

The Resistance of India toward WTO Agreement in the 9th Ministerial Conference in Bali 2013

CHAPTER I

Introduction

A. Background

India is a country in the southern part of the Asia which has the second largest population in the world, with a population around 1.2 billion people.¹ Geographically, India has a lot of large rivers such as the Ganges, the Brahmaputra, the Yamuna River, the Godavari River and the Krishna River.² These rivers contribute as factors of fertile land in India. It puts the agricultural sectors as the important sectors since long time ago. This condition caused why the approximately 800 million of India's population lives depend on agriculture as livelihood.

India is one of the founders and participated in signing of the GATT (General Agreement on Tariffs and Trade)³ in October 1947. Later, India was known as a spokesman for developing countries whose concern about the discussions to develop GATT. India's participation in international economic negotiations as an illustrator of

¹<http://data.worldbank.org/country/india> accessed on September 2nd 2015

²<http://www.mapsofindia.com/geography/> accessed on January 2nd 2016

³ GATT was an intergovernmental agreement and has the same status with a variety of other bilateral trade agreements. But, judging from the substance, when negotiations were held to formulate the GATT agreement, the substance, principles, and systems are contained in the agreement envisaged in order to then operate under the umbrella of ITO. GATT basic purpose is to provide a conducive environment for the travel trade among nations through a gradual reduction of import tariffs. Implementation of the objectives contained in an agreement made the United States in the years 1945-1947. Furthermore, GATT has the principle that the particulars in summary. MFN is the principle that the international trade among members of the GATT should be implemented in non-discrimination. Thus, the main principle is that the concessions granted to one trading partner countries should also apply to all other countries.

developing countries with their attention to the interests of commerce and the world trading system as the access of national development. Rationally trade is capable of bringing the country towards the openness of the condition of the world increasingly complex and integrity. Martin Wolf as an economic scientist justifies that of the people.⁴The activeness of India firmly believes that trade is a path of prosperity, as observers economist confirmed that the integration of international trade opportunity. At the time Uruguay and approval of the results of these negotiations by ministers from participating countries at Marrkesh, April 1994, the international trading system is experiencing a new phase. GATT has evolved into a new form, as the World Trade Organization (WTO). Then, the WTO will become an international organization with attributes, as well as with much broader authority than the GATT. WTO was officially established on January 1st 1995, in which the establishment of the WTO agreements ratified by 78 members of states. India continued to show its existences in consciousness implementation of international trade. Of the 78 member countries, India included in the membership as a state that is very active. Understanding the presence of the WTO, in its development, there was a debate about expanding trade, not only their attention to the economic but also political issues. This is due to the actors involved, both the developed and developing countries.

The concept of free trade which should be promoted by WTO is considered as even more ensnare and plunge the developing countries. This is the logical consequence

⁴ See Martin Wolf on the defense of liberal democracy in globalization. Martin Wolf, 2005, Why Globalization Work, Johannesburg: The Centre for Development and Enterprise.

spur developing countries begin logically at every meeting or WTO round. In the end of 2013 at stake for developed state and developing state who gathered in the WTO. The 9th Ministerial Conference of WTO held in Bali, Indonesia, in December 2013, aimed to be a place for these state interests, also aimed to be a determination sustainability of the Doha Development Agenda (DDA), the round negotiations Current WTO. At that time, the WTO negotiations narrowed down to three main issues, namely agriculture (food security), trade facilities, and flexibility for the poorest state (Least Developed State). The agriculture issues are converging on the issues of food reserves (public food stockholding) within a certain time period, in this case four years. Food reserves are considered the WTO as trade-distorting, although on the other hand food subsidies bin advances state remains permissible. The issues of trade facilities belongs to the developed states urging the construction of facilities that facilitate trade in developing state or poor states to smooth trade global supply chain.

The storyline in Bali round showed the persistence of India who loudly reject Bali consensus. Contradictions over India's attitude with the attitude of developed state indicate that India is not willing to be dictated by the WTO regime that perpetuates unilateral advantage that for developed states. India is contradictory attitude reaped by rules or regulations on agriculture. The difference in attitude in the form of India asked for an indefinite period whiles the application of additional agricultural subsidies developing state from 10% to 15% of the production value. In fact, developed states like the United States has softened to provide additional, but the record could only be granted

for four years.⁵ The debate launched by India is an action that is highly appreciated for the critics to WTO. Attitude endorsed by India is not just usual reason alone, but about the future of India as a state. On the other hand, the free market regime could overturn the India towards a state collapse.

