

# India & The WTO

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Special Feature:  
Q&A on the Framework  
Agreement



We attach due importance to the smooth functioning of the multilateral trading system. We are determined to ensure that, as negotiations proceed based on the Framework that has been recently agreed upon, our core concerns continue to be adequately addressed. Our approach to the negotiations will be dictated by our national interests, especially our concerns for the millions of farmers who are dependent for their livelihood on agriculture, as also our objective of stimulating economic activity through export of our Goods & Services. We are determined to pursue our interests in this and other areas vigorously.

- Kamal Nath  
16 August, 2004

## STATEMENT BY KAMAL NATH, MINISTER FOR COMMERCE AND INDUSTRY, IN PARLIAMENT ON THE WTO FRAMEWORK AGREEMENT (NEW DELHI, 16 AUGUST 2004)

1. I rise to make a statement on the proceedings of the General Council meeting of the WTO held at Geneva last month where a Framework

Agreement was adopted by the Members on 1<sup>st</sup> August, 2004. A copy of the Framework Agreement is being placed on the Table of the House.

2. As the Honourable Members are aware, the Cancun Ministerial Conference of the WTO held in September 2003 ended in a stalemate since consensus could not emerge among Member countries on major issues under the Doha Work Programme. Since the multilateral process is important to India, we have been taking an active part in the revival of the Doha process by interacting with both the developing and the

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developed countries. As a result of these efforts, the Framework Agreement adopted, has ensured that the negotiations are back on track. It provides necessary guidance and parameters for further negotiations. The next Ministerial Conference is scheduled to be held in Hong Kong, China in December 2005.

3. The issues before the General Council were the same as those before the Cancun Ministerial Conference. Besides taking stock of the progress of negotiations on major issues like Agriculture, Non Agricultural Market Access and Services, review of progress on the development related issues like Implementation Issues and Special and Differential Treatment provisions was also to be made. A decision on the launch of negotiation on the four Singapore Issues of Trade and Investment, Trade and Competition Policy, Transparency in Government Procurement and Trade Facilitation was also required to be made.

4. Before participating in the General Council, we held wide ranging consultations with stakeholders, political parties and trade unions. The inputs we received in these consultations helped us to shape our strategy in the negotiations.

5. I am happy to announce to the Hon Members that we have been able to achieve all our major objectives in this Framework Agreement. In the crucial area of Agriculture it has been agreed that:

(a) All forms of export subsidies would be eliminated by an end date. This was a major

demand of ours, since the developed countries are extending support of hundreds of billions of dollars every year to their farmers, resulting in artificially low prices for their agri-exports. This commitment in the Agreement is therefore a positive achievement. At the same time the flexibility available to developing countries like India to provide certain subsidies for export of agricultural products would continue to be available for an even longer period, beyond the elimination of export subsidies by developed countries.

(b) On trade distorting domestic support, it has been possible to ensure that an immediate commitment in the form of 20 % reduction in overall trade distorting support would be made in the very first year itself. (Against this, during the entire implementation period of the Uruguay Round only 20 % cut was effected in Domestic Support). Besides, the permissible *de minimis* support in respect of developed countries would be reduced from the present level of 5%, while developing countries like India that allocate almost all *de minimis* support to subsistence and resource-poor farmers will not have any obligation to reduce their existing level of *de minimis* support of 10 %. Thus our concerns relating to protection of the support we extend to resource poor farmers have been adequately addressed.

(c) The Blue Box, hitherto uncapped, will be capped at 5% from the first year of the implementation period itself. A modified Blue Box can be created only after agreement

among Members on the criteria, which would be subject to negotiations.

(d) On market access, the Agreement envisages that higher rates of tariff will face higher levels of cuts. Since the reduction required is from bound rates, which in the case of India are usually much higher than the applied rates, we have an adequate cushion of comfort. On the other hand, developed countries, which do not have this cushion, will have to effect real and deep cuts. Thus market access for our products would increase.

(e) Furthermore, the following elements in the Framework provide us the necessary comfort:

(i) the principle of proportionality will enable developing countries to make lower rates of reductions as compared to developed countries;

(ii) We would have greater flexibility in the number of sensitive products and their treatment than that permitted to developed countries;

(iii) we are also eligible to designate an appropriate number of products as Special Products (this is available only to developing countries) based on our food & livelihood security or rural development needs;

(iv) the Framework Agreement also provides for use of a Special Safeguard Mechanism triggered by prices or quantity, against surge in imports which would safeguard domestic producers in developing countries;

(v) the Framework Agreement clearly stipulates that the negotiations will have to take into

account the concerns of developing countries relating to rural development, food security and livelihood security needs as regards tariff reduction formula, the number and treatment of sensitive products, expansion of the tariff quotas and the implementation period.

6. In the area of industrial products, covered under Non-agricultural Market Access Negotiations, our concerns were mainly focused on the twin issues of protection to the sensitive items, and to the nature of the sectoral approach – whether voluntary or mandatory. The introduction of specific language in the Framework Agreement ensures that any decision that may be taken in the future will take care of our concerns. The negotiation on a formula in this sector could lead to more market access for us in developed countries by bringing down peak tariffs and reducing tariff escalations in products of export interest to India, such as textiles and leather. The Framework, while providing for less than full reciprocity in tariff reduction commitments, also envisages additional flexibility in the treatment of some of the tariff lines, through either no cuts or through reduced cuts.

7. In the negotiations on Services we have an offensive agenda, and in the Framework Agreement it was possible to incorporate specifically an area of major interest to us namely, Mode 4, (i.e. movement of natural persons). The Agreement envisages furnishing high quality offers in sectors and modes of supply of interest to developing countries to be made in a time-bound manner.

8. The Framework Agreement has also made a firm commitment to addressing the specifically development-related issues like Implementation Issues and operationalisation of Special and Differential Treatment provisions on a time bound basis.
9. One of our significant achievements in the Framework Agreement is the removal of three of the four Singapore issues on which we had objections – namely Investment, Procurement & Competition. The fourth issue, Trade Facilitation, which continues to be on the agenda, is an area of special interest to us since what may be expected from this negotiation would be a continuation of our autonomous reform process in this area. Trade facilitation essentially means simplification & transparency in customs procedures, cutting down on transaction costs etc. Reform in the customs procedures of other countries as well and an effective cooperation mechanism between customs administrations would greatly benefit our exporters.
10. The Framework Agreement is the first major stage towards conclusion of the Doha Work Programme, since it lays down the principles and criteria. The next step would be finalization of modalities, including formulae for reduction in tariffs and domestic support, setting the actual date for elimination of export subsidies for agricultural products and giving shape and meaning to the various special provisions we have managed to incorporate in the Agreement.
11. We have been helped to a large extent by our ability to develop and maintain issue-based alliances with like minded countries. The G-20 alliance on Agriculture stayed together and met frequently to decide on the strategy. On Singapore Issues a significant role was played by the G-16. On the issue of Special Products the Group of 33 was our firm ally. We also made special efforts to develop common grounds on a number of issues with the G-90 countries, consisting of ACP countries and LDCs. The Five Interested Parties (FIPs) consisting of India, US, EU, Australia and Brazil played perhaps the most pivotal role in evolving consensus on the Framework in Agriculture. We are committed to continuing to work in close cooperation with other WTO Members and groupings on issues of interest to us in the next stage of negotiations.
12. We attach due importance to the smooth functioning of the multilateral trading system. We are determined to ensure that, as negotiations proceed based on the Framework that has been recently agreed upon, our core concerns continue to be adequately addressed. Our approach to the negotiations will be dictated by our national interests, especially our concerns for the millions of farmers who are dependent for their livelihood on agriculture, as also our objective of stimulating economic activity through export of our Goods & Services. We are determined to pursue our interests in this and other areas vigorously.

**Thank you.**

## INDIA'S DEFENSIVE INTERESTS IN AGRICULTURE FULLY SAFEGUARDED IN WTO FRAMEWORK AGREEMENT

“ It is generally acknowledged (at least by dispassionate and unprejudiced observers) that the developing countries in general, and India in particular, have gained significantly in the **July Framework Agreement**.

After the collapse at Cancun, there was not much optimism. No doubt, India and Brazil performed useful roles in consolidating the **G-20** position, but the crisis continued and resolution still seemed distant.

The entire process took a new turn with the introduction of FIPs process (**Five Interested Parties**) in June 2004. A series of meetings in **Sao Paulo** and **Paris**, then a **video conference**, and finally an all-night session at **Geneva** broke the deadlock. India played a pivotal role in this.

There is an erroneous notion among many that the July Agreement is only about 'Agriculture'. This is not so. I suppose the reason for this is that India has '**defensive interest**' in **Agriculture**, and '**offensive interests**' in **Goods** and **Services**. While all three sectors are important to us, it is but natural that securing one's defensive interests gains prominence in the popular Press and Media. Unfortunately, the gains in our areas of offensive interests do not get that much publicity.

In **Agriculture**, our main objective was to secure the interests of millions of farmers in our country. In India, we have **subsistence** farming, not commercial agriculture. In developing countries, huge subsidies amounting to more than **300 billion dollars** a year are given by way of support to their farmers. This creates **artificial prices**. I have repeatedly said that the Indian farmer

can compete with the US farmer, but not with the US Government.

