

# India Defends Its Food Security, Derails WTO Plans

by Ramtanu Maitra

Aug. 2—Withstanding the intense pressure exerted by the developed nations, India’s newly elected Modi government stuck to its guns and did not withdraw its demand for food security as the precondition for signing the Trade Facilitation Agreement (TFA) on July 31, set by WTO (World Trade Organization) members.

Commerce Secretary Rajeev Kher made clear the following day that India remains committed to the pact, and at the same time, will continue to pursue its proposal to find a permanent solution to its food security issues. Subsequently, the Indian news daily *Hindustan Times* quoted an unnamed top government official: “India has no problem implementing the TFA. However, given the resistance to taking forward other decisions, the concern is that once the TFA is implemented, none of the developed countries is likely to come back to the negotiating table to discuss the food subsidy issue or any of the other non-binding outcomes of the Bali ministerial conference.”

Moreover, on Aug. 2, officials in New Delhi told Reuters that the deal could be signed as early as September. “It is ridiculous to say the Bali deal is dead,” said a senior official at the Trade Ministry, referring to the TFA pact that was agreed in Bali last year. “We are totally committed to the TFA, and only asking for an agreement on food security,” said the official, who cannot be identified under briefing rules, Reuters noted.

## No Change in India’s Stance

That India would not budge from its stated position was made clear on July 19 by Commerce Minister Nirjala Sitharaman at the meeting the G20 trade ministers in Sydney. Led by the Australian Trade and Investment Minister Andrew Robb, the developed nations chose to ignore India’s objections, and called for a date-certain implementation of the TFA. Their experts also pro-

claimed New Delhi’s growing isolation on the global stage on the issue of food security and public stock-holding.

“We undertook to show leadership in our support for the full implementation of all elements of the Bali outcome agreed at the 9th WTO Ministerial Conference in December 2013, including the Agreement on Trade Facilitation, consistent with the agreed timelines,” Robb said in his chairman’s summary put out on the G20 website on July 20 after the trade ministers’ meet.

When it became evident in the following days that New Delhi had no intention of catering to Robb and others, unless its demand were met, President Obama sent Secretary of Commerce Penny Pritzker and Secretary of State John Kerry, who was in New Delhi July 30-Aug. 1 to participate in the India-U.S. annual strategic talks, with the brief to twist a few Indian arms to force New Delhi to withdraw its demand for a permanent solution to food security and to rubber-stamp the TFA.

Prior to his departure for India, Kerry and Pritzker, writing in *The Economic Times*, made clear their intent to pressure India: “As we work with our trading partners around the world to advance trade and investment liberalization, India *must* decide where it fits in the global trading system. Its commitment to a rules-based trading order and its willingness to fulfill its obligation will be a key indication” (emphasis added).

Kerry’s statement did not go over well in New Delhi, where it was perceived as yet another attempt by the Obama Administration to undermine India’s sovereign interest. During his meeting with Finance Minister Arun Jaitley, Kerry brought up the issue, pointing out how India will get in the way of a “trade boom” if it blocks the TFA and how every participating nation could benefit from the TFA. Subsequently, the Indian Finance Minister, at a party meeting in New



Prime Minister of India

*Secretary of State Kerry's attempt to armtwist Prime Minister Modi into accepting the WTO's demand that it give up its food security failed to convince the Indian leader. Instead, it was perceived as yet another attempt by the Obama Administration to undermine India's sovereignty. Shown here with Kerry and Modi are U.S. Secretary of Commerce Penny Pritzker (left), and Indian Minister of External Affairs Sushma Swaraj (right).*

Delhi, on Aug. 2 stated: “We have to take a firm position in negotiations with powerful countries of the world. Had we followed the policies of the previous government, the interest of our small farmers would have been jeopardized. For us, the interest of farmers is paramount. There was a lot of pressure, but the government took a firm decision that it will participate in all negotiations but will not compromise the interest of poor farmers.”

While Jaitley made clear to Kerry that India's position was firm, External Affairs Minister Sushma Swaraj raised the issue with him (and repeated to the media, at the joint press conference that followed), of America's cyber-snooping, and termed it “unacceptable” between friends. She said the people of India were very agitated over the U.S. surveillance activities. Kerry, in his reply, said the U.S. “fully respects and understands the feelings expressed” by the minister and that the U.S. would continue to work with India wherever they saw a threat to their shared interests.

Nonetheless, disregarding India's concern about food security, Kerry told Prime Minister Narendra Modi, in the first meeting between a senior U.S. official and the new Indian head of government, that India's refusal to sign a global trade deal sent the wrong signal, and he urged New Delhi to work to resolve the row as soon as possible. “Failure to sign the Trade Facilitation

Agreement sent a confusing signal and undermined the very image Prime Minister Modi is trying to send about India,” a U.S. State Department official told reporters after Kerry's meeting with Modi.

### **The Angry Mob**

It was evident from the outset that India's demand for food security would evoke anger among the world's globalizers and liberalizers. Following India's blocking of implementation of the TFA, there were others, besides Kerry, who expressed deep concern about New Delhi. Roberto Azevêdo, the WTO director

general, was candid about the challenges facing the trade organization. Despite intense negotiations, disagreement among members had not been resolved, he said. “We have not been able to find a solution that would allow us to bridge that gap. We tried everything we could. But it has not proved possible,” he said at a press conference.

What Azevêdo said was a blatant lie. It was known since December 2013 that the TFA would go through if the WTO would break with the big multinationals, which have emerged as the “deciders” on how international food trade must be conducted.

In addition, Australia's Robb vented his anger, saying: “Australia is deeply disappointed that it has not been possible to meet the deadline. This failure is a great blow to the confidence revived in Bali that the WTO can deliver negotiated outcomes. There are no winners from this outcome, least of all those in developing countries which would see the biggest gains.”

