

# SOUTH ASIA IN THE WTO

Sunday Island - 23/12/2007 - p.II

*Edited by Saman Kelegama.  
Published by Sage Publications,  
New Delhi, India, 2007, pp. 296.*

The WTO has become one of the most important international organizations of the modern era where like-minded-groups such as the G-20, G-90 and regional groups such as the EU and the African block play a pivotal role in the negotiations taking place within its framework. Hence an assessment of the position of South Asia in the WTO is both opportune and indispensable.

One may ask why multilateralism and not regionalism in the context of South Asia? The book provides some convincing answers. South Asia is a small player with about 1.1% share of the global trade. A rule-based system as the WTO provides it with the best opportunity for integrating with global trade and its use as an important instrument of addressing poverty via economic development. The multilateral dispute settlement mechanism has proved to be an effective forum for settlement of trade disputes. It has provided significant rulings in favour of developing countries against large and powerful developed countries. Regional integration efforts within South Asia have not seen much success though there is a very ambitious integration program designed to become a Customs Union by 2015 and an Economic Union by 2020. It took SAARC ten years from its formation to establish the South Asian Preferential Trading Agreement and another ten years to develop it into the South Asian Free Trade Agreement. Compared to other regional integration initiatives such as the EU or ASEAN, SAARC has made meagre progress towards significant regional integration. For example, in 2005 intra-regional trade

for SAARC was around 5% of the total trade compared to 25% for ASEAN and 67% for the EU during the same period. Regionalism operates more on the basis of power relationships than on a rule-based relationship and is increasingly been used as a tool for obtaining political cooperation.

Having made out a persuasive case for multilateralism, the book explores the role played by South Asia thus far in the WTO. It concludes that though there appears to be a desire to work together, South Asian countries revert to prioritizing individual interests. Sri Lanka and Pakistan departed from the common position on non-inclusion of new issues for the Doha Ministerial meeting. At Cancun, India and Pakistan joined the G-20, Bangladesh, Bhutan, Nepal and Maldives joined the LDCs and Sri Lanka went alone and supported the US on a number of issues in the hope of clinching a bilateral free trade agreement.

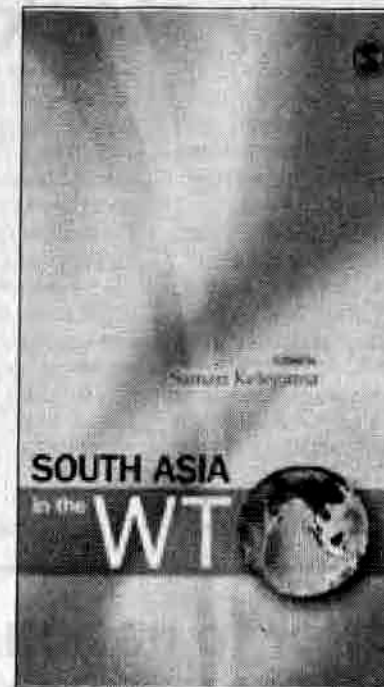
One may question the need for coalitions in the WTO when it is claimed that the GATT/WTO system has transformed from a power-based to a rule-based system. The reason is that developing countries have to face hostile, threatening and biased negotiating and institutional environment in the WTO. Hence, the need for coalitions to strengthen the negotiating power of developing country members. It is claimed that coalitions can always synthesize interests, make negotiations more focussed and prevent bad deals.

The question then is whether such a coalition can be established between South Asian countries? Coalitions are built around common interests and

goals. South Asia consists of three developing countries, India, Pakistan and Sri Lanka, and four least developed countries, Bangladesh, Maldives, Nepal and Bhutan. Is the disparity in the levels of economic development amongst these countries a stumbling block for the formation of a South Asian coalition? Are the individual interests of these countries in fact common or are they in conflict? What are the factors which support the evolution of a common position and what are the strategies for evolving such a common position? What are the alternatives to a common South Asian position in the WTO? The book seeks to provide some answers to these vital questions.

It endeavours to do this initially by making an in-depth study of the economic and trade policy framework and sectoral interests of each individual South Asian country. Thereafter, the position of each country is considered on the five key issues of the July 2004 Framework Agreement, namely Agriculture, Non-Agricultural Market Access (NAMA), Services, Trade Facilitation and the development dimension. All the country specific chapters reflect an in-depth research and critical analysis.