A huge gain for us at Geneva was a clear and unequivocal support on the part of developed countries to **completely eliminate** - not just to reduce, but eliminate - all **export subsidies** by a specific end date. Furthermore, we got them to commit to an across the board **20% reduction** on trade distorting **domestic support** in the first year itself. They wanted a **modified Blue Box** in order to change the 'parking lots' on all their trade distorting support. We not only managed to subject the review of all existing Blue Box criteria to **strict discipline**, but we also introduced a provision for **capping** the Blue Box at 5%.

On the other hand, the principle of **special and differential treatment** with regard to developing countries has been given primacy. We have ensured that not only will developing countries have access to **Sensitive Products**, but over and above, this we will have **Special Products**, and also a **Special Safeguard Mechanism**. We, thus, believe that we can adequately accommodate all our defensive interests in Agriculture.

By insisting on a tariff formula with deeper cuts in higher tariffs, we have been able to open a window to **market access to developed country markets** in Agriculture for our own products. I am specifically keen on developing our Agri-Export sector because I believe that this will contribute extensively to our agriculture development. Due to reduction of subsidies in developed countries, our agriculture products will be able to compete with products of other countries in international markets. **TRQ (Tariff Rate Quota) expansion in developed countries**

will create another window of opportunity for Indian Agri-Exports. There is tremendous scope for infrastructure development in the **Agri-Export chain** - the cold storage industry, packaging, laying of roads and provision of other infrastructure could be accelerated in transforming our agriculture to make profitable for farmers.

What may be more interesting to you will perhaps be **NAMA** (Non-Agriculture Market Access). The July Framework creates additional market access for our industries through provision for tariff reduction in non-agricultural merchandise goods. **Tariff peaks** and **tariff escalations**, which at present reduce our ability to export **value added items**, will now be specifically addressed.

At the same time, developing countries will be in a position to take care of our **sensitive sectors** through a **carve out** for such products. We have the option of either setting aside 5% of our tariff lines free from reduction commitments, or 10% of our lines subject to less-than-formula reductions. Thus, the small scale industries and other sensitive industries which may have difficulties in facing the onslaught of imports will get a breather.

The issue of sectoral '**zero-for-zero**' was discussed. This means that all duties in a particular sector are to be brought down to zero simultaneously by both developed & developing countries. In some sectors this suits India-but in some sectors it does not. Therefore, while supporting the **sectoral approach**, we insisted that it be made **optional**. We succeeded in this. So, now we will be consulting with industry to decide in which sectors we should opt for this approach, and in which sectors we should not. I look forward to your feed-back on this.

On the issue of **Services**, as you all know, we are bullish. This is one area in which developed countries go into a **protectionist** mode! The July Framework provides for improvement in the **quality of offers**, since this is an area which functions on an 'offer-and-acceptance' basis. The area of particular interest is Mode 4, which we see as a vehicle for getting better opportunities for our professionals abroad. We will now seek greater market access in Professional Services, Construction and Engineering Related Services, Computer Related Services, Medical Services, Audio Visual Services and Financial Services.

You are all aware of the four **Singapore Issues**. We strongly resisted and succeeded - in getting the issues of **Investment, Procurement & Competition** off the table. This is not because we do not want to do anything in these areas, but because we do not want international interference in the formulation of our domestic policies in this regard. However, the fourth issue on Trade Facilitation is certainly to our benefit. Essentially, **Trade Facilitation** means **improvement and transparency in customs procedures**, cutting down on transaction costs. This not only means improvement in Indian Customs procedure, but also improvement in Customs procedures of **other countries**. Hassle-free customs is of fundamental importance if international trade is to flourish. We strongly believe that trade facilitation would ensure a greater participation in international trade by small and medium enterprises, reduce transaction costs (estimated to be between 6 to 10 per cent) and generally improve the prospects of developing countries in multilateral trade. ””

*(Key note address of Kamal Nath, Minister of Commerce & Industry, Government of India, at the Seminar organised by FICCI on "WTO's July Framework Agreement: Implications for Indian Business", New Delhi – August 10, 2004)*

## AGRICULTURE MINISTRY SATISFIED WITH WTO FRAMEWORK AGREEMENT



***The Union Minister for Commerce & Industry Mr. Kamal Nath addressing the Seminar on "WTO's Framework Agreement: Implications for Indian Business" organised by the Federation of Indian Chambers of Commerce & Industry (FICCI) in New Delhi on August 10, 2004***

A news report appearing in a section of the press says that India sold out to West at WTO. It is clarified that no note has been prepared by the Ministry of Agriculture for the Prime Minister on the WTO Framework Agreement signed in Geneva, as stated in the report. From the report, an impression is created that the Minister for Agriculture has told the Prime Minister that the concessions arrived in the WTO meeting do not mean much for the country. This is not correct and the report has tried to portray a position, which is not factual.

The Agriculture Minister, the Commerce Minister and officials of both Ministries were fully involved in the preparation for the Geneva Meeting. A Joint Secretary level officer from the Ministry of Agriculture was also a part of the official delegation. **The Ministry of Agriculture is happy with the overall outcome of the WTO meeting and the Framework Agreement.**

***(Agriculture Ministry Press Release dated New Delhi: 23-08-04)***



## ON ISSUES ARISING OUT OF THE WTO FRAMEWORK AGREEMENT

### Agriculture

#### **India has lost bargaining space for future negotiations in Agriculture ?**

On the contrary, the framework agreement gives us more space for future negotiation.

- Tiered formula approach for overall reduction of all trade distorting support, with higher cuts for higher support. The figures would need to be negotiated and will obviously bear a relationship to the market access formula, when it is negotiated.

- Tiered formula approach for final bound total AMS

*(Note: The numbers will have to be negotiated in the next stage. This gives us considerable negotiating leverage, which was not available in the pre-framework stage.)*

- Review and clarification of Green Box to ensure that measures have no, or at most, minimal trade distorting effects on production;

*(Note : This will mean that all Green Box measures presently used by developed countries will be subject to review and clarification. The language used in the text is such that the developed countries will have to show that the measures that they presently employ are non-trade distorting or minimally trade distorting. Review and clarification of existing Green Box measures thus gives us considerable negotiating leverage.)*

- Criteria for new Blue Box, without agreement on which the new Blue Box will not be created.

*(Note : The creation of the new Blue Box is predicated upon the agreement on the new criteria to be established. The onus of seeking consensus on new criteria and/or change in*

*the old criteria is on the demandeurs for such a change. Furthermore, there is a stipulation for negotiating an overall cut in all forms of trade distorting support comprising the AMS, de-minimis and Blue Box. This provision further weakens the demandeurs' position in trying to circumvent the subsidy reduction commitments. It is, therefore, a big bargaining chip, which will be available to India at the next stage of negotiations.)*

- Credible end date for elimination of export subsidies and disciplines on all export measures with equivalent effect;
- Methodology for selection and treatment of sensitive products for developed countries;
- Methodology for tariff simplification and escalation;
- The question of special agricultural safeguards (SSG) remains under negotiation and will have to be settled in the next stage.
- The principle of proportionality, which specifically states that the tariff reduction commitments of developing countries will be less than those of the developed countries is an important bargaining chip. The rejection of the blended formula for tariff reduction, which was the hallmark of the EC-US agreement at Cancun, has paved the way for more equitable treatment of tariffs in developing countries.

As against the above, many measures favourable to developing countries have already been resolved:

- ❖ 20% cut in domestic support;
- ❖ 5% cap on Blue Box;
- ❖ S&D treatment under Article 9.4 of Agreement on Agriculture (relating to subsidies used by developing countries for marketing of products)

to continue for a reasonable period even beyond the end date for export subsidies;

- ❖ Proportionality through lesser tariff reduction commitments or tariff quota expansion commitments from developing country members;
- ❖ Special products;
- ❖ Special Safeguard Mechanism (SSM).

### ***Deeper cuts in higher tariffs may adversely affect India ?***

- a) Developed countries have high tariffs on most of their protected products, such as, sugar, dairy and meat. Unless higher tariffs are subjected to deeper cut, there will be no new market access for developing countries into developed countries. This is a major change from the 'blended formula' for tariff reduction worked out by the US and EC at Cancun, which was aimed at maintaining status quo in the protected sectors enjoying higher tariffs.
- b) From the defensive perspective, Indian applied tariff rates are quite low and, therefore, have more flexibility to reduce its higher bound tariffs. The most important principle, which has now been enshrined, is the proportionality of commitments between the developed and developing countries. Therefore, India's tariff reduction commitments will be proportionally less compared to those of the developed countries. It is a major change from the "blended formula" in the Cancun text, under which the commitments of developing countries would have been proportionally higher than those of developed countries.
- c) In addition appropriate member of products based on the criteria of food security, livelihood security and rural development needs of developing countries can be designated as 'Special Products'. These products will enjoy even more flexible treatment than the sensitive products.

- d) A new Special Safeguard Mechanism for developing countries will be established to address the situation of import surges, if any, of agricultural products.

### ***There is no specificity or clarity in the proposed subsidy cut ?***

While the actual numbers are yet to be negotiated, the framework lays down the structure for considerable reduction in domestic support.

