

# India & The WTO

A MONTHLY NEWSLETTER OF THE MINISTRY OF COMMERCE AND INDUSTRY

VOL. 5 NO. 6 - 7

JUNE - JULY 2003

## From Sharm el-Sheikh to Montreal Issues in the WTO

**Mr. Arun Jaitley, Minister of Commerce & Industry and Law & Justice led the Indian delegation to the informal meeting of WTO Trade Ministers at Sharm el-Sheikh in Egypt on 21-23 June, 2003. At this informal mini-ministerial meeting on WTO issues, India highlighted the concerns and interests of the Indian farmers and pointed out that high levels of ambitions in the agricultural market access negotiations in the WTO must be tempered with realism in order to safeguard the interests of millions who depend on agriculture for their livelihood in India. India also articulated that if there is to be progress in the ongoing negotiations on agriculture, the high levels of ambition in terms of market access have to be tempered and special windows in terms of effective special &**

**differential measures have to be provided. Further, provision must also be made for adequate tariff cushioning as even a surge in import of one or two commodities can actually affect the lives of millions of farmers.** Category of special products with minimum duty reduction commitments and special safeguard mechanisms for developing countries are extremely important for India. Within WTO, members have diverse interests and diverse ambitions on the issue of liberalisation of agricultural trade. The Indian delegation to the mini-ministerial meeting at Montreal from 28-30 July, 2003 was led by Mr. Arun Shourie, Minister of Communication, IT & Disinvestment. He cautioned WTO members of a backlash in developing countries if the pace of economic reforms being undertaken autonomously is seen to be forced under dictates from outside.

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## **INDIA PITCHES FOR SPECIAL WINDOW IN AGRICULTURE TO PROMOTE FARMERS' INTERESTS**

### **JAITLEY AT WTO MINI MINISTERIAL IN EGYPT**

**Articulating India's views at the WTO informal trade ministers meeting in Egypt, Mr. Arun Jaitley, Minister of Commerce and Industry and Law and Justice, made a strong pitch for a special window under the WTO Agreement on Agriculture to provide for special and differential treatment by way of special safeguard mechanism and other such measures, which, he said, would be of paramount importance in safeguarding the interests of the 650 million Indian farmers who depend on agriculture for their livelihood. The Minister was speaking at a working dinner at Sharm-El-Sheikh in Egypt on 20//6/03 which marked the formal commencement of the WTO informal trade ministers meeting - called mini ministerial – being hosted by Egypt to facilitate exchange of views among member countries in the run up to the fifth ministerial conference of the World Trade Organisation (WTO) scheduled to be held at Cancun in Mexico later this year. Special and Differential measures represent the fourth pillar of the ongoing negotiations on agriculture in the WTO along with the three other pillars, namely, market access, domestic support and export competition.**

**The Minister underlined that flexibility in domestic policies in agriculture was extremely important for developing countries like India.**

While appreciating that there had been some movement on Implementation and Special and Differential (S & D) Treatment issues in the ongoing negotiations with new initiatives on development issues, Mr. Jaitley called for greater engagement on all sides to unlock the issues in respect of S & D and Implementation.

Mr. Jaitley also stressed the need for expediting a multilaterally agreed solution on TRIPS (Trade-Related Intellectual Property Rights) and Public Health to address the issues of countries with insufficient or no manufacturing capacity in the pharmaceutical sector, hindering their capacity to address urgent public health problems.

Emphasising the importance of transparency and inclusiveness in the agenda and the process at Cancun, the Minister said the draft document should be provided well in time to enable members to consider and decide on issues by consensus.

About 30 countries participated in the three-day mini ministerial meeting, including Australia, Brazil, Bangladesh, Canada, Chile, China, Costa Rica, Hong Kong, Indonesia, Japan, Jordan, Kenya, Korea, Mexico, Morocco, New Zealand, Pakistan, Singapore, South Africa, Switzerland, Thailand, the European Union, and the US, besides India and Egypt. Mr. Jaitley also had bilateral meetings with the Ministers of Thailand and Mexico and Commissioner Lamy of the European Union.

## **LEVELS OF AMBITION IN AGRICULTURAL MARKET ACCESS NEGOTIATIONS MUST BE TEMPERED WITH REALISM – JAITLEY**

Mr. Arun Jaitley, Minister of Commerce and Industry, has highlighted the concerns and interests of the Indian farmers and said that high levels of ambition in the agricultural market access negotiations in the World Trade Organisation (WTO) must be tempered with realism in order to safeguard the interests of millions who depend on agriculture for their livelihood as in India. In an intervention at the first session on agricultural market access at the informal WTO trade ministers meeting at Sharm-El- Sheikh near Cairo in Egypt today, Mr. Jaitley said: "Those who are pushing for high level of ambitions in agriculture must realize that the world is not uniform and that ambitions – as also the situations and conditions – of different nations are different. The issue of (market access) in agriculture has political sensitivities, serious economic consequences and social ramifications.

It's impact on different countries may be different. And there is no uniform level of ambition of all. Our level of ambition and our priorities relate to our 650 million farmers whose average holding is barely 1.57 hectares and the rural poor. Therefore, if these negotiations are to progress, the high levels of ambition in terms of market access have to be tempered and special windows in terms of effective special and differential measures have to be provided. Provision must also be made for adequate tariff cushioning as even a surge of one or two commodities can actually affect the lives of millions of farmers with serious social consequences. Category of special products and special safeguard mechanisms are extremely important for India. Only then can the diverse ambitions of different nations be reconciled to carry the process of negotiations forward".

## **INDUSTRY TO BE CONSULTED ON WTO NON-AGRICULTURAL MARKET ACCESS NEGOTIATIONS - ARUN JAITLEY**

### **EGYPT MINI MINISTERIAL SESSION ON NON-AGRI MARKET ACCESS**

The government will hold extensive consultations with the industry on issues relating to the ongoing non-agricultural market access negotiations in the World Trade Organisation (WTO) before finalising its stand. This was indicated by Mr. Arun Jaitley, Minister of Commerce and Industry and Law and Justice, in his intervention at the Session on Non-Agricultural Market Access at the informal WTO Ministerial Meeting at Sharm-El-Sheikh in Egypt last evening.

Mr. Jaitley said that the modalities for negotiations on non-agricultural products must fully factor in the needs of developing countries for a more flexible use of tariffs to assist their economic development and to meet their specific need for maintaining tariffs for revenue purposes as recognised in the Doha Declaration. " We have a large number of industries in the sensitive sectors including the small scale sector (SSI) who are large employment opportunity providers as well as a significant plantation sector where tariff mechanisms have to be used for

safeguarding the domestic industries", the Minister emphasised. He also pointed out that many developing countries were transforming autonomously from high tariffs to relatively low tariff regimes. India favours a linear approach to tariff reduction with modalities for tackling the issue of tariff peaks, which would meet the requirement of the Doha mandate, he said.

Mr. Jaitley welcomed the proposal to provide a 5 % flexibility to developing countries for keeping certain items unbound (i.e., not subject to commitment).

Regarding sectoral initiatives for elimination of tariffs in certain sectors, Mr. Jaitley made it clear that India was generally against such initiatives as producers in India as also in other developing countries faced inherent cost disadvantages due to higher cost of capital and higher infrastructural costs. These disadvantages would take substantial investment and time to overcome, the Minister said.

## **INDIA CAUTIONS WTO MEMBERS OF BACKLASH IF REFORMS ARE FORCED – FARMERS’ INTERESTS THE KEY CONCERN**

**MINI MINISTERIAL AT MONTREAL (28-30 July 2003)**

India has cautioned the WTO members of a backlash in developing countries if the pace of economic reforms being undertaken autonomously is seen to be forced under dictates from outside. Articulating India’s point of view at the three-day informal meeting of the Trade Ministers of World Trade Organisation (WTO), hosted by the Government of Canada in Montreal, Mr. Arun Shourie, Minister of Communication, IT and Disinvestment, emphasised that if the pace of economic reforms was such as to cause dislocation or to be perceived as an imposition from outside, then there could be a backlash which could set back the whole process of multilateral trade negotiations. “Stick to the (Doha) text and be cautious in moving forward”, was his message to the meeting which is being attended by 24 member countries.

Mr. Shourie stressed the importance of agriculture as India’s key concern in the WTO negotiations, in particular Food Security and the livelihood security of the vast numbers of people dependent on agriculture in the country. Referring to the proposed Special Products of interest to developing countries, the Minister said the selection of such products must be on the basis of self-declaration given that it was not possible to have multilaterally agreed criteria applicable across the board to all countries. He pointed out that there were about 35 crops in India on each of which around five million people were dependent and more than 25 crops with area of over one million hectares each. The Special Products would need to be combined with Special Safeguard Measures with suitable trigger mechanism in terms of both import volume and price in order to protect the interests of farmers. There should also be real reduction in trade distorting agricultural subsidies without the camouflage of shifting of boxes and the key issue of non-tariff barriers (NTBs), which hindered exports from developing countries, should be adequately addressed, he said.

On Singapore issues such as Investment, Mr. Shourie made it clear that there should be explicit consensus on the modalities, in accordance with the Doha mandate, before any negotiations as “nobody would like to take the first step without knowing where it will all lead”. He also emphasised that Singapore issues could not be a trade-off for negotiations on agriculture or non-agriculture market access and that they should be treated independently as issues to be considered on merits. Singapore issues should not in any manner be made the focus of the meet at Cancun, the Minister stressed.

Participating in the session on non-agricultural market access, he said that while India was in broad agreement with the Girard formula (which recognises the need for differentiation and suggests certain elements for developing modalities for the negotiations), there were several sensitive sectors, which would need continued higher levels of production. He mentioned in particular the sensitivities of small scale and cottage industries; agricultural products like natural rubber, jute and coir, which had crept into the industrial goods during the Uruguay Round despite having all the characteristics of primary agriculture products; and lastly, the categories of industries which had not yet fully stabilised in the country.

In the session on Development, Mr. Shourie reiterated the importance of Implementation and Special and Differential (S&D) Treatment issues and underlined the need to achieve some results in this area before Cancun and preparing a clear roadmap for dealing with these issues beyond Cancun. He urged the negotiators to focus on the commercially significant issues of concern to developing countries, including in the area of services and said this was important for the credibility of the multilateral trading system. Lack of progress in these areas had given credence to the perception of the WTO process as a one-way street, he pointed out.



TEXT

## PM's Statement at G-8 Extended Dialogue (Evian: June 01, 2003)

“Mr. President, first of all I thank you for launching this excellent initiative for a forum of discussions between the developed and developing countries. For some time now, I have been calling for a Global Dialogue on Development, and this meeting is major first step in that direction.

The French government's most gracious hospitality and excellent arrangements for such a large and high-level gathering deserves the highest appreciation. I should also thank the Government of Switzerland for the arrangements on that side of the border.

Mr. President, I will make a few observations touching on some themes already mentioned during this meeting.