In the agriculture sector a problem for India as 2nd largest population density in the world, and also about 56% of India's population are farmers. The correlations between where population density and largely absorbed the number of workers on the farm so that it becomes the influence of food security issues. This is due to food security is not only a sensitive issue for India but it also has a high dimension because it is the responsibility of the state over its people in protecting food security has become a national consensus.

Currently, in the India agricultural sectors some foreign products have dominate the India's market, among others are Swiss cheese, apples from New Zealand, chocolate from Brazil, and biscuits from Thailand. Imported products that circulate freely in India are one of the results of India-WTO agreement in AOA (Agreement of Agriculture). This agreement aims to increase market access for foreign food. This is clearly detrimental to the people of India, since the products of western world has the advantage both price and quality. Noticeably higher subsidies and the technology applied to the agriculture of their western state, so that the products become better and can be cheaper while India does not

⁵ "SoalPertanian India Tak Mau Kompromi di Pertemuan WTO", accessed on <http://dunia.news.viva.co.id/news/read/463263-soal-pertanian-india-tak-mau-kompromi-di-pertemuan-wto> on September 4th 2015

provide a subsidy of western states and farmers are still using traditional techniques.⁶ This problem is certainly a big problem for India because the agricultural sector is the largest sector for the India economy. This sector employs 52% of India's total labor force, so that the difficulties faced by farmers are the difficulties of families in India. A difficulty faced by India farmers are so described by the farmers' very high suicide rate because they could not handle their problems. There were approximately 200 thousand India's farmers committed suicides since 1997.⁷

On the other hand, the export market of India does not gain considerable advantage of this free trade system. In 2010, India's import of goods amounted to US \$ 322.702 million and services amounted to US \$ 116.906 million. While exports of goods amounted to US \$ 216.162 million and services amounted to US \$ 109.514 million.⁸ This figure illustrates that India is less capable of flooding the world market. On the other hand, the local India market in expansion by other state. In the field of export, India products are still less competitive with products of the western world. For example, India Oil Corporation is engaged in oil and gas which is the largest company in India, currently has revenue of US \$ 68.83 billion.⁹ This value is still unable to compete with the influx of other large companies such as Exxon Mobil which have a turnover of US \$ 486.29

⁶India: Flood of Food Imports Could Destroy Indian Agriculture, accessed <http://www.twn.my/title/flood-cn.htm> on September 10th 2015

⁷ BBC News, accessed on <http://www.bbc.co.uk/news/world-india-asia-16281063> on September 10th 2015

⁸ The Federation of International Trade Associations, accessed on <http://fita.org/countries/india.html> on September 12nd 2015

⁹ CNN Money, accessed on <http://money.cnn.com>

billion.¹⁰ The company even made difficult by the many other oil companies coming to India.

Imbalance that emerged is the subsidy itself, in which the developed state gives the disbursement of subsidies to the agricultural sector. The developed state, such as United States has been providing subsidies to the agricultural sector no less than US \$100 billion per year. While, other states in Europe disburse subsidies at least 80 billion Euros each year. It means that fact overturn on the reality in which the developed states are keeping off from the free trade's trap and secure their state, whereas the developing state, especially India, overshadowed frightened by the absence of the subsidy may be granted by government so that the stakes are causing social frustration that helped frame the presence of the destruction of the nation.

In a debate with United States in the WTO in Bali which supports the elimination of subsidies for each state, it is not acceptable to India, where India is very different position with the United States. Take for example about poverty, increased revenue does happen but not too significant to overcome poverty, but vice versa. As many as 28% of India's population lives below the poverty line in 2006 and increased to 37.2% in 2010, and 75.6% of people living on less than 2 dollars per day.¹¹ Furthermore, free trade seems to benefit a very small and could not improve the life of the India community. This is very different from what happened in the United States. Free trade principles of the WTO do not seem capable of creating economic prosperity and stability in India.

