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India at the WTO: From Uruguay to Doha and Beyond

by

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Abstract

This paper provides a critical analysis of the evolution of India’s engagement at the World Trade Organization (WTO) over the last two decades. The Uruguay Round negotiations resulted in a major overhaul of the multilateral trading system and produced a multilateral bargain that is considered by many developing countries, especially India, to be lop-sided. The paper will consider the impact of this bargain on India’s position at the WTO going forward, especially during the ongoing Doha Round of WTO negotiations that began in 2001. While hope lingers that the Doha Round will finally conclude this year, several major issues remain unresolved. The paper examines India’s role in these negotiations as well as the larger issue of whether the Doha Round has the chance to live up to its initial promise of being a “Development Round”. Finally, the paper discusses whether and how the emergence of major developing countries such as India, China, and Brazil, has fundamentally altered the nature of the multilateral trading system.

Keywords: Multilateral trading system, Developing countries, India, Uruguay Round negotiations, Doha Round negotiations, WTO.

JEL Classification No.: F1, F2, F4, O1.

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I. Introduction

India’s voice in international trade negotiations has often been a loud one, often louder than one would expect given its limited participation in world trade over the years. But the small scale of India’s international trade prior to its economic reforms of 1991 is partly what makes its current role at the WTO so important. This is because during the first five decades or so after gaining independence from British rule in 1947, India essentially chose to shut off its economy from the rest of the world by enacting extremely restrictive policies toward trade and foreign investment. As one might expect, India’s pursuit of an inward looking development strategy was reflected in the nature of its involvement in multilateral negotiations. During GATT years, India was widely perceived as a player that invariably took negative (i.e. anti-liberalization) positions on most issues. Indeed, the default position of Indian Ambassadors to GATT was generally assumed to be just “no”.

One could argue that at least during the initial decade or so of its existence as an independent country, India’s isolationist policies and its pursuit of ‘self-sufficiency’ were not entirely unreasonable responses to its colonial experience – after all, the British rule of India began via the arrival of the British East India Company, a private multinational firm that sought to profit from exporting Indian goods to world markets. However, India’s colonial hangover can hardly justify its prolonged pursuit of protectionist policies, not least because these policies significantly slowed down its economic progress relative to those countries that adopted a more outward looking approach.

Given India’s size and the fact that its historical colonial legacy was shared by a host of developing countries, India’s voice in the international arena has often been seen as being representative of the developing world at large. Indeed, it seems fair to say that India appears to have been rather willing to play this leadership role. This was perhaps most clearly at display during the negotiation of the

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Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) under the Uruguay Round (1986-1993), the successful completion of which led to the establishment of the World Trade Organization (WTO) and the single undertaking system of today. The general feeling among developing countries, and certainly in India, seems to have been that the TRIPS agreement was not in their interest in of itself but was acceptable, perhaps barely so, as part of a larger package wherein developed countries would remove or lower trade barriers in areas of interest to developing countries. But 17 years after the conclusion of the Uruguay Round, progress on this front has been disappointing. Indeed, when the Doha Round was launched in 2001, it was hailed as the Round that would put the interests of developing countries at the forefront – a corrective action of sorts to restore the perceived imbalance that resulted from the Uruguay Round.

Consider the following quotation from the Doha ministerial declaration of November 2001 (with italics added for emphasis):

“The majority of WTO members are developing countries. **We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration.** Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development.”

Of the nine GATT/WTO Rounds of trade negotiations, the Doha Round was the first to put the interests of developing countries at center stage, so at least was the claim. The lofty declaration above notwithstanding, progress during the Doha Round has been rather slow. Indeed, some doubt that there has been any progress at all. In this latter view, somewhat ironically the ‘Development’ Round has so far been a Round without any significant ‘developments’ at all!

A cynical perspective would suggest that stalemate is precisely what we should expect of a Round that purports to put the interests of the WTO’s weaker members first. But this might be too harsh a judgment. Hoekman et. al. (2009) argue that the relevant issue is not whether there is sufficient liberalization contained in the package currently on the table at Doha. According to their view, the world would do well to bind the current level of openness and to secure commitments that countries are willing to make. While their pragmatic perspective calls for a speedy conclusion to the Doha Round, they also acknowledge that the current deal on the table does not go far enough to justify calling the Doha Round a “development” Round.

A reasonable argument can be made that the slow progress of Doha does not necessarily imply that the deck is stacked against developing countries. Rather, it is more likely that the relatively easier part of the journey of global trade liberalization is behind us and the issues that remain on the table are simply harder to tackle, particularly insofar as trade in agriculture is concerned. As a result, progress may be slow and fitful during all future WTO negotiations; the Doha Round might simply mark the change in the

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2 The text of this declaration is available at [http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm).
underlying negotiating environment of world trade. This perspective suggests that the Doha Round is progressing slowly not because it is a ‘development’ Round but rather because we are simply in a new, stickier regime of global trade negotiations.

This viewpoint finds further support in the changing architecture of the multilateral trading system. When GATT came into existence, it was a club of 23 countries of which many were at rather similar levels of economic development. Furthermore, the aftermath of World War II had contributed to the emergence of a common world-view among these countries regarding the benefits of world trade and international economic engagement. While India was a founding member of GATT, its policy choices suggest that it did not view the economic benefits of participating in the multilateral trading system the same way as most other founding members. But India did recognize the importance of staying engaged globally, even if it were only for its political and strategic benefits.

Today, developing countries are a part of the multilateral system like never before. Consider this: of the 153 members of the WTO today, over one third are developing countries, of which roughly half are classified by the UNCTAD as being Least Developed Countries (i.e. those with a per capita income below $750). These numbers imply that whenever broad consensus or unanimity is required, developing countries have the ability to influence proceedings at the WTO. Of course, in most matters economic size trumps country numbers. But in this regard too, developing countries have become increasingly influential at the WTO, not least because of the recent emergence of China, Brazil, and India. During 2009, all three countries ranked in the top ten in terms of their gross domestic product, with China having the third largest economy in the world (after the EU and the USA) and India the fifth largest. The combined economic clout of developing countries at the WTO is now sizeable and increasing fast, developments that will undoubtedly affect the pace and the nature of future WTO negotiations.

The remainder of this paper is organized as follows. Section II provides a brief overview of the evolution of India’s role in world trade as well as its trade policies. Section III provides a discussion of how and why the ratification of TRIPS led to the view among developing countries (particularly India and Brazil) that the outcome of the Uruguay Round was tilted in favor of the developed world. Section IV discusses how the Doha Round has attempted to address some of these concerns and provides an overview of the two major areas currently being negotiated at Doha: agriculture and market access in non-agricultural goods. Finally, by way of conclusion, Section V argues that India should use the its increasing clout in global trade negotiations not to stall liberalization but rather to secure more favorable terms for itself.

