis has been through trade flows and exchange rate. This is the result of increasing integration of countries with the global economy.

In fact India's integration with the world economy had strengthened over the past few years. India's share of global merchandise trade had increased from 0.83 per cent in 2003-04 to 1.45 per cent in 2008-09 and that of commercial services exports had increased from 1.4 per cent to 2.8 per cent in the same period. The total share of goods and services was 1.64 per cent in 2008-09. Further studies do reveal that nearly 14 million jobs were created directly or indirectly as a result of augmented exports in the last five years[14].

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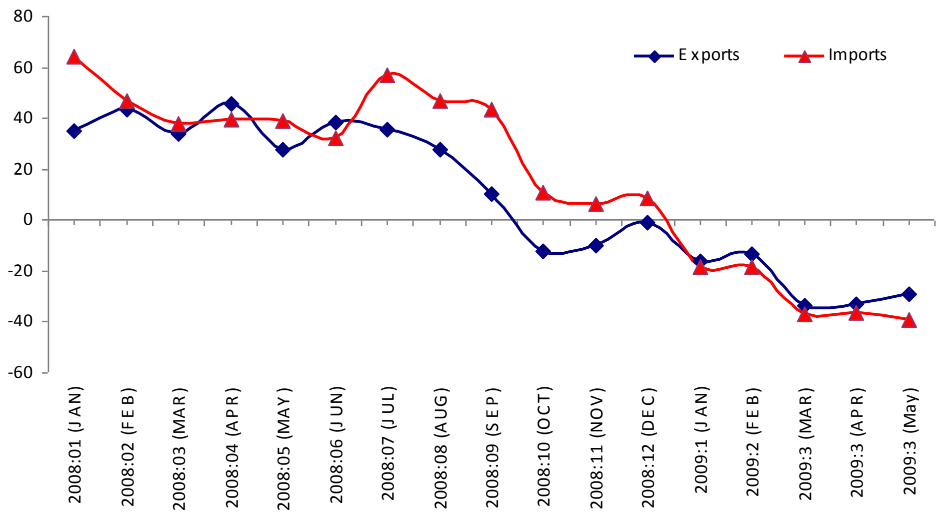
[12] Kumar Rajiv and Pankaj Vashisht,' Global Economic Crisis: Impact on India and Policy response', Draft Copy presented at the ADBI Conference in Tokyo, Forthcoming,2009

[13] Kumar and Vashisht (Forthcoming)

[14] Foreign Trade Policy 2009-14

Recent trade data shows that like other developing countries, India has also faced a steep decline in the demand for her exports in major markets. Some of the sectors that have been affected are gems and jewellery, garments and textiles, leather, handicrafts, marine products and auto components. Merchandise exports have registered a negative average growth of 17 per cent during October 2008 to May 2009. The decline in exports has been sharpened with May 2009 figures showing a 29.2 per cent fall compared to the levels in the same month in 2008[15].

Figure 3: Recent Trend in imports to and exports from India



Source: Ministry of Commerce, Government of India.

Though it has been argued that services trade has been resilient[16] than commodity trade, India's service exports have also declined. During the third quarter of 2008-09, growth in services export fell to a mere 5.9 per cent as compared to 34 per cent in the corresponding period a year ago. The exports of travel, transportation, insurance and banking services have also seen a contraction, while the growth of software exports has declined by more than 21 percentage points (Table 4). The real shock came in the fourth quarter of 2008-09 when the service exports witnessed a fell by 6.6 per cent over that a year ago.

Table 5: Quarterly YOY Growth rate of Services Exports

	Q3, 2007-08	Q3, 2008-09	Q4, 2008-09
Services	34.0	5.9	-6.6
i Travel	11.6	-13.9	-25.9
ii Transportation	21.0	-8.1	-7.9

[15] Kumar and Vashisht, Forthcoming

[16] Mattoo, Aditya and Ingo Borchert, 'The Crisis-Resilience of Services Trade', The World Bank Policy Research Working Paper, April 2009

iii Insurance	19.4	-21.5	-28.5
iv G.n.i.e.	11.5	7.8	3.8
v Miscellaneous, of which	40.9	1.5	-2.1
Software Services	41.3	19.5	-12.7
Business Services	17.4	-12.6	-15.1
Financial Services	34.2	0.8	-13.5