¹⁰ United State Exchange and Security Commission, accessed on <http://www.sec.gov/Archives/edgar/data/34088/00119312511050134/d10ka.htm> on September 12nd 2015

¹¹ United Nations Development Programme, *Human Development Indices*, accessed http://www.hdr.undp.org/en/media/HDI_2008_EN_tables.pdf accessed on September 10th 2015

Inequality competition with products imported from the west are considered superior and because the quality of goods produced by India production technologies tend to be simple compared to the production of goods competitor states like the United States, particularly the agricultural sector. The sectors affected most of the free trade policies. India does not provide a subsidy of western state and farmers are still using traditional techniques.¹²

Other imbalances occur in the export-import sector. India received a number of imports were very much but cannot compensate for the amount of exports which is also supposed to be high. Even in the last 6 years, many India farmers suffered losses and frustration and more than 3,000 India farmers commit suicide. Potential causes of the occurrence of an extreme case of this are the exploitation by multinational agribusiness companies and the severe economic inequality.¹³

It is very irony to review the facts when the existence of WTO that is actually capable of overturning the developing state, especially India. Although the membership of developing state very much in participating, but mechanism of voting power at the meeting in Bali show which one dominates and which one participates. This then attracted the attention to explore the India attitude that refuses Bali Package at the 9th Ministerial Conference of WTO in Bali 2013, especially in the agricultural sector which is considered lame.

¹²Op,Cit., Third World Network, Flood of Food Imports Could Destroy Indian Agriculture

¹³WTO Kills Farmers: India Free Market Reforms Trigger Farmers' Suicides, accessed on <http://www.globalresearch.ca/index.php?context=va&aid=6522> accessed on September 11th 2015.

B. Research Question

Based on the problems background that has been mentioned above, the subject matter is formulated: “What factors affect the attitude of the India rejection of the WTO Agreement on Agriculture Scheme at the Ministerial Conference in Bali 2013?”

C. Theoretical Framework

1. Foreign Policy Theory

Foreign policy is a strategy or plan of action to achieve the national interest. The purpose of foreign policy is actually a function of the destination country. The destination is influenced by the target as seen from the past and aspirations for the future. The purpose of foreign policy is designed, selected and determined by the decision maker and is controlled to change the policy (revisionist policy) or retain the policy (status quo policy) certain state in the international environment.¹⁴

Foreign policy is an action or idea designed by policymakers to solve a problem or expedite changes in the environment, i.e. in policy, attitude or actions of other countries. Four components in understanding foreign policy by K.J. Holsti from general to specialized, namely: (1) Orientation Policy, (2) Role of the National, (3) the National Interest, (4) National Action.¹⁵

According K.J. Holsti, there are three criteria for classifying foreign policy objectives, namely: first, the value, which is composed of national interest that core /

¹⁴Perwita, A.A Banyu and Yani, Yanyan Mohammad, “*Pengantar Ilmu Hubungan Internasional*”, (Bandung: Remaja Rosdakarya, 2006).p.51

¹⁵K.J. Holsti, *Politik Internasional: Kerangka Analisa*, (Jakarta: Pedoman Ilmu Jaya, 1987).p. 135-136.

basic / vital interest or secondary interest. The second criterion, the time period required to achieve the objectives set, namely whether the short-term, medium term or long term. The third criterion is the type of interest posed by a country to another country.¹⁶

In the implementation of foreign policy, there are three determinants that need attention. The first is the national interest, in which foreign policy is a reflection of a country's national interests against external environment. Foreign policy as a reflection of the national interest put forward by J. Frankel” Foreign policy is a reflection of the national interest aimed abroad, which is not separate from the overall national goals, and remains a component or element of the conditions in the country.”¹⁷

Noteworthy in the linkage of national interest and foreign policy is that the implementation of foreign policy as much as possible can benefit the national interest, whether measured in terms of the interest of public safety and national security, as well as measured by the increase in prosperity and national welfare. The second determinant related to foreign policy is national capability. National capability is the ability of a nation, either actual or potential nature. All the power of nation both manifest and latent is covering all the resources attached to the nations concerned.