It is quite clear that developing countries are **deeply disappointed by the progress so far on the Millennium Development Round since the Doha meeting nearly two years ago.**

I think that we need to set some **benchmarks** for monitoring and evaluating the outcomes of the Doha round, in **terms of concrete progress towards a global trading regime**, which would promote development. **Some areas in which we need such benchmarks are :**

- ❖ The **rapid elimination of tariff and non-tariff barriers to developing country exports.**
- ❖ The **phase-out of trade-distorting agricultural subsidies**, and removal of barriers to agricultural exports, while ensuring the livelihood security of billions of farmers in developing countries.
- ❖ **Removal of visa and non-visa obstructions to the free movement of natural persons for providing services.**
- ❖ **Broader access of developing countries to pharmaceuticals.**

I am happy that special attention is being focussed in these meetings on measures to help African countries. We welcome this. These facilities should also be extended to other similarly placed developing countries. Poverty, disease, malnutrition and hunger do not distinguish between continent, country, colour and creed. Their counteraction plan should not make such distinctions.

The huge resources required for poverty alleviation and economic growth in developing countries cannot be raised purely through the savings of developing countries. External augmentation is required.

I hope the commitments of Monterrey and Johannesburg will be fully discharged. We must also enhance and widen the debt forgiveness initiative for highly indebted poor countries.

We have to look at measures beyond these to generate additional financial resources for development. We also have to address the problem of unrestrained resource flows, which can as the East Asia crisis showed - shatter the economy of

developing countries.

I believe the time has come for us to seriously consider the idea of a small levy on international capital flows, to be credited to funds for global development. This would both dampen volatile capital movements, and generate appreciable resources for development. I know that various technical problems have been advanced to dismiss this idea as impractical. But its potential is so great that special efforts should be made to create a practical regime for its implementation.

We should carefully consider the recent British proposal for an international Finance Facility and the Asian Bonds initiative of the Prime Minister of Thailand. Both are forms of guarantee systems to make capital available for developmental projects. Such mechanisms can substantially enhance access to resources by developing countries. However, we should also ensure that the sound regimes for multilateral development finance built up carefully over the decades are not discarded in the process.

Non-ratification of Kyoto Protocol “has unfortunately stalled the Clean Development Mechanism for investment and technology flows to developing countries in exchange for carbon credits. This has seriously impeded many developing country programmes for renewable energy and energy conservation to reduce the Green House Gas intensities of their economies. We have to find ways of implementing the Clean Development Mechanism, even if the entry into force of the Kyoto Protocol is delayed.

Similarly, the convention on Biological Diversity has failed to transfer technologies to developing countries in return for their biodiversity resources. I believe we need to seriously examine the concept of adequate user fees to developing countries for access to their biodiversity resources. Similarly, the traditional knowledge of communities should be acknowledged as valuable intellectual property. They could charge a fee from commercial users as compensation for the development and conservation of such knowledge over millennia.

Perhaps we should develop a broader approach to the system of user fees on global environmental resources, which would contribute to their conservation, while simultaneously generating funds for development. Conservation of the global environment, and resource generation for economic growth can be fully consistent.

I do not want to take up more of your time. I would just like to say that we have often stated these goals before, but there is now an imperative urgency for their realisation. If we do not act quickly to realise these goals, it is going to become impossible in most developing countries to secure political support for any further trade liberalisation or environmental measures.”

(Text of Prime Minister Atal Bihari Vajpayee's statement at Evian G - 8 Meet)

## **EVIAN G8 STATEMENT ON TRADE**

Following is a Group of Eight statement on trade issued at an annual summit of major powers in Evian on 2 Jan., 2003.

"We stress our faith in and commitment to the multilateral trading system, which has contributed so much to international growth, stability and sustainable development for over fifty years. We believe that continued trade opening, combined with stronger international trade rules and disciplines, represents the optimum path to global growth, both in the G8 countries and elsewhere, and particularly in developing countries. The multilateral system embodied in the World Trade Organisation (WTO), and the current Doha Development Agenda, is thus central to the G8's approach to energising the global economy, increasing employment, spurring sustainable development, improving international governance, and eradicating poverty.

We will promote the multilateral system by providing leadership in the ongoing negotiations so that improved access to markets for all WTO members is realised, particularly for the poorest, to ensure their integration into the multilateral system, and their development more broadly. We are therefore committed to delivering on schedule, by the end of 2004, the goals set out in the Doha Development Agenda, and to ensuring that the Ministerial Conference in September takes all decisions necessary to help reach that.

To these ends, we direct our ministers and officials to pursue urgently with WTO particularly actions outlined below:

- ❖ Work towards an agreed framework for finalising to pursue the negotiations to achieve further substantial opening of trade in all areas, including in agricultural and non-agricultural and in services, in order to benefit economic growth, trade and employment. In so doing will pay particular attention to those areas of interest to developing countries;
- ❖ Work towards strengthening the existing WTO rules and disciplines, as well as developing further multilateral rules, so as to provide fairer, less distorted, more transparent and more predictable conditions for world trade, and as a contribution to improved international governance;
- ❖ Establish a multilateral solution in the WTO to address

the problems faced by developing countries with insufficient or no manufacturing capacities in the pharmaceutical sector at the Cancun Ministerial, rebuilding the confidence of all parties involved in this Issue. WTO solution, to address the practical problems faced by such countries, we note that some of us have instituted moratoria on challenging any Member of the WTO that, according to scope and modalities defined in their respective moratoria, would want to export to countries that need medicines produced under compulsory license for addressing public health crisis including those relating to HIV/AIDS, tuberculosis and malaria and other epidemics.

- ❖ In accordance with the Doha mandate, seek agreement on the negotiating modalities of the four Singapore issues of investment, competition, transparency in government procurement and trade facilitation;
- ❖ Deliver capacity building technical assistance to developing countries in need to help participate fully in WTO negotiations, implement trade agreements, and respond to the opportunities created, in co-operation with other bilateral and multilateral donors;
- ❖ Better integrate trade, finance and development policies, and by using relevant instruments make trade an engine for economic growth and help developing countries make the transition to full participants in the global economy;
- ❖ In recognition of the fact that preference programmes for poor countries have an important transitional role in bringing them into the global trading system, improve our preferential agreements and/or programmes with developing countries, in terms of increased market opportunities, stimulating regional integration and trade between developing country members and ensuring that the rules and procedures underpinning programmes and/or trade agreements do not constitute barriers to the enjoyment of the preferential benefits and multilateral trade liberalisation envisioned as part of the Doha agenda. We will each have to ensure that the rules (particularly rules of origin provisions and documentation required do not inadvertently preclude eligible developing countries from taking advantage of the programmes."



## INDIA SEEKS TRANSPARENCY IN THE CANCUN PROCESS

India has said that the preparatory process for the Cancun Ministerial Conference of the World Trade Organisation (WTO) as well as the Cancun process should be marked by transparency and inclusiveness, in line with the confirmation at Doha by the ministers of their collective responsibility to ensure internal transparency and effective participation of all the WTO member countries. In a statement at the meeting of the WTO General Council in Geneva on 25 July giving India's views on the "Draft Cancun Ministerial Text" circulated to member countries, Mr. Dipak Chatterjee, Commerce Secretary, expressed the hope that the draft text would be developed in a manner so as to reflect fully the views of all members and that wherever there were divergences they would be fully and faithfully expressed in the text.

On the development related issues, Mr. Chatterjee said the issue of immediate relevance would be the one giving effect to para 6 of the Doha Declaration on TRIPS and Public Health and stated that India would like the text of 16 December 2002 to be adopted unanimously before Cancun. This would set the member countries on the right path to a productive meeting at Cancun, as the issue was one of great humanitarian consequence, the statement added.

On agriculture, he said the text should reflect the current state of play and reiterate the assurance to developing countries that their concerns would be addressed as part of the core modalities. The statement also pointed out that levels of ambition were not similar in agriculture for all countries.

Referring to non-agricultural market access (NAMA), the statement said that India looked forward to working with the Chairman of the Negotiating Group to explore the possibilities of coming up with modalities that would do full justice to the Doha mandate and address the concerns of developing countries. It also said that the starting point of the negotiations in this area was the Uruguay Round since it reflected the rights and obligations agreed upon by all members.

The statement said that the text on services negotiations seemed to lay emphasis on deadlines in market access negotiations and suggested that it should also focus on the

quality of initial offers, particularly regarding improvements in sectors and modes of export interest to developing countries.

Expressing disappointment that the draft text does not specify a clear deadline for completion of work on strengthening of the Special and Differential provisions in the existing agreements, the statement said that India would like to see a very clear deadline specified for completion of the work which should focus on agreement specific proposals with a view to addressing them meaningfully.

On Singapore issues, the statement pointed out that the Doha mandate clearly stated that negotiations on these issues would depend on a decision at Cancun by explicit consensus on the modalities for the negotiations. The modalities would have to be substantive and go beyond the elements identified in the Doha Declaration. These are sensitive issues and not all members are convinced of the need to negotiate these issues in the WTO, the statement said, adding that for a considered decision on these issues it was absolutely essential for each member to be fully aware of the commitments and obligations arising from multilateral agreements and the benefits to member countries. This would be possible only if we can come up with substantive modalities, the statement said.

Earlier, at the General Council session on 24 July, Mr. K.M. Chandrasekhar, India's Ambassador to the WTO, presented a paper on an important market access issue in textiles, co-sponsored by Bangladesh, Brazil, Costa Rica, Egypt, Guatemala, Hong Kong, China, India, Indonesia, Macao, Maldives, China, Sri Lanka, Thailand and Vietnam, urging the WTO to ensure that there would be no reduction in effective quota access for developing countries by denial of utilisation in 2004 of the carry forward quota for 2005 when the textile quota regime ends as it would adversely affect exports from developing countries. Presenting another paper on behalf of developing countries, Mr. Chandrasekhar outlined a proposal for a specific short term dispensation in favour of developing countries in the form of a grace period of two years during which no anti-dumping investigations on imports of textile and clothing products from developing countries shall be initiated.



## DEVELOPING COUNTRIES EXCHANGE VIEWS ON AGRICULTURE ISSUES IN WTO NEGOTIATIONS

### MEETING OF DEVELOPING COUNTRIES ON AGRICULTURE – NYON, GENEVA

Developing countries have exchanged views on issues of great importance to them in the ongoing negotiations on agriculture in the World Trade Organisation (WTO) and deliberated on how best to ensure that the negotiations result in the modalities for future agricultural liberalisation that would benefit all developing countries, regardless of their diverse conditions, needs and concerns. Participants at a Meeting of the Developing Countries on Agriculture held recently at Nyon, near Geneva, under the aegis of the Government of India-UNCTAD-DFID project on “Strategies and Preparedness for Trade and Globalisation in India”, underlined that agriculture was a vital part of the development strategies of all developing countries and for many of them, concerns such as food security and rural livelihood were of paramount importance. For a number of developing countries the issue of export competitiveness of their agriculture was equally important as also the issue of the elimination of subsidies in order to provide a level-playing field to the farmers since the high level of subsidies in some countries affected the viability of their domestic markets. In this context, the Meeting emphasised the importance of converging views among developing countries on three issues of particular importance in the area of agriculture, namely, special products (SP), special safeguard measures or mechanisms (SSM) for developing countries and the issue of subsidies. The Meeting was attended by: Brazil, Columbia, Cuba, Dominican Republic, Honduras, India, Indonesia, Mexico, Nigeria, Pakistan, the Philippines,

Peru, Republic of Korea, Turkey, South Africa, Sri Lanka, Thailand and Venezuela.