II. India in world trade

As was noted earlier, during the first five decades or so of its existence as a modern nation, India implemented extremely restrictive policies toward international trade and foreign direct investment. The economic costs of its strategy of import substitution have been studied widely – see Panagariya (2008) for a comprehensive overview of the issues involved and Bhagwati and Desai (1970) for an early and influential critique of these policies. Indeed, it is fair to say that India’s experience viz-a-viz the East Asia tigers -- i.e. South Korea, Hong Kong, Singapore, and Taiwan -- is perhaps the most damning

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3 See also Bhagwati and Srinivasan (1975).
evidence available in the case against import substitution. Few economists would disagree that these policies had pernicious effects on India’s economic development and on the well-being of its citizens.

Figure 1 plots India’s total merchandise trade from 1980-2008 with the value of trade in 1980 being set equal to 100.4

Two important observations can be made from this figure. First, from 1980-1992, the value of India’s total trade roughly doubled. Second, from 1992-2002, once again trade roughly doubled itself. But from 2002 to 2008, there was literally an explosion in India’s trade with the rest of the world: trade in 2008 was five times that in 2002 and twenty times of what it was in 1980. As Figure 1 notes, even compared to the growth in world trade this is impressive: global trade in 2008 was eight times what it was in 1980.

Part of the explanation behind the recent surge in India’s trade is that spurred on by a record current account deficit and large debt-service payments, in 1991 India lifted some of its restrictions on trade and foreign investment, thereby opening the door for the Indian economy to assume its natural place in the world trading order. In their recent in-depth analysis of the Indian economy, Srinivasan and Tendulkar (2003) note that in 1990 India’s current account deficit stood at a record 3.2 percent of GDP and its debt-service payments were as high as 35.3 percent of foreign exchange receipts. The urgency of these external pressures as well as the emerging realization among its policy-makers that an isolationist stance

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in the world economy had hardly been conducive to India’s economic development, finally lead India to undertake a set of fairly substantial economic reforms in 1991.

On the trade side, Srinivasan and Tendulkar (2003) point out that in 1990, sixty-five percent of all imports were subject to nontariff barriers, the import-weighted average tariff stood at 87 percent, and the un-weighted tariff at a whopping 128 percent. These high tariff levels had effectively turned India into one of the most closed economies of the world. Fortunately, the liberalization package of 1991 went some ways in lowering its tariffs: the import-weighted tariff was reduced to 64 percent in 1992-1993, to 47% the next year, and then to 24.6% in 1996.5 While such liberalization helped better integrate the Indian economy with the rest of the world, India continues to be a minor player in world markets. Figure 2 plots India’s share in world merchandise trade. As can be seen from this figure, while India’s share has increased rather sharply during the last decade or so, in absolute terms it is still rather small: in 2008, India accounted for just over 1.4 % of world merchandise trade.6

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5 The WTO’s 2007 Trade Policy Review of India notes that in 2006/07: (i) tariff revenue accounted for 23% of net tax revenue in India; (ii) overall average for applied MFN tariffs was 15.8%, with 12.1% for non-agricultural products and 40.8% for agricultural products; (iii) manufacturing continues to have high tariffs, especially in textile and clothing (22.5%) and autos (33.65); and (iv) over 75% of India’s tariff were bound but these bindings were rather high: 100% for agriculture and 71.6% for non-agricultural goods; and (v) the difference between bound and applied rates was substantial.

6 During 2008, 21.6% of India’s exports went to the EU, 11.8% to the USA, 10.5% to the UAE, 5.6% to China, and 4.9% to Singapore. On the import side, India sourced 13.9% of its imports from the EU, 10% from China, 7.8% from the USA, 7.3% from Saudi Arabia, and 6.2% from the UAE. India’s trade to GDP ratio stood at 47.6 percent and while India ran a trade deficit in goods of roughly $113 billion, it ran a trade surplus in services of roughly $15 billion.
While tariffs have been gradually reduced over the last two decades or so, Indian trade policy has acquired another undesirable trait of late: India is now the world’s leading user of antidumping (AD) duties. While AD legislation was introduced in India in 1985, India did not initiate its first AD case until 1992. This suggests that the trade liberalization that resulted from the economic reforms of 1991 has been partially undone by the increased use of AD measures, generally considered to be worse than tariffs due to their discriminatory nature and the high magnitude of the duties imposed. Furthermore, as Irwin (2007) notes, once imposed AD duties are notoriously hard to remove and the very existence of AD law ends up yielding collusive outcomes in the product market – knowing that low pricing might result in the imposition of AD duties, foreign firms have an incentive to charge higher prices to prevent such an outcome.

Figure 3 plots the AD measures implemented by India during 1995-2008.

![Figure 3: India's Anti-dumping Measures](image)

While there has been some decline in the use of AD in recent years, there was a steady and sharp increase in India’s AD activity during the period 1995-2002. India’s use of AD peaked in 2002 when it implemented 64 AD measures; the next biggest user during 2002 being the USA with 26 AD measures. As might be expected, the major targets of India’s AD measures were some of the largest exporters to India: China, EU, and the United States.

Cumulatively, over the period 1995-2008, India accounted for 386 AD measures, substantially more than the 286 such measures implemented by the next biggest user of AD, i.e., the United States. Figure 4 plots India’s share of these as a percentage of the world total: during 2002, India alone was responsible

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7 For example, as per Irwin (2007), from 1995-1998 the average AD duty imposed by the USA stood at almost 59%. As one might expect, such large duties result in significant welfare costs: Irwin (2007) reports that during 1993 alone, the net welfare costs of AD and CVD duties imposed by the USA was $4billion.

8 As per Bown and Tovar (2009), the dominant user of AD within India’s manufacturing sector is the chemical industry. Other important users include iron and steel as well as machinery.
for roughly one third of the AD measures implemented in the world. Recall that India’s share of world trade was roughly 1.4% in 2008. When viewed against this backdrop, India’s AD activity is simply off the charts.

