

## **RECLAIMING MULTILATERALISM**

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I am grateful to the Graduate Institute for providing me this opportunity to share my thoughts on multilateralism.

### **The importance of multilateralism**

1. There can be no better place to discuss this subject than Geneva, home to many of the multilateral institutions created after the Second World War. Many areas of international concern - telecommunications, health, labour, trade - are all governed by multilateral institutions headquartered in this city. These institutions have served us well. The spirit of multilateralism underpinning them, premised on devising strategies for addressing global concerns and resolving differences across nations in a spirit of cooperation and mutual accommodation, has benefitted global citizens immensely. While there may have been compromises on the way, in a second-best world, it is often wise to settle for the good rather than chase the elusive best. Clearly, in all these diverse areas of global concern, multilateralism was the only instrument we had for finding a way forward. There was no

alternative to it. We must think long and hard before we decide to abandon this path, whether in climate or in trade. The consequences of any misstep can be far reaching.

2. In the context of international trade, multilateralism was initially embodied in the General Agreement on Tariffs and Trade (GATT). Then came the World Trade Organisation. Though relatively young in the family of international institutions, it has established itself as a key pillar of the global economic edifice with a comprehensive set of rules for global trade and a proven mechanism to effectively enforce them.
3. The experience of 22 years of existence of the WTO clearly suggests that it has been a significant improvement over the GATT both in terms of creating a predictable and stable trading regime, as well as in providing a binding and expeditious Dispute Settlement Mechanism for securing a definitive conclusion to trade disputes.
4. Not so long ago, the world was roiled by an economic crisis. During that long period, while many established institutions of global economic governance found themselves ill equipped to cope with the challenges, the WTO, as an intergovernmental institution, can justifiably take considerable pride in having prevented its member countries from sliding into trade protectionism. It is perhaps not in

the least bit far fetched to believe that the WTO has kept us from a race to the bottom in many challenging global economic situations.

### **Challenges confronting multilateralism and globalisation**

5. Unfortunately, however, the sobering reality today is that many of the achievements of the WTO, and even its relevance, are at the risk of being undermined by the increasing insularity, the rising tide of protectionism in many large economies, and the accompanying ominous rhetoric. These include aspects like national policies to erect non-tariff barriers; impediments to the movement of professionals; questionable attribution of trade deficits to the WTO; and talk of virtually dismantling it and refusing to adhere to its rules. These have added to the pessimism arising from the lack of progress in the Doha Round of trade negotiations and the growing protests against globalization.
6. Quite ironically, this rising tide of protectionism is more evident now in countries that have benefitted significantly from the global economic order, to become amongst the most prosperous in the world. These very countries would now like their people to somehow believe that they have been unfairly treated at the hands of countries that are significantly poorer.

7. However, the reality perhaps is that the anger stems from the rising inequality due to the uneven distribution of gains from trade and from economic progress in general, both within and across countries. This has largely been due to our failure to address the issue of differential economic circumstances and endowments across countries, and shortcomings in various social policies impacting equity within a society. The recent disenchantment with globalisation has been wrongly attributed in populist political discourse to trade *per se*. It would be disingenuous on our part to blame the WTO and international trade for these outcomes. Such a course will only lead to a worsening of the problem.
  
8. It is ironic that for years developing countries clamoured for fair trade while the developed world pushed for free trade. Today there is a virtual reversal of positions. But even if we talk of fair trade, the WTO has the mechanisms to ensure it by addressing departures from fair trade like dumping and excessive subsidisation leading to artificial depression of prices, particularly of agricultural products. While these practices could have been more effectively dealt with in the WTO, we somehow lost our way after moving some distance on this path under the Doha framework.

## ***Doha Round***

9. This brings me to the Doha Round and its development mandate. Where are we on this? Tardy progress in completing the Doha Round has undeniably weakened the negotiating function of the WTO.

10. The Doha Ministerial Declaration, which launched the Doha Round, contains a strong development mandate. It was our hope, and also of many other developing countries, that the Doha Round would address the inherent imbalance and asymmetries in trade rules. However, the narrative that started emerging from the developed countries and many think-tanks in the developed world was that the WTO's concern is trade and not development.

11. These narratives make a mockery of what we agreed to at Doha. The Doha Ministerial Declaration of 14 November 2001, while recalling the preamble to the Marrakesh Agreement stated (and I quote):

*“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”.* (Unquote).

12. This mandate is the bedrock of the Doha Round, on which we must move forward. A few countries view some elements of the Doha agenda as being 'outdated' and hence not relevant. Failure to conclude the negotiations does not reduce the relevance or significance of the issues particularly relevant for most developing countries. Ministerial Declarations are an article of faith, and not an exercise in semantics to be ignored if fulfilling these commitments proves inconvenient for some countries. The successful conclusion of the Doha Round is a shared responsibility of all WTO members. This is also in our collective and individual self-interest.

