

# India & The WTO

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## ARUN JAITLEY TAKES OVER AS COMMERCE & INDUSTRY MINISTER



**Arun Jaitley was appointed Minister of Commerce & Industry and Law & Justice on 29<sup>th</sup> January, 2003.**

He had previously also held the positions of Minister of State for Information & Broadcasting (Independent charge) in 1999; Minister of State for Disinvestment (Independent charge); and was elevated as a Cabinet Minister in November 2000 and was simultaneously made the Minister of Law, Justice and Company Affairs and Shipping.

He demitted office as Union Minister of Law, Justice & Company Affairs on July 1, 2002 to join as General Secretary of the Bharatiya Janata Party (BJP) and functioned as its National Spokesman till January 2003, prior to taking over as Minister for Commerce & Industry and Law & Justice. The Bharatiya Janata Party (BJP) is currently heading the National Democratic Alliance (NDA) coalition government in India. He has been a Member of its National Executive, i.e., the principal decision making body of the party since 1991.

Born on December 28, 1952, Arun Jaitley did his schooling from St. Xavier School, New Delhi, finishing school in 1969-70. He graduated in Commerce from Sri Ram College of Commerce, New Delhi (1973). He did Law from the Faculty of Law, University of Delhi, in 1977. During his career as a student he was the recipient of several distinctions for his outstanding performance both in academics and extra curricular activities. **He was President of Students Union of Delhi University (1974). During the period of proclamation of Internal Emergency (1975-77) when civil liberties were suspended, he was under preventive detention for a period of 19 months. He was a prominent leader of movement against corruption launched in the year 1973 by Lok Nayak Jai Prakash Narayan.** He was the Convener of the National Committee for Students and Youth organisation appointed by Lok Nayak Jai Prakash Narayan.

**He has been practising law before the Supreme Court of India and several High Courts in the country since 1977. He is a designated Senior Advocate. He was the Additional Solicitor General of India for the Government of India in the year 1990.** He has authored several publications on legal and current affairs. He has presented a Paper on Law relating to Corruption and Crime in India before the Indo British Legal Forum. He was a delegate on behalf of the Government of India to the United Nations General Assembly Session in June 1998 where the Declaration on Law relating to Drugs and Money Laundering was approved.

He has been associated with the administration of several educational institutions. He is also involved as an important Administrator of the game of cricket.

## COMMITTEE ON AGRICULTURE, SPECIAL SESSION

22-24 January 2003 (Geneva)  
Opening Statement by India

"Mr. Chairman,

Allow me to extend our greetings to you and to Members and the Secretariat for the New Year and to compliment you for circulating the overview paper on negotiations on agriculture consistent with the road map we had agreed last year. We fully endorse your suggestion that the overview paper must be comprehensively discussed and that the review must be substantive so that we can build into the modalities all areas that are currently also under technical discussion in this Committee.

In the context of paragraph 10 which suggests that the modalities that we establish now may perhaps be limited to the requirements of draft Schedules of further commitments, we would like to emphasise that the modalities must comprehensively deal with all aspects of the mandate for negotiations, including rules-related elements, so that the interests and expectations of Members from these negotiations are not undermined during our further work towards conclusion of the negotiations. In our specific contribution during the November 2002 Session, we have also drawn attention to the requirement that the modalities for negotiations that are established by Members must be an integral part of the outcome of the negotiations. The coverage of products for the application of commitments and rules is also an issue that is important in the negotiations.

Mr. Chairman,

We propose to structure our remarks on the overview paper largely in accordance with the scheme suggested by you for this Session during the informal meeting held on 16 January 2003. However, notwithstanding the stated intent of its paragraph 4 and the observations in the third and fourth bullets of paragraph 9, we are compelled to note a singular absence of, both in the structuring of this Session and in the body of the overview paper, the need to accord primacy to special and differential treatment to all developing countries. The modalities that we establish must ensure that, consistent with the mandate from Ministers at Doha, special and differential

treatment for developing countries, including the least developed among them, is integral to our work and its outcome. Creating hierarchies among developing countries' interests is divisive. Besides which, drawing convergence among developed and developing countries through such division would undermine the credibility of this organisation and any commercial outcome based on it could only be sub-optimal. In paragraphs 25 and 38 on state trading enterprises, extending special and differential treatment to developing countries has also been questioned. The need for this question does not arise.