The only voice of sanity of the developed sector emanated from New Zealand, whose Minister of Overseas Trade, Tim Groser told Reuters that there had been “too much drama” surrounding the negotiations and that talk of excluding India was naive and counterproductive. “India is the second-biggest country by population, a vital part of the world economy and will become even

more important. The idea of excluding India is ridiculous.”

### **What Are the Issues?**

In December 2013, in Bali, WTO members had assembled to revive the Doha Round of trade talks which had been sputtering since 1995, when the WTO was formed. WTO members decided that the most significant aspect of global commerce was the TFA part of the package, which is about cutting red tape and speeding up port clearances. What was agreed upon in Bali was a package that focused on various issues related to development, including food security in developing countries, cotton, and a number of provisions for least-developed countries. The package also included a political commitment to reduce export subsidies in agriculture and reduce obstacles to trade when agricultural products are imported through quotas.

The trade facilitation decision was a multilateral deal, whose objectives were: to speed up customs procedures; make trade easier, faster and cheaper; provide clarity, efficiency, and transparency; reduce bureaucracy and corruption; and use technological advances. It also has provisions on goods in transit, an issue particularly of interest to landlocked countries seeking to trade through ports in neighboring countries.

As the WTO's bigwigs were putting this package together to keep the developed nations in control of world trade, India put up a red flag pointing out that agreeing to the TFA could compromise its food security. New Delhi demurred on the TFA at the time, saying that India's Food Security Act, which is binding on the government by law now, stipulates that the government will provide cheap food to the most vulnerable section of the population at extremely low prices.

Apart from providing subsidies to consumers through the public distribution system, it also provides subsidies to the producers of food grains. So it buys food grains from farmers at a minimum support price, and subsidizes inputs like electricity and fertilizer. The first problem India saw in the TFA, is the 10% cap on subsidies, which will not be possible for India to achieve in the near future. In addition, the 10% cap is calculated based on 1986-88 prices, when the prices of food grains were much lower. So the cap has to be updated, taking into account the present prices of food grains.

The second problem New Delhi saw is that in agree-

ing to the WTO protocol, India would have to open up its own stockpiling to international monitoring. Third, while the WTO is binding the developing countries to protocols, the issue of subsidies by developed giants, like the U.S., seems to be off the table.

### **Food Security for the Poor**

Opting to kick the can down the road, and hoping that the developed nations would be able to wrestle India down on the food security issue in the future, it was agreed at the Bali conference that the TFA would be signed into a protocol by July 31, 2014, and fully implemented by July 2015. It was also agreed that a permanent solution on food security would be achieved by 2017. Meanwhile, developing countries like India would be allowed to run their public food-stockholding programs. Such an interim measure, termed the “peace clause,” would safeguard them from being legally challenged for this at the multilateral forum by other member-countries.

At the time, it became evident to India that the WTO holds the control over the “peace clause” as well. “What member-countries have said is that if one issue is discarded, this will be the case for the whole package, including the Peace Clause. This is serious,” a senior Indian trade negotiator present at the WTO's General Council meeting in Geneva, asking not to be named, told the Indian daily *Business Standard*.

As a result of this two-faced proposal by the WTO, India hardened its position and made clear that before the TFA is implemented, New Delhi wants a permanent solution for food security. If the WTO does not accept that proposal, India made clear that it will withdraw its support from the TFA.

What India really wanted, and it was made plenty clear at the time, is a permanent solution to the issue of public stockholding of food grains. G-33 members, including China, have supported India's stand on subsidizing agricultural production and distributing food to the poor at low cost.

### **Globalization vs. National Sovereignty**

Rajni Bakshi, a Senior Gandhi Peace Fellow at Gateway House, Indian Council on Global Relations, wrote on Aug. 2: “An old tussle between economic globalization and political sovereignty has once again come to the fore with India's decision not to ratify the WTO's Trade Facilitation Agreement (TFA). This may seem odd because the TFA is essentially meant to

smooth the procedures for goods to cross national borders. Sovereignty has come into the picture because the Indian government has made its ratification of TFA contingent on a simultaneous change in WTO rules that would enable it to continue its food security program. Much more is at stake here than just the efficiency of customs regimes or subsidized food for the poor. Having taken a tough stand, India can now take a lead in reframing the power equations of globalization. But this is a task for Indian business and civic bodies as much as for our government.”

The fact is that India’s resistance, in addition to being the absolutely the right stance, matches the UN Special Rapporteur’s report of last year, which lauded the fact that many developing countries have created statutory provisions to ensure the right to food. In addition, as Bakshi noted, the G-33 coalition of developing countries, which includes India and China, has been demanding since 2006 that the WTO reopen and reconfigure its Agreement on Agriculture to serve the interests of the billions of people whose food security is on the edge. While India is the only nation that vetoed the TFA, many developing nations do want the issue of

food security and trade facilitation to be resolved as part of the same agreement.

Also, at the April conference of the African Union trade ministers, the participants asked for the implementation of the TFA to be done on a provisional basis, pending the conclusion of the overall Doha Round, which is meant to address equity concerns of developing nations. But then, most African nations backed off. A Nigerian official told the Inter Press Service that this withdrawal was the result of “undue pressure from some developed countries.”

Bakshi in his article says that the confrontation that emerged over India’s position on food security is not just a tussle between the developed and developing nations. “It is, instead, a tussle between what has been called the ‘global North,’ that is globalised big business and industry, versus the ‘global South’—the billions of people on this earth who are dependent on the land and on small scale livelihoods.” He pointed out that the fight over the TFA and food security is a skirmish in the process of re-framing globalization—making it more equitable in order to make it sustainable.

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