

brevíssimos cindes 17

Brazil, India and China (BICs) in the Doha Round: convergences and cleavages*

Marta Calmon Lemme**

August 2010

Leane Cornet Naidin***

Maria Fernanda Gadelha****

The increase in Brazil, India and China's (BICs) relevance in the international arena has had implications on the global power balance, in the political and economic spheres. In the WTO, BICs have been giving the Doha Round (initiated in 2001 and still unfinished) different dynamics than that observed in the previous rounds, carried out under GATT. Developing countries, which are far from being a homogenous group, gained relevance in the negotiating process.

It is common to describe developing countries as adopting offensive positions in agricultural negotiations and defensive stances as far as market access for non-agricultural products and services is concerned, these positions being reversed for developed countries. This characterization, however, does not adequately reflect the multiplicity of interests, sometimes conflicting, observed in each one of these blocs. The analysis of the BICs positions in issues such as Agriculture, Access to Non-Agricultural Goods Markets, Industrial Subsidies and Services provides a good illustration of the complexity of this negotiating scenario.

* This text is a summary of the results and conclusions selected from the corresponding complete article published in Portuguese in *Breves* 40, available at www.cindesbrasil.org

** IE/UFRJ

*** PUC-Rio

**** FINEP

It is worth noting the differences amongst these three countries in terms of their own negotiating strategy. While Brazil and India had an active participation in negotiations, China held a subtler posture, despite its undeniable relevance in international trade. China's less active participation throughout the Round reflects its position as a new Member in the WTO. China was very active in the defense of special treatment for recently acceded members (RAMs) in several negotiation issues.

It should also be noted that, even though issues are treated separately, the evolution of negotiations tends to occur within a kind of linkage, so as to guarantee balanced results in all other areas. Thus, for instance, Brazil and India fought against accepting proposals that implied larger liberalization commitments in access to non-agricultural markets, in the absence of more significant advances in agricultural negotiations.

Agriculture

The Doha Mandate for agriculture established the following as specific objectives of the negotiation: (i) the substantial improvement of access to markets; (ii) the reduction of all kinds of subsidies for exports, seeking their gradual elimination; (iii) substantive reductions of internal support measures, with distorting effects on trade.

The tripod of agricultural negotiations is Brazil's main interest. From the point of view of the agricultural exports sector in Brazil, what interests the country is that negotiations result in high tariff cuts, with a limited number of exceptions (sensitive products); significant reductions of the threshold of expenses in relation to the Aggregated Support Measures, for developed countries; and the elimination of subsidies for exports.

It must be noted that even though developed countries are the main target of the demands for more access to markets, access to developing countries' markets is also within Brazilian interests, due to the increase of

these markets' relevance for their exports. In India's case, the position is ambiguous. On the one hand, it requests increased access to the agricultural markets of other countries (especially developed ones); on the other hand, it defends the maintenance of flexibility that allows it to protect its most vulnerable agricultural segments.

China tends to have a more defensive position, even though it is a member of the G-20. China's defensive interests are a result of a set of factors: low competitiveness in its agricultural sector, agriculture's relevance in terms of Chinese employment and implementation of the commitments taken on due to its entry to WTO, which resulted in a substantial reduction in the protection of agricultural goods. Thus, for this country, it is important to have enough flexibility to guarantee protection for this sector.

The negotiations regarding the Special Safeguards Mechanism were the main obstacle for reaching a consensus that would allow advances in the Doha negotiations. In the July 2008 Mini-Ministerial, India strongly opposed to the proposal in the Lamy Package regarding the trigger for special safeguards – an increase of more than 40% in the level of imports in relation to the average of the three previous years – which would enable the raise in the consolidated tariff of up to 15%. India defended the proposition that the trigger should range from 10 to 15%, while China proposed an intermediate trigger. Brazil did not oppose the Lamy Package, distancing itself from the position defended by other developing countries, such as India and China.

Access to non-agricultural goods markets

China, given its high competitiveness in non-agricultural goods, wishes that negotiations would result in more significant tariff cuts for their trade partners. However, it has not adopted an offensive position in this sense, focusing its attention in the defense of special treatment for RAMs.

In turn, Brazil and India adopt more defensive positions seeking to avoid an excessive level of openness in their less competitive production segments, especially in India's case, seeking to keep 'policy space'. Based on the principle of less than full reciprocity, they acted towards guaranteeing adequate flexibility for developing countries, in the sphere of modalities negotiations.

As negotiations evolved and the adoption of the Swiss formula prevailed as the main modality, both countries came together to present an alternative proposal, also sponsored by Argentina. The proposal (called ABI) sought the adoption of a non-linear formula, with coefficients based on the countries' average tariff, thus incorporating the concept of less than full reciprocity. Through this formula, the countries that have higher tariffs in general would carry out milder cuts in their structures. Initially, China showed support to the ABI proposal. However, afterwards, it withdrew its support, following the position of the other APEC countries.

Industrial subsidies

In subsidies negotiations, BICs' interests concentrated in the preservation of internal policies supporting the productive sectors. In the case of Brazil, the following can be highlighted: the defense of its long term financing policies and credit for exports and facilitation of remedies proceedings, through the reduction of the burden of the proof. For India, it was relevant to reduce the possibility of having its exports hampered due to the application of countervailing measures. China, due to strong State interference in economic activity and to its position as main target for North American and European demand, took on a very discrete attitude during the industrial subsidies negotiations.

Services

In general, Brazil has not adopted an offensive position, even though it is interested in obtaining more

access to sectors in which it is relatively competitive, such as audiovisual, tourism and development. India appears as *demandeur*, not only in Mode 4 (temporary movement of people), in which other developing countries press for some liberalization of access to markets, but also in Mode 1 (transborder trade) and 2 (consumer's movement). China, on the other hand, has shown interest in the liberalization of trade in services via Mode 4, especially regarding less qualified workers, a segment in which developing countries have comparative advantages.

Final comments

Even though BICs converge in some topics in their general negotiating stance in the WTO, there are significant differences regarding issues that have a high priority to each country. While Brazil has an aggressive posture in terms of defending liberalization of agricultural trade, India and China act defensively, seeking to guarantee the necessary protection for their most vulnerable agricultural sectors, even though both share an interest in increased access to markets in developed countries and in the reduction/elimination of agricultural subsidies.

In the non-agricultural goods negotiations, even if, through different routes, the three countries seek to preserve their ability to protect their less competitive productive sectors, China wants more access to developed countries' markets as a result of negotiations. However, this interest is not reflected in concrete actions, very much due to a negotiating strategy of not distancing itself from potential allies in themes which are sensitive to the country.

Finally, in the area of services, India appears to have a differentiated position in relation to the other BICs, being very active in the defense of trade liberalization, especially in Modes 1, 2 and 4.