**The significance of and need for special and differential treatment for developing countries in the agriculture sector rests on two pillars, The first pillar is the elimination of distortions in the agricultural sector through heavy subsidisation of domestic production and exports by any developed countries** which, by any and every analysis, adversely affects developing countries' opportunities for development.

**The second pillar is the need to enable developing countries to effectively address food livelihood security and rural development interests through** appropriate flexibility in domestic policy for agriculture.

From many of the proposals it is evident that the developed countries that heavily subsidise their farmers and exports of agricultural products, either directly or indirectly, have not shown any real desire to effectively reduce, let alone remove, distortions in agriculture. Moreover, attaching conditions to reduction in support and protection by developed countries is neither consistent with the mandate for negotiations, nor will it serve to establish sets of compromises that are realistic and legitimate. **Any trade-offs which pitch developing countries' interests against non-trade concerns of developed countries, or indeed serve to entrench the disadvantages faced by developing countries, such as those implicit in the fifth bullet in paragraph 9, can not be supported And then, some Members who are also significant exporters of agricultural products attach**

**importance to obtaining additional market access. Subjecting all products in all countries to substantial tariff cuts and ultimately eliminating tariff barriers, ostensibly to reduce inequities, can not be accepted since this will eliminate the agricultural sector itself in developing countries.** Moreover, unlike market access commitments, the consequences of reductions in subsidies will only be observed only after a lag. We are sure this is not how the WTO membership should define equity.

In this situation, and in any compromises that are proposed for acceptance by Members, **we re-emphasise that the ability of developing countries like India to offer further market access commitments is intrinsically conditioned upon the commitments offered reduction of all trade-distorting domestic support and all forms of export subsidies, and on comprehensive and effective treatment for food and "livelihood security" and rural development interests of developing countries. This facet of the negotiations has not been duly reflected in the overview paper.**

In relation to the second core aspect of special and differential treatment for developing countries, while we have expressed our position during the technical work and will also be addressing specific comments on food and livelihood security and rural development interests of developing countries under the specific topics set out for our discussions today, in order to provide full clarity on this primary interest of developing countries like India, we have just circulated a written input by India for the consideration of this Body.

**Briefly stated, the underlying issues involved are not new and have been highlighted by many Members across this room, and the manner suggested for resolving these issues focuses on policy space to address specific concerns of, and specific situations that arise in, the agricultural sector of the developing country concerned, including the least developed among them, keeping in mind the diversity of agricultural systems of developing countries.**

**The development needs of developing countries, including food and livelihood security and rural development emanate from features specific to their agriculture, in particular dependence of a large proportion of the population on agriculture and related activities, the diversified nature of production, and high**

**incidence of poverty. The basic approach to address development needs must.** therefore, serve to improve production systems, provide for opportunities to enhance income levels, ensure physical and economic access to sufficient, safe and nutritious food, and reduce vulnerability to market fluctuations and enhance stability of prices of agricultural products, through governmental support and appropriate protection at the border through price-based and quantity-based measures.

The role played by, and adverse impact of, high levels of all trade-distorting support, both direct and indirect, for domestic production and for exports by developed countries can not be disregarded while assessing the requirements for appropriately addressing the food and livelihood security and rural development needs of developing countries. **As tariffs decline further in developing countries or support for farmers and exports in developed countries continues to be a high order, safeguarding against a surge in imports becomes inevitable.**

In this scenario, any consideration of the scope or coverage of applicable safeguards can not limit itself to one or the other characteristic of the agricultural sector in developing countries, **but must focus on 'enabling developing countries to effectively take note of their development needs', which span diversified production systems and diverse food and nutritional requirements and preferences.** Regional aspects of agricultural production systems of large agrarian economies, including agro-climatic conditions, also militate against establishing either a list of products eligible for protection or safeguards or limiting the nature of available protection through different instrumentalities.

Moreover, determining "essentiality" among different products pre-supposes that domestic agricultural policies in developing countries are product-specific and, therefore, largely static and without regard to evolution of a competitive and dynamic agriculture. Accordingly, developing disciplines based on "essentiality" may be neither feasible nor desirable.

We look forward to an opportunity to address any clarifications that may be sought by Members. It is our expectation that you will take due account of these suggestions in our process forward for establishing modalities for negotiations in agriculture, consistent with your final observations in paragraphs 50 and 51."