Source: Reserve Bank of India Bulletin, May 16, 2009

Though exports of both goods and services still account for only about 22 per cent of Indian GDP, their multiplier effect for economic activity is quite large as the import content is not as high as, for example, in the case of Chinese exports. This is reflected in sharp slowdown in industries with a substantial export component. The index of manufacturing sector output (Manufacturing IIP), which had grown at 9.6 per cent during 2007-08 and by 5.3 per cent in the first half of 2008-09, slowed down to 0.5 per cent growth rate in the third quarter and further to -0.16 per cent in the fourth quarter of 2008-09. Therefore, the export slump is expected to have a significant impact on GDP growth in the coming period.

The Indian government is trying to counter most of these effects and the foreign trade Policy 2009-14 is an attempt in this direction. In fact the underlying theme of the policy is diversification of markets and products through the rationalisation of incentive schemes. 26 new export markets have been identified of which 16 are in Latin America and 10 in Asia. Further for those sectors that have been affected by the crisis in terms of export decline, new promotional schemes have been introduced (Details in Annex 2). All these schemes are WTO compatible.

In terms of protectionist measures, India has both been affected adversely by the policies of trading partners and been accused of engaging in measures that adversely affect its trading partners. Protectionism following the current crisis is of a much subtler nature than that following the 30's depression. In fact, the cocktail of measures that countries have been engaging in has been termed 'murky protectionism'[17] because of the mix of measures. Apart from raising tariffs and non-tariff barriers these measures also include regulatory measures integrated into domestic fiscal programmes and bailout packages. In November 2008 at the G20 summit, countries including India had pledged to avoid protectionism. But immediately afterwards, a report compiled by the World Bank showed that many countries including 17 of the G-20 countries have implemented 47 measures that restrict trade at the expense of other countries[18]. Further, a list of measures compiled by the WTO Directorate General also supports evidence that countries have been imposing varied kinds of measures that have been protectionist and trade restrictive in nature[19].

Table 6 : Measures that have raised protectionist concerns

[17] Baldwin, Richard and Simon Evenett, 'The collapse of global trade, murky protectionism and the crisis: Recommendations for the G20', http://www.voxeu.org/index.php?q=node/3199 , March 2009.

[18] Elisa Gamberoni and Richard Newfarmer "Trade Protection: Incipient but Worrisome Trends" *Trade Notes* International Trade Department: World Bank. 2009

[19] WTO Director General's Report to the TPRB (March,2009)

Types of Measures	**Countries that have used them to various degrees**
Antidumping Investigations on imports	Argentina, Brazil, Canada, India, EU, China
Economic Stimulus Packages	Australia, Brazil, Canada, China, Dominican Republic, France, Germany, India, China, Hungary, Jamaica, Korea, Luxemburg, Malaysia, New Zealand, Peru, Portugal, Russia, Turkey, United Kingdom, United States
Trade distortive measures in the automobile sector(e.g. subsidies, guarantees, special loans and guarantees)	Argentina, Australia, Brazil, Canada, China, France, Korea, Russia, Turkey, UK, US. (India also initially imposed licensing requirements but removed them later)
Trade distortive measures in the steel sector	Argentina,EC,Egypt,India,Indonesia,Malaysia,Philippines,Russia,Turkey, US, Vietnam, (Indian Government deferred implementation of the regulation by a year though)
Tariff Increases	Ecuador, India, Russia, Mexico, Ukraine, Kazakhstan, Indonesia, Korea, Turkey, Vietnam,
Non Tariff Barriers	Indonesia, Argentina,
Import Bans	India, China,
Labour Related Measures	Malaysia, France, Italy, Spain, US
Safeguard Measures	Japan, Philippines, Chinese Taipei,
Currency devaluation	Armenia ,Kazakhstan, Russia

Source: Compiled from WTO Director General's Report to the TPRB (March,2009) and ICTSD(March,2009)

Of particular concern to the services sector in India are the probable protectionist measures in the US stimulus plan pertaining to restrictions in the movement of professionals by introducing difficulties in hiring H-1 B visa holders, the Grassley Durbin Bill and also the proposed US tax measures that could affect offshore outsourcing.