The participants agreed that the SP and the SSM could provide developing countries with the much needed flexibility to address their development concerns, particularly because the majority of them would have no recourse to measures apart from border measures or tariffs to support their farmers. “Agriculture is the make-or-break issue for the successful conclusion of the Doha round of (multilateral) trade negotiations. However, the time is running out without a major breakthrough on the ‘modalities’ of future trade liberalisation that the WTO members have to agree on at the fifth WTO ministerial at Cancun in September this year”, the Meeting noted.

**Special products and special safeguard measures are the two new special and differential provisions** for the developing countries introduced in the first draft of the modalities for agricultural negotiations which was presented sometime ago by the chairman of the WTO committee on agriculture negotiations, Mr. Stuart Harbinson. **SP meant those that were “special” to development and were to be subject to the lowest level of tariff reductions. The SSM for developing countries was to provide them with a tool to safeguard their vulnerable farmers against import surge or import price fall. While noting that** the concepts were good, but the problem of Harbinson’s draft was that it left the actual design of SP and SSM modalities open to later technical consultations, the Meeting has

underlined the need for developing countries to together lead these consultations so as to arrive at draft modalities that would suit their interests.

**Agricultural subsidies provided by developed countries undermine potential gains from agricultural trade to developing countries and their economic and social goals including food security, rural development and poverty alleviation.** Achieving a structural change in subsidy-dependent agriculture in developed countries is a common negotiating objective of many developing countries, the participants noted, adding that developing countries as demandeurs in this area of negotiations should put forward a concrete proposal on the modalities in order to eliminate trade distortions caused by heavy subsidies of the developed countries.

**The participants discussed at length issues relating to the possible product-selecting modality for special products and defining the technical modalities of the special safeguard mechanism such as product eligibility, trigger conditions, actual action etc.**

Two broad types of the SP selection modality had been discussed in the negotiations in the past months. One was a fixed common selection criteria approach, where eligibility of products as a SP would be determined by product criteria and associated indicators and/or thresholds. Another was a self-selection approach, which allows individual developing country to select eligible products according to their specific needs and circumstances. The majority of participants were of the view that a self-selection would be the only realistic and operationally effective approach, but it should be on the basis of objective criteria which would take into account concerns of rural livelihood, food security and poverty alleviation. Given the versatility in terms of the size, the economic structure and

agricultural production conditions among developing countries, no single criteria nor a threshold could adequately represent the interests and concerns of all developing countries.

On SSM, all agreed that the modality needed to be simpler to operate than the special safeguard (SSG) measure which is available only to the developed countries under the current WTO Agreement on Agriculture (AoA).

With regard to new rules on agricultural subsidies, participants addressed the following issues: reclassification of the Green Box; converting aggregate measure of support (AMS) reduction into product-specific commitments; elimination of the Blue Box; early elimination of export subsidies; and flexibility to be given to the developing countries. With regard to policy flexibility for developing countries, some countries suggested that it would be better to expand the scope of the Green Box for developing countries, in order to ensure that only non-trade-distorting subsidies be allowed in the future. (NB: Green Box refers to domestic support policies that are not subject to reduction commitment under the WTO Agreement on Agriculture and these affect trade minimally including supports such as for research, extension, food security stocks etc. Blue Box policies refer to provisions in the Agriculture Agreement that exempt from reduction commitments those payments or subsidies that are meant to limit production).

During general discussions on the Road to Cancun, the participants exchanged views on how they saw the progress and how they could push towards a substantial result at Cancun. It was also suggested that developing countries needed to analyse how the agricultural negotiations were positioned vis-à-vis other areas of the negotiations, including the Singapore issues and pointed out that in any case, decision making with respect to the Singapore issues should be in the hands of the developing countries.



## **INDIA, CHINA SHOULD SUPPORT EACH OTHER IN WTO, SAYS CHINESE MINISTER**

The Chinese Minister of Commerce, Mr. Lu Fuyuan, has said that India and China share many common interests in the new (Doha) Round of talks of the World Trade Organisation (WTO) and the two should support each other in the WTO and work for the interests of developing countries. According to the Xinhua Chinese News Agency, Mr. Lu said this during a meeting, last evening, with the Indian Commerce & Industry Minister, Mr. Arun Jaitley, who suggested that the two sides should exchange views frequently and make joint efforts to safeguard interests of the developing countries. "The Indian minister said India and China, as two important developing members of the World Trade Organisation, shared many similarities and could cooperate well on many issues", Xinhua says.

India and China should work together to double their bilateral trade volume to 10 billion US dollars by 2005, Mr. Lu further said at his meeting in Beijing today with Mr. Jaitley. As the two most populous and largest developing countries, Mr. Lu said, China and India have great potential to expand their trade and economic cooperation.

India and India signed a number of agreements of cooperation this week as the Prime Minister, Shri Atal Bihari Vajpayee was visiting China.

"Those documents will greatly push forward bilateral trade and economic cooperation between our countries," Lu said. "We should, in accordance with the consensus reached between Indian prime minister and Chinese premier, make plans on the development of trade and economic cooperation", the Xinhua report says.

Mr. Lu said any proposal from India would have the active support of China so long as it was conducive to the expansion of trade and economic cooperation. Two-way trade between China and India reached 4.95 billion US dollars last year, up 37.6 percent from a year ago. From January to May this year, bilateral trade grew 70 percent to 2.9 billion US dollars. Mr. Jaitley proposed the joint economic group between India and China should hold meetings as soon as possible to explore ways of boosting trade and cooperation, according to the Xinhua report.



## PARLIAMENT BRIEFS



- **GOVERNMENT HOLDS WIDE CONSULTATIONS ON NON-AGRICULTURAL MARKET ACCESS NEGOTIATIONS**

For the ongoing non-agricultural market access negotiations wide consultation with the Indian industry has been initiated. The consultations have been held with the apex industry associations like CII, FICCI and ASSOCHAM and other trade/ industry bodies. Workshops, round tables and seminars have been organised by some of these bodies. In addition Export promotion and development bodies like Export Promotion Councils, MPEDA, Council for Leather Export are also being consulted. Presentations to trade bodies through other administrative wings of the government like Office of the Textiles Commissioner and Development Commissioner (SSI), have been held.

- **INDIA OPPOSES MULTILATERAL AGREEMENT ON INVESTMENT**

India has consistently expressed its concerns regarding the expansion of the WTO agenda to include new issues. India has voiced concerns about the inclusion of a multilateral framework on investment at the WTO. The Doha Ministerial Declaration stated that negotiations on a multilateral framework on investment can take place after the Fifth Ministerial Conference in Cancun only on the basis of a decision to be taken, by explicit consensus, at that Conference on modalities of negotiations. Based on the Doha Ministerial declaration, a clarificatory process is underway at the WTO in the Working Group on the Relationship between Trade and Investment and India has been participating in this process actively. At present, some countries have suggested discussions on simple modalities on this issue for negotiations. India

has expressed its concerns about the launch of negotiations based on simple modalities which do not give an idea of the nature and direction of obligations under a proposed agreement.

- **NO COMMITMENTS ON SERVICES**

India has not made any commitments in the World Trade Organisation (WTO) on Trade in Services after the Doha Ministerial Conference. The commitments made by India at the WTO under the General Agreement on Trade in Services (GATS) are only the ones undertaken at the end of the Uruguay Round of negotiations in 1995. These commitments include foreign investment in certain Service sub-sectors, including Computer related Services, at a level lesser than the autonomously liberalised FDI levels. **India is actively participation in the ongoing negotiations for liberalisation of Trade in Services in the WTO with the objective of enhancing access for our Service Providers and Professionals in markets abroad, particularly through Mode 1 (Cross Border Supply) and Mode 4 (Movement of Natural Persons). India has also submitted initial requests to our key trading partners in some Services sectors of interest, including in computer related services, requesting them to take full sectoral commitments and remove limitations and barriers experienced by the respective service sector in their markets in order to get meaningful access to our Service providers and professionals. In addition, India is engaged in active discussions for reaching a broad consensus among the member countries towards working out a common approach to be followed for liberalisation of Movement of Natural Persons, which is an area**

**of utmost importance to us.** Commitments taken by WTO member countries under GATS have generated enabling conditions facilitating continued high rate of growth of India’s computer software exports, which has necessitated movement of professionals as well as opening up of India’s commercial presence by way of setting up of branches/subsidiaries overseas, including in US, EU and South East Asian countries. Under the mandated negotiations, through some countries have tabled their initial Offers, it is difficult to gauge the extent to which our requests have been accommodated in view of the fact that the process of submission of initial Offers and negotiations between countries on that basis is continuing as an ongoing process in the WTO. As such the actual impact of these Offers and negotiations on the export of Indian services cannot be judged at this juncture.

● **OPENING OF LABOUR/SERVICE MARKET UNDER WTO AGREEMENT**

The General Agreement on Trade in Services (GATS) establishes a multilateral framework of principles and rules for trade in services and for grant of market access and national treatment commitments on a sectoral basis by each country, including on temporary movement of natural persons for supply of services. In this context, the commitments taken by most countries during the Uruguay Round are linked to commercial presence and are subject to a number of limitations and administrative hurdles.

The European Community has, in its commitments, offered access for temporary movement of service providers in various categories subject to evaluation of the educational and professional qualifications of the persons seeking access. In keeping with the understanding that developed countries have taken very minimal commitments with regard to the movement of natural persons, India had submitted a proposal on liberalisation of such movement at the WTO, identifying the barriers faced and suggesting strategies to achieve meaningful liberalisation. Furthermore, requests have also been made to important trading partners in

individual service sectors seeking the removal of barriers to access. These aspects are being addressed in the context of the ongoing mandated negotiations for achieving progressive liberalisation of trade in services.

● **GAINS AND LOSSES OF WTO AGREEMENTS**

Despite the challenges posed by Liberalisation and Globalisation, and signing of WTO Agreements, the SSI Sector in India has shown its resilience to withstand the onslaught of global competitions. The performance of SSI Sector, in terms of various indicators in the past five years has improved substantially as under:

Indicators	1997-98	2002-03
No. of Units (in lakhs)	29.44	35.72
Production (in Rs. Crores at current prices)	4,62,641	7,60,844
Employment (Lakh Nos.)	167.72	199.65

The exports from the SSI Sector have increased from Rs. 44,442 crore in 1997-98 to Rs.71,244 crore in 2001-02. Also the number of sick SSI units has decreased from 2,21,536 at the end of March, 1998 to 1,77,336 at the end of March, 2002, as per the latest data compiled by the Reserve Bank of India from the Scheduled Commercial Banks.