TEXT

## FOOD AND LIVELIHOOD SECURITY AND RURAL DEVELOPMENT

**SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES;  
(Specific Input by India)**

Since food and livelihood security and rural development underpin agricultural policies in developing countries, the basic approach to developing appropriate safeguards for developing countries in the current negotiations must encompass flexibility to apply measures suited to the specific needs and specific situations of the agricultural sector of the developing country concerned, keeping in mind the diversity of agricultural systems of developing countries, including the least developed.

The development needs of developing countries, including food and livelihood security and rural development, also highlighted in paragraphs 9 (fifth bullet) and 23(b) of the overview paper by the Chairman (TN/AG/6), emanate from features specific to their agriculture, in particular, dependence of a large proportion of the population on agriculture and related activities, the diversified nature of production, and the high incidence of poverty. The basic approach to address development needs must, therefore, serve to improve production systems, provide for opportunities to enhance income levels, reduce vulnerability to market fluctuations and enhance stability of prices of agricultural products, and ensure physical and economic access to sufficient, safe and nutritious food, through governmental support as well as appropriate protection at the border through price-based and quantity-based measures.

The role played by, and adverse impact of, high levels of all

trade-distorting support for domestic production and for exports by developed countries can not be disregarded while assessing the requirements for appropriately addressing the food security, livelihood and rural development needs of developing countries. As protection through tariffs applied at the border declines for all products in developing countries or support for production and exports continues to be provided across a broad array of products by developed countries, addressing the vulnerability and disadvantages of developing countries' farmers and safeguarding them against a surge in imports become inevitable.

In this scenario, any consideration of the scope or coverage of applicable safeguards can not limit itself to one or the other characteristic of the agricultural sector in developing countries, but must focus on 'enabling developing countries to effectively take note of their development needs', which span diversified production systems and diverse food and nutritional requirements and preferences. Regional aspects of agricultural production systems of large agrarian economies, including agro-climatic conditions, also militate against establishing either a list of products eligible for protection or safeguards, or limiting recourse to protection through different instrumentalities. Moreover, determining "essentiality" among different products pre-supposes that domestic agricultural policies in developing countries are product-specific and,

therefore, largely static and without regard to evolution of a competitive and dynamic agriculture. Accordingly, developing disciplines based on “essentiality” may be neither feasible nor desirable. These compulsions also militate against any formulation for tariff reductions which encompass minimum cuts on bound tariffs on a tariff-line-wise basis.

Therefore, extending the special safeguard provisions of Article 5 to all developing countries for all products, and allowing the imposition of countervailing duties in respect of imports of products from developed country Members benefiting from any form of subsidy without proof of injury or causality, are central to safeguarding the developing countries’ farmers against any surges in imports as tariffs decline at the border for them. Integral to the tariff reduction commitments, that uphold the objective of food and livelihood security, product diversification and rural development in developing countries, is flexibility to adjust, without compensation, low tariff bindings.

A core element of food and livelihood security is physical economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Special import measures, quantitative or other border measures, which are currently under technical discussion, should be an integral part of the modalities for negotiations that are established. Products eligible for such

special import measures shall include (i) food staples which account for a substantial proportion of total domestic production or total domestic consumption, (ii) products that play a vital role in the diet of low income consumers, (iii) products that are produced by a substantial number of farm households, (iv) products that are primarily produce by low-income and resource-poor farmers, and (v) products that are important for supporting livelihood in the rural areas such as the numbers of active population engaged in production of the product concerned or products where the proportion of landless agricultural labourers employed is high.

Moreover, in order to improve the economic condition of the farming community in developing countries and to enable the low-income and resource-poor farmers to face up to the challenges emanating from heavily subsidised and corporate structures of the farming systems in developed countries, product-specific support to low-income and resource-poor farmers should be covered under Article 6.2. Subsidies to marketing and transportation costs, such as internal transport, post-harvest storage, agricultural and dairy cooperatives, and product quality improvements, to low-income and resource-poor farmers should be added to Article 6.2. Article 6.2 support by developing countries should continue to be immune from challenge.



