

## **India should take lead in protecting access to medicine of poor countries, says Mr Das**

Developed countries are using the outbreak of the COVID-19 crisis as a justification to push trade liberalisation proposals, which experts feel, may not be in the long term interest of developing countries. Specifically, developed countries want permanent commitments from developing countries in liberalising trade in medical goods and e-commerce.

In an interview to MVIRDC World Trade Center Mumbai, Mr. Abhijit Das, Head & Professor, Centre for WTO Studies, Indian Institute of Foreign Trade suggests that India should weigh long term and short term considerations before responding to these proposals of developed countries.

Mr. Das also suggests India to take lead in ensuring that the obligations under the TRIPS agreement doesn't prevent access of poor countries to vaccines and medicines critical to fight the pandemic.

Excerpts of the interview:

### **1) What is happening at the World Trade Organisation in the context of COVID-19?**

WTO rules continue to remain relevant even during the present pandemic. Let us remember that the health crisis has now triggered an economic crisis around the world. In this context, two distinct trends are visible in international trade and at WTO. First, national leaders in many countries have openly stated their intention to enhance self-reliance in sectors such as medical devices, food products and also for energy products. Ironically, these very countries are also aggressively pushing a trade liberalisation agenda at WTO. Under the veil of combating COVID-19, developed countries are seeking binding commitments at WTO. These include binding tariffs at zero for medical products, prohibiting export restrictions and limiting public food stocks. In effect, in order to fight a problem, which is no doubt very severe but hopefully will be confined to a short term - what is being demanded from developing countries at the WTO are permanent commitments.

Permanent disciplines for temporary problems may not be the best way forward for developing countries. This needs some elaboration. In respect of binding tariffs on medical products to zero, the argument being made by developed countries is that this would help consumers source supplies at lower prices. This logic is flawed. If a country wants to support its consumers by importing medical products, it can *temporarily* bring down the tariffs to zero. It need not take a commitment to bind tariffs at zero on a permanent basis.

As far as export restrictions are concerned, what needs to be recognised is that during the period of the COVID-19 pandemic, countries could voluntarily decide not to impose export restrictions. However, they need to retain the flexibility to impose export restrictions if there is temporary shortage of supplies in the future. Again, no need for developing countries to take permanent commitments on prohibiting export restrictions.

Another narrative being pushed by some countries at WTO is that COVID-19 has seen a rise in electronic commerce. Hence, countries must take permanent commitments in the arena of electronic commerce. What is being ignored in this narrative is that electronic commerce has seen a surge in those countries which have the digital infrastructure.

In short, many developed countries are seeking to use the COVID-19 pandemic to push their long-standing commercial interests at WTO.

## **2) What should be India's approach at the WTO during the pandemic?**

India's approach to various proposals seeking to combat the COVID-19 pandemic has to be based on short term, as well as long term, considerations. Most of the proposals on the table, be it eliminating tariffs on medical products or food stuff and prohibiting import restrictions, are not in India's overall interest. More specifically, after the pandemic has ebbed, India would need to provide a fillip to its manufacturing. At that stage the importance and relevance of according protection to domestic manufacturers through tariff protection cannot be overstated. Therefore, India needs to respond to various proposals at the WTO with caution and care.

At the WTO India can provide leadership in efforts at ensuring that medicines, vaccines and medical supplies are available to the needy at affordable prices. It is apprehended that the rules for protection of intellectual property as contained in the TRIPS Agreement could pose an impediment in this direction. It is, therefore imperative that India, in coordination with other like-minded countries, takes this issue forward at the WTO. One possibility could be for the WTO Members to agree to a waiver whereby during the ongoing pandemic countries would be free to take action for combating COVID-19, without being constrained by the obligations under the TRIPS agreement. This would serve two purposes. First, it would send a strong signal to the global community that multilateral trade rules can respond positively to health and humanitarian needs of the world. Second, it would provide a practical, effective and flexible basis for countries, particularly the poorer nations, to protect their citizens from the pandemic.

## **3) What are the reforms required for WTO to function during these times?**

Over the past two years, several proposals have been made to reform WTO. Most of the proposals are nothing but old wine in old bottle, but under a new label. Issues that failed to garner consensus support repeatedly, are now being resurrected under the garb of WTO reform. Some proposals have also been made, which would hit at the basic architecture of WTO. These proposals would further disadvantage the developing countries at multilateral level. The right approach towards WTO reform should be to keep development at the core of reform initiative. This is the only way forward, if we want to retain the relevance of WTO.

One area where the WTO has been confronting an unprecedented crisis is the dispute settlement mechanism. By refusing to let the process of filling vacancies for the Appellate Body - the highest institutional body for hearing trade disputes among Member countries - the US has rendered the dispute resolution system dysfunctional. This portends a return to the pre-WTO era, when power-play determined trade relations. It is apprehended that with

the virtual demise of the dispute resolution mechanism, rule of law is being replaced with rule of the might. This does not bode well for countries that are economically and politically not on a strong footing.

India has made certain proposals for addressing the crisis in the dispute resolution mechanism. However, as constructive engagement from the US has been missing, it is apprehended that the era of rule of law at the WTO might have passed into history.

#### **4) What is the need of the hour for the ailing MSME sector in the context of WTO?**

Rules at the WTO do not discriminate between MSME and non-MSME. In the context of reviving the economy in the backdrop of the COVID-19 pandemic, there is general consensus in India that MSMEs would need a special and targeted revival package. It would be important to ensure that the package does not contain two types of subsidies that are prohibited by WTO rules - subsidies contingent on exports; and subsidies that provide an incentive for using domestic over imported inputs. Thus, WTO rules provide governments world over to consider policy space for formulating and implementing a package for reviving MSMEs.

### **Notifications**

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Technology Centers of Ministry of MSME support industry

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