COMMENT

Back from Geneva

UNION COMMERCE MINISTER Shri Kamal Nath is celebrating the collapse of the Mini-Ministerial of the WTO. But this is a false victory.

The main sticking point at Geneva was that America and Europe were not willing to make steep cuts in the domestic subsides being given to their farmers. Secondly, developing countries were demanding special provisions enabling them to protect their economies from cheap agricultural imports in order to protect their farmers. Prima facie these demands appear to be favourable to the developing countries. But the reality is otherwise.

Farmers of the developing countries are unable to sell their produce in the industrial countries because the latter are giving huge subsidies to their farmers which depress the domestic prices. Nath demanded that domestic subsidies be substantially reduced by the industrial countries. If that were done, he said, developing countries would consider opening their markets for manufactured goods and services for products from the industrial countries. This stance appears to be favourable to the developing countries. Their farmers will get access to the markets of the industrial countries. But the truth is that industrial countries stand to gain more by the reduction of domestic subsidies. In a 2006 study titled “The Impact of the Doha Round on Developing Countries,” Sandra Polaski of Washington-based Carnegie Endowment for International Peace has estimated that the benefit of the proposed 36 percent cut in domestic subsidies by the industrial counties will accrue wholly to the industrial countries. Polaski observed that the industrial countries will benefit to the tune of $5.5 billion while the developing countries will lose to the extent of $63 million by such reduction in subsidies. Among the developing counties those from South America and East Asia will stand to gain somewhat while Bangladesh, India, African countries, China and about one-half of the developing countries will lose. Of these India will lose by $42 million.

Industrial countries are paying subsidies to the extent of about $600 billion to their farmers. This money will be saved and used for development of manufacturing and services sectors. The world trade in agricultural commodities is worth $783 billion whereas in manufactured commodities and services it is much larger at $6.57 trillion.

But why should the developing countries stand to lose by reduction of domestic agricultural subsidies by the industrial countries? The reason is simple: this reduction comes with a combined package requiring developing countries to open their markets for free trade in agricultural commodities.

Many developing countries are producing agricultural goods at prices above those prevailing in the world markets. The farmers of these countries will not be able to compete with cheap imports from more efficient developing countries.

Nath has demanded that developing countries should be entitled to special provisions to prevent free trade in selected agricultural commodities.

The wise men of the industrial countries have cleverly misled third world negotiators. They are pretending as if reduction of domestic subsidies is a loss proposition for them.

Actually, this is beneficial for them. The industrial countries will benefit twice—from the reduction of domestic agricultural subsidies and from access to third world markets of manufactured goods and services. And, the developing countries will lose twice. Yet, Shri Kamal Nath will return from the next WTO meeting and declare that the developing countries have won! *[contributed]* ✍✍✍✍