![Figure 4: India’s Anti-dumping Measures as Percentage of World’s Total](image)

The pace at which India has taken to the use of antidumping is nothing short of alarming and it raises serious questions about the degree to which tariff reductions have simply been replaced by the increased use of AD duties. This issue has been investigated in some detail by Bown and Tovar (2009). They exploit cross-product variation to examine whether there is a product-level link between the size of the initial tariff cut undertaken by India during its 1991 reforms and its subsequent use of AD and safeguard protection. Their analysis is motivated by the simple observation that it was only after the tariff reform program of 1991 that India went from being a non-user of antidumping to becoming its most frequent user in the world, hardly the sort of distinction India needs. Their econometric analysis shows that products with larger tariff cuts between 1990 and 1997 were associated with a substitution toward AD and safeguards in the early 2000s.9

Another perspective on the nature of India’s multilateral engagement can be obtained by examining its participation in the dispute settlement process of the WTO. Since 1995, India has been involved in 18 WTO disputes as a complainant and 20 as a respondent. This is relatively small compared to the number of disputes involving EU and/or the USA. But India is a much smaller participant in world trade relative

9 Furthermore, they find that the degree of import reduction associated with India’s use of antidumping is similar in magnitude to the initial import expansion associated with its tariff reform and that there is a negative relationship between the length of protection granted under an antidumping measure and the size of the original tariff cut. Needless to say, all this is pretty strong evidence of substitution among alternative instruments of trade protection.
to them: after all, the less a country trades, the fewer the opportunities for it to get entangled in disputes with its trading partners.

Does India “dispute” more than it trades? The answer depends upon one’s point of view. As noted earlier, India’s AD activity is surely out of proportion with the level of its trade. Additional evidence is in Table 1 that presents the 10 biggest cumulative users of the WTO’s dispute settlement system from 1995-2010 along with the absolute level of their trade in 2008 as well as their share in world merchandise trade.

For example, while India’s share of world merchandise trade in 2008 was 1.4%, it was involved in 6.11% of all disputes among WTO members from 1995-2010. However, India’s involvement in disputes is quite comparable to that of Brazil (38 disputes) and Mexico (35 disputes) as is its share in world trade.10

III. The legacy of the Uruguay and implications for Doha

The Uruguay Round of trade negotiations was the longest and perhaps the most far-reaching multilateral trade negotiations ever conducted. It took over seven years (1986-1993) to complete and involved 125 countries; its coverage of trade was unusually broad in that it included services as well as issues related to intellectual property. A full review of the Uruguay Round negotiations is clearly beyond the scope of this paper. Yet, to understand India’s positions going forward, it is imperative that we obtain a clearer understanding of exactly why the Uruguay Round was seen as having created a ‘development deficit’. In this regard, the Uruguay Round agreement that stands out above all others is TRIPS.11

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10 During 1995-2010, while China accounted for more than 14% of world trade, it was involved in less than 4% of WTO disputes. However, China didn’t become a WTO Member until November 10, 2001. Since China’s accession, there have been 162 WTO disputes, 24 (14%) of which have involved China while 12 (7%) have involved India.

11 India was also opposed to negotiations on services that culminated in the General Agreement on Trade in Services (GATS). Panagariya (2008) notes that this opposition stemmed from India’s fear that liberalization in services would inevitably require opening up to foreign investment to a degree for which India was not prepared.
Like all multilateral agreements, TRIPS is complex and far-reaching. But it is unique in that it does not deal directly with trade but rather with the protection of intellectual property rights (IPRs). TRIPS made it mandatory (after some time lags) for developing countries to reform their IPR regimes so as to harmonize them with those of developed countries. Of course, the asymmetry inherent to this change is easy to see: much of the world’s existing intellectual property – as measured by patents, trademarks, and copyrights – is held by the developed world so that any strengthening of IPR protection by developing countries could impose significant short-run welfare losses on them by increasing the monopoly power of rights holders.

With regard to TRIPS, there are three important questions that merit attention: First, is there any need for a multilateral agreement on IPRs? Second, is there any relationship between IPRs and international trade? And third, is the WTO the right organization within which to implement an international agreement on IPRs?

Take each question in order. To the extent international agreements are meant to internalize international externalities created by the pursuit of beggar-thy-neighbor policies, there is little doubt that international coordination of some type is necessary over IPRs. The logic is as follows: each country would like to pay as little as possible for foreign innovations while charging as much as possible in foreign markets for its own. These clashing objectives create strong national incentives to discriminate against foreign residents with respect to the enforcement of IPRs. As a result, the pursuit of IPR policies based on narrow self-interest can create a classic Prisoner’s dilemma outcome where each country offers too little protection to foreign residents relative to its own. Indeed, the key principles contained in TRIPS – such as MFN and national treatment – are targeted at curbing the pursuit of policies that attempt the improvement of national welfare at the expense of others.

It is relatively easy to answer the second question raised above with regard to TRIPS -- i.e. do IPRs have anything to do with trade? The answer would have to be in the affirmative. To see why, suppose that a patent holder in one country is unable to successfully export its product to a foreign country because its technology is imitated by a local firm in that country. Then, in effect, such imitation is equivalent to a prohibitive tariff (or a complete ban) on its exports to that country. It is difficult to argue that prohibitive tariffs are problematic but outright theft of intellectual property is not. Research in international trade has established beyond doubt that IPRs are ‘trade-related’ (see Maskus, 2000). Indeed, if trade and IPRs were orthogonal issues, it would be impossible to make sense out of the large amount of international patenting that goes in the world economy today.

Despite its opposition to TRIPS, the single undertaking nature of the WTO implied that India had little choice but to sign TRIPS in 1994: not signing TRIPS was equivalent to opting out of the WTO, something India certainly was not prepared to do. By 2005, India had altered its patent regime to make it fully compliant with TRIPS, the most important change being the recognition of product patents in pharmaceuticals. A frequently voiced fear was that these changes in IPR laws would substantially increase drug prices in India by causing the exit of local firms producing imitations of drugs patented abroad. While recent empirical evidence indicates that this concern is not without merit, a longer time horizon is needed to accurately estimate the welfare costs of TRIPs since the response of foreign
multinational firms is crucial and the necessary adjustments in market structure will take time to materialize.\(^\text{12}\)

Static welfare losses that might result from the shutting down of local firms producing imitated foreign goods are not the only concern that India and other developing countries have with respect to TRIPS. These countries are also equally, if not more, concerned about the impact of TRIPS on technology transfer and they have voiced this concern forcefully at the WTO. While TRIPS includes some nominal clauses that encourage developed countries to facilitate technology transfer to developing countries, it is far from clear how these statements, in of themselves, can alter the incentives of private agents and governments involved in this process. These clauses on technology transfer appear to be mainly lip-service.