India’s agricultural exports have increased substantially since entry into force of the WTO Agreement on 1.1.1995. However, on account of certain asymmetries in the provisions of the WTO Agreement on Agriculture, which could not fully regulate tariffication and permitted only some reduction in trade-distorting domestic support and export subsidies by developed countries, the market access opportunities for developing countries in the international market have remained modest. Some developed countries have also been applying non-tariff barriers to restrict imports of agricultural products. **On the whole, under the existing provisions of the WTO Agreement on Agriculture India’s domestic policy**

**for the agriculture sector has by and large not been constrained by the commitments undertaken under any of the three pillars, market access, domestic support and export competition.** India's exports receive Most Favoured Nation and national treatment in WTO Member countries. The WTO also has a time-bound dispute settlements mechanism to resolve any disputes between Members. The on-going negotiations in agriculture are being carried out on the basis of Member countries' experience in the implementation of the Agreement on Agriculture. India's negotiating proposals are submitted after detailed consultations with all stakeholders. In the on-going negotiations on the Agreement on Agriculture, India, along with like-minded WTO Members, therefore, seeks to correct the asymmetries in the Agreement on Agriculture through substantial reduction in all forms of trade-distorting domestic support by developed countries and the elimination of export subsidies, except export subsidies provided by all developing countries to reduce their high costs of marketing, including handling, upgrading and other processing costs, and costs of transport and freight permitted under the existing provisions which would remain without reduction commitment. India has also proposed that food and livelihood security concerns of developing countries should be safeguarded, and substantial improvements in market access in products of export interest to developing countries should be agreed.

- **WTO RULING IN TEXTILES RULES OF ORIGIN CASE**

At India's request a Panel was established by the Dispute Settlement Body of the World Trade Organisation (WTO) to examine India's claims in its dispute with the United States titled "United States - Rules of Origin for Textiles and Apparel Products". In its final report the Panel has not ruled in India's favour. The unilateral changes in the United States Rules of Origin are applicable from 1996 and, therefore, there are no new effects due to the Panel's ruling. At that time, the changes did affect

India's grey cotton fabrics exports to countries such as Sri Lanka which used them for processing and exports to US.

- **PROTECTION FOR TRADITIONAL INDIAN MEDICINES**

The TRIPS Agreement lays down minimum standards of protection of intellectual property rights which WTO Member countries are obliged to implement in their law. The TRIPS Agreement does not deal with the issue of counterfeit medicines from the public health and the safety risk perspective. India along with a number of biodiversity rich developing countries has made a proposal in the WTO for prevention of bio-piracy and to ensure a mutually supportive relationship between the TRIPS Agreement and the Convention on Biological Diversity. India has proposed that "the TRIPS Agreement should be amended in order to provide that Members shall require that an applicant for a patent relating to biological materials or to traditional knowledge shall provide, as a condition to acquiring patent rights: (i) disclosure of the source and country of origin of the biological resource and of the traditional knowledge used in the invention; (ii) evidence of prior informed consent through approval of authorities under the relevant national regimes; and (iii) evidence of fair and equitable benefit sharing under the national regime of the country of origin.

- **TARIFF REDUCTION FORMULA ON ACCESS FOR NON-AGRICULTURAL GOODS**

India's specific tariff reduction proposal submitted on 30 December 2002 vide Document No. TN/MA/W/10 Add. 1 was reflected in the WTO Secretariat's compilation of the proposals submitted on tariff reduction modalities by Members to the Negotiating Group on Market Access for non-agricultural goods. However, it was not included in the Annex listing the formula reduction methods submitted by Members. India refined its specific proposal by presenting it in a mathematical form with qualification of the flexibilities sought and

submitted the same to the WTO on 14 March 2003 vide Document No. TN/MA/W/10 Add.2. This revised submission was subsequently included in the Annex listing the formula methodologies in the revision of the WTO Secretariat's compilation presented to Members on 1 April 2003 vide Document No. TN/MA/6Rev.1. It may also be mentioned that on 16 May 2003 the Chairman of the Negotiating Group on Market Access submitted on his own responsibility a set of draft modalities for Members consideration. These drafts, circulated vide Document No. TN/MA/W/35 is presently being discussed.

India's tariff reduction proposal *inter alia* required a simple percentage cut on bound tariffs of each Member with a higher percentage to be set for developed countries than the percentage set for developing countries. Additionally, Members were required not to impose tariff on any product in excess of three times their average tariff. The average for this purpose was to be calculated after effecting the tariff reduction. While India did not specify what the reduction percentage would be for developed and developing countries, as an illustration the reduction on different tariff lines using a 50-33.33% and 45-30% ratio was included in the paper. For unbound tariff lines, it was proposed that developing countries could bind them at the highest of the bound rates in a Member's tariff schedule or at the applied rate on a cut off date whichever was higher. Integral to the Indian proposal were also two provisions as special and differential measures for developing countries. These were (a) flexibility to decide individual tariff bindings on at least 15% of the bound tariff lines, on the understanding that the overall percentage reduction will be achieved; and (b) at least up to 10% of the presently unbound tariff lines considered sensitive or strategically important for a developing country could continue to be left unbound.

## ● **RESTRICTIONS ON INDIAN GOODS**

One of the fundamental principles of the multilateral trading system under WTO is that of the Most Favoured

Nation (MFN) treatment which envisages non-discrimination among member countries for the purpose of trade. **Therefore, discrimination or restrictions specific to Indias goods by other WTO members is not permitted. However, WTO rules authorise restrictions on import of goods based on tariff as agreed upon and also through other types of restrictions which are permissible. Such permissible restrictions include those based on balance of payment grounds, sanitary and phyto sanitary related restrictions, conformity with agreed/international standards and contingent protection measures like anti-dumping, subsidy and safeguard actions, Procedural requirements could also act'as barriers to trade.**

**Restrictions on import of goods from India exist in several of the WTO member countries. When market access is affected in any significant manner in specific countries, such issues are taken up particularly if they are also not WTO compatible. Normally such restrictions on imports are addressed through bilateral contacts like inter-governmental Commissions, working groups on trade and economic cooperation etc. The WTO also provides for a number of mechanisms for addressing the issue of restrictions on imports of goods into the markets by WTO members. These include Trade Policy Review Mechanism, discussions in the Councils, subsidiary bodies, bilateral consultations and dispute settlement. Such issues are also taken up as part of multilateral negotiations.** It would be difficult to list all the restrictions on imports from India in various WTO member countries or to name all of these countries since restrictions of one kind of or another exist in various Members. Department of Commerce has been compiling non-tariff barriers being faced by India in foreign markets from time to time.



## Monthly Report on Multilateral Trade Issues & Developments ( June 2003 )

### TRIPs Council

A meeting of the TRIPs Council was held in Geneva on 4-5 June 2003. Significant event was the submission of 2<sup>nd</sup> Paper on relationship between Committee on Bio-Diversity (CDB) & TRIPs by India along with a group of other developing countries. India also proposed grant of observership to CBD in the TRIPs Council.

### Working Group on Trade Debt and Finance

In this meeting on 5/6/03, discussions mainly centered on finalization of the draft report to the General Council.

### Working Group on Trade and Investment (WGTI)

The discussion focussed on 10/6/03 on paper submitted by Canada, Costa Rica and Korea on the need to go into the negotiating mode on investment as well as paper submitted by Japan and China at the last meeting of the Working Group held in April on issues, namely, scope and definition, transparency, relationship between any multilateral framework on investment with GATS. **Number of developing countries noted that there are wide differences on a number of issues** set out in para 22 of Doha Ministerial Declaration. Without knowing the scope and structure of any framework agreement they would not be in a position to taken an informed decision. The draft report of the Working Group to the General Council was also considered at the meeting.

### Trade Negotiations Committee (TNC)

The President of Burkina Faso attended the meeting held on 10 & 11/6/03 to highlight the problems posed to some Central African countries by subsidies given to cotton growers in some developed countries. **The paper 'The Doha Agenda : Towards Cancun', co-sponsored by 26 developing countries including India, was presented at the meeting.** The paper is intended as a reference point to guide

the work till Cancun. It identifies issues of priority for developing countries. The discussions were mostly on modalities on tariff reduction on industrial products and on DSU review. On the latter, formal extension of the deadline would be sought from the General Council (GC) in July '03.

### Negotiating Group on Rules

Three S&D proposals referred by the Chairman, GC were taken up for discussion on 11/6. **India and Korea introduced their discussion paper on RTAs in which they raised many issues that could usefully be addressed in the Group.** India's paper was welcomed as a useful contribution. Australia and a few other members presented a paper that deals with transparency related issues. The Chairman's paper on transparency in RTAs was taken up for discussion but due to paucity of time discussions could not be completed.

### Council for Trade in Goods

Discussions in this meeting took place on review and operation of TRIMS, Work Programme on Electronic Commerce, Waivers under Article IX and Trade Facilitation.

### Council for Trade in Goods (CTG)

Under Article 9 TRIMS Review, Brazil, India underlined the need to structure to discuss the paper submitted by them at the CTG meeting held on 12 & 25/6/03. Colombia wanted some further work by the Secretariat. US, Canada, EC noted that discussions have already taken place on the paper submitted by India and Brazil. In their view, no further work is required and there is wide divergence in the positions of members. The Chairman noted that he would be holding informal consultation to take stock of the discussion on Article 9 Review of TRIMS.

### Special & Differential Treatment (S&DT)

Discussions on 17/6/03 were held on Category 1 SDT

proposals. The proposals relating to Article XVII, XXXVI of GATT 1994 were taken for discussion. There was no consensus on any of the proposals. The Chairman noted that he would coming up with the revised text on some of its proposal for consideration by Members.

### **Working Group on Transparency in government procurement**

Discussions in this meeting on 18/6/03 basically centered on a new EC submission, detailing their views on a future agreement on transparency in government procurement.

### **Negotiating Group on Rules**

As usual, preliminary comments were made on new proposals. India also submitted its Third proposal in the Negotiating Group, this one, on SCM Agreement.

### **Textiles Monitoring Body (TMB)**

Discussions continued on 23/6/03 notifications made pursuant to Agreement on Textiles and Clothing (ATC) by members

### **Dispute Settlement Body (DSB) Meeting**

No new panel was established, nor was any report adopted in the DSB regular meeting.

### **Working Group on Trade & Transfer of Technology**

The draft report of the Group to the General Council was considered on 24/6/03. Section 6 – 'Recommendations' – was objected to by the QUAD. They said that the issues identified therein have not been agreed upon by all Members. The Chairman will hold further consultations.

### **Bilateral meeting with Cambodia on its accession**

A bilateral meeting was held with Cambodia in the context of finalization of India's bilateral negotiations on goods and services with them.