### **Perceptions about India**

13. At this point I would like to address two key questions that India is sometimes asked. First, why is India not as open to certain aspects of international trade liberalization as some other countries? Second, why is there an impression that India is a reluctant (or even unreasonable) dealmaker in international trade negotiations?

### **India's credentials as an open economy**

14. Turning to the first issue – the openness of the Indian economy. India remains committed to trade liberalisation and deeper integration with the global economy and we have come a long way.

Both the average agricultural and industrial tariffs have declined over time. The tariffs on 71 per cent of our tariff lines are between 5 and 10 per cent. The widening gap between our bound and applied tariff rates reflects India's steady movement towards a lower tariff regime. The prevalence of relatively high bound tariffs can be one parameter to assess trade openness, but is certainly not the only one or the most relevant one. We need to look at other parameters such as the ratio of trade to GDP, trade deficit as a percentage of exports and the foreign value-added in gross exports. On each of these parameters India compares favourably with most of the economies of comparable size.

15. It should also be remembered that the depth and sweep of trade liberalization that has been implemented in India in the past 25 years has few parallels in history.
16. During the past three years the Government has liberalized and simplified the foreign direct investment policy in sectors such as, railway infrastructure, construction and pharmaceuticals. Many new initiatives have been taken to improve the ease of doing business in the country. Many of you might also be aware of the transformative, comprehensive and ambitious fiscal reform, the Goods and Services Tax, recently implemented by the Government.

## **India's Approach to Negotiations**

17. No doubt India has been cautious in agreeing to trade deals. However, this caution is rooted in many factors.
18. In India, while we see a modern, vibrant and competitive industrial and services sector, equally there are parts yet less touched by modernisation, critically dependent on agriculture and vulnerable to the vagaries of the monsoon. While the agriculture sector contributes about 17% to India's GDP, it accounts for 50 – 55% of our workforce. Reducing the overdependence on the agriculture sector for employment has been an objective of successive governments in our country. In order to do so without social and economic disruption, employment opportunities will have to be created in the manufacturing sector.
19. Nearly 98 per cent of Indian farmers are low income or resource poor. Many of them are further disadvantaged by the agro-climatic zones in which they find themselves. Both these factors limit the options of small farmers in terms of their capacity to take on the risks associated with potentially more rewarding agricultural options. Moreover, given the fragility of the economic situation of most

farmers in India, government has to step in to help them in multiple ways, such as the provision of agricultural inputs at subsidised prices, to safeguard their very survival. In the circumstances, there can be no question of crossing any lines that would result in sacrificing the livelihoods of millions for the sake of trade liberalisation.

20. There are very few countries of India's economic size, or larger, which have a more diversified production base. Far more sectors would be affected by the outcome of trade negotiations than in many other countries. Indiscriminate measures to liberalise trade could affect the livelihoods of millions.
21. No doubt India has taken impressive strides in IT exports and we are justifiably proud of our achievements in this sector. However, extreme poverty in some segments of the country is also a stark reality. Our social and economic policies have to respond positively to these challenges, even if at times we have to do so at the expense of trade openness.
22. We also need to remember that India is not alone in facing such internal economic and social constraints that shape its imperatives in international trade negotiations. While we tend to get disproportionate prominence, for various reasons, including our

size, it would not be an exaggeration to say that India represents a microcosm of similar problems faced by most developing countries. We believe that our reasoned position has been a source of some strength and comfort to many developing countries. Hence, being mindful of these problems in trade negotiations is crucial as the outcomes have deep implications for many others.

23. Let us also bear in mind that in today's deeply integrated world, the economic growth of developing countries will collectively spur global progress as well, on a sustained basis.

24. So contrary to what some may claim, we are not naysayers just for the sake of it. As Mahatma Gandhi said "Honest disagreement is often a good sign of progress".

### **India's Approach to New Issues**

25. India has often been perceived as being less than enthusiastic about new issues in the negotiations and is even sometimes accused of standing in the way of the WTO's progress. Nothing could be further from the truth. The world is not static. Nor are the challenges and issues that affect global trade. But we have good reason to be cautious.

