

RESEARCH AND TRAINING NEEDS IN THE CONTEXT OF CURRENT NEGOTIATIONS IN WTO

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The Uruguay Round of Trade Negotiations was the most comprehensive multilateral trade agreement ever negotiated. Despite that, it had a built-in-agenda which allowed follow-up negotiations for further liberalisation as well as review of implementation and working of some of the Agreements. The period, UR negotiations took place as well as the period thereafter coincided with the period when a general movement towards globalisation was taking place. This period is also witnessing a fair amount of unilateral liberalisation measures in many developing countries.

The expectations from the trade liberalisation in terms of additionality in exports have, however, not been realised, especially for the developing countries. There can be three, not necessarily exclusive, explanations. First, the initial expectations were based on studies which possibly overestimated the overall gains. Second, there might have been adverse developments which effectively negated the beneficial impact of the trade liberalisation, such as the Asian economic crisis. Third, the infirmities in the implementation process of commitments might have impeded the full realisation of the trade potential.

An Overview

Most quantitative research on the possible gains from trade liberalisation have either used a partial equilibrium or a general equilibrium model, though there were wide variations in the level of sophistication in the CGE type of models. The relative strengths and weaknesses of the alternative approaches are well-known. But the most severe problem is in interpretation of the results. There are large variations in the

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Note: Since the focus of this short discussion paper is on future research and training needs and not a comprehensive review of the existing literature, I have not gone for extensive citation. However, the References at the end list out some of the major contributions on issues discussed in this paper.

estimated effects, some of which are attributable to different assumptions, data bases and time periods.

Despite these variations, there was more or less universal acceptance of some results, atleast in terms of direction of change. First, there would be an upward movement in agricultural prices following implementation of UR commitments. Second, the net food importing countries will suffer the most welfare loss. Third, there will be some amount of production relocation, especially in the highly subsidised agro-sectors, from the developed to the developing countries, which are low subsidiers compared to the developed world. Fourth, there was an expectation, a priori, that there would be lesser volatility in the world prices of major agro commodities as the depth of the global market increases. Fifth, the welfare gains from liberalisation in the farm sector in OECD will be much more than what can be expected from reforms in the agro-sector in developing countries.

Studies both at institutional and academic level broadly reveal a gap between the anticipated and actual outcome. A WTO Secretariat study shows that the increase in export - share of the developing countries in global agricultural trade has come mostly from other developing countries. European Union is the largest market for agricultural exports from the developing countries but its share in total agro-exports from the developing countries declined between 1994 and 1998. A similar trend was observed in Japan.

On the other hand, studies by FAO reveal an asymmetry in the experience between the growth of food imports and the growth of agricultural exports. While trade liberalisation has led to an almost instantaneous surge in food imports, these food importing countries were not able to raise their exports.

The decline in commodity prices has been documented in detail in many studies, including that of UNCTAD. The expectation regarding increase in prices stand refuted. Most studies have documented the shortfall but lacked in establishing rigorous causal links. This is because too many factors might have impacted the final outcome – only a few of these would be UR- related. It also needs emphasis that most generalised studies which by necessity has to group the entire world into a few trading blocks/region, are of

somewhat limited utility to smaller countries. These are always bunched into a larger region and estimates on export-import gains or losses, warfare loss/gains etc. for the region as a whole cannot help much in policy formulation. Non-econometric studies have, however, been able to pinpoint some factors which might have contributed to the expectation - outcome gaps. Some of these are:

- The continued high level of agricultural subsidy in some OECD countries, especially in the European Union.
- A related issue is the perceived unfair transfer of certain types of subsidies from a trade-distorting box to a non-trade distorting box.
- The non-transparency in tariff quota administration and non/lower utilisation.
- The issue of peak tariff rates and tariff escalation as well as complexities in tariff rates.

Indian Case Study

These studies have brought to the surface, both the iniquitous nature of the current AoA as well as the weakness in the implementation process. These research studies have been carried out mostly by multinational bodies, such as World Bank, UNCTAD, WTO and some by think-tanks in various countries. As a consequence, except for the latter, studies lack country focus. For a national Government, however, general studies need to be complemented by those which have country as the major focus – to evaluate how would the country gain or lose from the Agreement and what prescriptive actions are required either to maximise gains or minimise loss.

India is taken as a case study to identify the issues that confronted the Government during the preparatory phase of the Seattle Ministerial Meeting and since then for negotiations under the built-in-agenda, the type of research required to be carried out and the mechanism for getting the research organised.

The major issues where government required indepth research - the need for research infact continues - were:

1. What does constitute food security? In what way could AoA affect the food security policies as currently being practised? Could AoA effect a structural change in the global agricultural market which might influence, beneficially or otherwise, the country's food security position?
2. How would AoA impact the small and marginal farmers whose ability to participate in cross-border transactions is non-existent and consequently, are unable to benefit from trade liberalisation? But would they get adversely affected by open imports?
3. Is Indian agriculture globally competitive? If so, in what sectors? What is the current level of nominal and effective protection to major agricultural produce in India?
4. What policy initiatives are required to make Indian agriculture more productive and competitive in the long run?