### **Committee on SPS Measures**

The SPS (Sanitary & Phyto-sanitary) Measures Committee first met in informal mode during 23-24 June 03 and then the formal meeting was held during 24-25 June 03. The following major issues were discussed: (a) S&D, b) Equivalence, c) Transparency and d) Regionalisation (Art 6 of the SPS Agreement). This S&D issue was discussed by the SPS committee in the light of the request from the Chairman General Council to SPS Committee to consider 5 proposals on S&D relating to the SPS agreement *as soon as possible* and on the basis of *specifically drawn up time schedule of work*. The Committee adopted the recommendations as contained in the document G/SPS/W/128/Rev. 3 on implementation of para 7 of the Decision on equivalence on ad-referendum basis.

### **Trade Policy Review Body (TPRB): (TPR of Indonesia)**

A meeting of the Trade Policy Review Body was held on 16 and 14 May 2003 to conduct the fourth Trade Policy Review of Indonesia. All members acknowledged wide ranging liberalization measures undertaken by the Indonesian government esp. after the Asian financial crises. Indonesia referring to its unilateral tariff reductions informed that the current percentage of tariff lines lying between 0 to 10% is 83.35%. Similarly there are just 0.99% of all tariff lines where tariff exceeds 30%. Some members urged Indonesia to reduce the gap between bound and applied tariffs in the context of NGMA (Non-Agricultural Market Access) work.

### **Trade Policy Review Body (TPRB): (TPR of Morocco)**

A meeting of the Trade Policy Review Body was held on 16 and 14 May 2003 to conduct the third Trade Policy Review of Morocco. All members noted that despite various constraints including the frequent occurrence of natural calamities in the shape of droughts, the government has been able to achieve a sustained economic growth. Members also appreciated Moroccan efforts as the coordinator of African Group.

**(Source: PMI/Geneva)**



PRESS FEEDBACK ON  
MINI MINISTERIAL etc.

# Jaitley stresses spl protection to farmers

**Press Trust of India**  
Sharm-el-Sheikh (Egypt): India has stressed on special safeguards to protect the interests of its 850 million farmers at the WTO mini-ministerial meeting which began talks on several issues including the crucial market access in the agriculture sector and TRIPS.  
Commerce and industry minister Arun Jaitley, speaking at a working dinner on Friday night marked the start of the meeting here, made a strong pitch for a 'special window' under the WTO agreement on agriculture to provide for special and differential treatment to ease the pressure on the farmers in meeting the competition posed by farm produce from the developed countries.  
"The window should be by way of a special safeguard mechanism and other such measures which would be of paramount importance in safeguarding

the interest of 650 million Indian farmers who depend on agriculture for their livelihood," he said.  
The mini-ministerial has been organised as a precursor to the fifth ministerial conference scheduled in September at Cancun in Mexico. It would facilitate exchange of views among member countries on the difficulties in implementation of several provisions of

**WTO MINI-MINISTERIAL**  
WTO. Special and differential measures represent the fourth pillar of the ongoing negotiations on agriculture in the WTO. The three other pillars are market access, domestic support and export competition. Articulating the country's view on market access in agriculture sector, Jaitley underlined that flexibility in the domestic policies in agriculture was extremely important for developing countries like

India. The minister said though there had been some forward movement in the implementation and special and differential treatment issues, there was an urgent need for greater engagement on all sides to resolve the problem areas concerning these issues.  
India also attached importance to expediting of the multilaterally agreed upon solution on TRIPS and public health to address the problems faced by developing countries having insufficient manufacturing facilities to meet the requirement of pharmaceutical products in fighting diseases.  
The points of discussions and the conclusions thereof should be noted in the draft agenda for the Cancun meet and the same should be circulated among the countries well in advance to enable members to consider and decide issues through consensus, he said.

(News Time 25.6.03)

## India cautious at WTO meet TRIBUNE NEWS SERVICE

**NEW DELHI, JUNE 24**  
India has expressed caution on Singapore issue, while calling for meaningful package on implementation of special and differential treatment issues as well as resolution of the TRIPS and public health issue before Cancun as these constitute some of the cardinal elements of the Doha work programme as far as the developing countries are concerned.

Participating in the informal meeting of WTO trade ministers at Sharm El-Sheikh in Egypt, the Indian delegation cautioned on Singapore issue by stating that the structure and content of the Singapore issues were still unclear and hence has reservations about entering into negotiation of any kind without a full understanding of the nature and structure of the agreement that would result from such negotiations, a statement issued here said today.  
The Singapore issues deal with investment transparency in government procurement, competition policy and trade facilitation.

(Tribune 25.6.03)

# India opposes WTO talks on investment

## Structure And Content Of Singapore Issues Remain Unclear, Says Jaitley

New Delhi Service  
24.6.03

**W**ith the Cancun ministerial meeting just a couple of months away, India has stepped up its campaign against the multilateral agreement on investment (MAI) proposed by rich nations. The time has also come for negotiations on Singapore issues which include investment and competition, consumer protection and intellectual property rights. Commerce and industry minister Arun Jaitley said his government will not be involved in the ongoing mini-ministerial of WTO in Egypt. Since the ministerial has to be held in Egypt, the ministerial will be held in Egypt. Since the ministerial has to be held in Egypt, the ministerial will be held in Egypt.

According to the statement, the structure and content of the Singapore issues are still unclear. Therefore, India has reservations about entering into negotiations of any kind without a full understanding of the nature and structure of the agreement that would

result from such negotiations, apart from investment and competition policy. Singapore issues include transparency in government procurement and trade facilitation.

The statement said India had consistently opposed expansion of the WTO



agenda to include new issues. "However, in view of the interests shown by some trading partners, we evaluated our clarification process, following the decision taken at Delhi. This was subject to the condition that negotiations on multilateral agreements should be held only after Cancun meeting of

an explicit consensus... We had engaged actively in the process of consultation with the Working Group constituted for the purpose... However, the position that the structure and content of the Singapore issues is still unclear," Mr Jaitley's statement said.

"The example we do not know the scope and definition of investment; whether it is confined to foreign direct investment; the contribution to trade or whether it includes portfolio investment and other short-term forms of capital flows; whether multilateral agreement would lead to more investment and increased job-creation; what about sovereignty and policy space.

"There is no clarity regarding the scope of competition, whether it applies both to international and national companies; if the latter, what kind of multilateral arrangement will come into existence for the purpose. We have not even defined the scope of transparency in government procurement and there is no definite view on the standard level of competition (would

be more liberal than international arrangements). There are concerns about the need of multilateralism in this respect," the statement added. India has clarified that it would participate constructively in the discussions on these issues in Cancun under the aegis of the WTO general council.

India has called for a meaningful package on implementation and special and differential treatment issues as well as resolution of the TRIPS and public health issue before Cancun.

During a previous development ministers India expressed dissatisfaction at the delays in finding solutions to problems raised by developing countries. "We must not lose sight of the implementation issues on which we had taken concrete decisions at Delhi. Some of them, which have great potential value for developing countries, had been referred to WTO bodies for finalisation and implementation. We would expect positive results on some of these issues before Cancun," ministerial issued by Delhi said.

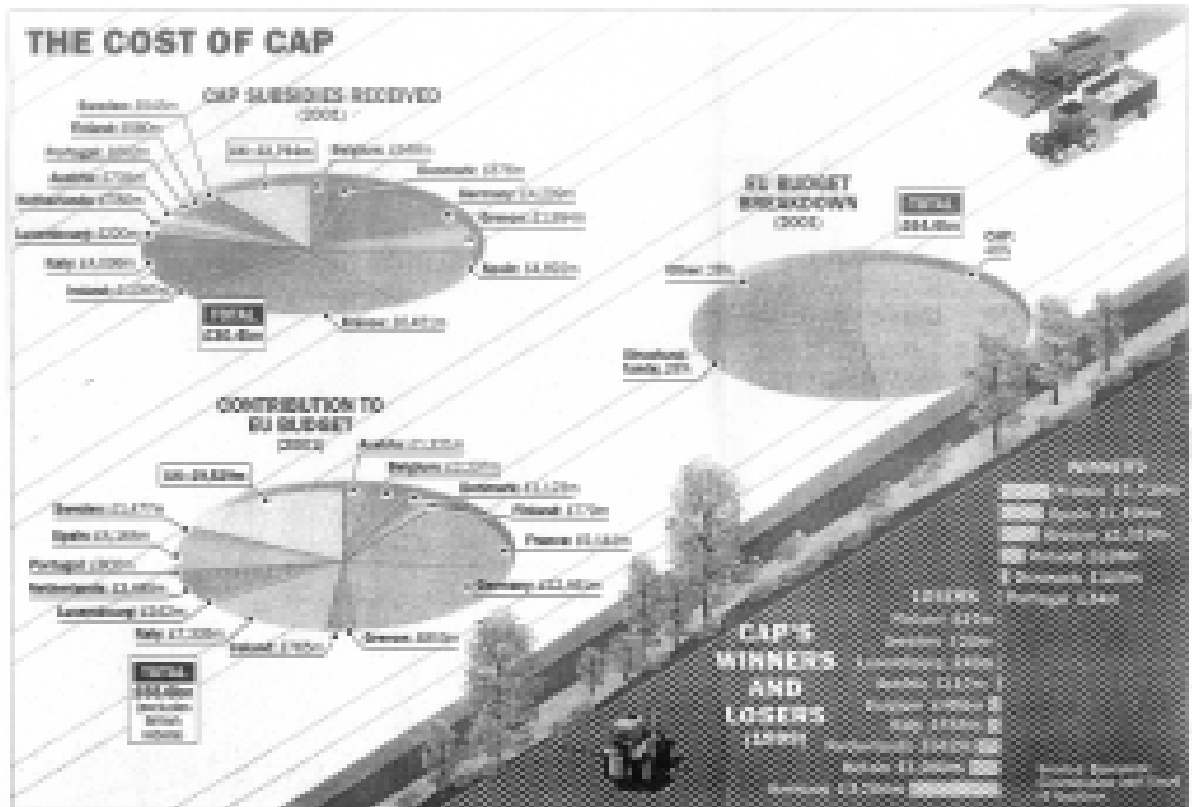
(Economic Times 25.6.03)



**FEEDBACK ON  
CAP REFORM**

## EUROPE'S FARMERS

THE IRISH FRIDAY, JUNE 23 2000



# Decisions not bold enough, says America

From Roland Watson  
in Washington

AMERICA gave a guarded welcome last night to the Luxembourg deal, saying that Europe's proposed farm reforms could help to break the deadlock in critical world trade talks.

Robert Zoellick, the US Trade Representative, said that the Common Agricultural Policy (CAP) reforms were a necessary step that US officials hoped would provide a useful impetus to the World Trade Organisation (WTO) negotiations. However, he expressed disappointment at the details, suggesting that the EU had not been bold enough.

He said: "We hope that the compromises that altered the original Commission proposal do not limit the EU's ability to contribute to global reform in agriculture."

He made it clear that the US

would reserve final judgment until it had assessed Europe's approach to the next critical round of global trade talks in Mexico in September.

"The next critical step is for the EU to promptly translate today's decision into meaningful WTO proposals. Without new EU agricultural proposals in the WTO, the world cannot fully assess the impact."