As Branstetter et. al. (2010) note, the key trade-off with respect to technology transfer facing countries such as India is clear: clamping down on imitation and reverse-engineering slows down technology transfer to the local economy but this can perhaps be offset by increased flows of foreign direct investment from abroad. A full evaluation of this trade-off will only become clearer with time but the emerging evidence, at least with respect to US multinationals, shows that the scale of activities undertaken by such firms in countries like India that undertook serious IPR reform has increased substantially. More specifically, Branstetter et. al. (2009) investigate the impact of IPR reform on multinational production by analyzing the responses of U.S. multinationals to IPR reforms by sixteen countries during the 1980s and 1990s. They find that U.S.-based multinationals expanded the scale of their production and employment in reforming countries after IPR reform. They also show that industry-level value added increased after reforms, particularly in technology-intensive industries.\(^\text{13}\)

Consider now the third, and perhaps the hardest, question with respect to TRIPS: does TRIPS belong at the WTO? India’s position on this question notwithstanding, it is worth noting that if there exist international externalities in the enforcement of IPRs and such externalities affect global trade flows, an argument can certainly be made that TRIPS indeed belongs at the WTO. But IPRs are by no means unique in this regard. Indeed, even TRIPS proponents must concede that the set of ‘trade-related’ economic activities in today’s globalized world is very large. In some senses, almost any economic activity and its associated laws and regulations are trade-related. For example, labor laws, competition laws, as well as investment laws are all obviously trade-related. Should the WTO also negotiate,

\[\text{12}\] Using detailed product-level data from India (1999-2000), Chaudhuri, Goldberg, and Jia (2006) estimate that even if the implementation of TRIPS has no price effects, the withdrawal of the four domestic antibiotics in the fluoroquinolone sub-segment in India (implied by TRIPS compliance) would result in a consumer welfare loss equal to 65% of the sales of the entire antibiotic market in India in 2000. Two points are worth noting. First, their analysis assumes that the exit of local producers would not be offset by the entry of multinationals. Second, as they note, since most antibiotic drugs were not under patent in 1990, the actual negative effect of TRIPS in the antibiotic market might be quite small.

\[\text{13}\] Branstetter et. al. (2009) also analyze the impact of IPR reform on the annual count of "initial export episodes" -- the number of 10-digit commodities for which U.S. imports from a given country exceed zero for the first time. They find that the count of such episodes increased sharply after IPR reform, suggesting that the decline in indigenous imitation resulting from IPR reform was more than offset by the increase in the range of local production undertaken by multinational affiliates. For direct evidence on the response of intra-firm technology transfer to IPR reforms, see Branstetter et. al. (2006).
implement, monitor, and help enforce multilateral agreements in these areas? To have an effective and manageable agenda, the WTO has to draw the line somewhere. A WTO that includes every trade-related activity would likely be a cumbersome and ineffective organization.

In this regard, it is notable that India has consistently opposed an expansion of the multilateral trading system in the direction of negotiating and implementing multilateral agreements on investment, competition policy, and government procurement – a possibility created by the Singapore Ministerial Declaration of 1996. The Indian position was articulated by Mr. Murasoli Maran in his November 2001 statement at the Doha Ministerial conference (italics added for emphasis):

In the areas of Investment, Competition, Trade Facilitation or Transparency in Government Procurement, basic questions remain even on the need for a multilateral agreement. Most importantly, do the developing countries have the capacity to deal with them? Will we be able to say that they do not impinge strongly on domestic policies that are well removed from trade?...We are doubtful that if we can give affirmative replies to all these questions. In any case, the Singapore Declaration requires an explicit consensus for any decision to move to negotiations. Let us therefore wait till an explicit consensus emerges on these issues.”

As Panagariya (2008) notes, Indian opposition to the Singapore issues was instrumental in the removal of investment, competition, and government procurement from the negotiating agenda of the Doha Round; of the four original Singapore issues, only trade facilitation remains on the table at Doha.

IV. The Doha Round and India’s role in ongoing negotiations

The Doha Round began in 2001 against a backdrop of dissatisfaction among developing countries with respect to the results of the Uruguay Round. Indeed, part of the “development” focus of the Doha Round, at least in terms of the stated intentions, resulted from the widely held view that the multilateral bargain achieved during the Uruguay Round was tilted strongly in favor of the developed world. Before discussing ongoing Doha negotiations, it is important to get a better understanding of the legacy of the Uruguay Round.

A. The Uruguay Round TRIPS hangover

At the Doha Ministerial conference of November 2001, India’s then Minister of Commerce and Industry Murasoli Maran appealed that (italics added for emphasis) “WTO has to recognize the existing development deficit in various WTO agreements and take necessary remedial action.” Furthermore, he drew attention to the “the asymmetries and imbalances in the Uruguay Round agreements” and noted that “TRIPS has invited strong reactions from developing country stakeholders”.

Such criticism of TRIPS by India and others, particularly with respect to its potential adverse effect on access to medicines in developing countries, was not entirely ineffectual. Recognizing the seriousness of the public health problems afflicting many developing and least-developed countries, the Doha

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Ministerial Conference of 2001 acknowledged that TRIPS should not hinder members from taking measures to protect public health and to promote access to medicines. It also drew attention to the flexibilities available to WTO members under TRIPS noting that a member country could issue compulsory licenses of necessary pharmaceuticals to local firms in order to deal with public health crises such as HIV/AIDS, tuberculosis, malaria and other epidemics.\(^{15}\)

Most importantly, the 2001 Declaration recognized that countries with inadequate manufacturing capacity in the pharmaceutical sector would be unable to avail of the compulsory licensing option and may need to import medicines from other countries that had the ability to produce them. Since TRIPS only authorized domestic production under compulsory licensing and not imports from third parties, the Declaration called on the TRIPS Council to find an expeditious solution to this problem. The solution agreed to by WTO members was announced on the eve of the Cancún Ministerial meeting in 2003: the domestic market requirement of compulsory licensing was waived and least developed countries as well as to those countries that lacked sufficient manufacturing capacity were permitted to use compulsory licensing to import pharmaceuticals for “HIV/AIDS, malaria, tuberculosis and other epidemics” from third parties.\(^{16}\)

As of March 8th, 2010, 54 countries (including India) had ratified this amendment. Once the amendment is ratified by 2/3rd of the WTO members, it will become a formal part of the TRIPS Agreement and until then, the waiver for domestic production made by the 2003 Decision would continue to be in force.\(^{17}\) This is welcome news for developing countries, and perhaps particularly for India. With its large and well-developed pharmaceutical industry, countries such as India and Brazil are in prime position to take advantage of the 2003 Decision and export necessary pharmaceuticals to those countries that lack the ability to produce them locally. While such an outcome is possible and maybe even plausible, the 2003 Decision has so far had little impact on improving actual access to medicines in developing countries: in

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\(^{15}\) Compulsory licensing occurs when a government permits someone other than the patent holder to produce the patented good \textit{without the permission} of the rights- holder. It is one of the so-called “flexibilities” available under the TRIPS Agreement. However, this flexibility comes with some conditions (listed in Article 31 of TRIPS). In particular: the person or company applying for a license is first required to negotiate a voluntary license with the patent holder on “reasonable commercial terms”. Only if such negotiations fail can a compulsory license be issued. Furthermore, the patent owner has to be compensated; the TRIPS Agreement says “the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization.” In addition, compulsory licenses cannot be exclusive in nature and has to be subject to legal review.