26. Discussions on new issues divert attention from priority areas for which mandates exist. What is the rationale for new issues when agreed issues, well understood, and critical for the world community, are languishing? In contrast, new issues are yet to be fully understood in terms of their scope, definitions and implications. National experiences too vary. Let me illustrate this with an example. A narrative is being created that binding rules on e-commerce would be beneficial to small and medium enterprises, but emerging research suggests that platform owners use their considerable market power to the disadvantage of SMEs and other sellers who are linked to these platforms. What leads us to believe that SMEs will suddenly overcome their disadvantages *vis a vis* very powerful and big rivals, and thrive through an e-commerce agreement at the WTO? The e-commerce platform is widely available even without a negotiation and an agreement. Why hasn't this revolution happened? Obviously for SMEs, especially developing country SMEs, some other hurdles need to be crossed. The way to overcoming these constraints perhaps lies in the DDA, which some of us are perhaps abandoning for this very aspect of it. The rationale for e-commerce as a trade facilitating platform must not become the back door for securing market access objectives, which can be better achieved in a balanced way by taking the Doha

agenda forward. There are many other similar aspects of e-commerce and other new areas, which we may not fully understand.

27. Investment/investment facilitation, another new issue at the WTO, is not about enhancing investment in developing countries, but rather about restricting their choices so that they are not able to direct investment to sectors in accordance with their priorities. Such disciplines can come in the way of balanced regional development or other developmental goals of developing countries/LDCs.
28. In the same spirit of openness that is urged upon us, no one should ascribe a negative connotation when we say no on some issues. This is especially relevant if it prevents the destabilization of the WTO and instead helps promote and achieve its mandate of development, including special and differential treatment for developing countries and LDCs, which we had agreed to pursue not so long ago. Once again to quote Mahatma Gandhi, *“All compromise is based on give and take, but there can be no give and take on fundamentals. Any compromise on mere fundamentals is a surrender. For it is all give and no take.”*
29. While some countries are pushing for initiating negotiations on the new issues, we cannot ignore many of the legacy issues of the Doha Round. Let WTO members decide by consensus that the

Round has been concluded. Till then, they should engage in good faith to make progress in the Doha Round.

### **How can we reclaim Multilateralism?**

30. It is more important today, than ever before, to reclaim multilateralism. When inward looking policies of individual nations jeopardize the spirit of multilateralism, insular economic nationalism cannot be the solution to the challenges of our times - be it environmental concerns, humanitarian concerns such as refugees or civil war, terrorism, or international trade. Right from the Corn Laws and even before, history teaches us that inward looking policies rarely achieve economic good. While some countries may view global problems exclusively through the prism of nationalist policies, this approach will not solve global, or for that matter, individual country, problems. We can confront the challenges of today only by being sensitive to each other's concerns and working in a spirit of mutual accommodation. The words of John Donne remain particularly relevant, "no man is an island, entire of itself".

31. Multilateralism, as embodied in the WTO, is at a crossroads. The impact of the choices that countries make over the next 1-2 years is likely to be felt over the next several decades. As a founding member of the WTO, India is a resolute supporter of the multilateral

trading system. But we are hardly the sole arbiters of the future of the WTO. That must be a collective responsibility. The first step in this direction has to be building confidence and establishing mutual trust among the WTO membership, which unfortunately seems to have been severely eroded over the years and dealt a body blow by the developments at the Nairobi Ministerial Conference. The principles of non-discrimination, predictability, transparency and, most importantly, the commitment to development underlying the multilateral trading system are too valuable to lose.

32. So how can we translate good intentions into action? In my view, we will have to adopt a multipronged approach aimed at strengthening systems, countering protectionism and fostering development.

***(i) Strengthening systems of the WTO***

33. Let me begin with some suggestions for the systemic strengthening of the WTO. First, it is in the shared interest of the entire WTO membership that the Dispute Settlement Mechanism, which is the pivot for enforcing Members' rights and obligations, continues to function effectively. A few cracks have appeared in this crown jewel of the multilateral trading system. We need to collectively ensure that the Appellate Body members retain their autonomy, without being influenced by the governments of the member countries. An

important step to allow the Appellate Body members to continue to function independently could be to have a single term for 5-6 years for an Appellate Body member, instead of two terms of four years as is the case today.

34. Second, the manner of organising ministerial conferences and the decision-making process at these meetings leave much to be desired. Most of the time just a handful of countries were involved. This does not lead to a sense of ownership of the outcomes. It has cast a long shadow on the democratic credentials of the WTO. This must change and change immediately. We must ensure that starting from the next Ministerial Conference at Buenos Aires, each WTO member has a sense of full participation in the decision-making process at Ministerial Conferences.

***(ii) Countering protectionism in its various manifestations***

35. It is ironic that the appeal for fair trade is emanating from certain parts of the world even as they erect more and more trade barriers by stealth. All of us should be deeply concerned by the growing trade protectionism in its obvious, and at times disguised, manifestations. I make four suggestions for countering these protectionist tendencies.