Mr Zoellick added: "It is crucial that the EU press forward with significant agricultural trade reform promptly so that we can work with the EU and others to advance WTO negotiations at the next ministerial meeting."

He gave no hint that the US was prepared to reciprocate, even as European leaders moved to press Washington to make further changes in US farm subsidies.

World trade chiefs welcomed the EU reforms as a timely and critical shot in the

arm for deadlocked global trade talks. "It's a kind of transfusion of blood," Supachai Panitchpakdi, the World Trade Organisation Director-General, said.

The deal would help revive the stalled efforts to liberalise world trade, he said. "At least it gives more life to our negotiation at the moment. It's a life that we need."

The so-called Doha round was in danger of running into the ground because of a long-running dispute between the

EU on one side, and the US and other big agricultural producers such as Australia and Argentina on the other. Washington has argued that the EU should make drastic cuts in its agricultural subsidies to farmers because of the way the system encouraged over-production, swamping world markets and undercutting other farmers around the world.

The success of the next session of talks in the Doha round, due in Cancun, Mexico, in September, was in jeopardy because breaking the deadlock over farm policy is critical to the overall success of the talks. Mr Zoellick said that reforming global agriculture was the key to Doha, because of agriculture's vital importance to so many countries, particularly developing nations.

Mr Supachai, a former Deputy Prime Minister of Thailand, said that he expected the EU

deal would lead to more movement in areas of agriculture. But he was cautious about whether the CAP reforms were far-reaching enough to represent a genuine breakthrough.

"Certainly it would help to move our agenda on agriculture negotiations forward. How far, we cannot tell," he said.

EU chiefs moved on to the front foot, calling on the US to reform its own system of farm subsidies. The decision by President Bush last year to more than double federal spending on US farmers to \$180 billion (£108 billion) over the next ten years has infuriated European officials.

Brussels believes its reforms will neutralise US criticisms of its over-production and dumping ahead of the Cancun talks. Franz Fischler, the EU Agriculture Commissioner, urged Washington to match the Brus-

sels reforms. But Mr Zoellick was already proposing to eliminate export subsidies, slash global tariffs and cut domestic farm support.

The Doha round of trade talks, launched in the Qatari capital in November 2001, is aimed at cutting barriers to international trade in industrial goods, agricultural products, and services such as telecommunications and banking.

Negotiators for the 146 members of the WTO have already missed several interim deadlines, and are struggling to complete the round by the end of next year.

Mr Supachai is insisting that the talks finish on time, and said that he would approach world leaders directly to ensure they did.

"I wouldn't baulk at getting the leaders of the world to be involved in this undertaking. We need all of them on board."

(Times 27.6.03)

**WORLD'S IMPRESSION**

**Do CAP reforms go far enough?**

E-mail your views to [debate@thetimes.co.uk](mailto:debate@thetimes.co.uk)

**FEEDBACK ON  
CAP REFORM**

**'IT IS A  
GOOD DEAL'**

'We're sending out a message to the world that we have a more trade-friendly policy. We are saying goodbye to a policy that used to distort trade'  
**Franz Fischler,  
EU Farm Commissioner**

'The agreement today delivers what we wanted: real change'  
**Margaret Beckett**

'It is an important signal to do away with old customs, and an important signal to the world trade round and to the developing countries'  
**Renate Kuenast,  
German Farm Minister**

'We've met all the objectives we set, basically to maintain cattle and agricultural activity throughout Spanish territory'  
**Miguel Arias Canete,  
Spanish Agriculture Minister**

'At least it gives more life to our negotiation at the moment, it's a life that we need'  
**Supachol Panichpakdi,  
WTO Director-General**

**'IT'S A  
BAD DEAL'**

'This CAP deal is a failure for the world's poor. Member states have added a plethora of caveats and get out clauses... including completely sidestepping the serious problem of dairy dumping by the EU on poor countries'  
**Oxfam**

'The reform, based on the swindle of decoupling direct payments, will accelerate the disappearance of farmers'  
**The European Farmers' Co-ordination lobby group**

'The reform is not as wide as I had wished. Every EU country has had to give in on original standing points and we have taken extra consideration to farmers in especially vulnerable areas'  
**Marianne Fischer-Bost,  
Danish Agricultural Minister**

'Any reform is positive, but this is not the full reform wanted'  
**Businessmen for Agri-Food Association  
English Minister**

**SACRED COWS**

Still free to roam the EU's subsidised pastures

Extreme exhaustion can induce hallucinations. The interminable haggling over reform of the EU's Common Agricultural Policy must have been exhausting in the extreme. How then to evaluate Margaret Beckett's verdict that the dawn deal struck yesterday will, for the first time since the CAP was set up four decades ago, impose "real change" on this bureaucratic, fraud-ridden, market-rigging monster? How can that claim be reconciled with the triumphant prediction by Miguel Angel Canete, her Spanish counterpart, that "there is not one hectare, one head of cattle in all Spain, that runs the risk of disappearing", or her French counterpart's assertion that agricultural markets will stay firmly under state control?

The answer is that all three may be right: In principle, the CAP is headed for truly radical change; yet farming practices, and costs, will change far too little — too little to put European agriculture on a sensible and sustainable course, and too little to satisfy justifiably impatient free-traders at the vital Cancun meeting of the World Trade Organisation this September. Abetted by the British, Germans, Danes and Dutch, Franz Fischler, the EU's Agriculture Commissioner, has succeeded in establishing an all-important precedent. All EU countries, including France, accept that in principle, subsidies must be decoupled from production, preferably as of 2005 and at the latest by 2007.

This is of cardinal importance. The worst excesses of the CAP derive from the artificial incentive to produce. The surpluses are dumped on world markets, to the detriment of poor countries' farmers and at the expense of EU taxpayers. There is then the outrageous skewing of subsidies in favour of the biggest and richest producers who are perfectly able to compete on the open market, while hill farmers and others subsisting on the breadline get next to nothing.

As of 2005, farmers are to receive a single annual payment, based on the average of the produce-linked subsidies they received in 2000-2002; these sums will be linked to environmental, food safety and animal welfare standards, as well as requirements to

keep farmland in good condition. Payments to large farms, those that get more than €5,000 a year in subsidy, will be gradually reduced, with 80 per cent of the money thus "saved" in each state diverted to rural development in more marginal areas. In theory, this shifts subsidy in the direction of enlightened management of the countryside.

The trouble is that this apparently signal victory has been purchased, not won with bribes that leave the true scope of this reform in question. The messy final deal, lamentably diluting the modest reforms put forward by Herr Fischler last year, is riddled with loopholes, particularly in the sectors that matter to France (and Spain).

On French insistence, governments will be allowed — citing vital national interest — to retain the old producer subsidies if farms would otherwise be abandoned. That judgment rests with individual governments, not Brussels; yet Brussels — meaning the taxpayers of countries that, like Britain, do not exploit this loophole — will foot the bill. In theory, for example, cereals must be decoupled from producer subsidies either by 2005, or at the end of a "transition period" lasting until 2007. In practice, up to 25 per cent of subsidies may remain production-linked. For sheep, the "exception" is 50 per cent. All a French or Spanish farmer has to do, it appears, is say "pay or I quit".

This deal, therefore, frees countries such as the UK to press ahead with genuine reform, but at the price of subsidising backsliders. Finally, the CAP will still devour €44 billion a year, half the total EU budget; and Europeans will still, both as taxpayers and as consumers, pay too much for their food. Guaranteed EU prices for some produce will be cut; but France — again — blocked any reduction in the price of cereals.

This was the EU's best chance of farm reform, driven as it was by the imperatives of enlargement and the expiry this year of the WTO "peace clause" permitting the EU to subsidise production directly. It now has 50 working days in which to render this messy result palatable to its WTO trade partners. Mrs Beckett cannot afford to take a holiday.

(The Times 27.6.03)

(Times 27.6.03)

# A reform that clears the way for further trade liberalisation

THE PROPOSED government has moved as far as anyone realistically could have hoped. In its agreement yesterday's compromise proposals for reform of the Common Agricultural Policy. Whether it's far enough to allow for a further liberalisation of world trade is another matter, and even if it is, it doesn't tackle the other big regions of agricultural subsidy, the United States.

However, what it may do is narrow the European Union from its current position as a trade barrier to one renewed program in trade liberalisation, and get the US in that unacceptable position. In fact, that's quite a step for the US, which has never before had a unilateral arrangement for the pursuit of free trade. It must eventually estimate the global free trade agenda being pursued through the World Trade Organisation.

Nobody could have failed to notice that over the past three years there has been a hiatus in the world economy. During that time, world trade has stalled. Whether that's more effect than can be said to say, but in any case, growth and trade are two sides of the same coin. Over the past 20 years, world trade has been growing at nearly double the rate of growth in worldwide GDP, and since the turn of the century it has slowed. It barely grew at all in 2002, and last year wasn't a great deal better. As

economic circumstances have deteriorated, the pressure for protectionism has grown.

According to the Chancellor in his recent Mansion House speech, world income could be increased by \$400bn a year, equal to growth of 1.4 per cent, by lowering protectionism in agriculture, industrial goods and services. Of course, the argument at Doha, and later this year at Cancun, is that it is the developed world that gets most down trade liberalisation.

Whether this is true or not, it is widely believed in the developing world, which is what makes further reform of agricultural subsidy so important. Little progress is possible so long as farmers in the prosperous west are subsidised to overproduce. We preach free trade but practice the reverse.

The key breakthrough in yesterday's EU compromise is that most of the subsidies that reward farmers according to how much food they produce will be dismantled, allowing the EU to cap and then slowly reduce the totality of agricultural subsidies. As ever the devil is in the detail, and in order to achieve the breakthrough, negotiators have had to ditch the decepting principle quite a bit. There are all kinds of get-out clauses which may yet disrupt progress in the wider trade debate. None the less, it's an important

start, even if the driver for reform is more that of EU pragmatism than the free trade agenda. The EU has at last managed to tackle the issue of the CAP, and by doing so it may help shift the log jam. That's been standing in the way of that vital further round of trade liberalisation.

## BP's Russian front

THE LAST time BP dined with the Russian bear it got badly scolded. That was back in 1997 when BP took a 11 per cent stake in a Siberian oil producer called Sibneft. BP found Sibneft defenceless and, without recourse to the company was stripped of the best assets by the majority shareholders.

Six years on, the circumstances, and legal battles which characterised BP's first foray into Russia have been buried beneath the current tangle. BP has signed up for a new \$1.3bn joint venture with the very same Russians who first lured it into Sibneft. BP's Russian partner, Alfa and Access-Rosneft, promise that this latest joint venture will not end on the same sour note. Back in 1997, Russia was still a credit country as far as the international financial community was concerned. These days, it has both a more stable legal



JEREMY WARNER

environment and economy. Alfa also has its reputation as a reliable investment partner to worry about. Just to be on the safe side, Lord Browne, BP's chief executive, has ensured that this time, any disputes between the two sides are settled under English law. The holding company, TNK, BP will also be registered outside Russia in the British Virgin Islands.