Foreign policy strategy is an output. While the input comes from the conditions of external and internal environment that is converted to input, through the process of understanding the situation that is associated with the determination of objectives to be achieved, the mobilization to achieve these goals and concrete efforts in realizing the objectives that were set.¹⁸

¹⁶ *Op.Cit*, Perwita, A.A Banyu dan Yani, Yanyan Mohammad.p.53

¹⁷ J.Frankel, *Hubungan Internasional*, (Jakarta: ANS Sungguh Bersaudara,1990).p.55

¹⁸ *Op.Cit*, K.J. Holsti, p.88

Foreign policy as a series or a set of commitments, referring to the strategy, special interests and goals (specific goals) and the means (means) for its achievement. Commitment and action plans can be explored from the real conditions and the real situation is in progress, so it can be more easily observed and analyzed.¹⁹

The third determinant is the international conditions with its dynamic character. Each country formulates foreign policy, but it will not be possible to organize and establish a process for international dynamics as a result of the continuous interaction between the peoples of the world. Foreign policy related to all the efforts of the national political system to adapt to the geopolitical environment and to establish control measures on the environment in order to meet the values contained in the system.²⁰

The substance of foreign policy of a country is influenced by:²¹

1. External contexts factors include: the structure of the international system, the world economic structure, objectives and policies of other countries, issues of regional and global problems posed by the activities of individuals, as well as international law and world opinion.
2. The domestic political factors which include share the need for socio-economic interests and security, geographical character, national attributes,

¹⁹*Ibid.* p.133

²⁰*Ibid*

²¹K.J. Holsti, *International Politics: A Framework for Analysis*, 6th ed, (New Jersey: Prentice Hall International, 1992).p. 271-302.

structure of government, public opinion, the bureaucracy as well as ethical consideration.

3. Influence perception and behavior of the policy makers; include image, behavior, values, doctrine, ideology, analogies, and even personality.

According to Rosenau, the notion of foreign policy is the effort of a country through the overall attitude and activities to cope with and benefit from the external environment.²² Foreign policy according intended to preserve the viability of the country.²³ Furthermore, according to Rosenau, if we examine the foreign policy of a country, then we will enter the phenomenon of a vast and complex, encompassing the internal life and external needs which includes external and internal life such as aspiration, the attribute of national, culture, conflict, capabilities, institutions and routine activities aimed at achieving and maintaining a social identity, the law, and the geography of a country as a nation-state.²⁴

According to a statement quoted the opinion Rosenau that foreign policy is the effort of a country through the overall attitude and activities to cope with and benefit from the external environment, at the 9th Ministerial Conference of WTO in Bali at the end of 2013, India refused Bali Package due to the following two elements which can be seen that the issue of security and well-being.

²²James N. Rosenau, Gavin Boyd, Kenneth W. Thompson. *World Politics: An Introduction*, (New York: The Free Press, 1976). p.27

²³*Ibid.* p.32

²⁴*Ibid.* p.15

2. National Interest Concept

In every foreign policy decision, a state always basing on the national interest of state's concerned. National interests are often used as a tool to analyze and to determine the foreign policy objectives of a state. Paul Seabury defines the concept of national interest in two aspects, namely the normative and descriptive. Normatively, the concept of national interest refers to a set of ideals that should be made to realize by a nation in relation to other state. Descriptively, the concept of national interest can be considered as a goal to be achieved through leadership by persistent struggle.²⁵

According to Donald E. Nuckertlein, national interest is the need and desire felt by a state in relation to other states which constitute the external environment.²⁶ Meanwhile, according Jack C. Plano and Olton Roy, the national interest of a state is to defend the interests of survival, the independence and sovereignty of a state, military security, political and economics.²⁷

The concept of national interest is to describe, explain, predict or suggest a state's international behavior. Each state will strive to achieve what is regarded as the interests that must be realized, either in cooperation or coercion. According KJ Holsti national interest includes four elements, namely:²⁸

- a. Security is the ultimate goal of every state to defend itself (self-defense).

Furthermore, to protect the population, the sovereign territory of the threats and not

²⁵ K.J Holsti, *PolitikInternasioanl: KerangkaUntukAnalisis*, (Jakarta: Erlangga, 1998).p. 136

²⁶ Donald E. Nuckertlein, *The Concept of National Interest: A time for New Approach*, Orbis, Vol 23, No. 1, 1997.p. 75

²⁷ Jack C. Plano, and Roy Olton, *The International Dictionary*, Rienert and WistoneInc USA, 1969, terjemahan WawanJuandaAbardin p. 7

²⁸ KJ Holsti, *International Politics: A Frame Work for Analysis*, New York: Prentise Hall International Inc, 1995. p. 137

just in the war, and also things that is physical, but also includes in terms of population, government, economy, and ideology.