Along with being a 'victim' of anti dumping investigations, India has also been accused of engaging in protectionist measures because of the increased anti-dumping investigations against its trading partners. During the period July 2008 to December 2008, India has reported 53 anti-dumping investigations out of which 19 investigations have been against China. While anti-dumping investigations could be potentially protective measures, nothing conclusive can be said until and unless the outcomes of these investigations are known. This, though, does not take away the fact that India should probably use such measures with caution especially in a fragile international environment.

<u>Negotiating Stances</u>

Before analysing whether the crisis has changed India's negotiating stances in the WTO, it would help in giving a background to it by looking at the way domestic trade policy is tailored in India and who the are the main interest groups influencing it.

The Ministry of Commerce and Industry (MOCI) is the chief agency responsible for determining trade policies within India. Within the MOCI it is the Trade Policy Division that is responsible for WTO related negotiations and decisions. The Trade Policy Division consists of a special Secretary/additional secretary, who is the chief negotiator, and a team of civil servants to help in negotiations.

A criticism that has been raised[20] on trade policy formulation in India is that there is less inter ministerial coordination in terms of trade policy formulation and WTO negotiations. Different ministries are in charge of domestic policy formulation. For instance in terms of agricultural policies it is the ministry of agriculture and in terms of environment policies it is the ministry of environment and forests that is responsible for taking decisions within the country. Hence it is essential that the different ministries that are concerned should be aware of the multilateral negotiations in this area since they have implications for domestic policy making. The criticism that there is limited inter ministerial coordination is true to an extent since the MOCI is the sole body in charge of negotiations and it hardly holds stakeholder consultations jointly with other ministries. But it also has to be understood that since the negotiations are extremely technical and requires a high level of expertise, it makes it difficult for other ministries to provide useful and timely inputs. There was a recent recommendation by an expert committee to extend the mandate of the Commission on Agricultural Costs and Prices[21], Ministry of Agriculture to provide advice on tariff policy and other trade related matters. This was rejected and it is believed that this was done so on the basis of reservations expressed by the ministry of commerce since it believed that involving the CACP in setting tariffs would lead to introducing trade distortions. The recommendation if accepted would have made it mandatory for the central government to fix minimum support prices on the basis of the CACP's recommendation and the tariff advice provided by them would also have been so as to retain the MSP at that particular level. This would have led to interventions in trade policies and possible incompatibilities with the WTO rules[22]. From this it is evident that one of the concerns that the MOCI has in terms of involving other ministries is whether that would translate into creating further obstacles in trade negotiations at the WTO.

There is an inherent fear towards trade liberalisation in India[23]. This is because of a mix of reasons- historical, political and also from a lack of awareness about the implications of trade agreements. The MOCI has been trying to overcome this by holding stakeholder consultations across the country to obtain inputs into sensitivities that needs to be taken into account during negotiations and also disseminating information during these consultations. Many states governments are also creating state WTO cells to help them understand the implications of WTO negotiations.

Indian think tanks and research organisations also have do play an important role here. In fact there has been a drastic change since the Uruguay round where such organisations were hardly

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[20] Sen, Julius, 'Trade Policy Making in India: The Reality Below the Water Line', LSE; Priyadarshi, Shishir, 'Decision making processes in India: The case of agricultural negotiations'

[21] The Agricultural Prices Commission was set up in January, 1965 to advise the Government on price policy of major agricultural commodities with a view to evolving a balance and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.

[22] Damodaran, Harish, ' Cabinet rejects statutory status to CACP', Hindu Business Line, January 16,2009

[23] Gupta, S. , 2007-02-28 "The Institutional Basis of India's Defensive Position on Agricultural Trade Policy" Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, Hilton Chicago, CHICAGO, IL, USA

consulted at all by the policy makers during negotiations[24]. Today they have become an integral part of the Indian government's negotiation process, whether it is to obtain independent research based inputs or to help disseminate the implications of WTO negotiations across the country. In fact realising the importance of research in WTO negotiations the government has helped set up the WTO centre for studies in IIFT to provide them with input when required.