As the regulations and financial rules for BP are still considerable, BP insists that its partners are discharged people, but that didn't prevent in-

volvement in the Prestige oil spill off the Spanish coast - one of the most, or ecological disasters of recent years - and they are still fighting other legal actions in respect of Sibneft.

Moreover, BP does not have management control, nor majority ownership of its new Russian interest. It will be interesting to see how much weight English law carries in Siberia if the venture falls apart and the black start hits the fan.

If the deal does unravel, then at least BP has not bet the ranch. It only has \$1.6bn of its own cash at risk. That may sound like a lot to most companies, but it is less than a year's capital expenditure for a business the size of BP. On the other hand, it would almost certainly prove terminal for Lord Browne. His name has slipped in the last 12 months and he cannot afford another Russian retreat. Which is what makes it such a gutsy deal for him. It's worth, for I, a top rich reward for bringing first the Russia. And if it doesn't...

## Techs/LogicaCMG

TECHNOLOGISTS have enjoyed something of a revival so far this year. They didn't fall as far or as fast as other shares in the early part of the year, but they have outperformed

by in the subsequent rally. In the US, some internet stocks seem to be underperforming a return of the dot.com bubble, so strong has been the updraft in share prices. All things are relative, of course, and the main reason the information technology sector has risen more strongly than other shares is that it had fallen so much more severely with many tech stocks both in the US and Europe having lost the 40 per cent, and their passage from peak to trough.

If there is some solid underpinning for the revival too. From about the middle of last year, the slump in IT investment began to ease. Going into the first quarter of this year, it started to grow once more for the first time in two years. Again, it's got an awfully long way to go before it gets back to the levels it was at during the bubble, but the recession is demand for IT, that's not production, does at least seem to have come to an end. Production of hardware may remain subdued for some time to come yet, as stocks are reduced, but for software and IT services, the market warrier that has propelled the sector this past few years may at last be lifting.

Some companies have been more effective than others in managing their way through the downturn. One of these is LogicaCMG. OK, so the chief executive, Martin Road, ever the

optimist, may be getting a little ahead of himself in believing he can lift LogicaCMG from its present position of number 26 in the world league of IT service companies into the top 10, but securing a place back in the FTSE 100 certainly looks an attainable goal. The merger with CMG has, on the whole, been a success, and the future of IT really is increasingly in mobile devices. LogicaCMG is as well positioned as any to benefit from an overall rebound in mobile spending.

Continuing the Government that it should spend more on IT remains an uphill task, not only because so many public sector IT projects have gone so spectacularly wrong. Not with us, says LogicaCMG, but to little avail so far. Yet although the wheels of government grind exceedingly slow the will to there is a government work and again LogicaCMG, as Britain's premier software house, is sitting pretty to reap the benefits.

As for IT spending more generally, it's still down in the dumps, but the corner seems to have been turned, and eventually it will recover. Bill Gates, chairman of Microsoft, reckons we have thus far only witnessed the beginning of the productivity revolution IT is capable of bringing about. Well, he would say that, wouldn't he, but you never know, he may even be right. [www.commerce.gov.uk/industry](http://www.commerce.gov.uk/industry)

(Independent 27.6.03)

# EU claims historic reform of European agriculture, but struggling Third World farmers say dumping will go on

By STEPHEN CASTLE  
in Brussels

A BROAD-SCALE deal to reform the Common Agricultural Policy (CAP) was hailed yesterday as a breakthrough in Brussels but dismissed by development campaigners as a disaster for Third World farmers.

After a 18-hour all-night negotiation, EU agriculture ministers emerged with a package designed to help to flourish trade and end a notorious system that has pushed millions of farmers to ruin.

Franz Fischler, the EU's agriculture commissioner, said that the reforms mean "the beginning of a new era" and waved goodbye to a system that "significantly distorts international trade and harms developing countries".

But the Catholic aid agency Cafod said the "final proposals are less ambitious than had to be and the damage EU subsidies do to undermining Third World farmers". Paul Bloomer, head of advocacy at Oxfam,

<p><b>TO SHIFT MORE CASH INTO HELPING THIRD WORLD FARMERS</b></p> <p>To shift more cash into helping third world farmers, the EU will allow organic or high-quality food, or move into agriculture, rather than produce butter, mountains and wine like this.</p>	<p><b>TO BREAK THE LINK BETWEEN SUBSIDY AND PRODUCTION</b></p> <p>Break the link between subsidy and production, to cut artificially high prices. Also to curtail dumping of surplus produce on Third World markets.</p>	<p><b>TO CUT THE LEVEL AT WHICH THE EU INTERFERES TO KEEP PRICES ARTIFICIALLY HIGH</b></p> <p>Reduce the level at which the EU interferes to keep prices artificially high, and boost farmers' incomes. Increase some milk quotas to meet demand.</p>	<p><b>TO CAP ALL SUBSIDY PAYMENTS TO INDIVIDUAL FARMERS AT €200,000</b></p> <p>Cap all subsidy payments to individual farmers at €200,000, ending the absurdity of the largest cash bonuses being made millionaires by EU taxpayers.</p>
<p>Organic or specialist farmers, including those in farm-based tourism, will be able to apply for grants and other payments of up to €8,000 a year to five years.</p>	<p>France will dig its heels but overall 80% of payments will no longer be linked to production. Countries such as Britain will move quickly to cover the EU.</p>	<p>Rebates is coming out slowly. Butter prices cut by 25% by 2007. There will be another negotiation before dairy sector joins the rest of the reforms in 2008.</p>	<p>Velocity for the grain harvest. All payments above €5,000 a year will be reduced by a sliding scale starting with 3% in 2005, 4% in 2006 and 6% in 2007.</p>

said: "These proposals confirm our worst fears, there is nothing to celebrate. European agriculture will still be subsidised in the name of ECU, creating vast surpluses that will be dumped on poor countries."

The agreement was clinched after concessions bought at opposition from France, which receives nearly a quarter of the EU's annual €36bn CAP spending on agriculture.

Negotiations were suspended last week by Jacques Chirac, the French President, who threatened to veto a deal if confirmed on the basis of a breach of fundamental national interests. The package was through yesterday with only Portugal voting against because it opposed the Aures' milk quota.

Although Mr Fischler waved down his plans in key areas, he wants to establish the principle that subsidies should no longer be linked to production. The European Commission wants to end incentives for farmers to produce unmarketed food, which is often

exported with the help of state subsidies. Instead, subsidies for most products will be covered by a "single farm payment" that will be based on the value of previous output and will be cut if farmers fail to meet environmental, food safety and animal welfare standards.

France was a partial exception from the measures for the cereals sector, allowing the right to keep up to 25 per cent of surplus payments linked to production per hectare. There were also complex

schemes as grain producers or dairy that produce sustainable agriculture.

Organic farmers, and those offering high-quality produce with special guarantees to consumers, will be eligible for grants of up to €8,000 a year for five years.

Opponents of reform also fought hard against moves to expose farmers to market forces by cutting market intervention to prop up prices. France resisted attempts to reduce price support for cere-

als, but the price floor for butter will be cut by 25 per cent over four years while that for skimmed milk powder will fall 15 per cent over three years.

The French Agriculture Ministry said that the reform kept the essential principles of the CAP and "aims to manage the effects of globalisation on agricultural trade".

But its farmers seem less convinced. Jean-Michel Lecomte, head of the French farmers' union FNASSA, accused the EU of "stealing the assurance of

the world's farmers". Germany's DDFP farm union said the deal would cost farmers between €1.2bn and €1bn.

The development lobby said that the reform would cut the total subsidy, merely shifted with the way it was distributed. Oxfam said the EU's sugar output was not included in yesterday's deal and remained a blight on the prospects of Third World farmers.

Whether the changes have global importance will not be clear until the autumn when the EU, Japan and the United States take part in the world trade round.

Superstar Pauline Giddens, the World Trade Organisation's director general, said: "I am sure that this world has a positive effect on movement in areas, if not all areas of agriculture."

Mr. Giddens said American trade "represented a lot of their best interests of the past", and increased subsidies to farmers. "We are not going to have a unilateral disarmament," he said. "We have done our homework, now others have to do theirs."

Leading article page 14; [www.independent.co.uk](http://www.independent.co.uk)

(Independent 27.6.03)

# CAP reforms get warm welcome from farmers and green lobby

**FEEDBACK ON CAP REFORM**

By John Matoch, Food and Retail Affairs Correspondent

Reform of the Common Agricultural Policy agreed in Luxembourg yesterday met wide approval from Britain's farmers and environmentalists but were given a firm thumbs-down by consumers.

The compromise deal amounts to the biggest shake-up in European farming since the butter mountains and wine lakes were levelled or drained in 1992.

Its biggest feature is "decoupling" - breaking the link between subsidies and production to make farmers more market-oriented. Farmers will still receive much the same levels of subsidy as before, but they will not be linked to how many cows or how much wheat they pro-

duce. From 2005 farmers can do what they want.

The National Farmers' Union, which backs decoupling, described the deal as "historic". However, it warned that the dilution of the original proposals at France's insistence, to allow some countries to keep some production subsidies, could leave UK farmers at a disadvantage.

Sir Ben Gill, NFU president, said: "We will ask the government for full decoupling in England. But if other member states don't do this, it could potentially distort the market."

The National Consumer Council was disappointed at the lack of progress cutting food prices. Only butter and rice prices will fall as a result of the deal. Deirdre

Hutton, chairman, said: "Throughout negotiations, proposals have been watered down every step of the way. These proposals offer very little for consumers."

Margaret Beckett, environment secretary, said decoupling was preferred throughout the UK and insisted it would put farmers in a more competitive position. Other countries were likely to follow the UK, Sweden and the Netherlands in moving as fast as possible, she said.

Overall, the UK had achieved its main objectives, she said. The deal enhances environmental protection and allows the UK to lead Europe in diverting funds from subsidies into the agricultural schemes that form the core of the government's farming strategy.

(Financial Times 27.6.03)

# EU farm deal lifts trade talk hopes

Changes to the common agricultural policy break the connection between subsidies and production and eradicate stumbling block in Doha summit

By Tobias Beck in Luxembourg

The European Union yesterday agreed on what it claimed was the most sweeping reform in the history of its 643m (€28bn) farm subsidy regime. The deal dismantled some of the most trade-distorting aspects of the common agricultural policy and offered fresh hope to the stalled Doha world trade talks.

The reform was brokered yesterday morning after 16 hours of negotiations. It amounts to a diluted version of proposals tabled almost a year ago by Franz Fischler, the EU farm com-

missioner. Although the plan does not cut farm spending, it will break the link between subsidies and production, the central plank of Mr Fischler's package.

"This decision marks a new era," Mr Fischler said. "This reform sends out a strong message to the world. We are saying goodbye to the old subsidy system which significantly distorts international trade and harms developing countries."