# MONTHLY REPORT ON MULTILATERAL TRADE ISSUES & DEVELOPMENTS

(December 2002)

## Trade Negotiations Committee

The Trade Negotiations Committee (TNC) of the WTO met on 4-6 December, 2002. Members expressed general satisfaction with the progress so far in the negotiations but were concerned that the progress in various sectors has been uneven. The Cairns Group was concerned about lack of sufficient progress in agriculture. **Developing countries expressed concern on lack of movement on various development-related issues. Many cautioned that lack of progress in some areas may affect progress in other areas.** The Chairpersons of various WTO bodies presented their reports on work done on the implementation issues referred to these bodies. It was clear that decision was not possible on any of these issues. On the handling of these issues in the future, there was no agreement. While some suggested that the regular bodies should continue to handle this work, many developing countries were in favour of the TNC handling these issues in dedicated sessions. An issue that is proving contentious is the one on extension of GI (Geographical Indications) protection to products other than wines and spirits. The Cairns Group and the US were opposed to any negotiations on these issues while many developing countries and the EC were in favour of negotiations. The Chairman, TNC has been asked to hold further consultations on possible next steps and to come back with suggestions at the next meeting, scheduled for Feb. 2003.

## The General Council

The General Council (GC) of the WTO met in Geneva on 10, 11, 12 & 20 December, 2002. **Armenia was admitted as the 146<sup>th</sup> Member of the WTO.** The transitional review of China was completed with Members thanking China for its efforts in fulfilling its obligations. Guidelines to facilitate faster accession of LDCs were agreed upon. The deadline for completion of work on Rules of Origin was extended to July 2003 in respect of core policy issues and to December 2003 in respect of the remaining issues.

**Procedures for the appointment of DG were agreed to. The procedures lay down clearly a timetable for completing the selection of DG.** However, on the crucial issue of circuit breaker in case of deadlock, there was no agreement among Members since there was no consensus on adopting a double-majority voting. The Chairman's draft on internal transparency was considered. India, China, Malaysia and many other developing countries suggested that the Chairman should continue consultations so that the crucial issues of appointment of facilitators, the procedure for transmission of draft ministerial declaration, and the procedures in the closing stages of Ministerial Conferences could also be addressed. The discussion on this ended with the Chairman not giving any indication if he will continue consultations.

The DG's report on the international trade environment was reviewed. **The Chairmen of the TRIPS Council and the CTD-SS presented their reports on the work done so far on TRIPS and Public Health and S&D (Special & Differential) issues respectively. The US blocked the decision on TRIPS. The Chairman, TRIPS Council will hold further consultations and report at the next General Council Meeting in February. The work on strengthening of S&D provisions could not be completed by the extended deadline of December.** There was no agreement on how to handle the issue in future. The Chairman has been requested to hold further consultations on this.

### **TRIPs Council**

**A TRIPS Council meeting was held on 20.12.02 to consider the 16 December text of the Chairman on TRIPS and Public Health to provide a mechanism for access to medicines at affordable prices to people in countries with no or inadequate manufacturing capacity in the pharmaceutical sector.** The meeting was a culmination of numerous informal consultations held on 8/12, 9/12, 12/12, 16/12, 17/12, and 19/12. **Agreement could not be reached on the proposed deal due to intransigence of the US on the issue of scope of diseases. The US intended to limit the scope of diseases covered under the proposal mechanism to grave public health problems comprising AIDS/HIV, Tuberculosis, Malaria and other infectious epidemics of comparable scale and gravity, including those that may arise in future.** The rest of Membership could go along with the scope of public health problems covered under the Declaration on TRIPS and Public Health adopted by Ministers at Doha.

### **Committee on Agriculture – Special Session: Technical Discussions on Special Safeguards**

An informal technical discussion was held on 18 December,

2002 on a **possible special safeguards mechanism in agriculture for developing countries.** The preponderant view seemed to be in favour of a targeted and limited instrument to address problems related to surge in imports of a few commodities for a limited period of time.

**Committee on Agriculture – Special Session: Technical Discussion on Food Aid** was held on 20/12/2002. An informal technical discussion was held on possible disciplines on Food Aid. The main difference in points of view was that the US considers concessional food aid as bonafide food aid while EC considers food aid in fully grant form as bonafide food aid. The Cairns Group seemed to take middle ground by proposing case by case examination based on objective criteria.

### **Sub-committee on Least Developed Countries (LDCs)**

A special formal session of the sub-committee on LDCs was held on 2<sup>nd</sup> December, 2002. In the meeting the Committee adopted a Decision (in the form of recommendation to the General Council) on the accession process for least developed countries (LDCs).

### **Council for Trade in Financial Services (CTFS)**

The annual report of the CTFS was adopted. Brazil raised the issue of scope of Members obligation under the GATS regarding capital account liberalisation. It was noted that World Bank/IMF/OECD have done work on this issue. The IMF representative was requested to circulate a list of IMF studies/discussion papers on this matter. Hong Kong-China gave presentation on e-finance. Peru also gave a presentation on regulatory framework for financial services sector.

