

---

ANNUAL 2015 SESSION OF THE  
PARLIAMENTARY CONFERENCE ON THE WTO

***WTO at the age of 20***

Geneva, 16-17 February 2015

---

*Organized jointly by the Inter-Parliamentary Union and the European Parliament*

Item 2

PC-WTO/2015/2-R.3  
27 January 2015

**TRADE AS AN ENABLER OF PEACE AND BETTER LIVING CONDITIONS**

***Discussion paper presented by Mr. A. Singh Thakur, Member of Parliament (India)***

1. Proponents of free trade are of the view that the benefits of trade are not merely economic. Trade also encourages people and nations to co-exist peacefully. Trade leads to economic interdependence between nations. They also argue that trade makes it more profitable for people of one nation to produce goods and services for people of another nation and engage with them commercially.
2. Free trade between nations tends to reduce the chances of international conflict because trade forges proximity and gives each nation an incentive to avoid war with its trading partners. Countries that engage in trade are unlikely to invade others and less likely to be invaded. When the door to free trade is open, nations can gain access to each other's resources and produce. When the door is closed, the only way to gain access to each other's resources is through military conquest.
3. The exchange of goods and services implies not just the exchange of tangible items, but also cultural exchange. Trade helps to humanize the people you trade with. No country wants to go to war with its trading partners.
4. Because of trade, consumers pay lower prices for goods, which translates directly into higher real incomes. This web of interactions and mutual benefits helps to foster peace, as it creates a basis for global interdependence. Trade also allows nations to benefit from the process of international specialization. It allows people, regions and nations to specialize in the production of what they do best and to buy those things which others do best at lower prices. International trade leads to the integration of markets and facilitates rapid transmission of market information from one part of the globe to another.
5. Peace is, to a great extent, the product of two of the most fundamental principles of the trading system: first, that trade must be helped to flow unrestricted and provide countries with a constructive and fair outlet for dealing with disputes over trade issues; and second, that the trading system fosters international confidence and cooperation. Protectionism tends to promote hostility. Promotion of trade and investment is a basic tool of economic diplomacy and should be used creatively to promote peace and security. The European Union, the Association of Southeast Asian Nations, the BRICS countries (Brazil, the Russian Federation, India, China and South Africa) and the South Asian Association for Regional Cooperation are excellent examples of creative economic diplomacy. The increased interdependence resulting from free trade, a common market, common institutions and shared values leads to the development of a common identity. A number of studies have analysed the impact of regional trade links and peacebuilding between States that were previously hostile to each other.
6. Growth, employment and equity are closely interlinked. Trade theory tells us that a rise in trade spurs the need for manpower; more jobs are created, which in turn stimulates economic growth and income redistribution, resulting in poverty alleviation and better living conditions.

7. Trade also has an important role to play in the growth of economies. Free and fair trade can help the world overcome the problem of unemployment and reduce poverty in general. However, the manner in which trade affects employment differs from country to country, as other factors also play a role. For example, technological advancement also has a strong impact on employment and productivity, benefiting some jobs while hurting others.

8. It is widely accepted that trade liberalization leads to job creation and improved living conditions. Increased production for export certainly creates more jobs, but import substitution of domestic production has its own impact on employment and causes dislocation. It is no easy task to retrain and relocate displaced workers. As countries move up the value chain, the qualitative nature of job markets also changes. There are several factors at play, and the net impact of liberalization varies from country to country and across regions. The pace of trade liberalization has to be calibrated according to the specific requirements of each country.

9. It is precisely this realization that prompted the founders of the World Trade Organization (WTO) to build in the flexibilities considered to be essential for the least developed countries (LDCs) and developing economies when they framed the rules of global trade. The legacy of poor infrastructure and institutional inadequacies places huge constraints on the competitiveness of developing economies. Even advanced economies have only gradually embraced openness in trade. We therefore need to strike a balance that takes account of those constraints. The LDCs and developing economies require flexibilities to help them adapt even as they integrate into the globalized world.

10. The WTO came into existence on 1 January 1995 and deals with multilateral rules of trade between nations as set forth in the Uruguay Round agreements. Apart from administering these trade agreements, the WTO serves as a forum for trade negotiations, settles trade disputes, reviews the trade policies of its Members and assists developing countries with trade-related technical assistance and training programmes.

11. The Doha Round<sup>\*</sup> is the latest round of trade negotiations between WTO Members. Its aim is to achieve major reform of the international trading system by introducing lower trade barriers and revised trade rules. The work programme covers about 20 areas of trade, which together constitute an indivisible package to be agreed as a "single undertaking", i.e. "Nothing is agreed until everything is agreed." A fundamental objective of the Round is to improve the trading prospects of developing countries; the Round is therefore also referred to as the Doha Development Agenda.

12. Whereas the developed world is looking to create new trade flows and greater market openness, particularly in key emerging markets such as Brazil, China and India, and to make rules accordingly, India and several other developing countries have been working for the conclusion of the Doha Development Agenda. Developing countries are aware that unless today's biased trade rules are replaced with newer rules, they will never get a level playing field and greater participation in global trade will remain a distant dream. The first step towards a level playing field would be a balanced outcome in line with the development mandate of the Doha Development Round.