- a) Substantial reduction in overall domestic support to be brought about through a harmonising tiered formula, based on the principle of deeper cuts in higher levels of support;

*(Note: This concept was developed by the G-20 on the basis of an Indian suggestion.)*

- b) 20% cut in domestic support in the first year of implementation itself;
- c) The most distorting form of support, comprising of measures comprised in the Aggregate Measurement of Support (AMS) will similarly be subject to a harmonising tiered formula for reduction;
- d) To prevent the shifting of support across products and concentrating it further on a few products, capping of product specific AMS levels;
- e) De minimis to be reduced, but countries like India, which use almost all their de minimis support for subsistence and resource poor farmers will be exempt from any reduction stipulation;

*(Note : India came under heavy pressure to agree to discuss de minimis reduction at the next stage of negotiation. This was resisted so strongly that a carve out had to be made for India and similarly placed developing countries.)*

- f) Blue Box to be capped at 5% from the beginning of the implementation period;

*(Note : This will mean reduction, in the case of EC, from \$22 billion to \$10 billion, a big cut.)*

- g) New Blue Box, without production limiting condition, will be created only in the next stage of negotiations, subject to agreement on criteria.

*(Note : In view of possible removal of production limiting condition, subject to satisfactory agreement on criteria, India could also be in a position to use the new Blue Box. This may be an additional flexibility that may be available after the criteria are negotiated in the next stage.)*

- h) Green Box criteria to be reviewed and clarified to ensure that Green Box programmes have no, or minimal, trade-distorting effects.

## **New Blue Box ?**

It may be noted that the creation of the new Blue Box is not a foregone conclusion. In accordance with paragraphs 13 and 14 of the Framework Agreement, the creation of a Blue Box without production limiting criteria will depend on acceptance of the criteria.

It may also be noted that without the production limiting criteria, it would be possible for India also to use the new Blue Box, sometime in the future, should it become necessary. The criteria for the new Blue Box will be negotiated, keeping this in view. There is thus an added flexibility available to India.

## **The negotiations by Five Interested Parties has compromised the principle of transparency ?**

It may be noted that the group called the Five Interested Parties (US, EC, Australia, Brazil and India) came into existence several months ago. In this regard, the following points are relevant:

- a) India was invited to participate in the FIPS Process by the US in recognition of its negotiating clout. It was not an initiative of India or G-20 to create a non-transparent process.
- b) India's participation in the process has resulted in our concerns being taken on board at the initial negotiating stage. It has been helpful in avoiding a situation in which India might well have found itself in a position that it has no alternative but to reject the deal struck by other Members. In other words, it is a recognition of India's negotiating strength in the WTO.
- c) India and Brazil could articulate the position of even other developing countries through this process by maintaining regular contact with them and regularly keeping them informed of the discussion in the FIPS. In fact, India has been regularly communicating the main developments in the FIPS process to other groups like the G-33, G-10 and G-90 and has been maintaining close and regular contact with the co-ordinators of different groups.
- d) India, being involved in the FIPS on a regular basis, could develop its credibility in the negotiating process to the extent that it could secure major changes in the draft document prepared by the Chairman even at a late stage in the negotiations and ensure that its core concerns are adequately addressed in the final document.

## **The manner of functioning of G-20 ?**

It is now universally recognised that the G-20, which India formed together with Brazil, played a major role in completely transforming the course of negotiations in agriculture. This is very clear from a comparison of the final draft agreement with the Cancun text, the draft Ministerial text presented by the Chairman, General Council before Cancun

and the original US-EC text of August 2003. In fact, each revision of the current text brought more gains for India and developing countries.

One of the significant features of the G-20 has been that it is composed of developing countries with diverse interests in agriculture. Thus, while Brazil, Argentina, Chile, Thailand and South Africa have strong offensive interests, others, like India, China, Philippines, Indonesia and Nigeria have defensive interests. The success of the G-20 stems from the fact that a serious effort was made by both groups within the G-20 to accommodate each other's interests and present a common front while negotiating with the trading majors. The outreach programme of the G-20, orchestrated mainly by India, ensured the support of a broad base of developing countries, again with diverse interests.

In this process of discussion and compromise, the countries with defensive interests accommodated the others with offensive interests by accepting the concept of a Harbinson type, single, tiered approach with deeper cuts for higher tariffs. They also gave unstinted support to the other developing countries in seeking radical changes in the domestic support and export competition regimes.

On the other hand, countries with offensive interests compromised on areas like the following:

- ◆ Use of bound, rather than applied levels both in market access and domestic support;

*(Note: The countries with offensive interests would have preferred an aggressive approach with cuts from applied levels in both domestic support and tariffs. However, as this would not have been acceptable to India, they agreed to work from bound levels.)*

- ◆ Rejection of the concept of "effective cuts" and "harmonisation" in market access in view of India's sensitivity;

- ◆ Accepting differentiation in de minimis;

*(Note : A distinction has been made in the framework agreement accepting for the first time a distinction between countries like India with a preponderance of small and marginal farmers and other developing countries in the treatment of de minimis.)*

- ◆ Accepting strong language on special products and the establishment of Special Safeguard Mechanism;

*(Note : Prior to the formation of G-20, the agricultural exporting countries had been opposing both these concepts.)*

## **Market Access for Non-Agricultural Products could lead to increased imports of cheap industrial goods ?**

- ◆ India has been autonomously reducing its applied tariffs over the last several years. The country's economic blue-print points to further reductions in applied tariffs over the next few years.
- ◆ Negotiations in WTO are carried out from bound tariffs. There is thus no expectation that India's current applied tariffs would be adversely affected. Hence there is no threat of an increase in imports of cheap industrial goods.

### **Use of a 'non-linear' formula is not development friendly ?**

- ◆ There are various types of non-linear formulae. The exact type of non-linear formula to be used remains to be negotiated. In fact one of the proposed non-linear formula which is on the negotiating table is a particularly development friendly one, as it takes into

account a country's existing tariff average which softens the impact on countries with a high tariff average, while being harsh on countries with low tariff averages.

- ◆ A non-linear formula is the only effective means of eliminating the tariff peaks in products of export interest to developing countries like India in markets of developed countries.
- ◆ This offers the Indian industry a unique opportunity to enhance its market share in world trade substantially.

### **Limited flexibilities for developing countries ?**

- ◆ The framework provides flexibility for sensitive products of developing countries through no cuts or through reduced cuts for a designated percentage of tariff lines. This provision would enable India to protect its sensitive sectors, particularly the small scale sector, while being ambitious on market access for products of export interest. Since the specific numbers are in brackets there is now an opportunity for Members to take up this issue and negotiate numbers that would provide them with appropriate flexibility.
- ◆ This is the most significant aspect of the framework from India's stand point as it would enable us to protect some of our sensitive products, particularly those originating in the small scale sector.

### **Sectoral component ?**

- ◆ This aspect has been singled out for further negotiations with regard to its scope and participation. The issue of the specific sectors for a possible sectoral tariff reduction is open.
- ◆ There is enough room to manoeuvre on this issue.
- ◆ India's position on this aspect of the negotiations is not prejudged and further

discussions afford us an opportunity to press for a voluntary sectoral approach.

### **Overall Assessment ?**

The adoption of Annex B with the explanatory paragraph has provided more focus and precision for future work on modalities. India retains adequate flexibility to pursue both its offensive and defensive interests in the area of Non-agricultural market access. Annex B is a positive gain in that it provides more clarity on the future course of action without prejudging any Member's position in the negotiations that are to follow. It may also be noted that this is only an interim stage to chart the future course of negotiations. The framework affords ample opportunity to realise our objective of enhanced Market Access for Indian products, particularly in textiles, leather and Marine products, in the markets of its major trading partners.

### **Services ?**

- ◆ It was at India's insistence right from the beginning that services has been included in the July package. Initially, there was not much support for this idea as other members felt that services was not a problematic area and that no guidance was required in contrast to the situation in Agriculture and NAMA.
- ◆ It was India supported by the US and at later stages by a large number of delegations that succeeded in not only including services in the July package but on having a separate paragraph for it in the framework along with an Annex containing recommendations for future progress. Both in JOB (04)/96 and JOB (04)/96 Rev. 1, services was included along with host of issues under the heading "other negotiating bodies". However, due to coalition building by India and US, in the final text

Services has been given a separate paragraph in parallel with the format for the other two market access issues.

- ◆ The Annex is an improvement on the Derbez Text since it specifically refers to the "high quality of offers" especially in sectors and modes of export interest to developing countries. This covers India's offensive interests in Modes 1 and 4 where we have already expressed interest. Further, as in Derbez text, there continues to be a specific reference to Mode 4 indicating the interest of developing countries as well as other members in Mode 4. The Annex also provides for review of progress in the negotiations and a full report to the TNC including possible recommendations for the 6<sup>th</sup> Ministerial meeting.
- ◆ Date for Revised offers has also been fixed in the July package – May 2005. It is the only market access area where benchmarks have been fixed given the differing nature of the services negotiations which has been repeatedly highlighted by India. Given this date, India can now apply pressure for improved offers in sectors and modes of interest to India especially from developed countries in the Revised offer. Hence, India's offensive interests have been taken care of adequately in the July package.

## Singapore Issues ?

The dropping of three issues (Trade and Investment, Trade and Competition Policy and Transparency in Government Procurement) from the Doha Work Programme is a significant achievement. The fact that the three issues have not dropped out totally from the WTO agenda need not cause much concern. Even if the three issues had been dropped completely from the WTO

agenda, there would have been nothing to stop any member from reviving these issues at any time. Similarly, even if the discussion of any of these issues is to be resumed at any point of time, it would be necessary to create a suitable forum for such discussions, which, again, would require decision by the entire membership. On the other hand, with the present formulation, it has been made very clear that there can be no work towards negotiation of any of these issues under the Doha Work Programme.

Trade Facilitation is an extremely important area for the smooth conduct of international trade and the Indian Industry was keen on commencing negotiations in this area. The modalities for launching negotiations on Trade Facilitation constitute a positive gain for India.