### **Negotiating Group on Market Access (NGMA) for non-agricultural products**

The last meeting of the NGMA for the year 2002 took place on 2<sup>nd</sup> & 3<sup>rd</sup> December 2002. A number of new proposals were put on the table.

### **Bilateral services consultations**

In the margins of services cluster, bilateral consultations were held with delegations, namely, the US, EC, Japan, Canada, Korea, Thailand, Turkey and Mauritius. Clarifications were sought by delegations on initial services requests submitted in the context of ongoing negotiations. Discussions were also held on Mode 4 issues.

### **Committee on Trade and Development (CTD)**

A number of formal/informal meetings were held on 2, 12, 17-19 December, 2002 to discuss agreement-specific proposals as well as draft report of the CTD to the General Council. Discussions on the way forward (work programme beyond December 2002) were also held at the Ambassador level. On the way forward, there were divergent views particularly on timelines of completion of work and referral of proposals to subsidiary bodies/negotiating groups. At the General Council meeting on December 11, the Chairman, CTD-SS circulated a set of proposed recommendations for decisions in relation to 22 agreement-specific proposals. Despite protracted negotiations, understanding could be reached only on 4 proposals. India expressed disappointment over lack of progress on proposals put forward by it either alone or with some other countries. It requested Chairman to include some of its proposals for immediate action. There was no agreement on the way forward as well remaining agreement specific proposals. At the December 20<sup>th</sup> General Council Meeting, the Chairman presented a oral factual report and requested additional time to allow special session to finalise its report, which was agreed to by the General Council. The CTD-SS will report back to General Council at its first meeting this year, i.e., on February 10-11.

### **Working Group on Trade & Investment**

India's paper on development provisions; non-discrimination; and modalities for pre-establishment commitments were taken

up for discussion. India's submission attracted extensive comments from countries namely, the US, the EC, Japan, Korea, Switzerland, HKC, China, Kenya, Brazil, Cuba, Egypt among others. The joint paper submitted by India, China, Kenya, Pakistan and Zimbabwe on investors and home government obligations was also discussed. This paper also attracted extensive comments from a number of delegations. Some members gave only preliminary comments. China and India gave their preliminary response to various questions posed by Members. Brief discussions were also held on submission by the EC on balance of payment safeguards. The annual report of the Working Group was adopted. Changes suggested by India in the draft report were taken on board by the Chairman. Regarding future work, it was agreed that the Chairman will prepare a checklist of issues for guiding the discussions in the Working Group in 2003.

### **Budget Committee**

The Budget Committee of the WTO met formally on 3, 6 & 12 December, 2002 to adopt the budget. The budget for 2003 represents an increase of 8% over the budget of 2002. Staff salaries are to go up by 3% in January and an additional 1% in July. Since the compromise was worked out in the last minute, the detailed budget will be adopted after the winter break.

### **Working Party on Domestic Regulations (WPDR)**

Discussions continued on the regulatory examples paper prepared by the Secretariat. China's submission on examples of restrictions encountered by China's service providers was discussed. China's paper also referred to onerous and stringent visa application procedures. Thailand, India and Hong Kong-China raised the issue of recognition of qualification. China also submitted result of its domestic consultations with professional bodies relating to legal services. HKC suggested to have a workshop organised in Geneva to increase the

understanding of Members on the work in WPDR. The proposal would be further discussed at the next meeting. The annual report of the Working Party was adopted.

### **Council for Trade in Services (CTS)**

The annual report was adopted by CTS on 5/12/02. Brazil introduced its proposal on technical review of Art.XX:2 of GATS. No substantive discussion took place on Brazil's proposal. Informal consultations will be held on proposals on technical review of Art. XX:2 on January 14. China's paper on assessment of trade in services was briefly discussed on CTS – Special Session on 9/12/02. On the modalities for treatment of autonomous liberalisation, no consensus could be reached on the Chairman's text. Zambia, on behalf of LDCs, presented a paper on modalities for special treatment of LDCs in the services negotiations. The paper was supported in principle by a large number of developing countries/LDCs. Further informal consultations would be undertaken by the Chairman. Chinese-Taipei presented a paper on computer and related services. Japan supported by some other delegations underscored the importance of liberalisation in maritime transport services. India supported by a number of delegations highlighted issues relating to Mode 4. The discussions on all agenda items could not be completed owing to 'work to rule' by the Secretariat officials and the session will be resumed on 13<sup>th</sup> January.

