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India Threatens to Block Global Trade Deal

By **NEHA THIRANI BAGRI** JULY 25, 2014

MUMBAI, India — India could put a landmark World Trade Organization deal in jeopardy at hectic negotiations in Geneva after saying that it would withhold support for the agreement unless there was simultaneous progress on resolving a dispute over its food security program.

India would like the W.T.O. — which set itself a deadline of July 31 for the deal on the movement of goods across borders — to address its concerns over a cap on subsidies that could limit government stocks of grain that are part of its food program.

A meeting of the General Council, the W.T.O.'s highest nonministerial decision-making body, was suspended Thursday because of a lack of consensus. A group of 25 member states, including Australia, Canada, Norway, Switzerland and Thailand, issued a statement saying they were “dismayed” by the failure to reach an agreement.

“A decision to step away would be in no one’s interest,” the statement said. “It would seriously undermine the ability of the W.T.O. to deliver for the future.”

The European Union expressed a similar sentiment: “Without adoption of the Trade Facilitation Protocol by July 31, a great opportunity to mobilize trade as an instrument for growth and development would be lost, and the credibility of the W.T.O., which has during the financial crisis proven its value as a firewall against protectionism, would be further damaged.” The European Union added that it was not willing to renegotiate the “basic elements or timelines.”

Under an established schedule, an agreement on the first phase must be completed by July 31, when all of the 160 member countries would sign the measure, creating a protocol. A veto from the Indian government would disrupt that process.

The trade package, initially agreed on at a ministerial meeting in December in Bali, Indonesia, is the first comprehensive multilateral agreement reached by the organization since its inception in 1995. The agreement, aimed at streamlining global trade, would create legally binding commitments for all member countries to decrease red tape, upgrade border infrastructure and simplify customs procedures to ensure the easier movement of goods across international borders.

Proponents of the measure say that it would lead to the infusion of \$1 trillion into the global economy and add 21 million jobs. Critics point out that developing countries would have to make a substantial investment to modernize their ports and borders.

To provide food to the millions of its citizens living below the poverty line, the Indian government buys grain from farmers and stockpiles it for a public distribution system, in which it is sold at government-run stores at subsidized prices.

The National Food Security Act, introduced by the government last year, extended the subsidy to 75 percent of India's rural population and 50 percent of the urban population. But W.T.O. rules mandate that countries cannot subsidize more than 10 percent of grain produced for food, because doing so would distort the market for trade. India wants to eliminate that ceiling to maintain its food security program.

In the first week of July, India vetoed the trade agreement at a preparatory meeting in Geneva, saying that talks about finding a permanent solution to the subsidy issue were not progressing. India's commerce secretary, Rajeev Kher, said in a statement that his country would find it difficult to sign the protocol until "we have an assurance and visible outcomes which convince developing countries that members will engage in negotiations with commitment to find a permanent solution on public stockholding."

W.T.O. members, including India, agreed in Bali last December to a temporary solution where developing countries would not be penalized for breaching their subsidy levels until a permanent solution was found by 2017, but the Indian government now wants immediate talks.

"The trade facilitation agreement stands to benefit India as well if India becomes a signatory," said Rajrishi Singhal, a senior geoeconomics fellow at Gateway House, a foreign policy research group based in the Indian city of

Mumbai. “But strategically speaking, India doesn’t want to delink the food security issue from the issue of trade because once the trade agreement is signed, India loses its leverage in its talks for getting a permanent solution to the food security issue.”

Diplomats in Geneva have expressed frustration that India has changed its position and is holding up talks without making specific demands. Failure to push through with the Bali agreement would deal a significant blow to the good will created in the W.T.O., which has failed to reach any significant global trade agreement in a decade, and would make it harder to reach any future agreement, some member countries said in statements. If the global trade agreement is stalled, diplomats said, it is likely that members like the European Union and United States will shift their efforts to regional deals such as the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership.

Indian negotiators are concerned that since the deal was struck in Bali, discussions have focused on trade facilitation while the issue of food subsidies has been sidelined. “There is a growing disenchantment, anguish and anger in our domestic constituencies and a sense of déjà vu as once again they see the interests of developing countries being subordinated to the might of the developed world,” the Indian government said in a statement at a W.T.O. meeting earlier this month.

India’s food subsidy program, on which the government spends about \$19 billion each year, is riddled with inefficiency, experts say, and the country’s malnutrition crisis continues unabated. A recent study showed that the proportion of underweight children has remained unchanged over the last seven years.

Some analysts argue that food security is a domestic issue not to be decided by an international body. “Food security is universally recognized as something that is in the hands of a country’s government,” said Biswajit Dhar, professor of economics at Jawaharlal Nehru University in New Delhi. “Sovereign countries have the right to decide how they are going to deliver food to their people.”

As the Bharatiya Janata Party government prepares for state elections that will have a direct bearing on the party’s strength in the upper house of Parliament, taking a tough stance on food security for India’s impoverished millions could be considered a political trump card. “Food security is a very sensitive political issue in India,” said Mr. Singhal of Gateway House. “If the narrative dominating the

political rhetoric in India is that the B.J.P. has given away our food security to benefit some exporters, it will not work for them.”

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