13. Attempts have been made to junk the entire Doha Round on the grounds that there are new challenges and new issues. Failing to get the desired results, some prophets of doom have even predicted the end of multilateral rule-making and the WTO. This arises from their perception that their commercial interests are not being served by the Doha Development Agenda. Their interest is to obtain greater market access for their exports in developing countries, particularly Brazil, China and India. They seem to feel that the Agenda does not serve this objective and that they will have to take on commitments, such as reducing their agricultural subsidies and eliminating agricultural

---

\* The Doha Round was officially launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001. It covers a wide range of subjects, including agriculture, non-agricultural market access (NAMA), services and rules. There are several contentious unresolved issues in each area: the proposed reductions in domestic subsidies, including cotton subsidies; proposals on sensitive products, tariff capping and the Special Safeguard Mechanism in agriculture; additional tariff reductions in specific industrial goods sectors (sectoral initiatives) in NAMA; the liberalization of trade in services; the development of disciplines on domestic regulations pertaining, for instance, to qualifications and licensing requirements and procedures; disciplines on fisheries subsidies (including the extent and scope of the special and differential treatment of developing countries and the attached conditionalities); and several issues relating to WTO rules.

export subsidies, without obtaining substantive market access gains in exchange. They have therefore called for a new agenda for the WTO. There have been calls for alternate approaches to rule-making at and outside the WTO. However, the exclusive nature of arrangements that are not multilateral makes them non-starters in many cases. These initiatives do not inspire the confidence of the world at large and can never replace the WTO system, in which all negotiations are predicated on the principle of consensus. The principle of consensus ensures that all member countries are willing partners when rules are made for international trade. The WTO dispute-settlement mechanism ensures that matters do not escalate beyond trade disputes by settling these in a time-bound manner.

14. In any trade negotiations, flexibility is key. It is even more important in a multilateral organization like the WTO, where consensus is the watchword. Negotiations are a two-way process, with Members gaining from concessions made by other Members and having to make concessions of their own. The WTO has 160 member countries, most of which are developing countries (including the LDCs). Any trade rules that do not address the concerns of this majority are not going to pass muster. Today's biased rules of trade are already a source of angst in the developing world. Unfairly high agricultural subsidies in developed countries adversely affect the livelihoods and food security of billions of farmers in the poorest countries and make agriculture unviable, thus destroying jobs and growth opportunity in these countries.

15. It is necessary not only to promote trade but also to ensure that trade rules help all the world's countries co-exist and grow. Trade rules should therefore be fair and transparent – and be seen as such by all concerned. Inclusiveness is key to rule-making.

16. When referring to the current negotiations at the WTO, India and other developing countries have pointed to the need to start by addressing the Doha Development Agenda; they have consistently said that bringing in new issues without addressing existing ones would lead to a dilution of the Doha Development Agenda. In the agriculture negotiations, India is seeking effective cuts in the trade-distorting subsidies provided to the agricultural sector by developed countries and effective disciplines on such support; at the same time, it seeks flexibilities for developing countries, such as provisions for lower tariff cuts, longer implementation periods, self-designation of Special Products that could take lower tariff cuts and the Special Safeguard Mechanism, to safeguard the interests of farmers in the event of surges in import volumes or a fall in price.

17. Free and fair trade will not be possible unless and until labour markets are opened in developed nations. Trade must be approached holistically and address the issue of free movement of labour across borders. Such a step may help generate employment and hence better living conditions.

18. India embarked on the path of economic liberalization nearly two decades ago. Since then, our economy has become increasingly integrated globally. India has on its own liberalized its tariff structures. Both imports and exports have grown at a healthy rate, an indication of the continuing openness of the Indian economy. We have a large trade deficit, one of the highest in the world as a measure of gross domestic product.

19. Trade can easily play an important role in economic growth and poverty alleviation, provided equity is maintained in trade. Trade should not be a tool available only to developed countries seeking market access in developing countries. Developing countries need to be helped to achieve equity in terms of infrastructure, technology and skills development before achieving trade parity. Until such time, they need the policy space required to protect their industries from being wiped out and prevent the consequent increase in poverty. Trade is a potent tool, one that needs to be used by countries in the manner best suited to their stage of development.

20. At the WTO, India and other developing countries have made persistent efforts to ensure that the progress made in the Doha Round is not lost and that development, which is at the core of the Round, remains firmly entrenched in all negotiations at the WTO. India has consistently expressed its commitment to the balanced and development-oriented conclusion of the Doha Round. Trade does not just mean more markets for developed countries. Developing countries, together with small and vulnerable economies, should also be able to benefit from trade.

21. At the latest WTO Ministerial Conference, in December 2013 in Bali, India maintained this principled stand and did not join the consensus on implementation of the Trade Facilitation Agreement (TFA) until its concerns relating to implementation of the other Bali ministerial decisions, in particular the decision *Public stockholding for food security purposes*, were addressed. This decision stipulates that a mechanism barring WTO Members from challenging the public stockholding programmes of developing Members for food security purposes under the WTO Agreement on Agriculture will remain in place until a permanent solution regarding this issue has been agreed and adopted. In the meantime, our food security programmes and minimum support price policy will not be affected. Similarly, the deadline for acceptance of the TFA has been withdrawn, enabling Members to complete the internal process for acceptance. This positive outcome reaffirms the faith of our country and all developing countries in the multilateral trading system, and proves that this is the forum offering the best chance to participate on equal terms in international trade and a place where the voices of the vulnerable are heard.

22. Trade can be an enabler of peace and better living conditions, provided the rules of the game are fair and there is a level playing field for all players. The concerns of each WTO Member need to be addressed to ensure complete harmony in the system.