### **Committee on Subsidies and Countervailing (CSC) Measures**

Discussions were held on 5/12/02 on the compendium of classification proposals prepared by the Secretariat; paper on computer & related services by Chinese-Taipei and the EC as well as note prepared by the Secretariat on scheduling of additional commitments. It was agreed that the Secretariat will update the compendium with new proposals and missing elements of some of Members' proposals. The annual report of the Committee was adopted.

### **Council for Trade in Goods (CTG)**

The meeting of the CTG was held to discuss trade facilitation. Being the last meeting for the year 2002, discussions centered on all the three GATT Articles, V, VIII & X.

### **Committee on Customs Valuation**

A short formal meeting of the Committee on customs Valuation took place on 10/12/02 for formally adopting the reports (contained in documents G/VAL/W/116 & G/VAL/W/117) to the General Council.

### **Anti-Dumping Committee Working Group on Implementation**

A meeting of the Working Group on Implementation of the Anti Dumping Committee was held on 11.12.2002 to discuss the Implementation related proposal on Article 15 of the Anti Dumping Agreement. This meeting was preceded by a series of informal small group consultations on 3, 6 and 9 December. The Committee could not reach any agreement on the recommendations to be made to operationalise Article 15 of the Anti Dumping Agreement.

### **Consultations**

Consultations were held on 4 & 19/12/02 on dispute *US – Upland Cotton Subsidies* (DS267) raised by Brazil. Argentina and India participated as third parties. We put certain questions and obtained responses to them from the US on 19.12.02. US, however, did not give any substantive information/data either to Brazil or to the third parties. It referred to certain web-sites for information.

### **Panel meetings**

**The Panel on *US – Rules of Origin for Textile and Clothing Products* (DS243) met on 12 & 13 December, 2002 with parties**, i.e., India and the US and third parties. After opening statements, the Panel put questions to both the parties. We put certain questions to the US side. These questions were

given in writing for answers. During the third party session on 13.12.02, Bangladesh was absent. Pakistan did not make any statement. China, the EC and the Philippines made oral presentations. The Panel on Mexico – Telecommunications Services (DS204) held third party session on 18/12/02. Brazil, EC and Japan made statements. Australia, Canada, Cuba, Guatemala, Honduras, Nicaragua and India expressed systemic interest in the dispute and did not make any oral presentation. The panel put questions to the third parties.

### **Special Session of Dispute Settlement Body (DSB)**

At this Special Session on 16-18 December, 2002, Chile and the US submitted a joint proposal. We made statements on this as well as on Mexican and Taipei proposals. Chile and the US joint proposals sought to increase Member control and flexibility in DS proceedings, by introducing interim process at appeal stage; right of parties to delete portions of the reports, partial adoption of the reports, suspension of panel/AB proceedings by mutual consent, parties right to provide guidance to the adjudicative bodies. The US and Mexico sought to clarify the doubts on certain of their proposals and agreed to discuss with delegations on other issues. In the informal session also several delegations and we put several questions and sought clarifications on Chile and US and Chinese Taipei proposals. The first reading of Chair's informal checklist containing all the proposals was completed in this session. In the informal session, we clarified and responded to comments. At the DSB meeting on 19/12/02, we presented our request for establishment of a panel on EC – GSP (DS246). Since this was first time request, the EC blocked establishment of panel

by the DSB. While EC expressed regret at our request, Colombia was concerned and urged both the parties to resolve the dispute amicably. The US presented status reports on Copyright Act, 1917 AD Act, Omnibus Act (Cuba rum) and Japan Hot-rolled Steel disputes. EC, Japan, Australia and Cuba expressed disappointment at continued delay in non-compliance of the DSB rulings by the US in these disputes. DSB adopted the panel and Appellate Body reports on US – CVD on German Steel (DS213) and also approved names proposed by Colombia, Ecuador and New Zealand for inclusion in the indicative list of panellists.

### **Trade Policy Review Body (TPRB): TPR of Hong Kong China**

A meeting of the Trade Policy Review Body was held on 16 and 18 December 2002 to conduct the fourth Trade Policy Review of Hong Kong China (HKC). Members in general appreciated the liberal and transparent trade regime in HKC. Some members also showed interest in HKC approach towards regional trade agreements (RTAs).

### **Working Group on Trade Debt & Finance**

A formal meeting of the working group was held, wherein an overview paper by the Secretariat was presented.