Industry associations are yet another important interest group within India. The main industry associations are the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and Federation of Indian Small and Medium Enterprises (FISME). These industry associations help in creating awareness amongst its members on key WTO issues and providing inputs to government based on the feedback received from industry[25]. They have been extremely active since the inception of the Doha round continuously providing inputs not just into the multilateral negotiations but also bilateral and regional trade negotiations

India has always favoured multilateralism to bilateralism. The crisis has only strengthened India's resolve to complete Doha. This is evident from the initiative India has taken in terms of calling upon an informal ministerial discussion within the country. Though the focus of this ministerial is only process and not content, this has acted as a step forward.

The crisis has not changed any of the negotiating priorities that India had in July, other than bringing in a sense of urgency that it is essential to complete Doha and lock in the extent of commitments that members have expressed willingness to undertake. There have been concerns among various interest groups on whether the crisis and its impact on trade and finance would increase the sensitivities of different sectors to liberalized trade. This has been recognized by the Indian negotiators and the government and there has been a two pronged effort in terms of holding stakeholder consultations to understand the concerns of the industry groups and also a renewed effort to engage in negotiations while protecting the vulnerable groups. The underlying priority for India in negotiations has always been retaining policy space to protect the small and marginal farmers/industries. The crisis has only strengthened this.

Relational Aspects: Does a BRIC behave like a BRIC?

An important aspect of India's negotiating strategy in Doha has been the process of collective bargaining that India is part of through coalitions. In this section we look at India's engagement in various coalitions, the material bases for that participation and the diplomatic assets that India has involved in these negotiations.

With an increased membership and wider coverage of issues WTO negotiations have become much more complicated than the GATT negotiations. Coalitions are one way in which developing countries try to overcome their constraints in dealing with such complex

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[24] Sen,Julius

[25] Priyadarshi, Shishir, 'Decision Making Processes in India: The Case of the Agricultural Negotiations' in Gallaghar, Peter et al (ed)'Managing the challenges of WTO participation:45 case studies', Cambridge University Press,2006

negotiations. Especially with a structural set up based on informal discussions and consensus based decision making, coalitions have an important role to play.

Since the Uruguay round India has been actively engaging in negotiations through coalitions. The table below details the coalitions India is part of.

Table 7: Coalitions where India is participating

Coalition (Date of Formation)	Focus of the coalition	Members
G20 2003	Agriculture – elimination of export subsidies and domestic support and the liberalization of market access in agriculture	Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe (Colombia, Costa Rica and El Salvador were previously members)
G33 2003	Agriculture – Initially formed as the Alliance for Special Products and a Special Safeguard Mechanism and objective is to include provisions on Special Products (SP) and Special Safeguard mechanism (SSM) in a revised agreement on agriculture.	Antigua & Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Cote d'Ivoire, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, the Philippines, Saint Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.
NAMA 11 2005	NAMA Prime concerns- Liberalisation of Market access in developed countries, safeguard the concept of LTFR, and against making sectorals mandatory	Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.
LMG 1996	Formed in opposition to the Singapore issues but current focus TRIPS.	Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, with Jamaica and Mauritius as observers
Core Group on Singapore Issues 1991	Emerged in opposition to the treatment of the four Singapore issues as a single basket.	Bangladesh, Cuba, Egypt, Kenya, India, Indonesia, Malaysia, Nigeria, Pakistan, Rwanda, Venezuela, Zambia and Zimbabwe.
Friends of Geographical Indications 1998	To extend GIs to products beyond wines and spirits	Dominican Republic, Egypt, Honduras, India, Jamaica, Kenya, Pakistan, Sri Lanka and Thailand.
G24 on Services	To address guidelines and procedures on negotiating services	Argentina, Bolivia, Brazil, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Honduras, India, Indonesia, Malaysia, Mexico, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Sri Lanka, Thailand, Uruguay and Venezuela.

