

Economics Class 17

10th August, 2023 at 9:00 AM

NAIROBI MINISTERIAL CONFERENCE(09:04 AM)

- **Outcomes:**
- Acceptance of **Special safeguard mechanism (SSM)**.
- **The emergence of new issues-** Some developing countries were attempting to categorize nations such as India and China as emerging economies instead of developing countries.
- Rich countries wanted to revitalize WTO by introducing new issues often called emerging trade issues.
- 1)e-commerce.
- 2)Labour and environmental standards.
- 3)Transparency in government procurement.
- 4)Supply chain management.
- 5)Transparency in state-owned enterprises and designated monopolies.
- **India's stand:**
- India has made it clear that it will not sign any binding agreements.
- The issues of labour and the environment should be discussed under concerned international bodies such as ILO and UNFCCC.
- India also wanted developed countries to include human capital movement under the category of new issues.
- India also wanted rich countries to drastically reduce their trade-distorting farm subsidies.
- India wants on priority a permanent solution to the issue of public stockholding.
- India was also looking for effective implementation of a package for LDCs including duty-free and quota-free market access.
- **Note-** Developed countries accepted to remove export subsidies on agriculture with immediate effect and developing countries will remove subsidies by the year 2019 except for marketing and logistic subsidies which will be removed by the year 2023.

GENEVA CONFERENCE 2022 (09:20 AM)

- Members committed to a well-functioning dispute settlement system accessible to all members by 2024.
- **Agreement on global food security-**
- Members agreed to a binding decision to exempt food purchased under the UN's World Food Programme for humanitarian purposes from any export restrictions.
- **Agreement on curtailing fisheries subsidies-**
- Curb harmful subsidies on illegal, unregulated and unreported fishing for the next 4 years.
- India and other developing countries were able to win some concessions wrt to this agreement.
- Small-scale artisanal and traditional farmers would not face any restrictions under this agreement.
- **Agreement on COVID-19 vaccine production:**
- WTO members agreed to temporarily waive IPR patents on COVID-19 vaccines without the consent of the patent holders for 5 years.
- The agreement is a milder version of the original proposal made by India and South Africa in 2020 where they wanted a broader IPR waiver on vaccine treatments and diagnostics services.
- **e-commerce transactions:**
- India asked WTO to review the extension of a moratorium on customs duties on e-commerce transactions which included digitally traded goods and services.
- All the member countries agreed to continue the moratorium until the subsequent ministerial conference or March 31, 2024, depending upon whichever comes first.
- **Issues raised by India:**

- Permanent solution wrt public stockholding.
- Reserving special and differentiated treatment.
- Another critical issue for India is that it is not allowed to export food grains from publicly held stocks.
- **Agreement on sanitary and phytosanitary (SPS) measures:**
- It provides guidelines to member countries to adopt measures related to food safety and plant and animal health from various biosafety risks arising from trade.
- These risks are related to pests and diseases and may come from risks arising from toxins and contaminants in food and feed.
- WTO gives detailed guidelines for enforcement of sanitary (human or animal life or health) and phytosanitary measures which may affect trade.
- SPS allows countries to set their own standards but SPS regulations must be based on science and they should be applied only to the extent necessary to protect human, animal, or plant life or health.
- SPS should not be arbitrary to protect one's trade.
- During Covid, several countries exposed SPS measures on the import of agricultural goods and other items fearing disease spread.
- To enhance transparency, members should notify the measures under WTO.
- As per WTO data, out of 175 notifications related to Covid, 40% were submitted under WTO's agreement on technical barriers to trade, while 25% were notified under the SPS agreement.

FISCAL POLICY (10:19 AM)

- It deals with the revenues and expenditures of the government.
- The government follows an expansionary fiscal policy to increase economic growth (move out of recession).
- Expansionary policy focuses on reducing tax rates, increasing subsidies, and also bailout packages.
- Though expansionary fiscal policy may lead to increased economic growth it can negatively affect inflation.
- Contractionary fiscal policy focuses on reducing government spending or expenditure.
- Excessive fiscal stimulus in the recent past has made monetary policy ineffective.
- In countries like India, fiscal policy plays an important role in increasing economic growth along with ensuring price stability.
- In developing economies like India, government spending is generally more than its revenue (Deficit budget), thereby increasing the debt burden of the government.
- To handle deficits, the government has to increase its revenues and reduce its expenditure. One of the most important forms of revenue is tax.
- **What is a tax:**
- Tax is a compulsory levy paid by an economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo from the government.
- Taxes can be levied on income and expenditure.
- Examples are personal income tax, corporate tax, etc.
- Taxes can also be levied on commodities (excise duty, customs duty), and property and property transactions (wealth tax, estate duty, etc).
- The power to levy taxes depends on which list a particular tax falls. For ex- income tax, customs, excise, capital gains tax etc fall under the Union list and therefore centre has the power to levy taxes.
- Taxes on land, property, agriculture, entertainment, intra-state sales (sales tax) etc are levied by the state.

- There are some taxes that are levied by the centre but collection and appropriation are done by the states.
- Overall, the Indian taxing system looks complicated wrt tax compliance and different taxes levied by different authorities.

TOPIC OF THE NEXT CLASS- DISCUSSION ON TAXES (TO CONTINUE)