

CHAPTER IV

India Attitude towards the Bali Package on the 9th Ministerial Conference of WTO in Bali

In the previous chapter, the author has discussed the dynamics of India in the global trade as well as discussed the economic and the agricultural sectors in India. In this chapter the author discusses about how the India attitude towards Bali Package in the 9th Ministerial Conference of WTO which was held in December 2013. First, author discusses the implementation of the 9th Ministerial Conference of WTO in Bali. Second the author discusses the India attitude within the negotiation. Finally, the author explains the reasons behind the action or attitude of India towards Bali Package.

A. Implementation of the WTO to the 9th Ministerial Conference in Bali

Ministerial Conference of the 9th World Trade Organization (WTO) in Nusa Dua, Bali on December 3 to 7, 2013. The eight previous ministerial conference held on December 15 to 17, 2011 (Geneva), November 30 to December 2, 2009 (Geneva), September 10 to 14, 2003 (Cancun), 9 to 13 December, 2001 (Doha), 30 November to 3 December 1999 (Seattle), 18 to May 20, 1998 (Geneva), and 9 to 13 December 1996 (Singapore). The opening ceremony was on December 3, 2013 inaugurated by President Susilo Bambang Yudhoyono and WTO General Director, Roberto Azevedo, followed by a speech by the Chairman of the WTO Bali, Mr. Gita Wirjawan.

In the biennial conference, trade ministers from member states finally agreed to a deal, after 9 years of stalemate. So the end of the WTO summit which was originally

scheduled on of December 6, 2013, was forced to retreat until December 7, 2013. The result of the 9th Ministerial Conference of WTO packed into Bali Package, which was initially opposed by several countries, contains three agenda, they are:

1. Trading Facility. The part that is no less important than the issue of market access is to organize the smooth flow of goods in and out of the harbor in a rapid, inexpensive, and easily so that international trade can be further improved and the formation of favorable prices for consumers. These trade facility agreements will help developing countries in a more definite and easy, and free of obstacles at the port as it is now in progress. Negotiations trading facility in Geneva was focused on achieving a balance between the commitments of developing countries to undertake a variety of improvements, and the commitment of developed countries to provide technical and financial assistance to developing countries to meet its commitments.
2. The agricultural sector. Agricultural issues have always dominated in every negotiation in the WTO. Therefore, it is not surprising that agriculture negotiations progress, the issue of the other negotiator will not move even though trading agricultural sector only represents 10% of total world trade. This is due to the high political content in the agricultural sector due to subsidies and other facilities provided by the government to farmers, especially in advanced countries. Now, at a time when a number of developing countries are beginning to have the fiscal space to give subsidies to farmers, and driven by the need to ensure food security for a growing population while improving the living conditions of

small farmers and the poor in rural, developing countries require flexibility in the WTO Agriculture Agreement. This is in contrast with the position of the developed countries that has provided agricultural subsidies in large quantities and is required to reduce it drastically.

3. Development of Least Developed Countries (LDCs). The increased of world trade would have brought greater prosperity for all WTO member countries. Currently, about two-thirds of WTO members are developing countries and least developed countries (LDCs), and about 53 WTO member countries can be categorized as LDCs. These countries need to get special treatment and additional access to world trade to help them improve people's welfare. One of the special treatments is the facilitation of duty-free, quota-free (DFQF), and providing preferential access to the service sector in developed countries, known by the term services waiver.

Bali Package is a historic moment in the course of the WTO since it was founded 1995, which contains three important agenda, they are:

1. Developing countries and least developed benefit greatly with the outcome of negotiations trade facility that first carried all the way by WTO.
2. Bali Package provides flexibility for developing countries, especially countries with large populations such as Indonesia and India to provide subsidies to their farmers and ensure food security for the poor.

3. The results of Bali Package deal also encouraged to pay more attention to less developed countries both in terms of market access as well as other assistance.