Three of the most successful coalitions India has been part of have been the G20, the G33 and the NAMA -11. The success of these coalitions probably also come from the learning that India and other developing countries had as part of the Like Minded Group, which was a coalition that was formed during the run up phase to the Doha round with the objective to oppose the inclusion of Singapore issues. This coalition was hounded by defections, lack of coherence and unity and was not able to be a strong negotiating force. The G20 and the G33 have agriculture as the focus of their negotiations. While India uses G20 as the platform for pushing through its aggressive interests of reducing subsidies and tariffs in developed countries, the G33 is used as the platform for protecting its defensive interests in terms of pushing through for a safeguard mechanism and special products. In G20, the leadership of India and Brazil has had a significant role to play. This has become one of the strongest developing country coalitions in the WTO and though there has not been any commitments or modalities in terms of developed country reduction of subsidies , the fact that this issue still is in the domain of negotiations is a reflection of the success of this coalition. The success of the G33 is reflected in the inclusion of the provision of SSM in the July framework. Both the G20 and the G33 work differently. While the G20 is more of a top down coalition and depends a lot on the core group of members Brazil, India , China and South Africa, the G33 is a bottom up institution and works a lot in association with non state actors[26]. But irrespective of the difference in the way of functioning there is support given by each of these coalitions to the other and India has an important role to play here being a member in both of these coalitions and acting as a bridge for information sharing.

The emerging role of India as a key player in coalitions is also reflected in the fact that the old quad has been replaced by the new quad or the G4 represented by India, Brazil, EU and US. This is representative of how the power dynamics have shifted.

A reason for the success of these coalitions could be that their nature extends beyond being either purely bloc based (held together by a common identity) or issue based(held together by common interests). In fact Narlikar[27] argues that the current coalitions including G20 and G33 are successful because while they might have come together for negotiations and information sharing on common issues of interest, they also retain certain features of bloc coalitions such as being restricted to developing countries and frequently outlive the issue of focus and operate across a range of related issues while retaining emphasis on a central issue.

The ability of India to take upon a leadership role along with Brazil in many of these coalitions is the political maturity that India has gained in understanding that WTO negotiations are not a win win game and in order to bargain with the developed countries the interests of the lesser developed countries should also be taken into account even if not in its own interest. This in turn could provide a larger support base within the WTO when needing to push through its agenda.

Macro and Mid Term Aspects: Policy Learning and Development Strategy

The policies and strategies that are adopted by a country in the international arena are also determined by the policy learning from its own domestic experiences. India's strategies at the WTO have very much been influenced by its domestic development strategies and experiences. In this section we briefly look at how past crises both domestic and international have influenced India's international trade strategies. We also briefly focus upon the domestic debates within

[26]Mably Paul, 'Centralized production: The Group of 33', in The Politics of Trade, IDRC Publication

[27] Hurrel Andrew and Amrita Narlikar,' A New Politics of Confrontation? Brazil and India in Multilateral Trade Negotiations', Global Society, Vol 20, No 4, October 2006

India in regards to global trade and national development strategies and try to place the Doha development agenda within this framework.

A crisis provides the ideal opportunity to push through reforms. Reforms that would otherwise face opposition can be pushed through in extra ordinary situations. The 1991 domestic economic reforms led to liberalization of India's external trade regime. Though these reforms were in response to India's balance of payments crisis evidence is there to show that this was not a completely ad hoc reaction and that these reforms were in the process of being discussed and debated even prior to it[28].

But reforms by India have always been a slow paced affair. A central tenet of India's negotiations whether it is in Agriculture or NAMA is the emphasis on retaining policy space. This is manifested in the large gap between India's bound and applied tariffs. The root of this fear of loss of policy space could be from India's experience of having to renegotiate bound tariffs on certain agricultural products. During the Uruguay round India had bound its tariff rates at high levels of 100, 150 and 300 percent for commodities, processed products and edible oils, respectively. But for those commodities with bound rates from earlier negotiations, pre-1994 tariff levels were retained. This group included some key cereals (rice, maize) and milk products at zero tariffs. The elimination of quantitative restrictions in 1990 led to a surge of imports in these commodities and India was forced to enter into the cumbersome process of renegotiating tariffs on these commodities. The renegotiated tariffs for rice, maize, sorghum, milk and milk products, and few other commodities are in the range of 40-80 percent. This experience has had an impact on India's negotiating policies within the Doha Round as is manifested in the demand for a SSM and policy space retainment by maintaining high bound rates even when applied rates are low.

An example of an international crisis affecting India's international policy is that of the East Asian crisis. The crisis and consequential devaluation in the region led to a fall in international prices of agricultural commodities particularly rice and wheat. India reacted to this by raising the import duty on wheat. But once the international wheat prices started regaining its competitiveness post 2001, the duty rate was reduced and further imports were also opened up for the private sector in contrast to the earlier policies. This might have been a feasible option then, but with India's integration into the world economy and also with her emergence as an active player in the WTO this kind of an action would give out the wrong signals in terms of India's commitment to the multilateral system of trade negotiations.

