

India Concludes Bilateral Agreement with US, Agrees to an Indefinite 'Peace Clause'*

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After months of impasse, India finally agreed to relent on its opposition to allow progress on the post-Bali work programme of the World Trade Organization ([WTO](#)), after concluding a “[bilateral agreement](#)” with the United States. According to the terms of the agreement, a mechanism will be in place under which WTO Members will not challenge India’s food security programmes under WTO dispute settlement procedures until a “permanent solution” regarding this issue has been agreed and adopted. In other words, India has agreed to an indefinite “peace clause”. The agreement further adds that elements for an intensified programme of work and negotiations to arrive at such a permanent solution would be set out. This deal will clear the decks for the adoption of the agreement on trade facilitation, which, as per the time-table agreed to at the end of the Bali Ministerial Conference, was to come into effect on July 31 of this year.

This “bilateral agreement” to break the logjam that the multilateral trading system has been facing for the past several months raises at least two sets of issues. First, is this manner of doing deals in conformity with the spirit of multilateralism, where decisions are to be taken collectively by countries? The agreement also points to the fact that the United States continues to have the whip hand over the WTO, which can broker critical deals without the members of the organization having participated in the process. In short, the deal may not have set the most ideal precedence for the multilateral trading system.

The second and the more important issue is the outcome of this deal for India. In the discussions on this issue thus far, India has made it clear that it was looking for a permanent solution to the problem that the WTO Agreement on Agriculture ([AoA](#)) could create for the country’s ambitious food security programme. The AoA requires that when a WTO member undertakes public stockholding for food security purposes, the difference between the prices at which the foodgrains are acquired (the minimum support price, in India’s case) and the average of the international prices prevailing during 1986-88 must be counted as subsidies. Further, this Agreement allows developing countries to grant agricultural subsidies only up to 10% of their value of agricultural production. India’s concern is that if this threshold is breached; the domestic food security programme could be in jeopardy. Since the current acquisition prices have to be set against an historical set of international prices, namely 1986-88, India, along with the G-33 countries (a group that currently has 46 countries), has argued that this inherent anomaly for the calculation of subsidies needs to be corrected, which is the essence of the “permanent solution.”

Now that the deal has been done to introduce an indefinite “peace clause”, the question that arises is whether the discussions on the permanent solution would also drag on indefinitely.

The “peace clause” does not come without conditions. The Bali Decision on public stockholding requires that countries using this facility should “have provided, and continue to provide on an annual basis ... information... for each public stockholding programme that it maintains for food security purposes.” Additional information, including those related to the management of food security stocks and the number of beneficiaries would have to be provided “as soon as possible after it becomes available.” Thus, India’s food security programme would be strictly monitored by the WTO: whether this organization has the right to question the sovereign right of a country to feed its poor is therefore the moot point.

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