\(^{16}\) See “Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health,” IP/C/W/405, August 30, 2003, and accompanying Chairman’s statement at \url{http://www.wto.org/english/news_e/pres03_e/pr350_e.htm}.

\(^{17}\) The WTO maintains the list of countries that have ratified the 2003 Decision at \url{http://www.wto.org/english/tratop_e/trips_e/amendment_e.htm}. 
the seven years that have elapsed since the Decision, only one WTO member – Rwanda -- has made use of the Decision to import the HIV/AID drug TriAvir from Canada.¹⁸

After relatively quick progress on the public health issue, progress at Doha has been slow and limited. The initial Doha Ministerial conference of 2001 was followed by Ministerial Conferences at Cancún in 2003, Geneva in 2004, Hong Kong in 2005, and Geneva in 2006 and 2008. But a multilateral bargain acceptable to all parties has still not been reached. The Doha Round has gone on longer than any previous Round and at the time of writing it is quite uncertain that it will conclude even in 2010.

The duration of the Doha Round has led current Trade Representative of the United States Ronald Kirk to proclaim that the Doha Round “is like a cricket match. You don’t know the score and it takes a long time, but it does end, and there is a winner.”¹⁹ There is one sense, and perhaps only one, in which this analogy is correct – like a cricket Test match that sometimes seem never-ending (it can last up to 5 days – an eternity in sports), the Doha Round has been ongoing for simply too long. But in other regards, the statement is quite misleading. In fact, it is rather revealing of the mind-set of trade negotiators who often incorrectly view such negotiations to be a zero-sum-game. As economists have been pointing out since the days of David Ricardo, greater openness to trade does not produce a single winner. Rather, all participating countries stand to gain from mutual trade liberalization.

Leaving aside the rhetoric of politicians and trade negotiators, why has the Doha Round stagnated? The first major setback to the Doha Round occurred in 2003 at the Cancún Ministerial. Ismail (2008) argues that the catalyst for this breakdown was the approach undertaken by the EU and the USA who proceeded to negotiate a bilateral agreement accommodating each other’s interests and then presented it almost as fait accompli to the rest of the WTO members. As several observers have noted, this approach galvanized the developing countries into action many of whom proceeded to form an alliance that came to be called the G20 group. The emergence of this coalition and the breakdown of Cancún negotiations was perhaps an indication of some fundamental changes in the multilateral trading system that have occurred during the last few decades, a theme to which we will later return.

After the failure at Cancún, the 2005 Ministerial at Hong Kong helped narrow some of the differences among countries but only to the extent that members agreed to a new timetable for completing negotiations. At this meeting, Mr. Kamal Nath, India’s then Minister of Commerce, continued with the position taken by his predecessor in 2001. He stated that “we are mandated to correct the ‘development deficit’ bequeathed to us by the Uruguay Round.”²⁰ But this rhetoric seems a bit out of sync with the ground realities of India as well as its own positions at the WTO. In particular, as Ray and Saha (2009) have noted, India’s stance with respect to the TRIPS agreement has shifted over time. As noted above, during the Uruguay Round negotiations India was one of the leading opponents of a

¹⁸ One aspect of the Rwanda case is encouraging however: it took only two weeks for the Canadian drug company Apotex to obtain the compulsory license for exporting TriAvir to Rwanda. For more details, see http://www.wto.org/english/news_e/news10_e/trip_02mar10_e.htm

¹⁹ Also, like in other sports, in cricket you do know the score at all times!

²⁰ See WTO document WT/Min(05)/ST/17.
strengthening of IPR protection in developing countries. Indeed its 1970 patent act did not even recognize product patents on pharmaceuticals. Since then, however, India’s position and interests have changed considerably. Ray and Saha (2009) note domestic business interests in India were never uniformly opposed to TRIPS and the major Indian pharmaceutical companies (such as Ranbaxy and Dr. Reddy) were in fact favorably disposed to it.

In addition to the use of compulsory licensing for public health concerns, India raised two other IPR-related issues during the ongoing Doha negotiations. First, it argued that IPR protection under geographical indication should not be limited only to wine and spirits but should be extended to include other products (such as Basmati rice). Second, it pushed for restrictions on the use/misuse of biological and genetic resources and traditional knowledge. As Ray and Saha (2009) point out, these are demands in favor of increasing IPR protection as opposed to lowering it.

We now turn to India’s role in ongoing Doha negotiations.

**B. Agriculture at Doha and India’s stand**

At the 2005 Hong Kong Ministerial, Mr. Nath argued that the structure of international trade in agriculture was severely distorted and that the development outcome of the Doha Round would hinge on its achievement in this area since many developing countries have a natural comparative advantage in agriculture. He further voiced the view that developing countries were “shut out from world markets by a complex edifice of protection, built on high tariff walls, domestic and export subsidies, and an intricate maze of non-tariff barriers.” As might be expected from India’s relatively strong position in services exports, Mr. Nath also argued that liberalization of professional services needed to figure high on the development agenda – a claim that is sure to ring hollow among most developing countries due to their lack of competitiveness in services.

Indeed, it is appropriate to make a general point here: not all developing countries are the same and despite India’s desire and/or willingness to act as a leader of the developing world at the WTO, its negotiating positions cannot automatically be taken to be representative of the developing world at large. Sometimes India’s interests converge with those of a majority of developing countries, but at other times they diverge. And, as is well known, services exports, particularly in software, is one area where India has more at stake than almost all developing countries. This divergence of interest is likely to increase over time: India’s exports of services tripled from $20 billion to $60 billion from 2002-03 to 2005-06 and are expected to continue increasing sharply (Panagariya, 2008).  