The Agenda has provided an opportunity for developing countries and less developed countries to benefit greatly with the results of trade negotiations that the new facility was first performed throughout the course of the WTO. Bali package also provide flexibility for developing countries in the field of food security program. In this case, there will be a change in the Agreement on Agriculture.¹ Bali package also includes a political commitment to reduce export subsidies in agriculture and maintain it to remain at a low level, and reduce trade barriers for agricultural products imported under the quota system. Bali Package also contains draft agreements in the field of intellectual property rights (IPR), the work program in the field of electronic commerce, the work program for the economically weak countries, aid for trade, and trade and technology transfer.

Similar to previous WTO negotiations, the Ministerial Conference of WTO which was held at the end of 2013 also experienced a long negotiation process. This is because the conflict of interest between its member states. At the 9th Ministerial Conference, the negotiating position has been progressing more likely based on their desire to resolve the Bali Package, because it is closely to reach the agreement. It is because India, through the G-33, led by Indonesia, still survives and has not approved the interim solution related to the implementation of food security stocks. India Assertion is related to food security

¹ Kesepakatan Paket Bali sebagai Hasil KTM 9 WTO, on http://bsn.go.id/main/berita/berita_det/4951#.Vq97j1L57VI accessed on January 10th 2016

strategy that has been set in India. The India National Food Security Act has been ratified on September 10th 2013.²

B. India Attitude Towards the Bali Package

In a World Trade Organization meeting at Bali in December 2013 reached an agreement called Bali Package. The meeting was attended by the 159 WTO member countries. Bali Package achieved through an agreement among WTO members that are trying to reduce the bureaucratic obstacles in the distribution channel and global trade. However, before the Bali Package met an agreement, it received a rejection from the representative of Indian government. Indian Commerce Minister, Anand Sharma, made the effort by walking out to refuse the provisions on food subsidies.³ India firmly rejected the proposed compromise developed countries regarding the amount of the subsidy to 15% by the time the provisions valid for four years. India has proposed increasing food reserves from 10% to 15% of the total food production by subsidizing an unlimited time.⁴

As mentioned earlier, the Indian firms stand based on The Indian National Food Security Act, in which the opening listed in The Indian National Food Security Act 20 of 2013, that Act confirms the state should provide food and nutrition in every stage of life of its citizens, by ensuring the availability of sufficient quantity and good quality at an affordable price for all citizens. Therefore, with the existence of these regulations, they ensure basic food needs (for commodity grains include rice and wheat) to the large

² Wulansari, Ica. 'Kebijakan Keamanan Pangan India Melawan Rezim Globalisasi', Jakarta: Universitas Al Azhar Indonesia

³ Ibid

⁴ KTW WTO: India Menolak Negosiasi Pangan, on <http://pusaka.or.id/ktm-wto-india-menolak-negosiasi-pangan/> accessed on December 24th 2015

population of India citizen to ease in reaching food and affordability in price. In addition, this regulation requires that food subsidies are to support for food affordability for the citizens. India is quite aware that globalization with free trade can have negative impacts, one of which, against fluctuations in food prices and the threat of food shortages. Free trade encourages multinationals to open food companies that can displace the poor land.

In the WTO meeting in Bali, Anand Sharma, India Minister of Commerce rejected provisions that may harm the subsidies of grain based on Indian policy which can provide food at affordable prices for the poor. India plays an important role in WTO agreement for being the pioneer of firm stance representing the developing countries. After India made a strong attitude towards Bali Package, it was followed by other countries such as Cuba, Bolivia, Nicaragua, and Venezuela who used to reject the draft of WTO agreement.⁵ The actions of these four countries were based on the removal of US references trade embargo that has endured for decades. These four countries want these issues to be taken to the WTO agreement.