36. First, we need to curtail the misuse of Sanitary and Phytosanitary Measures (SPS) measures for protectionist intent. I suggest that whenever a member adopts a measure more stringent than international standards, it must mandatorily notify all the underlying scientific evidence or scientific risk assessment to the relevant WTO bodies.
37. Second, many forms of non *ad-valorem* tariffs on agricultural products reduce transparency and predictability about the applicable import duties. This creates uncertainties for exporters and importers. I strongly urge the WTO membership to focus on this problem so that the existing bound NAV tariffs are converted into *ad valorem* equivalents (AVE). I understand that the methodology for this purpose was already agreed more than a decade ago.
38. Third, can we let the sun set on anti-dumping duties and countervailing duties, which have continued well past 5 years? As one of the significant users of the anti-dumping instrument, it would be difficult for India to abide by this discipline. However, we are prepared to make this sacrifice.
39. Fourth, I would be remiss if I did not mention the growing importance of services trade and the numerous border and behind-the-border barriers, as well as procedural bottlenecks that these

trade flows face. Negotiations for services liberalization, together with a balanced and comprehensive facilitative framework, need to be revived expeditiously. In this context India's initiative on trade facilitation should to be seen objectively and with an open mind. We must put partisan considerations aside and recognize that services trade is an equal pillar of the WTO mandate, along with goods, in terms of its economic importance and implications for economic development across the globe.

***(iii) Fostering development***

40. It is my firm belief that trade and development are inter-twined. If we ignore development aspects, trade liberalisation will be a failure. How can the WTO foster development? Let me make a few suggestions drawing from the elements of the Doha Round, which if taken forward to their logical conclusion, will go a long way towards boosting the credibility of the WTO.

41. First, with more than eight hundred million hungry and undernourished people in the world, the problem of ensuring food security remains an enduring challenge especially for developing countries. Many developing countries face daunting challenges, including a stagnant farm sector, inadequate domestic food stocks, volatility in food prices in international markets and low purchasing

power among the poor and needy for buying food. This is an issue of interest not only to India, but to a large number of other developing countries.

42. The fundamental difficulty as cogently expressed by a former Special Rapporteur to the United Nations on the Right to Food is that whereas the preamble of the AoA recognizes that food security concerns are legitimate, the actual provisions of the agreement treat food security as a deviation from the primary objective of agricultural trade liberalization. So it is food security versus market access and unfortunately the richer and more powerful players in world agricultural trade are in the latter camp.
43. A partial resolution of the problem arising from the trade rules was achieved at the Bali Ministerial Conference of the WTO in December 2013 and the subsequent General Council Decision in November 2014.
44. Now we must take the matter forward to its logical conclusion and bring about a permanent and lasting solution so that many developing countries have the flexibility to build food reserves to feed their poor without the threat of violating any international obligations.

45. A successful resolution of this issue without any undue concessions or unreasonable conditions, would send a strong signal that trade openness and addressing hunger need not be in conflict.
46. Second, an important commitment made by the WTO membership was to provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs. Can the WTO members, particularly the developed countries, demonstrate their resolve by giving substance to this commitment? This would help address the marginalization of LDCs in international trade and also secure their beneficial and meaningful integration into the global economy.
47. Third, the linkage between the TRIPS Agreement and the Convention on Bio-Diversity is important for WTO members as it seeks to address bio-piracy. It has been a longstanding demand that patents should not be granted for existing traditional knowledge and associated genetic resources. A coalition of almost 100 WTO members had arrived at a convergence of views on the subject. Let us take this issue forward to its logical conclusion.

## **Conclusion**

48. Technological changes and the challenges they can pose are truly mind-boggling. As capital intensity increases and machines displace labour, job losses in the developed world would magnify. Technological advances will also impact developing countries but with a lag. As these economies industrialise, the manufacturing sector may not be able to absorb labour from the low productivity agriculture. It is, therefore, likely that demands for nationalist protectionist policies will become more shrill. And that would surely be self-destructive. We need to see reason before it is too late. Multilateralism provides the only way to move forward.

49. Multilateralism at the WTO will survive and be sustained if all countries have a genuine stake in the system. For this, the WTO membership must collectively evolve mechanisms and develop capacities to successfully address conflicting interests, motives and ideologies. Expecting a few emerging developing countries, such as India, to make binding concessions for keeping markets open, while the key players in the developed world tread the path of protectionism, is not an acceptable proposition for us. Further, the WTO system needs to recognise that trade rules must address developmental issues for the benefit of all.

50. In conclusion, let me say that our collective response to the clouds on the horizon will determine whether international trade relations in future will be conducted on the basis of well-defined multilaterally agreed rules, or succumb to the politics of power. For the sake of the global good, let us hope that the former is the case.

51. Thank you.

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