The timetable set at the Hong Kong Ministerial was not met and negotiations were actually suspended in Geneva in July 2006 when WTO’s Director-General Pascal Lamy asked members to “prepare the ground for fully-fledged negotiations to take place when the conditions are right.” Prior to the Geneva summit, in an effort to try to bring the Round to closure, Pascal Lamy had put forward the “20-20-20”

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21 Such divergence of interests among developing countries is not unique to services. As we will argue below, the elimination of export subsidies and other government support to agriculture in the EU and the USA might be in the interest of India but not in the interest of some of the poorest members of the WTO, which usually tend to be net importers of food and other agricultural products.
proposal which called for (i) the US to accept a ceiling of $20 billion on domestic farm subsidies; (ii) the
developed countries to accept the G20 proposal of 54% as the minimum average cut to agricultural
tariffs in developed countries; and (iii) the developing countries to accept 20% as the tariff ceiling on
industrial goods. However, his proposal was criticized by all sides and not adopted.22

Currently, negotiations are ongoing on several issues but most of the action is in two key areas:
agriculture and NAMA (Non-Agricultural Market Access). Indeed, agriculture has widely been seen as the
linchpin of the Doha Round. Meaningful reform in agriculture requires sizeable reductions in tariffs and
other trade barriers as well cuts in subsidies and other means of government support to agriculture,
especially in the EU and the USA. As Elliott (2006) notes, the Uruguay Round required rich countries to
cut agricultural tariffs by an average of 36 percent and other trade-distorting support by 20 percent but
these targets were not met and overall trade barriers and subsidy levels remain very high. From this
perspective, the prospects of a successful conclusion of the Doha Round and the actual implementation
of the proposals currently on the table do not appear very bright.23 Elliott (2006) points out that even if
development was not the stated focus of the Doha Round, agriculture would have to occupy center
stage at current WTO negotiations since it is the “major unfinished business” from previous trade
rounds and it is in agriculture that the developed countries have the most to give in terms of improved
market access.

According to Hoekman et. al. (2009), proposals under discussion at Doha would reduce the average
bound tariff on agricultural goods from 40 to 30 percent and on non-agricultural goods from roughly 8
percent to 5 percent. While these reductions in bound rates are not overwhelming, they are also not
meaningless, since trade liberalization in agriculture has evaded the multilateral system ever since the
inception of GATT in 1947. Most importantly, the successful conclusion of Doha would result in a
complete ban on agricultural export subsidies as well as sharp reductions in the maximum allowed levels
of government support (by 70% in the EU and 60% in the USA), policy changes that are likely to raise
prices of agricultural goods in world markets.

Is a significant reduction in agricultural subsidies by the EU and the USA necessarily good for all
developing countries? Clearly, the answer is not in the affirmative: while countries that are net
exporters of agricultural goods – such as India – would stand to gain from an increase in the prices of
such goods, net importers – of which there are many – would likely lose.24 In 2008, while India
accounted for roughly 1.6 percent of world exports of agricultural products, its share of imports of such
products was only half that – i.e. about 0.8 percent. Figure 5 plots the share of agricultural products in
India’s merchandise exports from 1980-2008. As can be seen from this figure, the share of agricultural

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22 See Fergusson (2008).
23 Elliott (2006) emphasizes that not all types of subsidies do equal damage. In particular, she notes that to be
effective, reform has to limit the discretion available to policymakers to shift subsidies among the various
categories (i.e. from the less harmful subsides in the green and blue categories to the more harmful subsidies that
lie in the amber category – a classification system that originated in the Uruguay Round).
24 Of course, even those countries that are net importers would respond to changes in world prices by stepping up
domestic production of agricultural goods and this production response could dampen the adverse effect on them,
perhaps even convert some of them from being net importers to net exporters.
exports in total merchandise exports has steadily fallen over this time period from 35 percent to roughly 15 percent, which approximately equals the share of agriculture in world exports. Of course, the decline in the relative importance of agricultural exports a reflection of the emergence of India’s non-agricultural sectors over this time period. Nevertheless, 15 percent is still a fairly large share of exports and agriculture is of special importance to India due to the fact that it is a source of livelihood for millions of India’s poorer citizens.

If the elimination of agricultural subsidies by the USA and the EU does raise prices of agricultural goods, the outcome would not necessarily be development friendly since it is the poorest countries of the world that tend to be net importers of agricultural goods, especially food. Indeed, Elliott (2006) also argues that, while necessary, progress in agriculture would not be sufficient to realize the development ambitions of the Doha Round simply because higher food prices would hurt the poorest countries the most and the exporting opportunities that will result from reduction in trade barriers may go unrealized due to inadequate infrastructure and poor access to necessary inputs in many such countries.

Elliott (2006) also notes that key developing country exports are not those that the rich countries support most generously. More specifically, she points out that while reductions in EU subsidies in temperate products and in US cotton subsidies are important for many poor countries, subsidy cuts in dairy, meat, and sugar are unlikely to benefit the poorest developing countries. Of course, the effect on world prices of the reduction in agricultural subsidies by the EU and USA depends in part on the existing

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25 Analyzing data on 115 developing countries, Elliott (2006) finds that 76 are net importers of agricultural products, of which 37 have an overall deficit in agriculture but export at least one of the three among cereals, other foods, and agricultural raw materials.

26 Indeed, most existing studies suggest that it is the middle income countries such as Brazil, Argentina, and Thailand that will be the big winners from liberalization of trade in agriculture (Anderson et. al. 2006).
level of these subsidies and the cuts that are actually implemented. How large are these subsidies? While Oxfam has popularized the figure of "$1 billion a day in subsidies", Pascal Lamy has asserted that actual subsidies are probably one third the Oxfam figure. Elliott (2006) also argues that the Oxfam figure is somewhat of an exaggeration and that the relevant figure is the level of support available to agricultural producers in developed countries which amounts to about $250 billion a year.

Within agriculture, negotiations over the special safeguard mechanism (SSM) have frequently been mentioned as a potentially important roadblock to the successful completion of the Doha Round. If implemented, the SSM would provide developing countries with a safeguard under which they could raise tariffs temporarily to deal with import surges or price declines in agricultural goods. But the centrality of the SSM to the ongoing negotiations seems questionable since the main disagreement with respect to SSM is over whether developing countries would have the freedom to raise tariffs above the levels that they committed to in the Uruguay Round in order to protect domestic agriculture. Furthermore, one might wonder why the SSM is needed at all since a safeguard clause already exists in the Agreement on Agriculture reached during the Uruguay Round. The key difference is that the Special Agricultural Safeguard (SSG) of the Uruguay Round is available only in those goods that had been “tarrified” – i.e. goods in which non-tariff barriers such as import quotas had been converted to equivalent tariffs. Since many developing countries did not adopt this tariffication approach in agriculture, they are not able to make use of the SSG.