As an active Member of the World Customs Organization, India is already engaged in implementing the provisions of the revised Kyoto Convention for simplification of Customs procedures. Thus, India is well equipped to proceed with negotiations in Trade Facilitation in the WTO. The fact that India's trading partners would now be undertaking similar simplification and harmonisation of customs procedures would greatly benefit India's trade by substantially reducing the transaction costs.

Developing countries and LDCs had some apprehensions with regard to excessive costs, which any new disciplines on Trade Facilitation may entail. This shared concern led to the formation of a Core Group which effectively represented the interests of developing countries. India was an active Member of this group. The concerns of this group found expression in the form of a modalities paper on Trade Facilitation which underscored the need for taking into account the different levels of development and the different implementation capacities amongst WTO Members.

An intense and effective negotiating process saw a reflection of all developing country concerns in the final modalities for trade facilitation, agreed to by explicit consensus.

Developing and Least developed countries' commitments in Trade Facilitation will be commensurate with their implementation capacities. Developed countries are now committed to ensuring adequate technical assistance and capacity building for developing and least developed countries. India has also succeeded in highlighting the need for the establishment of an effective mechanism for co-operation between Customs authorities on Trade Facilitation and Customs compliance issues.

New disciplines in this area would lend greater predictability by removing unnecessary hindrances to trade. This would also render India's foreign trade more cost effective since the transaction costs would be reduced considerably.

## Development Issues

### ***Slow Progress on Implementation Issues ?***

- ◆ Of the many implementation issues raised by India and other countries before the Doha Ministerial Conference, 41 issues were addressed in the Decision on Implemented Related Issues and Concerns adopted at Doha. Of these 41, further work was envisaged on 11 issues, out of which decisions have been taken in relevant WTO bodies on five issues. Further work is continuing on the other six issues referred for further work under the Doha Declaration. 34 implementation issues have been sent to relevant negotiating groups under para 12 (a) of the Doha Ministerial Declaration and work is proceeding on them in the respective negotiating groups.
- ◆ While para 12(a) issues, which constitute the majority of the implementation issues outstanding after Doha, are being addressed

as part of the negotiations in concerned negotiating groups, issues under para 12(b) had languished after January 2003 following submission of report by these bodies to the TNC.

- ◆ To restart the DDA negotiations, the immediate focus of discussion in the post-Cancun phase had been on agriculture, NAMA, cotton and Singapore issues. However, India along with other developing countries namely Africa Group, LDC Group and ACP Group insisted that the July framework must necessarily provide for road map on all the outstanding implementation issues. At the initiative of India, a Core Group on Development Issues was formed and a formal paper was submitted to the TNC and the General Council in April 2004 by members of the Core Group (Africa Group, LDC Group, ACP Group, India, Indonesia) demanding a clear road map on development issues.
- ◆ The July framework provides for an effective procedure for handling all outstanding implementation issues, including issues under 12(b) of the Doha ministerial Declaration. All outstanding implementation issues would be dealt with as a matter of priority by the TNC, relevant Negotiating Groups and WTO Bodies. The framework provides for clear time lines for reporting by the Director General to the TNC and review any appropriate action taken by the General Council by July 2005.

### ***Slow Progress on S&D Issues ?***

- ◆ There has been some progress in addressing agreement-specific proposals submitted by members. The Annex C to the Derbez text contains 28 S&D proposals on which, in principle, agreement had been reached by members in the pre-Cancun phase. However, the LDC and Africa Group – who have submitted the majority of the agreement-specific proposals – felt that the package did not

constitute a commercially meaningful one. They would prefer to further strengthen the package before harvesting it.

- ◆ The July framework clearly notes that all proposals would be expeditiously reviewed by the CTD-SS or other relevant WTO bodies, which will come up with clear recommendation for a decision as soon as possible and no later than July 2005.
- ◆ It may be noted that most of the proposals on these issues have been submitted by the Africa and LDC Groups, who are the main proponents on this cluster.

### **Other Development Issues ?**

- ◆ It is recognized that in the ongoing market access negotiations, special attention shall be given to special trade and development related needs and concerns of developing countries.
- ◆ It is recognized that specific concerns of developing countries, including *inter-alia* food security, rural development, livelihood concerns should be addressed in the negotiations, as appropriate, relating to agriculture and non-agricultural products as well as prior unilateral liberalisation taken into consideration.

## **Other Issues**

### **Role of India ?**

India managed to secure most of its own interests and those of other developing countries by forming issue-specific coalitions. India's role in the formation of the G-20, together with Brazil, is well-known. Our objectives on Singapore issues were achieved through a Core Group on Singapore Issues which India was instrumental in forming. Likewise, India helped form a Core Group on Development Issues to speed up work relating to special and differential treatment and implementation issues. India has been a prominent

member of the G-33, a group of 42 countries that played an important role in getting favourable language on Special Products and Special Safeguard Measures. India has also been working closely with the Africa Group, the ACP Group and the LDC Group. **The final outcome was the result of the combined effort of all these groups and India played a central role in co-ordinating this effort.**

At the same time, wherever there are common interests on specific issues, India has worked closely with developed countries also. An example is the Friends of Mode 4, a group of developed and developing countries formed to promote greater liberalisation in movement of natural persons. India is also a prominent member of the Friends of Geographical Indications, a group of more than 50 countries, both developed and developing.

In the agriculture negotiations, India worked as a member of the so-called Five Interested Parties (US, EC, Australia, Brazil and India) and in that capacity, contributed heavily to a satisfactory outcome.

### **Framework Agreement Not Necessary ?**

The Framework Agreement encapsulates the work done since Doha. It locks in some of the major achievements in the negotiations, particularly from the standpoint of developing countries. A deal at this time was required not only to lock in negotiating gains, but also to ensure that the multilateral trade negotiations proceed along the desired path with the development dimension at its heart. Failure at this stage may have resulted in the loss of what has been gained and uncertainty regarding the future, particularly in the context of possible political developments in the two major trading powers, the US and the EC. Since the deal was balanced and took on board most of our major concerns, it would not have been in our interest to stand in the way of the agreement.

**(Source: PMI/Geneva, August 2004)**

## PARLIAMENT BRIEFS



### 👉 WTO DRAFT AGREEMENT

The General Council of the 147-Member WTO met in Geneva during 27 July to 1 August 2004 with a view to arriving at a consensus on adopting a Framework Agreement that would set a roadmap for the on-going negotiations under the Doha Work Programme. An Indian delegation led by the Minister of Commerce and Industry Mr. Kamal Nath actively participated in the negotiations, leading to this Framework Agreement adopted on the 1st August 2004. **With a view to safeguarding the interests of the farming sector, India made concerted efforts with like-minded developing countries, including in the G-20 alliance on agriculture and the G-33 alliance on Special Products. This has ensured, inter alia, that the elements and principles incorporated in the agreed framework on agriculture will lead to substantial reductions in trade-distorting domestic subsidies provided to their farm sector largely by the developed countries, a credible end date for elimination of their export subsidies, and substantial market access improvements for products of export interest to developing countries. Moreover, consistent with the Doha mandate to negotiate on agriculture, any additional commitment, particularly in market access, by developing countries like India should serve to safeguard their food and livelihood security concerns and rural development needs. A new Special Safeguard Mechanism will also be instituted for use of developing countries to deal with any import surge. The Framework for Establishing Modalities in Agriculture was adopted by consensus by all developed and developing country Members.**

### 👉 DRAFT AGREEMENT ON AGRICULTURE

On 1<sup>st</sup> August, 2004, a Framework for Establishing Modalities in Agriculture has been agreed to in the meeting of the General Council of the World Trade Organisation. The elements and principles contained in the Framework duly addresses India's farm sector interests and concerns, inter alia, that trade-distorting domestic subsidies provided to their farm sector largely by the developed countries are substantially reduced, their export subsidies eliminated, and market access opportunities for products of export interest to developing countries improve substantially. Moreover, consistent with the Doha mandate to negotiate on agriculture, any additional commitments, particularly in market access, by developing countries like India should serve to safeguard their food and livelihood security concerns and rural development needs. The negotiations are scheduled to conclude by December 2005.

### 👉 PATENTS AMENDMENT BILL

**In terms of India's obligation under the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs Agreement), the Patents Act, 1970 is required to be amended to introduce product patent protection for inventions in the fields of food, chemicals and pharmaceuticals in addition to the existing process patent protection. India has time till 01.01.2005 to do so. A Bill, namely, the Patents (Amendment) Bill, 2003 to amend the Patents Act was introduced in Lok Sabha on 22.12.2003. This Bill contained also several measures aimed at simplification of processing of patent applications. With the dissolution of Thirteenth Lok Sabha, the said Bill has lapsed.**

## ☞ UNCTAD MEETING AT SAO PAULO

India along with other developing countries group known as **G-77** and China, were successful in highlighting the concerns of developing countries under the multilateral trading system. India also participated in a **G-20** meeting, along with countries such as Brazil, China, South Africa, Argentina etc. which was held in parallel to the UNCTAD deliberations. The main theme of the **G-20** discussions was the need for preferential treatment for developing countries especially in the agricultural sector, in the on-going negotiations of the **WTO**. The developing countries succeeded in pointing out that the central issue of globalisation should be development. It was also acknowledged that there is a need for policy space and policy flexibility for the development strategies of national Governments. It was decided that **UNCTAD**, which has provided an invaluable forum for advancing the inter-relationship between trade and development, from both the national and international perspective, across the three pillars of its mandate: independent policy analysis, technical assistance and consensus building, should continue its work and provide necessary inputs to the developing countries.