This sets the perfect background for a consideration of the practicability of formulating a common South Asian position in the WTO. The chapter on "South Asia in the WTO" dismisses the proposition that a common position cannot be evolved for South Asia due to conflict of interest arising from the different levels of development of the countries concerned. On the contrary, it is claimed that substantial improvement in the political relations between SAARC members, particularly India and Pakistan, the convergence of macro-economic policies of South Asian countries, better



**Reviewed by Janak De Silva**  
(Senior State Counsel and Visiting Lecturer in International Economic Law, Sri Lanka Law College)

preparedness for WTO negotiations compared to the Uruguay Round and the increasing involvement of civil society in emphasising long-term and broader interests in the negotiations makes it conducive to forge a common position for South Asia. The thesis is that such a common position can be best evolved through regional economic integration. Procedures and institutional arrangements such as issue-specific groups to formulate common negotiating strategies, regular meetings of SAARC Commerce Ministers complimented by effective networking of the South Asian Ambassadors to the WTO and the building of a common pool of South Asian legal experts are some of the suggestions made to firm up institutional arrangements for developing a common position.

Thereafter, an attempt is made to identify a common position that could be taken by South Asian countries on specific issues in the current negotiations at the WTO. In Agriculture, it is claimed that since India, Pakistan and Bangladesh have more or less attained food self-sufficiency and since the food shortages in the other South Asian countries are small in relative terms, their food shortages can be met from the surplus within the region by making the South Asian Food Reserve under SAARC operational. Hence, in Agriculture, the position of the South Asian countries is identified to be both offensive and defensive. The offensive interests are to seek a substantial reduction in domestic subsidies in developed countries, elimination of all export subsidies and substantial cuts in the very high tariff levels maintained by several developed countries. The defensive interests are demanding the application of the Uruguay Round formula of average reduction in tariffs across-board, insisting on the application of the principle of less-than-reciprocal concessions by developing countries in the tariff negotiations, full flexibility in designating 'special products' and demanding special safeguards only for developing countries.

On Non-agricultural Market Access (NAMA) it is proposed that since most South Asian countries have an interest in exporting manufactured goods such as textiles and clothing, leather goods and paper products which have to overcome obstacles of tariff peaks, tariff escalations and non-tariff barriers in developed countries, the common position should be to seek the reduction or elimination of tariff peaks and tariff escalations and the removal of non-tariff barriers on the principle of less-than-reciprocal concessions.

The common position for service negotiations is said to be seeking further liberalization of Mode 4, elimination of economic needs test and the mutual recognition and harmonization of academic degrees.

On the TRIPS Agreement, there is the common interest in getting it revised to make it equitable and mitigate its adverse effects. On textiles, it is suggested that the common position should be that anti-dumping and countervailing measures should not be resorted by developed countries for a minimum of 5 years after the expiry of the MFA.

The formation of a common South Asian position as articulated in the book did in fact materialize on two previous occasions. SAARC formulated a common position for the Seattle Ministerial meeting where they opposed the launching of the proposed Millennium Round as well as including linkages in the negotiating agenda. They found commonality on the need to deepen Special and Differential concessions, extension of transition period for the implementation of TRIPS and the grant of higher levels of protection by way of Geographical Indication to products of interest to the region. A common position was expressed by SAARC before the Doha Ministerial Meeting as well which reiterated the position taken before Seattle and expressed its deep disappointment at the lack of progress in resolving the implementation issues arising from the Uruguay Round. But here the book fails to analyse the factors and processes which led to the formation of a common South Asian position. Such an analysis would have been of immense benefit, both from an academic and a policy-making perspective for future endeavours.

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Though common South Asian positions were built, historically they have not lasted too long as with many coalitions within the WTO. The book identifies two major reasons for this, the Indo-Pakistan politics and the pressure exerted by the US and the EU on developing countries of the region through extension of preferential treatment and market access in exchange for political allegiances. Jawara and Kwa in "Behind the Scenes at the WTO: The Real World of International Trade Negotiations -- The Lessons of Cancun" gives a fascinating insight into what is referred to therein as "the gentle art of persuasion-arm-twisting and pay-offs". Hence, the book emphasizes the need for South Asian countries avoiding striking political deals with developed coun-

tries which undermine the common position. However, historically political considerations have always fashioned trade policy among nations and will continue to do so. The King of Kandy, Rajasinghe II, in attempting to rid the country of the Portuguese, entered into a treaty with the Dutch in 1638 and provided the Dutch with exclusive trading rights. A modern example would be the US-Israel Free Trade Agreement which was the first FTA entered into by the US.

The book concludes that though the case for SAARC and the case against SAARC appear to be strong, it is difficult to envision SAARC countries championing each other's cause at even the smallest expense. One option suggested is the dual-track approach whereby they agree to speak in one voice on

matters where there is agreement and amicably 'agree to disagree' on contentious issues.

Political rather than economic realities may define the South Asian position in the multilateral trading system. But, the book "South Asia in the WTO" contains constructive suggestions for a common South Asian position. It will undoubtedly be of immense benefit to academics, policymakers, trade negotiators and government officials. The editor, Saman Kelegama and the other contributors should be congratulated on an excellent publication.

**(The views expressed herein are solely those of the author and do not represent the views of, and should not be attributed to the Attorney General's Department or the Sri Lanka Law College)**