C. India's Reason to Reject the Bali Package

The agricultural sector is being an important issue for India as country with 2nd largest population in the world, and also about 56% of India's populations are farmers. These Correlations occur where population and the numbers of workers were mostly absorbed in agriculture as an influence in food security, because food security is not only a sensitive issue for India but this issue also has a high social dimension. It is because the

⁵ 4 Negara Tolak Teken Kesepakatan WTO, on <http://bisnis.liputan6.com/read/767551/4-negara-tolak-teken-kesepakatan-wto>, accessed on December 24th2015

issue of food security is being the responsibility of the state over its people in terms of protecting food security.

C.1. The Scheme of WTO in Decreasing the Subsidies is Threatened India

Nowadays, some foreign products have flooded the Indian agricultural market, for example, cheese from Swiss, apples from New Zealand, chocolates from Brazil, and biscuits from Thailand. Imported products that circulate freely in India are one of the results of India with the WTO agreement, the Agreement on Agriculture (AOA) which aims to improve market access for foreign food. This is clearly detrimental to the people of India, because the products of the western countries have the advantage of both price and quality. The higher subsidies and the technology that applied on the agriculture of the western country are the main factor that their products become better and cheaper. While India does not provide a subsidy such as that of western countries and the farmers are still using traditional techniques.⁶

This issue is certainly a big problem for India, while the agricultural sector is the largest sector to support the Indian economy. This sector employs about 52% of India's total labor force, so the difficulties are commonly faced by these farmers most families in India. Difficulties that are faced by Indian farmers could be described by the high rate of suicide committed by the farmer. Around 200 thousand Indian farmers have committed suicide since 1997.⁷ On the other hand, India export products do not get a considerable profit from this free trade system. In 2010, India's import of goods amounted to US \$

⁶ Third World Network, Flood of Food Imports Could Destroy Indian Agriculture, on <http://www.twinside.org.sg/title/flood-cn.htm>, accessed on September 10th 2015

⁷ BBC News, on <http://www.bbc.co.uk/news/world-asia-india16281063>, accessed on September 10th 2015

322.702 million and services amounted to US \$ 116.906 million. While export of goods amounted to US \$ 216.162 million and services amounted to US \$ 109.514 million.⁸

Those numbers illustrate that India is less effective on expanding the world market.

However, the local Indian market was being expanded by the other countries. In the field of export, Indian products are still less competitive with the products from the western countries. As one example, the Indian Oil Corporation that engaged in oil and gas, as the largest company in India, that currently has revenues of US \$ 68.83 billion⁹ is unable to compete with large companies such as Exxon Mobil which has a turnover of US \$ 486,429 billion.¹⁰ The company even faces many obstacles by the many numbers of oil companies that coming into India.

An inequality that shows up is the subsidy itself. In the developed countries, it the disbursement of subsidies always gives over the agricultural sector. Developed country such as the United States has been providing subsidies in agriculture not less than 100 billion per year, while the countries in Europe were disburse the subsidies at least 80 billion Euros each year. That fact is actually overturning of reality, while the developed countries stay away from the regime trap of free markets and securing his country. On the other hand developing countries, especially India, frightened by the absence of the subsidy that may be granted by the government so that the stakes are causing social

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

⁹ CNN Money, on <http://money.cnn.com/magazines/fortune/global500/2011/snapshots/6361.html>, accessed on September 12th 2015

¹⁰ United State Exchange and Security Commission, on <http://www.sec.gov/Archives/edgar/data/34088/000119312511050134/d10ka.htm>, accessed on September 12th 2015

frustration that helped the presence of destruction for these nations. Pessimism is possible to happen in developing countries. The author considers that in the system and the WTO rules are considered lame, underpinned by the developed countries, further rules for the regulation of agriculture in Bali Package were more profitable for Multi National Corporations.