## ☞ AGENDA FOR WTO TALKS

At the interactive Thematic Session on "Assuring Developing Gains from the International Trading System and Trade Negotiations" held on 16 June 2004, as part of the UNCTAD-XI Conference in Sao Paulo, the Indian representative inter alia suggested some principles that could be followed for assuring development gains from international trade, the trading system and trade negotiations. The principles referred to in the intervention included the following:

- (I) There should be genuine liberalisation by the major trading partners in pro-development areas and sectors in which developing countries have

current and emerging comparative advantages;

- (II) Trade rules should enable developing countries to get better access for their labour-intensive exports of goods and services and more scope for mobility for developing country labour in international trade;
- (III) Poverty-sensitive export sectors of developing countries should be promoted and supported, including through enhanced and predictable access in premium markets;
- (IV) Developing countries should be encouraged to capture better and higher returns from the exports of their commodities, manufactures and services. UNCTAD's thrust towards increasing developing country participation in dynamic and new sectors should be encouraged;
- (V) The rules, both in terms of intergovernmental arrangements and operation of international markets, should ensure fairness and guarantee a level playing field for developing countries while taking into account the special needs and limited capacities, both structural and system-induced, vis-a-vis developed country partners;
- (VI) The trading system must accommodate the policy space imperative for delivery of a wide variety of public goods.

The WTO General Council Decision of 1<sup>st</sup> August 2004 included the adoption of a Framework for Establishing Modalities in Agriculture. This marks the first stage of the negotiating process. The Decision also extended the on-going negotiations under the Doha Work Programme, including those relating to Agriculture, beyond 1 January 2005 specified in the Doha Ministerial Declaration leading to the Sixth Ministerial Conference of the WTO. It also agreed to hold the Sixth Ministerial Conference in Hong Kong China in December 2005. In view of this Decision it is not likely that an agreement on agriculture issues would be reached during the current year 2004.

(Source : Replies given in Parliament during August, 2004)

## BYRD AMENDMENT DISPUTE: THE ARBITRATOR REPORT

In October 2000, US had enacted Continued Dumping and Subsidy Offset Act (CDSOA), popularly called Byrd Amendment, which provided for the distribution of the antidumping and countervailing duties collected by US to the companies that had brought or supported the original complaint. The Byrd amendment not only provided an additional layer of protection to the US domestic industry beyond what has been provided for in the Anti - Dumping Agreement / Subsidies Agreement, it also gave an incentive to the US companies to support antidumping and countervailing duty petitions. India along with eight other countries including Canada, EU, Japan and Korea sought consultations with the US on this measure. Subsequently, a WTO Panel and the Appellate Body held the Byrd Amendment to be inconsistent with requirements under the Anti-Dumping Agreement and the Subsidies Agreement. A WTO Arbitrator gave the US a reasonable period of time up to 27 December 2003 for complying with the DSB decision in this dispute. So far, US has not taken any action to repeal the Byrd Amendment.

As the US had not complied with the DSB recommendation in this dispute within the reasonable period of time, on 15 January 2004 some of the co-complainants including Brazil, India, Japan, EC, Korea and Mexico sought DSB authorisation to retaliate against the US. The request was objected to by the US which sought arbitration under Article 22.6 of the DSU. The report of the arbitrator has been circulated to the WTO member countries on 31 August, 2004.

The following joint press statement was issued on 31/8/04 by the CO-complainants i.e., Brazil, Canada, the EU, Japan, Korea and Mexico in the arbitrator report (**Note:** As has been mentioned in the press release, the main aim remains for the US to act immediately to repeal the Byrd Amendment):

“ **The WTO arbitrators have today given a green light for eight WTO Members to retaliate up to more than \$150 million against the U.S. for failing to comply with its international trade obligations. In January 2003, the WTO ruled as illegal a piece of U.S. Legislation commonly known as the “Byrd Amendment”, under which antidumping and countervailing duties are distributed to the domestic companies that had requested or supported the imposition of those duties. The WTO gave the U.S. until December 2003 to comply with the WTO ruling but the U.S. missed this deadline. The failure by the U.S. to bring its measure into conformity with WTO rules prompted eight WTO members - Brazil, Canada, Chile, the EU, India, Korea, Japan and Mexico -to request authorisation from the WTO to impose additional import duties on US products or to suspend other obligations to the US.**

**Further to today’s award, the Co-complainants may exercise their retaliatory rights, at any time deemed appropriate, in accordance with the award and the requirements of the WTO rules on the**

**settlement of trade disputes. The award of the Arbitrator cannot be appealed.**

**The eight WTO Members strongly urge the US to act immediately to repeal the illegal "Byrd Amendment".**

In today's decision, the WTO has taken the approach to calculate the level of the additional import duty or other countermeasures based on the amount of payments disbursed to the US industry in the latest annual distribution. Specifically, the authorised level of retaliation is based on the trade effects of the most recent payments distributed from antidumping or countervailing duties collected on the products originating from each Member. Accordingly, those payments shall be multiplied by a factor of 0.72, which is based on a economic model developed by the arbitrator to determine such trade effects.

The level of sanctions may vary every year so as to reflect the wide variations in the amount of payments made under the Byrd amendment from one year to the other.

### **Background**

The Continued Dumping and Subsidy Offset Act of 2000 (so-called Byrd amendment) mandates the distribution of the antidumping and countervailing duties to the companies that brought or supported the complaints. It, therefore, creates an undue incentive for U.S. industries to seek the imposition

of duties on imported goods, thereby improving their competitive position and receiving cash payments.

A total of US \$231 million was distributed in 2001 and around US \$330 million in 2002. The main recipients have been in the bearing, steel and other metal, household items and food (in particular pasta) sectors. Though 2003 data regarding disbursements has yet to be finalised, information published so far indicates that distribution for that year would amount to about US \$240 million.

Eleven WTO Members (Australia, Brazil, Canada, Chile, EU, India, Indonesia, Japan, Korea, Mexico and Thailand) combined forces to challenge the WTO compatibility of the legislation in 2001. A Panel in September 2002 and the Appellate Body in January 2003 confirmed that the Byrd amendment is an illegal response to dumping and subsidisation. The US had until 27 December 2003 to bring this legislation into conformity with the WTO rules. Eight WTO members (Brazil, Canada, Chile, the EU, India, Korea, Japan and Mexico) then requested the DSB to authorise the countermeasures on 26 January 2004. The US objected to these requests and the issue of the level of countermeasures was referred to arbitration.

Despite calls by the US administration to repeal the law, the US Congress has not yet implemented the WTO ruling. Two bills are pending, but neither has so far reached the discussion stage. ”

## 'Geneva was a movement forward from Cancun'



**Q** This round of WTO talks at Geneva has been described as historic, that's possible, isn't it?  
**A:** Historic would be I think a very strong word to use for it, but it really gets the WTO system, the world trading system as envisaged in the WTO, it helps it to move forward. And in that forward movement the experience gained in the first round in the 10 years that will end in 2005, it is a very important input.

**Q:** What has happened since Cancun that you can call it successful?  
**A:** In Cancun, there were 250 members on the table. Number one, agriculture. We have this great artificiality of agricultural prices. WTO is about free trade, free markets, level playing fields. But then you have the OECD countries, the developed countries, giving \$300 billion of aid, assistance and support to their farmers and then those farm products, these agricultural products are looking for market access in developing countries.

**Q:** They are being dumped on the rest of the world. Why don't you use the term?  
**A:** Absolutely, it's dumping. Anything which is artificial price, a price which is not market driven, is dumping. And that's what they were seeking: market access into developing countries.

**Q:** Why would you suddenly want to start the work? Let's take from the Cancun onwards. In Doha they gave us a promise, in Cancun they went back on all the promises. Why should you take their word for it in Geneva?  
**A:** Well, they moved forward. They agreed on elimination of export subsidies. They agreed on substantial reduction on domestic support, and market access with certain conditionalities. So I think it was realised that the whole process, the WTO process is going to collapse if the developed world didn't move forward.

**Q:** You know, all you have done in Geneva is really established the framework. The modalities are yet to be fought over and they will be fought over very bitterly.  
**A:** Absolutely, this is a framework agreement which lays down the criteria and principles. Out of this will flow the modalities.

**Q:** So what are the next steps now, when you come to the practical negotiating aspects of it? They have only agreed to reduce their subsidies by 20%.  
**A:** They agreed to eliminate subsidies starting with 20% in the first year. Now every round is 10 years. We've been through 1995 to 2005, which will be over next year. The next round which was supposed to start from 2005 will not start from 2005, it will start from 2006. But we must understand that on the other hand, where goods are concerned, where services are concerned, those are also issues which need to be addressed. And in balance,

### Q&A KAMAL NATH SPEAKS TO M.J. AKBAR

At the recently concluded WTO meeting in Geneva, member nations adopted a framework agreement to slash billions of dollars in farm subsidies, create more open industrial markets and reverse stalled global trade talks, said Union minister for commerce and industry, Kamal Nath who represented India in Geneva, in an interview first aired on CNBC TV-18's Encounter. Excerpts:

going to be back.  
**Q:** Kamal, the fact remains that the differences are so huge. We are talking about America raising its subsidies to its own farmers by something like \$50 billion in one year. Now they have taken the subsidies to an atrocious high. And from there they are willing to come down. It wouldn't be of the aggressiveness where you are given a sale after the aboriginal has doubled his price. Then he brings it down by 20%.  
**A:** Akbar, the fact is that, that in 1985 we decided to engage ourselves in the world trading order. The eventual question becomes, are we participants in the world trading order or not? Or do we isolate ourselves? Now having decided to engage ourselves, having decided to be a part of WTO, obviously we have to see that our defensive interests are defended and our offensive interests, that is our export interests, are made as aggressive as possible, without any blockade or market access for our product.