India has emerged as a significant player in the WTO negotiations. Since the launch of the Uruguay round trade has opened up significantly. India has in contrast to its earlier positions in the WTO currently aggressive market access demands as well. But irrespective of this the debate domestically still has a long way to go before it can truly be representative of the domestic realities. A lot of the debate around stakeholders and different interest groups still revolve around the WTO reducing the domestic policy space. Two interrelated aspects have to be emphasized

[28] Ahluwalia, Montak Singh, 'Lessons from India's Economic Reforms' Published in the book titled 'Development Challenges in the 1990s' - Leading Policymakers Speak from Experience; a co-publication of the World Bank and Oxford University Press, March 2005

here. Firstly the WTO does not restrain domestic policy space completely. Secondly trade policy is just one aspect that contributes to development and growth of the economy.

Those who argue against pushing through the Doha agenda cite various studies and the meager gains that will accrue to developing countries. This might be true but what needs to be considered is the losses that might happen as a result of the failure of the round. This might be huge. Not only would this be in terms of pure economic losses, the political repercussions would be large.

Conclusion

What could be the way ahead? The mini ministerial that was held in September 2009 under the aegis of India in Delhi has been a good start at re energising the talks. This meet was focussed more on process rather than actual issues and hence no concrete decisions or discussions happened during this meet. But in the forthcoming months there will be a lot of discussion on the issues and how to resolve them. There are two alternate situations that could happen. The first is to wind the current round of talks and lock in whatever liberalisation has been agreed upon till date. This would mean agreeing upon the SSM tool, coefficients in terms of NAMA negotiations and postponing negotiations on domestic subsidy reductions and box shifting, sectoral negotiations and services negotiations onto the next round of negotiations that could be launched immediately. The second option is to retain the current round with all its ambition and try to reach an agreement. This would be a very difficult proposition and would possibly not lead to any immediate outcome. The former scenario of closing the Doha round with the limited level of ambition would have the added benefit of sending out positive signals and reaffirming faith in the multilateral system when it is most needed. This should be the way ahead.

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Annex 1: Indicative List of Stakeholders/ Interest groups

Main stakeholders in India are **all India level industry associations** such as Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), The Associated Chamber of Commerce and Industry of India (ASSOCHAM), PHD Chamber of Commerce and Industry, Federation of Indian Export Organisations (FIEO). **State level industry associations:** Bombay Chamber of Commerce & Industry, Indian Chamber of Commerce, All India Importers Association, All India Exporters' Chamber; Associations; Legal Bodies: Indian Council of Arbitration, International Chambers of Commerce- India chapter; Export Import Bank of India (EXIM Bank), Export Credit Guarantee Corporation of India;.

An indicative list of sector specific stakeholders is given below-

Export Promotion Councils

1. Engineering Export Promotion Council
2. Project Exports Promotion Council of India
3. Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council
4. Chemicals and Allied Products Export Promotion Council
5. Council for Leather Exports
6. Sports Goods Export Promotion Council
7. Gem and Jewellery Export Promotion Council
8. Shellac Export Promotion Council
9. Cashew Export Promotion Council
10. The Plastics Export Promotion Council
11. Export Promotion Council for EOUs & SEZ Units
12. Pharmaceutical Export Promotion Council
13. Apparel Export Promotion Council (AEPC)
14. Export Promotion Council for Handicrafts (EPCH)

Agriculture

1. Agricultural and Processed Food Products Export Development Authority (APEDA)
2. All India Food Processors Association
3. Confederation of Indian Food Trade and Industry
4. National Agricultural Cooperative Marketing Federation of India (NAFED)
5. National Centre for Agricultural Economics and Policy Research (NCAP)
6. National Bank of Agriculture & Rural Development (NABARD)
7. Indian Farmers' Fertiliser Cooperative Limited (IFFCO Foundation)
8. Indian Council of Agricultural Research (ICAR)
9. Agro Economic Research Centre
10. International Food Policy Research Institute (IFPRI)
11. Food and Agriculture Organization of United Nations (FAO)
12. Marine Products Export Development Authority