- b. Autonomy, the ability to formulate domestic and foreign policies based on the authority of the government itself and all the risks, and the ability to withstand pressure, influence, and threats from other state.
- c. Welfare, factors that become the measure of the success of a state. As an example of a state that has a large military force but does not pay attention to the welfare of its people is group class poor state. While the state has a military force less powerful but the welfare of the people is a good state.
- d. Prestigious, excellence in the field of science and technology has an important role. In addition to the traditional view that considers the main source is the status of military force. An example is the effort made by the semi-periphery states to become the central state, the developing state or the periphery to become a developed state or semi-periphery.

India in all decisions of foreign political activity is in fact based on national interests. If related to the interests of India in rejecting subsidy reduction scheme for developing state based on various concepts of national interest above, basically the interests of India cannot be separated from security elements and welfare. When referring to Holsti's views on the four elements of national interest, in fact overly generalize on the basis of understanding the interests of military. The author believes that the realism of seeing the world as it is, then when a war is a very possible. Then that is when the military domain is very important for every country. But today, after the cold war make

the world a new chapter. Competition warfare dimmed, but the domain of competition is majoring in economics framework. The globalization of trade becomes the main factor. Instead each country must prepare to risk of fighting for the best possible trade, India as a developing state, concurred. The shape of the liveliness of India is the only one active in WTO. However, in the middle of the India active in the WTO, then silence in following the rules. Because India believes that the WTO could be an opportunity and a threat. Assertion India refused agricultural schemes on the 9th Ministerial Conferences in Bali is a form of a series of national policies into a form of interest.

India's destination to reject the scheme, for the author, in the landscape realist assessed properly when performing resistance in the agriculture scheme. Two elements that can be seen are the issues of security and well-being. India is a country that has the 2nd highest population in the world. With the increasing population, it will face food problems. Currently India continues to enveloped food crisis. In national security, that food becomes the primary issue. Secondly, when food is not well allocated, and there is a reduction of productivity, of course, is a threat to the welfare of India. The author cites the words of the Minister of Commerce of India: Sharma who insists that it is the duty of the state to ensure the food security of 4.3 million people who are still poor and hungry. Therefore, India is calling for developing countries not to compromise stance on food security.

D. Hypothesis

Based on the previously written in the problem background, the hypothesized:

1. The application of WTO policy to decrease subsidies in the agricultural sector in India threatening the low-grade farmers in the less productivity.
2. India assumes WTO is potentially creating food crisis.

E. Research Scope

The focus of this research is examining more fundamental factors of India resistance that refused agriculture regulation rules on the 9th Ministerial Conference of the WTO in Bali 2013.

F. Research Method

This research was conducted using a qualitative approach, the researcher as the main instrument for data collection and processing or analysis of data, as well as highly focused attention on the process and the meaning of an event under study. In a qualitative approach, research can be done in three phases of data collective, data processing (data analysis), and research reports (research writing).²⁹

This study has descriptive purpose, which aims to describe the circumstance and situation in systematic, factual, and accurate. Data collection techniques used in the research was the study of documentation and literature. In this case the author was collected information from sources such as electronic media. Primary data that was used by research is the data from the official website. While secondary data obtained from

²⁹ J.W. Creswell, *Research Design: Qualitative and Quantitative Approaches*, Sage Publications, California, 1994. p.148

literature reviews of a variety of sources such as journals, newspapers, magazines, books, and internet articles.

G. Outline

In facilitating the efforts of writing, the systematic writing of this will be written in terms of chapter. Systematic discussion of the research plan is as follows:

Chapter I: Introduction

This chapter describes the background of problem, research question, theoretical framework, hypothesis, scope of research, research methodology and systematic research.

Chapter II: World Trade Organization (WTO) in Economic of Developing Country

This chapter describes the background of WTO creation, the WTO structure, the basic principles of WTO, and the impact of WTO in the economy of developing countries.

Chapter III: India in the Global Trading Dynamics

In this chapter explains how the position of India in the conduct of international trade under WTO institution that runs oversees global trade, especially in the agricultural sector.

Chapter IV: The Attitude of India against the Agricultural Scheme in the 9th Ministerial Conferences of WTO

This chapter presents the results of research and discussion, applying the theoretical framework to answer research questions. It describes the attitude of India to the WTO agreement on agriculture scheme in the 9th Ministerial Conferences of WTO in Bali 2013.

Chapter V: Conclusion

This chapter contains conclusions of the overall discussion that exist in previous chapters.