

Suman Bery: Mood Music

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This week's trade mini-Ministerial in Delhi is mainly about the US, observes *Suman Bery*

India's commerce minister and his senior officials have been unusually candid about their motives in hosting this week's conclave of trade ministers and officials in New Delhi to revive the Doha trade negotiations (the so-called Doha Development Round, or DDR).

Jointly with the US, India is commonly held accountable for the failure of the last mini-Ministerial meeting to discuss the Round, in July 2008.

Given the compulsions of domestic Indian politics at that time, perhaps no other outcome was realistic. For a government due to face the electorate in less than a year, widely accused of sacrificing policy autonomy at the altar of the Indo-US civilian nuclear deal, a public spat with the US on indefensible agricultural subsidies was a cheap and effective way to achieve substantial domestic political advantage.

The lapsing of fast-track authority, the precarious political situation of the Bush administration, its inability to obtain ratification of even minor bilateral free-trade agreements were, no doubt, other factors at play. Given these powerful incentives, the current view among the Delhi commentariat, that the failure was largely attributable to the personality of Kamal Nath, the then Commerce Minister, is perhaps somewhat unfair.

An important motive for India in convening the present meeting is nonetheless to neutralise the perception, which dates back to the very origins of the DDR, that India always and forever plays the role of foot-dragger and spoiler. India's incoming Commerce Minister, Anand Sharma, signalled this change upon meeting the new US Trade Representative, Ron Kirk, in Bali in June this year, soon after the former assumed his new position. He again stressed this willingness to engage on his subsequent visit to the United States in July, although some of his initial exuberance was tempered on mature reflection. At the more senior political level, the Prime Minister has participated in the two G-20 Leaders' Meetings (in November 2008 and April 2009) as well as in the G-8 + Five meeting in Italy last July, all of which have called for finalising the DDR. The last of these mandated trade ministers to conclude the Round by 2010.

This is accordingly a good moment to reflect on how very different the global scene is today both from 2001, when the DDR was launched, and even as recently as the last mini-Ministerial of July last year. The Round was initiated soon after the attack on the World Trade Center and the Pentagon to signal that the world would not be deflected from the pursuit of greater integration by the terrorist scourge. The US was coming off a decade of buoyant growth, while most of Asia, India and China included, was still suffering the after-effects of the Asian financial crisis.

Eight years later the situation is radically altered. Initially China, and more recently India, have emerged as important growth centres in the world economy. India's organised private sector has made a major shift from wariness to confidence in its international economic engagement, through both trade and foreign investment. The financial crisis has provided a valuable stress test for both government and the private sector. While it is too early to declare victory, and there is considerable distress in certain sectors, notably labour-intensive exports, seen from a comparative international perspective, India's aggregate performance is now seen as reassuring and impressive.

Access to the Indian market is accordingly now very valuable, potentially increasing India's leverage in both multilateral and bilateral/regional negotiations. India's hand is further strengthened by the scale of the Congress victory in the recent elections, ensuring stability and continuity in the

government for the full term. The issue facing India, therefore, is how best to play this strong hand.

There are some (such as Aaditya Mattoo and Arvind Subramanian)* who have argued that the WTO negotiating process and, by extension the DDR, are irredeemably unwieldy and unworkable, and that the market access issues that have traditionally dominated successive rounds of negotiations since the second world war are no longer the key issues on the trade agenda. In light of what we have seen in the form of "creeping protectionism" around the world (including India) in the last few months, this may be excessively optimistic about maintaining the market access we already enjoy where that is not bound by negotiation. Certainly, it has been comforting to know that, imperfect though they may be, the disciplines of a rules-based system of international trade continue to constrain arbitrary action.

For India, the issue is broader than this. As I have argued in these columns in the past, of the major economies of the world, it is India and China that now have the greatest interest in the maintenance of a liberal, open trade regime, given the large number of their citizens who still need to make the transition out of agriculture to modern activity. As India has an even larger, and younger, rural population than China, it seems only logical to me to argue that India now needs to assume a greater responsibility than in the past to support a trading system that has been so successful for so long and which is now under considerable strain.

Furthermore, the trade agenda is now getting absorbed into the broader G-20 work programme, where India enjoys significant moral authority in not being responsible for the global imbalances, and for prudent management of its macro economy and its financial sector.

India, therefore, has two important goals in the trade arena starting with the present meeting and continuing on through the Pittsburgh summit and on into the next year. The first is to work with other members to coax an unwilling United States back into the negotiations, now that some signs of economic recovery are evident, and before the US political cycle becomes consumed by next year's elections to the Congress. The second, at a time when globalisation is in retreat, is to rebrand itself not as a perennial spoiler, but as the "responsible globaliser" that it is increasingly becoming. While the present meetings are about schedules, timetables and modalities, one trusts that by the time of the Pittsburgh summit later this month, we will be bold enough to put forward concrete proposals to move the process forward.

**"From Doha to the Next Bretton Woods: A New Multilateral Trade Agenda".
Foreign Affairs, January/February 2009.
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