The attempt by developed countries to bring an irrational, an unreal price and enter the Indian market — that is not going to happen. And the domestic support in export subsidy which is being reduced will give a chance to the Indian farmer

**Q:** What have you brought back from Geneva for the Indian farmer? Specifically.  
**A:** Very specifically, the desire and attempt by developed countries to bring an irrational, an unreal price and enter the Indian market — that is not going to happen. Number two, the domestic support in export subsidy which is being reduced will, in future, give a chance to the Indian farmer... When we are in a position to become offensive — because we have a net grain surplus and with 600 million people of our country involved in agriculture, it is important that we also look at an offensive situation in the future. Now both these concerns have been adequately addressed.

**Q:** Where you say that you have new angles, what can the farmer do in the future which will make him richer through his supplies?  
**A:** First let me take the defence mechanisms. Today we are subsistence farming. If our market is going to be flooded with goods which have unreal price, that farmer whose subsistence is that, is out of business. On the other hand, by protecting him against an onslaught of exports at unreal prices, he is secure. Then on the offensive side, by reduction which is going to happen in the next 10 years — which is a commitment in the framework agreement — by elimination of export subsidy, real prices prevail. So the Indian farmer can compete with the US farmer, but can't compete with the US government.

**Q:** India has 600 million people living off agriculture and our total subsidies to this huge population, 60% of our population, amount to no more than \$5 billion. It is far less than what we are actually allowed by a WTO order. Who does

have that budget. We don't have the funds. They have the funds and we don't have the funds to provide this subsidy.  
**Q:** At the same time, they are Rs 1,000 crores for coal subsidies and Rs 200 crores for irrigation or Rs 100 crores for irrigation. Why cannot the Indian farmer get more out of the budget rather than the urban class or the industrial class saving up money?  
**A:** I think the present government is its first proponent. It has said that we are going to look into rural India. That's where the demands, that's where the purchasing power has to increase to create a balanced economic equation.

**Q:** The West wants us, as a quid pro quo, to reduce tariffs on the industrial products.  
**A:** Certainly, on goods. It suits us, because we must be a country with a huge manufacturing base. Our real objective is greater economic activity which leads to greater employment.  
**Q:** That doesn't seem to have allowed American products or lower prices.  
**A:** No, we are not allowing them. In fact, today even with the 10, 15, 20% of duties we have, we are finding that India has been able to unleash its manufacturing abilities, its intellect, in terms of design, in

terms of management, in putting into the international markets.  
**Q:** There is progress also from the world of service sector. 50% of India's GDP comes from the service sector. How are you going to tackle that?  
**A:** Well, in the four modes, where our BPOs are concerned and then in the transnational movements, we are trying to give it a push. It has to happen, we want the pillar of services to move along with the same intensity as it moves for goods. That is a very integral part of this framework agreement.

**Q:** One of the key and perhaps auto-industry facts of Cancun was the extraordinary cooperation shown between India and China, and India, China, Brazil. That is far less than what is seen in the G-20, G-21. Was there similar cooperation that arose around with

China?  
**A:** There have always been formations in global trade. G-20 is a group with disparate interests. That's why it gives it more credibility. So any paper that the G-20 produced had much more credibility than a paper by a group of similar interests. So it worked very closely together. I interacted with all of them. Whether it's the G-20 or the G-19. India is not merely

expressing its own concerns. When India speaks, India also speaks for the underdeveloped countries of Africa, of Asia, of South America.  
**Q:** But there was a split in this formation, on the tariff cuts on industrial products, wasn't it? Countries like China and Malaysia were ready to accept the western stance because it asked them.  
**A:** Well, I don't think it was a question of tariff cuts. Some of the countries, developing countries need high tariffs because they are a revenue resource. For India and some of the other countries, customs tariffs are not necessarily a revenue resource. So our flexibilities on cutting tariffs are much more than those countries. Obviously we have different perceptions, but we brought in a language which takes care of both these concerns.

**Q:** How? Specifically.  
**A:** Higher duties. Our concern is that the higher band where the duties are very high will have deeper cuts. We have no problem with that. We want that our products aren't brought from those markets. At the same time, the total average cuts should not exceed a certain amount.

**Q:** All right. What about when India's farmers are affected by the tariff cuts? How were they affected and how have you managed to prevent...  
**A:** They were contention issues. There was one issue that said us that in trade facilitation which means customs...

**Q:** There was no other issue? Trade facilitation was never an issue. I presume transparency is also never an issue.  
**A:** But three of those issues which were disputed by other countries, we said these have to go up on the table and these have gone up on the table. What we wanted, trade facilitation is on the table. We moved forward on that.

**Q:** You mean control, investigations and monitoring of foreign investments have gone off the table?  
**A:** Foreign investment is a policy to be decided by India. Not sitting in the WTO headquarters in Geneva. This is our sovereign right. If in the name of making rules of foreign investments developed countries... or any country wants to control investment policy in India, I am afraid that's not on.

**Q:** But that exactly was the basis of the famous paper produced by America in EU, wasn't it? That they must control foreign investment.  
**A:** That's what's thrown out in the Geneva framework.

**Q:** And how did the Americans accept that?  
**A:** I think it is a point of con-

vince, what you can rationally convince, works.

**Q:** What was your personal interaction with the American representative?  
**A:** Good. Bob Zoellick is a very experienced man, he is a very sharp person. We did have some difficult moments.

**Q:** Could you describe one of those difficult moments? Or number two.  
**A:** Well, when I told him that we need a window of special products, he said, why do you need a window? I said, if I don't have a window, I'm afraid, Bob, I don't move ahead. He said, this is an excuse to have another window just to block experts into India. I said, that's your perception, because you don't understand it. And then when I took a stand, that there is no purpose going further, he said, you better reflect. I said, you better reflect, I have done my reflection. And we closed the meeting. After some time, we resumed the meeting. And he said, well, let's try and do it like this, but then you won't do that... Anyway, that was the way that we were able to build it.

**Q:** So America actually agreed to your blackmail?  
**A:** I am not saying surrendering to blackmail.

**Q:** Why would...  
**A:** Well, I think America understood that this is it. I said that I have my script and I am going to go out and say that the developed countries are looking for market access into countries with subsistence farming, with artificial prices. They want to dump. And this doesn't work. This is not what the WTO stands for.

**Q:** What did you give the Americans in return?  
**A:** I don't think we gave anything. We did agree that instead of eliminating domestic support which is specific, if they would like, especially to the countries which are not looking for access into India... if countries want to protect their meadows with cows in them and they give domestic support, but they are not using that domestic support to subsidise their products into India, that's okay with me. But I say what was on the table in Cancun and what in the framework now, there is a big difference. We have improved upon it. I am not trying to singularly take credit of this. I'd say that over the months the momentum which we have built up... But at the end of the day, it is being signed now.

**Q:** The LDCs who were a problem for us, in Cancun, how did they react?  
**A:** Well, LDCs have very special situations because they have these preferential treatments specially now in garments. When this Multi-Fibre Agreement ends, and from January 1 it is a quota-free regime... Bangladesh and Tanzania and whatever countries that are there, they are obviously feeling that their level of preferences is going down. So these benefits in the

Developed countries agreed to elimi-

(The Asian Age 21.08.2004)

## 'National interest top of agenda at Doha WTO meet'

EXPRESS NEWS SERVICE  
NEW DELHI, AUGUST 16

COMMERCE Minister Kamal Nath today said New Delhi has been able to achieve all its major objectives in the recently-concluded framework agreement in Geneva and would approach the WTO talks, putting "national interests" ahead.

The framework agreement is the first major step to break the impasse in WTO talks after collapse of the Cancun ministerial and lays down principles and criteria for moving forward in the Doha round of negotiations.

Making a statement in both Houses of Parliament, Nath said: "We are determined to ensure that as negotiations proceed based on the framework that has been recently agreed upon, our core concerns continue to be adequately addressed".

"Our approach to the negotiations will be dictated by our national interests, especially our concerns for millions of farmers...as also our objective of stimulating economic activity through export of our goods and services," he said.

He said the next step in the WTO talks will be finalisation of modalities and giving shape and meaning to various special provisions that "we have managed to incorporate in the framework agreement".

### Export subsidies

Nath said the framework provided for elimination of all forms of export subsidies by an end date.

This was among India's major demands as developed countries were extending support of hundreds of billions of dollars every year to their farmers, resulting in low prices for their agri-exports.

"This commitment in the agreement is, therefore, a positive achievement," he said

adding at the same time, the flexibility available to developing countries like India to provide subsidies for export of agricultural products would continue for a period beyond the elimination of export subsidies by developed countries.

### Trade distorting support

Nath said developing countries have succeeded in extracting an immediate commitment in the form of 20 per cent reduction in overall trade distorting support in the very first year itself.

Besides, the permissible de minimis (minimal) support for developed countries would be reduced from the present level of five per cent while developing countries like India would not have obligation to reduce their existing level of de minimis support of 10 per cent.

The blue box (trade distorting domestic support given by developed countries), hitherto uncapped, will be capped at five per cent from the first year of the implementation period itself.

