

NOTE

WTO : Next Round?

Bharat Jhunjhunwala writes :

The WTO mini-ministerial has failed in Geneva on the issue of safeguards for farmers of developing countries. America wanted that agricultural commodities should be fully opened up for global trade. Upper limits of import duties imposed by all countries should be drastically reduced so that trade would get a chance to develop. This policy impacts countries differently. Exporters of agricultural commodities like America, Australia, Brazil and Panama stand to gain from such free trade. They will get easy access to world markets. For example, entry of American apples into India will become easy. This policy is also beneficial for countries that are deeply dependent on food imports such as Egypt and Zimbabwe, at least in the short run. Free trade will make it easier for them to buy goods from the world markets. This may turn into a loss in the long run, however. An increase in world prices of food products can jeopardize their very existence as is happening lately. Also, their ability to increase domestic production and secure their food security will be hit due to availability of cheap imported food. Increased trade in food products, as demanded by America, was, therefore, beneficial, in part at least, for the food exporting- and food importing developing countries.

This was not suited to countries like India and China which were largely self-sufficient in meeting their food requirements. Free trade would jeopardize their present food security. For example the price of wheat in Indian domestic market is Rs 12 per kilo presently. At this price Indian farmers are producing adequate wheat to meet the country's requirements. Now, trade in wheat is opened up under the WTO and world price of wheat is Rs 8 per kilo. Presently India can impose 50 percent import duty, raise the price of imported wheat and make that trade unprofitable and protect her farmers from cheap imports. India will not be able to do this if free trade is accepted and the highest level of import duty is reduced to say, 25 percent. Then imports will flood Indian markets, Indian farmers will reduce production and India will become dependent on imports. India and China demanded that they should have the right to impose high levels of import duties and safeguard the livelihood of their farmers to prevent such an eventuality. But this was not acceptable to America because it would not open India's food market for her exports.

Countries have been divided in two blocks on this issue. The combination in favour of opening of free trade is formidable. It includes (1) food-exporting developed countries like America; (2) food-importing developed countries like those of the European Union; (3) food-exporting developing countries like Brazil, Thailand and Panama; and (4) food-importing developing countries like Egypt and Zimbabwe.

The present model of globalization allows free movement of goods and capital but restricts free movement of labour. Interestingly, free movement of the former is justified for reaching benefits to the labour of developing countries. It is said that expansion of world trade will allow the poor people to purchase cheap goods

produced in other countries. Poor women of India would be able to buy cheap Chinese textiles. Also, goods produced by the poor workers will get access to markets of the developed countries. Carpet weavers of Bhadohi are able to sell their goods easily in Germany. These facts are true. But the question is this: If the objective is to secure welfare of the workers of the developing countries, why not secure it directly by opening up free movement of labour instead of taking the roundabout route of attaining the same via free movement of goods and capital? Workers of Bhadohi will be able to migrate to Germany directly and surely secure higher wages. □□□