### **Working Party Meeting on accession of Russia to the WTO**

A formal meeting of the working group was held on 16-18 December, 2002, wherein an overview paper by the Secretariat was presented.

(Source: PMI/Geneva)



## **BUILD UP: THE ROAD TO MEXICO**

*BY*

**SUPACHAI PANITCHPAKDI, DG/WTO**

**(Text of the DG/WTO's address at the CII Partnership Summit 2003, Hyderabad on January 8, 2003)**

I am delighted to join you today. This is not the first time I have had the honour to attend this important gathering. But it is the first time I have the opportunity to speak to you as Director-General of the WTO, and this makes my visit particularly special. India has been one of the more central and influential players in the multilateral trading system, a champion of developing country interests. India fought hard for development issues to be placed firmly and explicitly at the heart of the Doha Development Agenda, and succeeded. We have reached a critical time in these negotiations and we need India's constructive engagement and leadership to help guide the Doha Development Agenda towards a successful conclusion that would benefit all Members.

### **The Road to Mexico**

Ministers at Doha agreed that the current negotiations shall be concluded no later than 1 January 2005. This gives us little time, indeed we now have just under twenty-four months left to achieve this. The Doha Work Programme is the most ambitious and wide-ranging ever undertaken. It includes negotiations on agriculture, services, market access for non-agricultural goods, the environment, WTO rules, regional trade agreements and possible new framework agreements on the relationship between trade and investment, competition, transparency in government procurement and trade facilitation. Members will also be looking at enhancing technical cooperation, special and differential treatment for developing countries, links between trade, debt and finance, trade and the transfer of technology, and the specific circumstances of small economies. The ambition of the Round well reflects the diversity of its membership, the breadth of their interests, and indeed the complexity of globalization itself.

As you know the WTO is, if I may use the cliché, a "member-driven" organization. In the negotiations, Member governments negotiate directly with each other. As Chairman of the TNC, I shall be doing my utmost to keep all Members on board, facilitate their discussions, mediate in their problems and consult with all. And the WTO Secretariat, through its technical

assistance work programme, is working hard to help developing and least-developed country Members prepare effectively for the negotiations. But we cannot make any decisions on behalf of Members, we cannot unplug blockages when Members positions' are intractable and we cannot force consensus. It is Members who have the very difficult responsibility of developing policy positions, negotiating concessions and deciding how far they are able to go in any given area. The fate of the Doha Development Agenda lies very much in the hands of its owners. Members, and the constituencies within their boundaries who have a stake in building a stronger multilateral trading system and a more open world economy, should always be keenly aware of this.

It is worth remembering that while the WTO is an intergovernmental organisation, the rules and market-access commitments which governments are negotiating will apply directly to you and your companies. Governments need the support of the business community. In the Uruguay Round, business leaders associated themselves closely with the multilateral trade negotiations because they recognised the vital importance of trade liberalisation in maintaining economic growth, serving new markets and creating new customers. To succeed in the Doha negotiations your continued support is needed.

Another negotiating reality, which I am sure you all appreciate, is that the DDA must be concluded on the basis of a single undertaking. Hence, it is crucial to make substantial progress now. The Single Undertaking means that nothing is agreed until the whole negotiating package is agreed together. In order for Members to reach final agreement, they need to have an early idea of what shape a final outcome might take – so they can make an overall assessment of the balance of gains and concessions. Members must now give a major push to the negotiations and ensure all areas move forward together in a balanced way. And by the time of the Cancún Ministerial Meeting we must begin to see clarity in negotiating positions and a movement towards convergence. Members must look ahead

to deadlines and decisions looming on the horizon, as well as focusing on issues that need their immediate attention. As I have said on a number of occasions, I believe that this time around there may well be no room for a last minute deal, so Members should not wait until the last minute to make their moves.

The Doha Development Agenda has been under negotiation now for over one year and my assessment is rather mixed. The good news is we have moved forward and we have also seen a rising level of participation by Members. I am concerned, however, that there is a certain unevenness in progress between different areas of the Work Programme.

At the end of last year we succeeded in establishing guidelines to facilitate the accession of LDCs to the WTO. However, we were not able to meet the deadlines related to special and differential treatment for developing countries and access to essential medicines for poor countries lacking capacity to manufacture such drugs themselves. Failure to meet these deadlines has been quite disappointing. These two issues are of great importance not only to developing countries but to the Organization itself and to the broader trade negotiations that are part of the Doha Development Agenda. Nonetheless, I have been informed of the Members' commitment to continue to work to find agreement in these complex and difficult negotiations. I am hopeful a solution can be found in the early part of 2003.