### Better market access

The framework agreement envisages higher rates of tariff facing higher levels of cuts. Since the reduction required is from bound rates which in the case of India are much higher than the applied rates, "we have an adequate cushion of comfort", he said.

Developed countries which don't have this cushion will have to effect real and deep cuts. Thus, market access for India's farm products will increase. "We are also eligible to designate...products as special products based on our food and livelihood security or rural development needs," he said. The framework provides for use of a special safeguard triggered by prices or quantity against surge in imports to protect domestic producers in developing countries, Nath said.

(Indian Express 17.08.2004)

## India Achieved Objective At WTO: Kamal Nath

OUR POLICY BUREAU  
New Delhi, Aug 16



India has been able to achieve all its major objectives in the framework agreement adopted by the World Trade Organisation (WTO), commerce & industry minister Kamal Nath has informed Lok Sabha on Monday.

The minister said in agriculture it had been agreed that all forms of export subsidies would be eliminated by an end date. "This was our major demand, since the developed countries are extending support of hundreds of billions of dollars every year to their farmers, resulting in artificially low prices for their agri-exports. This commitment in the agreement is therefore a positive achievement," Mr

Nath added.

At the same time, the flexibility available to developing countries to provide certain subsidies for the export of agricultural products would continue to be available for an even longer period, beyond the elimination of export subsidies by developed countries, he said.

On trade-distorting domestic support, Mr Nath said, it had been possible to ensure that an immediate commitment of 20 per cent reduction in overall trade distorting support would be made in the very first year itself. "Thus our concern relating to protection of the support we extend to poor farmers have been adequately addressed."

The minister said, the blue box, hitherto uncapped, would be capped at 5 per cent from the first year of the implementation period itself. "A modified blue box can be created only after agreement among members on the criteria which would be subject to negotiations." On market access, the agreement envisages that higher rates of tariff would face higher levels of cuts, Mr Nath said, adding that "market access for our products would increase".

(Financial  
Express  
17.08.2004)

## Core concerns dealt with at WTO: Nath

NEW DELHI, Aug. 16. — India's major objectives, particularly its "core concerns in agriculture" have been achieved in the World Trade Organisation (WTO) Framework Agreement, which lays down guidelines for the Doha round of negotiations. In a statement laid in both Houses of Parliament today, the commerce and industry minister, Mr Kamal Nath, outlined the agreement finalised on 31 July.

"We attach due importance to the smooth functioning of the multilateral

trading system," Mr Kamal Nath asserted in the statement. "We are determined to ensure that as negotiations proceed based on the Framework Agreement, our core concerns are adequately addressed."

India's approach to WTO talks, he stressed, would be dictated by "national interests", especially concerns for the millions of farmers dependent for their livelihood on agriculture as also the objective of stimulating economic activity through export of goods and services. — SNS

(Statesman  
17.08.2004)



Industry and Commerce Minister Kamal Nath meets Deputy Chairman of Planning Commission Montek Singh Ahluwalia on the WTO Framework in New Delhi on Thursday.  
— Tribune photo: Rajeev Tyagi

(Tribune 13.08.2004)

## जिनेवा समझौता के लिए मुलायम की कमलनाथ को बधाई

सहारा समाचार ब्यूरो

नयी दिल्ली, 11 अगस्त। उत्तर प्रदेश के मुख्यमंत्री और समाजवादी पार्टी के अध्यक्ष मुलायम सिंह यादव ने केंद्रीय वाणिज्य और उद्योग मंत्री कमलनाथ को जिनेवा बैठक में विश्व व्यापार संगठन (डब्ल्यूटीओ) वार्ता के प्रारूप समझौते को मूर्त रूप देने के लिए बधाई दी है। समाजवादी पार्टी के नेता अमर सिंह ने कल रात मुलायम सिंह का इस आशय का पत्र कमलनाथ को दिया था।

इस पत्र में मुलायम सिंह ने कहा, 'जिनेवा में सम्पन्न हुए विश्व व्यापार संगठन की बैठक में जो समझौते हुए, उससे न केवल हमारे किसानों के हितों की रक्षा होगी, अपितु इससे हमारे किसानों को लाभ भी मिलेगा।' इस समझौते को मूर्तरूप देने के लिए वाणिज्य व उद्योग मंत्री को बधाई देते हुए मुलायम सिंह ने पत्र में आशा प्रकट की कि कृषि क्षेत्र की रक्षा के लिए कमलनाथ भविष्य में भी इसी प्रकार मजबूत कदम उठाते रहेंगे। वाणिज्य व उद्योग मंत्रालय द्वारा जारी विज्ञापित में कहा गया है कि कमलनाथ के साथ बातचीत में अमर सिंह ने इस बात की महत्ता पर जोर दिया कि वैश्वीकरण के दौर में भारत के लिए जरूरी है कि वह अपने किसानों को अंतरराष्ट्रीय बाजार में 'समान सुविधा' की अपेक्षाओं को मूर्त रूप दे। जिनेवा में जिस समझौते को अमलीजामा पहनाया गया है, उसमें इसी बात का प्रावधान है।

(Rashtriya Sahara 12.08.2004)



## Mulayam Hails India's Show At WTO

OUR POLICY BUREAU  
New Delhi, Aug 11

Samajwadi leader Mulayam Singh Yadav has praised the framework WTO agreement reached at the recent Geneva meeting. With this he has lent moral support to commerce and industry minister Kamal Nath, who has been criticised by the Opposition for not protecting the country's interests at WTO.

In a letter to the commerce minister, Mr Yadav said that the framework, which would form the basis of further negotiations in the Doha round, will not only protect the interests of Indian farmers but also ensure gains for them.

Praising Mr Nath's role in the negotiations, Mr Yadav expressed hopes that he would continue to play a pro-active role in the following negotiations at the WTO in order to safeguard the interests of the farm sector in India.

According to an official release, SP leader Amar Singh, during his discussions with Mr Nath, agreed that it was of great importance for the country to provide a level playing field for its farmers in the international market and said that the framework fully addresses these concerns.

(Financial Express 12.08.2004)

## WTO Draft Pact Not To Hit Rural Plan: Montek

OUR POLICY BUREAU  
New Delhi, Aug 12

Planning Commission deputy chairman Montek Singh Ahluwalia has said that the framework agreement reached by World Trade Organisation (WTO) members recently in Geneva to restart the stalled Doha negotiations will not affect rural development efforts being undertaken in the country.

Speaking to mediapersons after a meeting with commerce and industry minister Kamal Nath, who briefed him on the agreement, Mr Ahluwalia said that India had retained its flexibility in the area of agriculture. The framework agreement will, in no way, place a limit on resources for social sector and

rural development as the cap on domestic support for developing countries has been maintained at 10 per cent of total agriculture production (known as de minimis support), Mr Ahluwalia said.

India, at present, provides just 2 per cent of the value of its agriculture production to its farmers. In the framework agreement, the country has managed to escape from undertaking any reduction commitments of its de minimis support, on the grounds of livelihood concerns of its farmers.

The deputy chairman said that India had got a much better deal in Geneva compared to what was being offered in Cancun, Mexico, where ministerial talks had collapsed over



Planning Commission deputy chairman Montek Singh Ahluwalia with industry minister Kamal Nath at a meeting in Yojana Bhawan in New Delhi on Thursday. ■ FE Photo by Raaj Dayal

disagreement between developed and developing countries mainly on the issue of agriculture. ♦

(Financial Express 13.08.2004)



फोटो : लेखराज/राष्ट्रीय सहाय  
नयी दिल्ली में मंगलवार को फिक्की द्वारा डब्ल्यूटीओ मुद्दे पर आयोजित बैठक को संबोधित करते वाणिज्य एवं उद्योग मंत्री कमलनाथ। साथ में हैं फिक्की के अध्यक्ष वाईके मोदी।

## सरकार की उधारी 46 फीसदी घटी

नयी दिल्ली। मुद्रास्फीति को दर बन्दने और वांड कोमल्लो में गिरावट के बीच केंद्र सरकार की उधारी चालू वित्त वर्ष के पहले सप्ताह तक 46.42 प्रतिशत घटकर 45 हजार करोड़ रुपये रह गयी, जबकि राज्यों की उधारी बढ़कर 6288 करोड़ रुपये हो गयी है। पीएनबी गिल्ट ने एक रिपोर्ट में कहा कि सरकार ने अपनी अनुमति एक लाख 50 हजार 681 करोड़ रुपये की सकल बजार उधारी में से लगभग 29,86 प्रतिशत यानि 45 हजार करोड़ रुपये की उधारी जुटा ली है। पिछले वर्ष अप्रैल से उह अगस्त तक सकल उधारी की मात्रा 84 हजार करोड़ रुपये थी। (भाषा)

## भारतीय किसानों के हित सुरक्षित हैं डब्ल्यूटीओ में

नयी दिल्ली, 10 अगस्त (वार्ता)। वाणिज्य एवं उद्योग मंत्री कमलनाथ ने आज कहा कि विश्व व्यापार संगठन (डब्ल्यूटीओ) में तय समझौते के नये मसौदे में भारत ऐसे कई उपाय करने में कामयाब हुआ है, जिससे भारतीय किसानों के जीवन यापन और रोजी-रोटी की सुरक्षा को कोई आंच नहीं आयेगी।

श्री कमलनाथ ने कहा, 'मसौदे में हमने केवल यह शामिल करवाया कि विकसित देशों की तरह विकासशील कृषि क्षेत्र के हित में

