

MC13: India blocks EU proposal to link trade with industrial policy

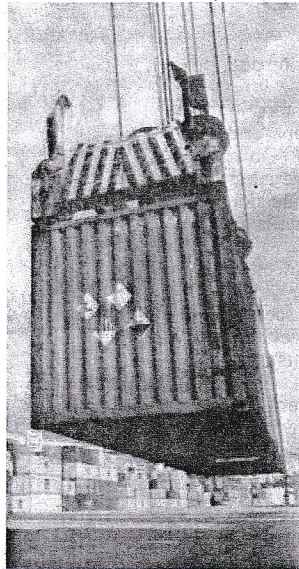
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India blocked the move by the European Union to launch deliberations linking international trade policy with industrial policy of economies at the just concluded 13th World Trade Organisation (WTO) ministerial (MC13).

India argued that since industrial policy is in the concurrent list and involves policy making by states which may not impact international trade, such scrutiny beyond the current level of analysis of export subsidies is not required.

"Industrial policy is a very wide topic. In India, industrial policy is in the concurrent list meaning both centre and states have the authority to formulate policies. So if a state government decides to incentivise industrial development, why should we allow scrutiny at the WTO? The factory may not even be exporting," an Indian negotiator said, requesting anonymity.

"Europe led the carbon intensive industrial revolution. The EU wants to impose CBAM (Carbon Border Adjustment Mechanism) on developing countries. To counter CBAM, governments may have to provide subsidies to industries. To counter that, they want to study our industrial policies. Their larger goal is to onshore industries, taking them away from the developing countries," the official said. The



proposal was a major ask by the EU.

India, South Africa and EU negotiated hard for its inclusion in the outcome document. But since the language could not be agreed, the proposal was dropped. India also convinced Indonesia on the adverse impact of the proposal.

"While the EU may be seeking to target China and its State Owned Enterprises more, they should have

STICKING POINTS

■ India argues that **industrial policy is part of the concurrent list and involves policy making by states** which may not impact international trade

■ Such scrutiny beyond the current level of **analysis of export subsidies is not required**

■ **Opposes EU's 'inclusivity' agenda** that includes a proposal to incentivise MSMEs and women-owned enterprises, holding that this amounts to sub-national diplomacy

■ Despite intense negotiations over five days, **MC13 ended on without any major breakthrough** as consensus eluded key issues

■ **Countries could only agree to extend the e-commerce moratorium** by another two years

designed the proposal in a way that it doesn't directly hit developing countries like India," the official said.

"The EU regrets that there was no agreement at MC13 to launch deliberations on key trade challenges (Trade and Industrial Policy, policy space for industrialisation, Trade and environment) despite being supported by the EU and a majority of other delegations. The blockage of this future-oriented

agenda by a small number of countries is a setback that weakens the role of the WTO as a key forum to address contemporary challenges. Further international cooperation will continue to be necessary to address these issues, and the EU will maintain its leadership role in this respect," the EU said in an explainer on MC13 put on its website.

Another key agenda of the EU that India opposed was "inclusivity" that included a proposal to incentivise MSMEs and women owned enterprises, holding that this amounts to sub-national diplomacy.

"Definition of inclusivity can be different for different countries. We told the EU that the problem comes in the domain of national policy. If you feel there is some disparity in your society, please address it domestically. But why should there be incentives under international trade rules? We are also trying to address the issue under our domestic laws," the official added.

Intense negotiation on the proposal continued till the last moment at the MC13 meeting. But it was not included in the outcome document because India didn't budge.

Despite intense negotiations over five days, MC13 ended on without any major breakthrough as consensus eluded key issues. Divergences remained on curbing fishery subsidies, public stockholding (PSH) for food security as well as restoring the two tier dispute settlement mechanism at WTO.