C.2. WTO is Potentially Create a Food Crisis

The debate between the United States and India at the WTO in Bali, it could be legitimate to support the elimination of subsidies for each country. However India's position is quite different from the United States. In terms of both countries showed which was significant to overcome poverty, in fact the poverty was increasing. 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

Before the mid-1960s, India relied on imports and food aid to meet food needs in the country. In the years of 1965 - 1966, India experienced drought. So the Indian governments began to reform agricultural policy and India would not depend on foreign aid to fulfill the food needs in the country. India adopted a policy reform that is focused on the goal of grain self-sufficiency in addition to rice. India is not only experiencing the challenges of weather, India is also experiencing population growth that is fast. Total population of India ranks second in the world. Thus, the problem of population also

¹¹ United Nations Development Programme, *Human Development Indices*, on http://hdr.undp.org/en/media/HDI_2008_EN_Tables.pdf, accessed on December 19th 2015

spread to other problems. One of them is the provision of adequate food for the entire population of India.

Moreover, the food price crisis was a highlight for policy-making in India. In the WTO Doha Round, India submitted a proposal regarding food security in developing countries. India considered that the problem of food will be a global concern and required concrete measures to address the food insecurity. India sees that food price fluctuations is serious and will require the application of agricultural products and food subsidies for developing countries.

A study conducted by Ganguly and Gulati¹², revealed that India experienced a global food price crisis in 2007 - 2008, and then Indian an export policy established to relate to some food commodities (banning the export of commodities wheat and rice) and does not allow to increase domestic fertilizer prices in correspond with the global prices. In the Middle of 2009, the drought in India emerged the rising of food crisis. Despite India's economic growth has increased, but India suffered the problem of poverty. A total of 41.6% of India's population or accordingly around 456 millions of peoples are living with wages under \$ 1.25 per day. The policy is in line with India's economic architect who also served as Prime Minister of India, Manmohan Singh.

In early 2009, Manmohan Singh was re-elected for Prime Minister of India following the success of previous elections, including its success to protect India from the

¹² Ganguly, Kavary and Ashok Gulati. 2013. 'ThePoliticalEconomy of Food PricePolicy. The Case of India'. UNU (United Nations University) WIDER Working Paper No. 2013/2014. On http://www.wider.unu.edu/publications/working-papers/2013/en_GB/wp2013-034, accessed on January 3rd 2016

world food crisis. Global prices rose by 16% between June 2007 and June 2008, but the rise in food prices that was occurred only reached 7.9%¹³. To protect the existence of grains and seeds, in October 2007, India banned the export of non-Basmati rice. The ban resulted in a condition where the price of rice in India is being more stable. India has imposed a food policy that is supported by the food security in an effort to anticipate a surge in population. India seeks to meet domestic demand in the production of raw materials such as rice and wheat. The state plays an important role in agricultural policy based on the constitution of India. In 2009, the Indian government has issued a draft law by the national food security in the event of inflation expectations do not affect food prices.¹⁴

In 2013, the India government a progressive effort for food security to make it more socialized among its people. On August 26, 2013, the Indian government launched a food subsidy with an estimated value of 19.8 billion dollars per year. The policy program is the world's largest food program. Although the Indian domestic politics rowdy that stating this policy as a popular effort ahead of the general election in May 2014. On September 2, 2013, the Indian Parliament agreed on a budget of 20 billion dollars to provide food for 800 million people living below the poverty line of a total of 1.2 billion people India. On 12 September 2013, the Indian government asserted the Indian National Food Security Act which aims to subsidize the cost of food to meet the needs of 1.2 billion people in India. Some food products are subsidized such as rice and wheat.

¹³ Gouel, Christophe. 2013.

‘Food Price Volatility and Domestic Stabilization Policies in Developing Countries’, on <http://www.nber.org/papers/w18934>, accessed on December 19th 2015, 2

¹⁴ Ibid p. 22

Previous Law food safety has entered the discussion process in the form of draft Food Safety Act of India in 2009. However, the efforts to accelerate the ratification of the Draft Law on Food Safety marathon conducted in 2012. The Food Safety Law regulates the price of basic foodstuffs, especially food subsidies for the poor of India.