संवेदनशील उत्पादों की सुरक्षा मिले बल्कि हमने अपने किसानों की आजीविका के लिए विशेष उत्पाद और बनाव के विशेष उपाय (एसएसएम) का प्रावधान भी शामिल करवाया है। इससे हमारी कृषि, जो विकसित देशों की कृषि से अलग है, डब्ल्यूटीओ व्यवस्था में सुरक्षित रहेगी।' श्री कमलनाथ यहां भारतीय वाणिज्य उद्योग महासंघ (फिक्की) द्वारा डब्ल्यूटीओ पर आयोजित एक संज्ञोचनी में बोल रहे थे।

उन्होंने कहा कि 31 जुलाई का जिनेवा में तय हुआ समझौता दोह दौर की व्यापार वार्ता को आगे बढाने का एक खाका है। इसके आधार पर वर्ष 2006 से आगे के लिए एक

नयी बहुपक्षीय व्यापार व्यवस्था कायम करने का लक्ष्य है। उन्होंने कहा, 'महत्वपूर्ण यह है कि अब हम समझौता वार्ता में आगे कहां पहुंचेंगे।'

कमलनाथ ने जोर देकर कहा कि विकसित देश बातचीत में तय होने वाली एक निश्चित तिथि तक कृषि निर्यात सन्धि पूरी तरह समाप्त करने पर तैयार हो गये हैं। यह एक बड़ी उपलब्धि है। इसके अलावा नये समझौते के पहले वर्ष विकसित देश अपनी घरेलू सन्धि

में भी 20 प्रतिशत कमी करेंगे। वार्डलैंड के साथ मुक्त व्यापार समझौते के बारे में फिक्की के सदस्यों द्वारा व्यक्त की गयी आशंकाओं का जवाब देते हुए कमलनाथ ने कहा कि सरकार ऐसे समझौतों की समीक्षा करेगी। प्रधानमंत्री डा. मनमोहन सिंह भी इस बात को कह चुके हैं। लेकिन कमलनाथ ने यह भी कहा कि भविष्य क्षेत्रों और द्विपक्षीय मुक्त व्यापार समझौतों का है। रिलायंस इंडस्ट्रीज लिमिटेड के सी. एस. गोखले ने वाणिज्य मंत्रालय से आग्रह किया कि मुक्त व्यापार समझौतों को विदेश मंत्रालय की भर्जी पर नहीं छोड़ा जाए बल्कि इसमें भारतीय उद्योग के हितों को भी ध्यान में रखा जाना चाहिए।

(Rashtriya Sahara 11.08.2004)

CELSE AMORIM

## The new dynamic in world trade

The elimination of billions of dollars in farm subsidies and the entry of agriculture into the mainstream of the multilateral trading system constituted the centrepiece of the Doha round of trade negotiations. Last weekend, members of the World Trade Organisation took a decisive step forward with their breakthrough agreement to slash trade-distorting farm subsidies.

The agreement, reached after intense negotiations in Geneva, reflects the growing perception that rich nations' agricultural subsidies are deeply harmful. Their deleterious effects on consumers, rural workers and exporters from the developing world are now widely acknowledged - even in developed countries. The agreement last weekend offers the precision required at this stage, while providing a solid basis for a true "development round" as decided by the Doha ministerial conference in 2001. It also highlights the emergence of a new dynamic within the WTO.

The central lesson of the recent talks stems from the negotiating process itself. This breakthrough would have been impossible without a degree of multipolarity now taking root in the WTO. This new multipolarity is important because without it the notion of a "multilateral" trade system, represented by the WTO, would be a fiction.

Attempts were made at the unsuccessful ministerial trade meeting in Cancun last year to convince the WTO membership in general - and developing countries in particular - that a pre-cooked deal between the two leading trading partners should be accepted as the only possible basis for agreement. But the politics of trade were undergoing a transformation. The Doha mandate had provided developing countries with a platform for associating trade liberalisation with social justice. The banner of free and fair trade was now being waved by the poor. Reform-minded sectors in the developed world rallied behind this ambitious agenda. As one leading US newspaper noted, subsidies had for some time been considered immoral; the time had come to also make them illegal.

The appearance of the Group of 20 developing countries - representing 22 per cent of world agricultural production and 70 per cent of rural workers - made a big difference. At first unfairly depicted as a spoiler, the G20 gradually established itself as an indispensable player in the search for a balanced solution to the agricultural conundrum. As broadly recognised, the framework agreed last weekend would not have seen daylight without the active participation of the G20. By setting out concrete proposals in Geneva, the G20 helped introduce the very bal-

ance and credibility that had been lacking in the decision-making process.

With the framework agreed, the Doha round seems to be on track to become a real "development agenda". Obviously, developing nations did not get everything they asked for in Geneva. But the overall direction is clear: This is the beginning of the end to export subsidies; the stage is set for a substantial reduction in all types of trade-distorting domestic support; mar-

The overall direction is clear: the stage is set for a substantial reduction in all types of trade-distorting domestic support

ket access negotiations will open up new opportunities for trade, without prejudice to the needs of developing countries. Recent dispute-settlement cases will fuel the general trend toward more equitable disciplines for world trade in agriculture.

Some observers say that even before the guidelines established in the agreement are translated into actual measures, the convergence already

achieved will begin to produce positive spinoffs for economic development and growth. Competitive agricultural exporters from the south, including members of the Mercosur group, can legitimately expect an acceleration of reforms in the north (developing countries being the south, industrialised being the north). More equitable trading conditions may emerge even as negotiations proceed. According to some initial estimates, a successful conclusion to the Doha negotiations could lift more than 500m people out of poverty and add \$300bn annually to developing country economies.

But we should not underestimate the challenges posed by other items, such as non-agricultural products, trade facilitation, special trade treatment for developing countries and implementation-related issues.

These are areas of crucial importance for developing countries, in which we should apply the lessons learned in the agriculture negotiations. Perhaps we will need new "G20s" for dealing more effectively with these issues. The approach followed with respect to agriculture has helped rescue the WTO from paralysis. I am convinced this is the only way to translate into reality the promise of the Doha development agenda and to forge a new WTO.

The writer is foreign minister of Brazil

(Financial Times 04.08.2004)



# FOREIGN TRADE POLICY (2004-09)

## **The Strategy :**

The comprehensive Foreign Trade Policy announced by Mr. Kamal Nath on 31<sup>st</sup> August, 2004 takes an integrated view of the overall development of India's foreign trade. The objective of the Foreign Trade Policy is two-fold: (i) to double India's percentage share of global merchandise trade by 2009; and (ii) to act as an effective instrument of economic growth by giving a thrust to employment generation, especially in semi-urban and rural areas. The key strategies are: (i) Unshackling of controls; (ii) Creating an atmosphere of trust and transparency; (iii) Simplifying procedures and bringing down transaction costs; (iv) Adopting the fundamental principle that duties and levies should not be exported; and (v) Identifying and nurturing different special focus areas to facilitate development of India as a global hub for manufacturing, trading and services.

## **Highlights :**

**Special Focus Initiatives :** Sectors with significant export prospects coupled with potential for employment generation in semi-urban and rural areas have been identified as thrust sectors, and *specific sectoral strategies* have been prepared.

**Export Promotion Schemes :** (a) **Target Plus :** A new scheme to accelerate growth of exports called 'Target Plus' has been introduced. Exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the general actual export target fixed. (b) **Vishesh Krishi Upaj Yojana:** Another new scheme called *Vishesh Krishi Upaj Yojana* (Special Agricultural Produce Scheme) has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products. Export of these products shall qualify for duty free credit entitlement equivalent to 5% of FOB value of exports. The entitlement is freely transferable and can be used for import of a variety of inputs and goods. (c) **'Served from India' Scheme:** To accelerate growth in export of services so as to create a powerful and unique 'Served from India' brand instantly recognized and respected the world over, the earlier DFEC scheme for services has been revamped and re-cast into the 'Served from India' scheme. Individual service providers who earn foreign exchange of at least Rs.5 lakh, and other service providers who earn foreign exchange of at least Rs.10 lakh will be eligible for a duty credit entitlement of 10% of total foreign exchange earned by them.

**Free Trade and Warehousing Zone:** This new scheme has been introduced to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency aims at making India a global trading-hub. FDI would be permitted up to 100% in the development and establishment of the zones.

**Services Export Promotion Council:** An exclusive Services Export Promotion Council to be set up in order to map opportunities for key services in key markets, and develop strategic market access programmes, including brand building, in co-ordination with sectoral players and recognised nodal bodies of the services industry.

**Procedural Simplification & Rationalisation Measures:** These include: all exporters with minimum turnover of Rs.5 crore and good track record will be exempt from furnishing Bank Guarantee in any of the schemes, so as to reduce their transactional costs; time bound introduction of Electronic Data Interface (EDI) for export transactions; and 75% of all export transactions to be on EDI within six months.

**Bio-Technology Parks:** Bio-technology Parks to be set up which would be granted all facilities of 100% EOUs.

**Board of Trade:** The Board of Trade given a clear and dynamic role. An eminent person or expert on trade policy to be nominated as President of the Board of Trade, which will have a Secretariat and separate Budget Head, and will be serviced by the Department of Commerce.

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**We welcome your comments and suggestions at :**

Telefax : 2301 4622

E-mail : [sbiswas@ub.nic.in](mailto:sbiswas@ub.nic.in)

Website : <http://commerce.nic.in>