What role has India played during the agricultural negotiations at the Doha Round? At the failed Cancún Ministerial Conference of 2003, Mr. Arun Jaitley, India’s then Minister of Commerce and Industry and Law and Justice stressed that “the commitment by developed countries to eliminate distortions in world agriculture caused by their policies holds the key to resolving differences amongst us in the area.” He correctly drew attention to the high levels of agricultural subsidies in the developed countries and noted that the level of these subsidies was far greater than what these countries spent on official development assistance.

As a member of the G20, India is widely recognized as an essential interlocutor in the difficult and drawn out agricultural negotiations. Overall, India’s position in agriculture has been largely defensive. Like many other countries, India seeks to maintain agricultural self-sufficiency and has been reluctant to make concessions that may potentially undermine this goal. But at the same time, India has demanded reductions in trade-distorting domestic support from other WTO members, particularly the EU and the USA. India has pushed for the abolition of export subsidies and insisted on the principle of proportionality according to which developing countries should be asked to make fewer concessions

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27 The group of G20 comprises of China, almost all of Latin and Central America, India, Pakistan, Philippines, Thailand, and several African countries. The combined negotiating clout of this group is substantial and the emergence of this group is an unmistakable sign of the fundamental changes that have occurred in the landscape of the multilateral trading system since the early GATT days.
than developed countries, an argument in line with the Special and Differential Treatment provisions of the WTO.  

C. Non-Agricultural Market Access (NAMA) negotiations at Doha

Turning to NAMA, consider Paragraph 16 of the Doha Ministerial Declaration of 2001 states that (italics added for emphasis)

“We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below.”

Once again, the declaration of intent is clear: special effort was to be made at Doha to accommodate the interests and needs of developing countries. But, as we shall see below, negotiations have dragged on partly because developing countries have argued that the actual bargain on the table has not lived up to this declaration of intent.

While tariff reductions can be implemented by a variety of methods – see the lucid discussion in Low and Santana (2009) – much of focus in the NAMA negotiations has been on the application of the Swiss formula for tariff reductions, a non-linear formula that seeks to reduce high tariffs by a bigger percentage than low tariffs.  

Given that the Doha declaration called for a focus on “tariff peaks, high tariffs, and tariff escalation, the use of the Swiss formula during NAMA negotiations seems natural. The Swiss formula requires that the new (or reduced) tariff \( t' \) be related to the existing tariff \( t \) as follows: 

\[
t' = \frac{c \cdot t}{c + t}
\]

where \( c \) is the tariff coefficient to be negotiated by the participants. The Swiss formula implies that (i) the new tariff levels always lie below the coefficient \( c \); and (ii) the tariff cut for a good exceeds 50% if and only if the existing tariff level is above the coefficient \( c \). An attractive feature of this formula is that negotiations can be centered on a single parameter, i.e., the coefficient \( c \) – with developing countries permitted to have higher coefficients than developed ones.

It is worth noting that there was broad and strong support for the use of the Swiss formula, India and Brazil actually favored using the ABI formula under which 

\[
t' = \frac{(b \cdot t_a \cdot t)}{(b \cdot t_a + t)}
\]

where \( t_a \) is the average tariff.

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28 Briefly speaking, these provisions grant special rights and privileges to developing countries that are not accorded to other WTO members. These special provisions manifest themselves in several different ways and include: longer time periods for implementing WTO agreements such as TRIPS and other commitments; measures to enhance their trading opportunities; special efforts to safeguard the trade interests of developing countries; and assistance in building the infrastructure necessary for WTO work, handling disputes, and implementing technical standards.

29 As Low and Santana (2009) note, the Swiss formula is not the only modality in use for tariff reductions and members have agreed to apply several different methods for achieving these reductions.
and $b$ is the coefficient that countries negotiate. As is clear, the ABI formula differs from the Swiss formula in only way: the coefficient under negotiation also applies to a country’s average tariff. Both the Swiss formula approach and the ABI formula approach remained on the table until the 2005 Hong Kong ministerial meeting but eventually discussions centered on the Swiss formula since there was broader support for it.

Initially, developed countries argued for a Swiss formula coefficient of 10 for themselves and 15 for developing countries while the NAMA-11 group, of which India is a member, insisted that the development mandate of the Doha Round calls for a minimum spread of 25 points between the coefficients for the two groups of countries (Low and Santana, 2009). In accordance with its name, a coalition comprising of mostly middle income countries called the Middle Ground Group at NAMA attempted to bridge the gap between these positions by proposing a coefficient of 8-9 for developed countries and 19-23 for developing ones. However, this intermediate proposal was resisted by the NAMA-11 on the grounds that it failed to deliver on the “less than full reciprocity” mandate of the Doha declaration.

As if to remind the participants of the original Doha declaration, India argued that the negotiations had to effectively deal with “tariff peaks, tariff escalation, high tariffs and non-tariff measures” since “tariff peaks imposed by developed countries are often concentrated in products that are of export interest to developing countries such as in textiles and clothing; leather, rubber, footwear and travel goods; transport equipment; fish and fish products..” and that “the approach should fully integrate the “less than full reciprocity” concept in reduction commitments. Formulae effectively seeking to drastically reduce the tariffs generally prevailing in a developing country schedule while being comparatively less demanding on developed country counterparts will not be in keeping with the mandate.”

In addition to the nature of the tariff cut formula to be employed, the issue of S&D treatment and the flexibilities that would be available to developing countries have also been occupied the time and attention of negotiators. According to Low and Santana (2009), the within-NAMA trade-off available to developing countries is to choose between the following options: (a) a low coefficient of 20 with more flexibilities wherein only half of the formula cut can be applied to 14% of the non-agricultural tariff lines or not applying any reductions on 6.5% of tariff lines; (b) a relatively higher coefficient of 22 accompanied by half the formula cuts on 10% of the relevant tariff lines or not applying any reductions to 5% of tariff lines fewer flexibilities; or (c) a high coefficient of 25 with no further flexibilities. The least developed countries have much more leeway in that they are not required to undertake any tariff reductions.

Generally, an important aspect of multilateral tariff negotiations is that countries agree to bind their tariffs to levels above which they cannot raise them. It is widely known that a major achievement of the

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30 The Middle Ground Group at NAMA comprise of Chile, Colombia, Costa Rica, Hong Kong China, Israel, Malaysia, Mexico, Morocco, Pakistan, Peru, Singapore, and Thailand. See WTO document TN/MA/W/98.
31 See WTO document TN/MA/W/10/Add.1.
32 For a detailed discussion of the exemptions and flexibilities available to the least developed countries, small and vulnerable economies, and recently accessed members, see Low and Santana (2009).
Uruguay Round was that many countries, especially developing ones, substantially increased their binding coverage. However, Low and Santana (2009) note that a lot still remains to be done in this area: while 82 WTO members have bound more than 95% of their tariff lines, 29 members have bound less than 35% of their tariffs. In this regard, it is worth noting that in 2001, 38.8% of India’s imports occurred under tariff lines that were subject to absolutely no binding. If NAMA negotiations conclude successfully according to the current bargain on the table, the binding coverage of developing countries would increase from 81.5% to 96%. Among developing countries, Paragraph 6 countries – a group comprising of 12 developing countries that does not include India – that currently have very low binding coverage would have to substantially increase their coverage.