Commodity Boards

1. Rubber Board

2. Coffee Board
3. Tea Board
4. Tobacco Board
5. Spices Board

NAMA

1. Textile Association of India (TAI)
2. Confederation of Indian Textile Industry (CITI)
3. The Clothing Manufacturers Association of India (CMAI)
4. Council for Leather Exports
5. Fertiliser Association of India
6. Society of Indian Automobile Manufacturers (SIAM)
7. Automotive Component Manufacturers' Association of India (ACMA)
8. Federation of Indian Micro and Small & Medium Enterprises (FISME)
9. Institute of Small Enterprises and Development (ISED)
10. Indian Footwear Components Manufactures Association (IFCOMA)
11. All India Steel Rerollers Association
12. Indian Drug Manufacturers Association
13. Organization of Pharmaceutical Producers of India (OPPI)
14. Indian Chemical Council (ICC)
15. Indian Merchant's Chamber

Services

1. The National Association of Software and Services Companies (NASSCOM)
2. Petroleum Federation of India (PETROFED)
3. Bar Council of India
4. All India Management Association (AIMA)
5. The Institution of Engineers (India)
6. Consulting Engineers Association of India (CEAI)
7. Consultancy Development Centre (CDC)
8. Indian Institute of Architects
9. Association of Professional Immigration and Education Consultants of India
10. Construction Federation of India (CFI)
11. Council of Architecture (COA)
12. Medical Council of India
13. Indian Nursing Council
14. International Air Transportation Association (IATA)
15. Retailers Association of India
16. Trained Nurses Association of India (TNAI)
17. Indian Film Exporters Associations
18. Engineers India Limited (EIL)
19. National Centre for Trade Information

Research Organisations

1. Indian Institute of Foreign Trade (IIFT)
2. Indian Council for Research on International Economic Relations (ICRIER)
3. National Council of Applied Economic Research (NCAER)
4. Centre for Policy Research (CPR)
5. Research and Information Systems (RIS)

NGOs

1. Centre for Trade and Development (CENTAD)
2. Consumer Unity and Trust Society (CUTS)
3. Equations
4. Action Aid India
5. Focus on Global South

Others

1. Construction Industry Development Council
2. NIPO
3. National Research Development Corporation
4. Indian Dairy Association

Annex 2: Promotional Schemes under Foreign Trade Policy 2009-14 for the different sectors affected by the crisis

Marine sector

Fisheries have been included in the sectors which are exempted from maintenance of average EO under EPCG Scheme, subject to the condition that Fishing Trawlers, boats, ships and other similar items shall not be allowed to be imported under this provision. This would provide a fillip to the marine sector which has been affected by the present downturn in exports.

Additional flexibility under Target Plus Scheme (TPS) /Duty Free Certificate of Entitlement (DFCE) Scheme for Status Holders has been given to Marine sector.

Gems & Jewellery Sector

To neutralize duty incidence on gold Jewellery exports, it has now been decided to allow Duty Drawback on such exports. In an endeavour to make India a diamond international trading hub, it is planned to establish "Diamond Bourse (s)". A new facility to allow import on consignment basis of cut & polished diamonds for the purpose of grading/ certification purposes has been introduced.

To promote export of Gems & Jewellery products, the value limits of personal carriage have been increased from US$ 2 million to US$ 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, has also been increased from US$ 0.1 million to US$ 1 million.

Agriculture Sector

To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by APEDA.

Leather Sector

Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi finished leather from public bonded ware houses, subject to payment of 50% of the applicable export duty. Enhancement of FPS rate to 2%, would also significantly benefit the leather sector.

Tea

Minimum value addition under advance authorisation scheme for export of tea has been reduced from the existing 100% to 50%.

DTA sale limit of instant tea by EOU units has been increased from the existing 30% to 50%.

Export of tea has been covered under VKGUY Scheme benefits.

Pharmaceutical Sector

Export Obligation Period for advance authorizations issued with 6-APA as input has been increased from the existing 6 months to 36 months, as is available for other products.

Pharma sector extensively covered under MLFPS for countries in Africa and Latin America; some countries in Oceania and Far East.

Handloom Sector

To simplify claims under FPS, requirement of ‘Handloom Mark’ for availing benefits under FPS has been removed.