In the services sector, the basic questions that needed answering include the following:

1. Which are the services sectors where India enjoy international competitiveness?.
2. Which modes of supply are critical for those sectors? Is movement of natural persons crucial in these sectors?
3. What are the conditions regarding recognition of professional qualifications, etc. which might nullify the market access negotiated?
4. What are the possible consequences of opening select services sectors under GATS future negotiations?

Compared to the services sector, more exhaustive research has been conducted on agriculture. Apart from the relative importance of agriculture in the national economy, opening of agriculture was not only an economic issue but also a political issue with strong emotional content and divisive potential.

Studies on food security issues focussed on making estimates of food grains demand–supply in the medium term, under various assumptions. The major objective was to arrive at a conclusion as to whether India might turn into a net-food importer. If

so, what is the expected quantum and precisely in what types of grains. Methodology in some cases involved single equation regressions with multiple variables, both in real and nominal terms. Rigorous econometric exercises have been carried out to estimate expenditure elasticities by some researchers.

Another focus of research was whether the hypothesis relating to reduced volatility of prices in the international market is empirically proven. Methodology used was to calculate several types of volatility measures. One important issue for India is that given its size, the small country assumption may not hold. Its entry either as an exporter or importer of food grains influence global prices, especially in rice, where the world market is shallow. Quantification of the possible impact of India's market entry in rice and wheat was made through simulation exercises.

Studies on international competitiveness of agriculture have mostly used the concepts of Nominal Protection Co-efficient (comparison of domestic vs international prices, adjusted for taxes, levies and transport charges) and Revealed Comparative Advantage (RCA) indices. Some studies have also looked at the protection given to Indian agriculture in real terms. One limiting factor for rigorous empirical research is availability and adequacy of data.

Countrywise data on international trade are available in a disaggregated level only with a lag of minimum two to three years. As WTO agreement has been implemented from January 1995, this makes it difficult to do any trend analysis at this point of time. Even within a country, database is somewhat deficient. For example, monthly price data on agricultural commodities in India are available only from the Mandis and the figures vary widely between Mandis in different parts of the country. Large differences in data have been observed between international databases such as PC TAS and TRAINS database. Inconsistency was also observed while working with data of national trade reporting systems.

Future Negotiations

The importance of the on-going negotiations on the built-in agenda lies, so far as the developing countries in Asia-Pacific are concerned, in ensuring that the market access for their important exports, both products and services, gets a favoured treatment. In the

case of agriculture, this will imply addressing the issue of tariff peaks, tariff escalation and tariff rate quota, substantial reduction in domestic support and unfair export competition. In addition, there must also be an acceptance of the non-trade concerns, especially of food security and the special needs of developing country agriculture. In the services sector, the competence of most developing countries lies in those sub-sectors where movement of natural persons is a primary requirement. How to make forward movement on this front is of major concern.

Though the current situation is not too conducive to a new round of multilateral trade negotiations, there is a view even among some developing countries that such a round may be desirable to address several issues which are of critical importance to them, eg., industrial tariff on labour – intensive products.

Research Needs

Earlier studies have helped clarify some of the issues involved as well as prepare the country responses. There are still many areas where hardly any analytical work has been carried out. If research is undertaken on these areas, that will be of substantial benefit to the developing and least developed countries for their effective participation in WTO as well as domestic policy formulation. Such research need to be carried out by each country. The related capacity-building dimension is discussed in the next section.

Agriculture

1. What policies, required to ensure food security, need to be outside the WTO discipline?
2. Should there be a separate Food Security Box? If so, what should be the constituent components?
3. What can be an appropriate definition of resource – poor farmer in the context of Article 6 para 2 of AoA?
4. Does the provision relating to calculation of AMS in relation to public stockholding for food security purpose (Annex 2) needs amendment?

5. How should the technical issues which include, inter alia, impact of inflation and choice of national currency for notification purpose be resolved? Will a basket of currency, such as SDR, be preferable?
6. Which tariff cutting formula will be the best from the country's point of view?
7. In which sectors, an import surge can be anticipated? What possible types of state intervention can be thought of within the WTO framework?
8. Will it be better in such a context to extend the right of special safeguards to all WTO members rather than seeking its abolition?
9. What are the implications of the world seeds industry for the country's food security? How can the country's seeds industry be developed?
10. What legal system is required to protect the farmer's traditional rights? What lessons can be learnt from experiences of countries which are similarly placed?
11. What should the country's position on GMO, especially keeping in view food security?
12. What is exactly the concept of multi-functionality in agriculture? Is it possible that some components of this broad concept are useful to developing countries?