Of course, as might be expected, NAMA negotiations have become increasingly intertwined with those in agriculture. Developing countries – in particular India – are unwilling to commit on NAMA without progress in agriculture. For their part, developed countries are insisting that progress on agriculture will be tied to how much the developing countries are willing to do in NAMA. Such issue linkage aside, India’s position within NAMA has been defensive, perhaps too much so given its relatively high tariffs and limited bindings.

Finally, as might be expected, India has proactively pushed for trade liberalization in services. In particular, it is bargaining for better market access, especially in mode 1 (cross-border supply) and mode 4 (presence of natural persons). The cross-border supply of services directly impacts software services and business process outsourcing, areas in which India possesses a clear comparative advantage. India has also called for abolition of numerical quotas for visas and visa restrictions. But services liberalization does not appear to be a major part of the Doha agenda and the limited commitments that countries made during the Uruguay Round in this regard suggest that India’s demands in this area, despite having considerable merit, are unlikely to be fulfilled in this round of negotiations.

V. Today’s multilateral landscape and India’s role going forward

India’s original inclusion into GATT in 1947 notwithstanding, the economic policies pursued by India during its five decades or so as an independent country effectively shut off its economy from the rest of the world. After gaining independence from British rule, India embarked on an ambitious path of import substitution, the benefits of which petered out rather quickly. Worse still, this path resulted in decades of low growth and denied opportunities to a large segment of humanity. Reflected its inward looking development strategy, India’s negotiating positions at the GATT during these years were essentially negative in nature: reluctant to open its borders to trade and investment, India was really not in a

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33 As Brummer (2005) notes, India demands commitments from WTO members in various services segments such as computer-related services, financial data processing, research and development, management consulting, environmental services, and the provision of financial information.

34 I thank an anonymous referee for pointing out that while India opposed the inclusion of services in the Uruguay Round, it has pushed for services liberalization in the Doha Round because it has undertaken unilateral liberalization in this area while it continues to face trade barriers in major foreign markets (such as the US) especially in the area of mode 4. Similarly, India’s unilateral liberalization has lessened pressure from export interests in countries such as the US to undertake reciprocal services liberalization where mode 4 liberalization is a politically sensitive issue.
position to be an effective participant in the multilateral trading system. Fortunately, starting in 1991, India began a process of economic liberalization that has already paid significant dividends in terms of higher economic growth and increased integration with the world economy.

In terms of multilateral negotiations, the single undertaking nature of the WTO left India, and other developing countries, no choice but to sign on to all multilateral agreements of the WTO that emerged from the Uruguay Round, including GATS and the TRIPS – agreements to which India was quite opposed. There is a strong argument to be made that the WTO should stick to its core competence of negotiating down trade barriers multilaterally instead of spreading into areas such as intellectual property, competition, investment, and labor standards. Indeed, prominent economists such as Jagdish Bhagwati and T.N. Srinivisan have consistently argued in favor of this position and so have Indian trade negotiators. But the fact of the matter is that TRIPS is here to stay and there is not much India or any other developing country can do about it.

The perceived asymmetry of the Uruguay Round bargain has had implications for the Doha Round from the very beginning and this legacy continues to loom large, as is obvious from the stands India and other major developing countries have taken during the ongoing negotiations. Furthermore, the very nature of the multilateral trading system has changed substantially over the years. For example, during most GATT negotiations, the United States and the EU along with a few other countries negotiated matters of mutual interest and then extended the resulting concessions to other GATT members on an MFN basis – a process that allowed the developing countries to free-ride to some degree but also implied that issues that were primarily of interest to them were excluded from multilateral negotiations. As a result, during the early GATT rounds developing countries were essentially non-participants in the multilateral trading system: whatever they received came by their way due to MFN but they did not have to, and mostly did not, reciprocate with concessions of their own.35

The WTO has 153 members today and economic growth in large developing countries such as Brazil, China, and India is far outpacing that in the developed world. The growth in the size of these economies has increased their stake in the system, making non-participation not a viable option anymore. Furthermore, it has altered the balance of economic power in their favor. Finally, the increase in the number of WTO members has led to the emergence of several sub-groups within the WTO – such as the G20. As Schott (2004) has noted, the formation of such coalitions has complicated the nature of multilateral bargaining. Given the combined weight of these factors and the fact that the ‘easy’ part of global trade liberalization is most likely behind us, perhaps one should not be too critical of the glacial pace of the Doha Round.

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35 This interpretation is not universally accepted: in a provocative paper, Wilkinson and Scott (2008) have argued that developing countries have always participated actively at the GATT and that their attempts to secure more favorable treatment for themselves were more a result of the underlying structure of GATT – such as the use of bargaining based on the principal supplier rule, the reliance on reciprocity as a negotiating condition, and the virtual exclusion of agriculture from the agenda-- than an attempt to free-ride on their part. Along similar lines, Ismail (2009) has argued that the collapse of the July 2008 talks of the Doha Round can in part be traced to the principal supplier method of negotiations with the imbalanced nature of the bargain between NAMA and agriculture being the other major factor.
For its own part, India should use its growing leverage not to stall liberalization but rather to secure more favorable terms in the emerging bargain. For that, it has to be willing to concede as well as receive concessions and this requires that the notion of ‘self-sufficiency’ that shaped the first four-five decades of its existence as an independent country needs to be de-emphasized or perhaps dispensed with altogether (Mattoo and Subramaniam, 2000). And indeed, relative to its historical participation in the multilateral trading system, India appears to be playing a more constructive role on the global stage. For example, India took an important step forward when it played host to a meeting of trade ministers from around the world in Sept 2009 in an attempt to bring the ongoing Doha negotiations to a conclusion. This was unlike past international meetings in India that typically involved developing countries with similar interests and positions. It remains to be seen whether this event was one-off in nature or a sign of things to come.

Increased multilateral engagement backed by a true intent toward greater openness is in India’s long term interest. One hopes that the ever changing coalitional politics of India’s vibrant democracy and the pursuit of short-term gain by its political leaders will not lead it astray from the path of constructive multilateral engagement, something it must continue to follow if it is to achieve its rightful place in the world economic order.

References


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