Farm trade has been the main stumbling block in the deadlocked Doha trade round, held under the auspices of the World Trade Organisation, and the EU

has faced severe criticism for its agricultural policies. Failure to make progress in the approach to a World Trade Organisation ministerial meeting in Cancun, Mexico, in September, had been blamed chiefly on the EU, and the European Commission was desperate to reach an agreement before the meeting.

Supachai Panitchpakdi, WTO director-general, said the reforms were a substantial achievement that would have a positive effect on the agriculture talks.

Cutting the link between subsidy and output reduces the incentive for farmers to overpro-

duce. This will mean there is less call to cap EU farm surpluses on the world market, which damages other producers - many of them in developing countries.

Through fierce lobbying from a coalition of member states, led by France, succeeded in keeping production-linked subsidies in place in most farm sectors. Mr Fischler insisted that the vast majority of direct payments to farmers would now come in the form of "decoupled" aid. However, other parts of Mr Fischler's reform agenda fell through. His plan to lower guaranteed prices for cereals such as wheat, maize and rice

- now abandoned - would have improved the EU's position in the Doha round.

Concessions and sweeteners offered to member states in exchange for their support for decoupling left the reform CAP in parts looking even more unwieldy than before.

Farmers' representatives deplored the complexity of the new scheme, and denounced the "uncertainty and distortions of competition between farmers, between sectors and within sectors, between regions and member states".

Other critics claimed the

reforms were a missed opportunity and would do little to help farmers in developing countries. Sam Barrett of Oxfam, the international charity, said: "Subsidies have simply been repackaged. This is a huge disappointment."

Shaila McKechnie, director of Britain's Consumers' Association said: "This is a tragic missed opportunity and, once again, it is the consumers who have to pay." Additional reporting by Frances Williams in Geneva

Warm welcome, Page 6  
Fischler's surprise, Page 7  
[www.ft.com/capreform](http://www.ft.com/capreform)

(Independent 27.6.03)

## Europeanian rural

# EU agrees to agriculture shakeup

**Policy Old link between output and subsidy will slowly break**

After weeks of bitter negotiations, the European Union yesterday agreed on what it claimed was the most sweeping reform in the history of its 643m (€28bn) farm subsidy regime. The deal dismantled some of the most trade-distorting aspects of the common agricultural policy and offered fresh hope to the stalled Doha world trade talks.

The reform was brokered yesterday morning after 16 hours of negotiations. It amounts to a diluted version of proposals tabled almost a year ago by Franz Fischler, the EU farm commissioner. Although the plan does not cut farm spending, it will break the link between subsidies and production, the central plank of Mr Fischler's package. "This decision marks a new era," Mr Fischler said. "This reform sends out a strong message to the world. We are saying goodbye to the old subsidy system which significantly distorts international trade and harms developing countries." Farm trade has been the main stumbling block in the deadlocked Doha trade round, held under the auspices of the World Trade Organisation, and the EU has faced severe criticism for its agricultural policies.

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Through fierce lobbying from a coalition of member states, led by France, succeeded in keeping production-linked subsidies in place in most farm sectors. Mr Fischler insisted that the vast majority of direct payments to farmers would now come in the form of "decoupled" aid. However, other parts of Mr Fischler's reform agenda fell through. His plan to lower guaranteed prices for cereals such as wheat, maize and rice - now abandoned - would have improved the EU's position in the Doha round. Concessions and sweeteners offered to member states in exchange for their support for decoupling left the reform CAP in parts looking even more unwieldy than before. Farmers' representatives deplored the complexity of the new scheme, and denounced the "uncertainty and distortions of competition between farmers, between sectors and within sectors, between regions and member states". Other critics claimed the reforms were a missed opportunity and would do little to help farmers in developing countries.

## CAP in hand?

Additional reporting by Frances Williams in Geneva

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(The Guardian 27.6.03)

## case for scrapping them all

EUROPE HAS had more than 30 years to wind down its scheme for over-producing overpriced food but yesterday it once again faked the fundamental reforms that are required. What the Common Agricultural Policy needs is not reform but abolition.

If that seems familiar, it may be because it was the opening paragraph of a leading article in this newspaper in July 1997.

Very little has changed over the past six years. Yet it is not fair to say that nothing ever changes. The 1997 leading article came at a time when the enlargement of the European Union to the east was becoming a certainty. The logic of expanding the subsidy regime to Polish farmers was inescapable. The argument shifted from one in which vested interests, principally French farmers, resisted every slightest change to the Common Agricultural Policy (CAP), to one about the kind of changes that would be made.

Margaret Beckett, Secretary of State for the Environment, Food and Rural Affairs, said it was "hard to overstate the importance" of yesterday's agreement. Well, not that hard. It might, for example, be described as a breakthrough, or, as Ms Beckett did, "a dramatic change".

It was not. It was probably the least dramatic change France could concede that was consistent with the accession of 10 new members of the EU next year. On the spectrum of possibilities ranging from minimal reform to phased abolition, this deal was at the conservative extreme.

Ms Beckett proudly drew attention to the fact that the agreement broke the link between farm subsidies and production. That is certainly an important principle, and one which should be welcomed enthusiastically. But her predecessor, Nick Brown, sounded just as

pleased when he proclaimed that the EU had finally accepted it in 1999.

Indeed, Mr Brown could argue that his agreement was more significant than Ms Beckett's, because he and others succeeded in capping the CAP, negotiating a limit to total spending on farm subsidies. That limit, of £30bn a year, was not changed yesterday. The same amount of money will continue to be wasted on distorting the European food market for the foreseeable future.

It is not much consolation to know that some of this mountain of public money will be diverted into protecting the environment, supporting economically marginal rural communities or levelling the playing field for organic farmers. These are worthy aims, but if they deserve subsidy they should have it on their merits and should be urged on the public accordingly.

Yesterday's deal does matter, because it may mark the beginning of the end of the CAP. But it could have gone so much further. The losers from yesterday's failure are not only the citizens of the EU but, as people are becoming increasingly aware, the poor of the world, especially in Africa, whose agricultural economies suffer disproportionately from the dumping of subsidised European food.

Nor is the failure confined to food markets. One of the great prizes of phasing out the CAP would be that it would strengthen Europe's hand in world trade negotiations. The scale of European farm subsidies overshadows the smaller but still substantial subsidy regime in the US, and makes it morally difficult to argue for free trade in other goods and services.

Until the complete abolition of the CAP is in sight, it will be all too easy to "overstate the importance" of any particular piece of Eurocratic fudge.

(Independent 27.6.03)

## Fudge on the farm

### Europe cannot seem to kick the CAP

The reforms to Europe's common agricultural policy that were agreed in Luxembourg yesterday are welcome only to the extent that, had it not been for last minute concessions, they would have been a lot worse. The most important change was the partial decoupling of subsidies from production. In future, farmers will receive subsidies to cover 25% of, for instance, their cereal output, with the remaining 75% being "decoupled" from subsidy. Optimists see the beginning of the end for production-linked subsidy regimes that led to absurdities such as the butter mountains and wine lakes. If that is so, then this deal will be a turning-point. Others, though, complain that there is nothing to stop farmers from using decoupled funds to continue expanding output and that countries like France, have obtained partial exemptions. This could lead to the "common" policy becoming uncommon as member states proceed at their own pace and exploit the small print (like sticking to the old system if there is a risk that land might be abandoned). In any event, the CAP will continue to devour half the entire EU budget, even though it will have to be shared with the new eastern European EU entrants.

There was little in yesterday's agreement to help developing countries which, absurdly, are unable to export products in which they have a comparative advantage — like cereals and skimmed milk — because western farmers use subsidised exports to undercut them even in home markets. The most ludicrous example of this is sugar (not covered in the current talks) which Scandinavian countries, with no natural advantages, can grow more cheaply than in Africa because of subsidies.

Every country will, of course, spin the concessions made during these talks for

domestic consumption. Yet there is no disputing that the deal marks a wasted opportunity of major proportions. A combination of the enlargement of the EU and the upcoming international trade talks in Mexico should have been the catalyst to get rid of subsidies altogether. Abolition is the nearest thing to a free lunch in economics, because practically everyone would gain: consumers would get lower prices (£20 a week for a family of four, according to Oxfam), taxpayers would have to cough up less, and developing countries would sell more products in world markets. This would have a far more galvanising effect on their economies than receiving development aid. In this instance, the best way to help the third world is through more globalisation — the restoration of free trade in agriculture. The abolition of subsidies is a target that unites the free-market right with the concerned left. But the campaign lacks the single-issue impact that made the abolition of the corn laws — which also inflated food prices for the poor — so successful in the 1840s. After this week's talks it is unlikely that the EU will have the moral authority to persuade the Bush administration to reverse its disastrous policy of raising farm subsidies by up to 80% over 10 years.

The EU will claim it has done what was asked of it. It will try to steer the talks towards other areas like investment and competition policy. But unless developing countries can launch a global initiative that shames politicians into confronting their plight, nothing will be done. Europe has thrown away a great chance not only to help poor countries but to prove it can correct its own deficiencies. Half a pint of reforms is better than none at all — but it will be years before Europe gets another opportunity to move into the 21st century.

(The Guardian 27.6.03)

## SCHEDULE OF MEETINGS AT THE WTO/GENEVA\* JULY/AUGUST 2003

### JULY

- 1 Special Session of the Committee on Agriculture
- 1 Working Party on Domestic Regulation
- 2 Committee on Technical Barriers to Trade
- 2 Working Party on GATS Rules
- 2-3 Special Session of the Council for Trade-Related Aspects of Intellectual Property Rights
- 3 Council for Trade in Services
- 4 Special Session of the Council for Trade in Services
- 7 WTO Introduction Day
- 7 Committee on Trade in Financial Services
- 7 Committee on Trade and Environment
- 8 Special Session of the Council for Trade in Environment
- 9-11 Negotiating Group on Market Access
- 10 Special Session of the Council for Trade in Services
- 10 Working Group on Trade and Transfer of Technology
- 10 Working Party on the Accession of the Russian Federation
- 14-18 Geneva Week

- 14-15 Trade Negotiations Committee
- 15 Working Party on the Accession of Kazakhstan
- 16 Committee of Participants on the Expansion of Trade in Information Technology Products
- 16-18 Special Session of the Committee on Agriculture
- 21 Negotiating Group on Rules - Regional Trade Agreements
- 21 Dispute Settlement Body
- 22-23 Council for Trade in Goods-Trade Facilitation
- 24 committee on Safeguards
- 24-25 General Council
- 28 Trade Policy Review Body - Senegal/Niger
- 28-30 Textiles Monitoring Body
- 30 Trade Policy Review Body - Senegal/Niger

### AUGUST

- 11 Dispute Settlement Body
- 13-15 Negotiating Group on Market Access
- 14 Committee on Budget, Finance and Administration
- 15 Working Party on the Accession of Nepal
- 20 Council for Trade in Services - Special Session
- 22 Committee on Government Procurement
- 29 Dispute Settlement Body - Regular Session

\*Source : WTO/Geneva as on June-July 2003

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