Implementation Issues

1. Analysis of the post-UR experience to identify the products where SPS measures have acted as non-tariff barriers. Identification of products where domestic standards upgradation is called for.
2. How to identify specific commodities where exportable surplus can be generated on a sustainable basis? What are the current product standards and how do they compare with those of Codex? Will it be possible to adopt the Codex standards with/without technical assistance from other countries?
3. How has Art VI provision of GATT has affected the country's exports? What will be the country's preferred position regarding future negotiations on this provision?

4. Which are the areas where technical assistance is most required? Can concrete proposals be worked out for operationising the technical assistance provisions in WTO Agreements?
5. How can the present S&D provisions be made more realistic? Is it possible to counter the argument that S&D provisions effectively reduce the bargaining leverage of the beneficiaries?

Services

1. What is the importance of the service sector in the country's economy? What is the status of data collection and the areas of upgradation? Which are the sectors where opening up will be most beneficial to the country's growth process?
2. Are there service sectors where the country has the potential to become a net exporter? What are the constraints in terms of market access for such services exports, in what markets?

Training Needs

These can be broadly segmented into three categories:

- Techniques of negotiations/international negotiations
- Economics and Politics of Global Trading System
- WTO issues – negotiating agenda.

Officials who participate in actual negotiations need to be exposed to the well-developed literature on negotiations. Through appropriate training methodologies, their negotiating skills are to be developed.

Negotiators must also be aware of the economics of global trade, the power equations, strategic agenda of the major trading nations, mandate and work programme of the important international bodies, such as UNCTAD, World Bank, OECD, ILO, UNEP. Imparting knowledge on the WTO agenda is obviously the focus of the training programmes. However, this cannot be accomplished effectively unless the other two are integrated into a holistic knowledge-cum-skill development exercise.

Apart from the group that actually participates in negotiations, the programme for training must also include a much larger target audience. This target will comprise middle and senior level government officials in the concerned Ministries who contribute to the development of Government policies, industry/trade bodies, academics and public advocacy groups, concerned with WTO issues. For this target audience, the focus will have to be on the negotiating agenda, in the context of the national economic priorities as well as socio-political constraints.

Methodology of Capacity Building

To illustrate how this task can be approached, India is taken as an example. The nodal agency for WTO negotiations is the Ministry of Commerce, specifically the Trade Policy Division. This Division along with the Permanent Mission in Geneva coordinates the Government of India's interface with the WTO. Upto Marrakesh, the staff size in both was miniscule. The realisation for increasing the capacity level came with the approach of the Seattle Ministerial Conference. It was appreciated that preparing for this conference would need a much larger staff, both in Delhi and Geneva. Further, it was also appreciated that Government officials alone would not be able to provide the analytical inputs required for policy formulation. Accordingly, a two track approach was followed. Several national level think-tanks were identified having the research capability, though not necessarily in WTO issues. These were assigned specific research area, such as agriculture and services.

IIFT, which is the premier Institute in the country for foreign trade research, was given additional funding by the Government of India to set up a Centre for WTO Studies. This Centre has the mandate of carrying out policy-oriented research on the WTO issues, both in-house as well as by outside experts. It was also given the responsibility of conducting Workshops and Seminars to deliberate on WTO issues, to conduct training programmes at various State Capitals for State Government Officials on WTO matters as well as officials at the Centre. One of the major deficiencies in domestic capability is in the area of International Trade Law. As a medium term solution, the Government has created a Chair for International Trade Law in the National Law School which is a premier training and research Institution in that field.

It was also realised that the concerned Ministry might require research support on a continuing basis before and during the negotiations. Accordingly, the Ministry of Agriculture retained IIFT on a contractual basis to provide on-going support, whenever required, for analysing the submissions of various countries and developing various options for India for eventual submission to WTO.

The enumeration of these initiatives basically reveals a two-track methodology: first, to increase the staff strength within the Government and second, to strengthen and utilise the research and training capability available nationally. While these initiatives have created a fairly developed training and research support system, glaring deficits are visible in two areas:

- i) There is no institutional mechanism for developing international negotiating skills of current and future participants.
- ii) The efforts towards creating a sufficiently large pool of legal expertise in matters relating to trade law will take atleast several years before any impact could be expected.

On the issue on negotiating skill development, the Colombo Plan Secretariat has taken an initiative by organising a series of Workshops for Government Officials and industry representatives from the member countries. The Workshops have the objective of upgrading the negotiating skills by exposing them to the relevant literature and techniques of international negotiations.

Conclusion

At the Asia-Pacific level, there are several countries which have developed a fair level of competence in matters relating to WTO. These national centres can be further developed through appropriate linkages with and technical support from International organisations such as World Bank, WTO and UNCTAD. These centres in turn can provide substantial training and research support not only to their own governments but also to other National Governments in the region requiring such support or to an

identified national nodal agency which may be a training/research institution. The advantage of this two-tier system will be in terms of lower level of upfront investment, better regional country focus and shorter delivery time for organising research/training support.

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