On the road to Mexico, a number of further deadlines have been set and I hope these will bring a needed sense of urgency to the negotiations. By spring 2003, we will face deadlines in the negotiations on agriculture, services and market access for non-agricultural products. By the end of May 2003, agreement on improvements and clarifications to the Dispute Settlement Understanding will be required. Meeting the deadlines successfully is of course much more than just a question of keeping an eye on the calendar and thinking ahead. Each of these stages represents a significant moment in a set of complex political processes and issues in the overall negotiations. Whether we meet these deadlines and how we do it, will define the rest of our process. And if they are not met, we run a real risk of overloading the agenda at Cancún, which is already very substantial. At Cancún, Ministers will take stock of progress in the negotiations, provide political guidance and take decisions as necessary – notably, by explicit consensus, on modalities for negotiations on investment, competition and transparency in government procurement.

To help Members keep perspective on the Doha agenda as whole, I have suggested that the Trade Negotiations Committee,

the WTO's main negotiating body, should meet more frequently. I have suggested that Members should not only address the substance of the negotiations, but also the positive linkages between the different negotiations in a broader context. Discussions should be more interactive, with Members turning general statements into more specific ones, they should clarify their positions to help them move towards convergence.

### **India and the Doha Development Agenda: What is at stake**

This meeting is extremely timely as market access issues are going to be the main focus of attention over the next six months. And I am pleased that the Confederation of Indian Industry and its Members are fully engaged in following these negotiations. In fact I had a very useful exchange with a CII delegation in Geneva only last month. I was left with the strong impression that Indian business has a very clear understanding of the importance of WTO agreements and the implications of the various issues at stake in this negotiation. And I would also commend the efforts of the Confederation of Indian Industry in disseminating information to its Membership and channelling business interests so effectively into the policy-making machinery. This has put India in a very strong position. India has a huge amount to gain from these negotiations. India's ability to not just sustain, but thrive as a result of structural reform is tribute to the dynamism and entrepreneurship of the Indian business community. Indeed the achievements we see here in this great city – one of the world's foremost technology centres – is exemplary of this creativity, hard work and vision. I hope that there is an increasing perception that by engaging positively in trade negotiations, India is not selling out, but buying into a global economy in which it has the opportunity to reap considerable benefits.

Negotiations on market access in non-agricultural products have been moving forward after a few early hiccups on procedure. As mandated in the Doha Development Agenda these will include negotiations to reduce or eliminate peak tariffs and tariff escalation in developed countries which tend to fall on labour-intensive manufactures like textiles, often of particular export interest to developing countries. Some very ambitious proposals have already been put on the table in this area, particularly by the United States, the European Union and Japan. I think we should be encouraged by bold proposals like these because they give us an early indication of levels of ambition. It is the nature of negotiations that countries initial positions will reflect their own self-interest, so these should not be seen as a bottom line, but a basis from which to start

to negotiate. I would hope that more countries, including India, will come forward with equally bold proposals or counter-proposals.

I hope that India will also be looking at market access opportunities in other developing countries. South-south trade has risen significantly over the last ten years from 30% in 1990 to 40% today, but trade barriers tend to remain high. For example, the average tariff on textile and clothing tariffs in developing and transition economies is 29 percent, this is over three times the average tariff on textiles and clothing in the Quad countries – The U.S., Canada, the E.U., and Japan.

Trade in services, which I recall was one of the controversial subjects when the Uruguay Round was launched, is moving ahead very positively under the Doha Development Agenda. We are seeing an unprecedented level of interest from both developed and developing countries. Members are already engaging in the bilateral process of exchanging requests and offers. As a highly successful exporter particularly of business services, I know that India has a lot at stake in these negotiations. I was very interested to hear Minister Shourie's recent speeches encouraging industry to look to the opportunities of exporting health and education services. I know that securing access for services exports through Mode Four, the movement of natural persons, is also a key priority.

Negotiations on agriculture are moving. Agriculture is extremely politically and culturally sensitive in some key countries and there are also high expectations for reform from the vast majority of Members — many of whom rely on agricultural exports for a large percentage of their foreign exchange earnings. Finding accommodation will be challenging and I have been urging all Members to consider agriculture in the light of the whole round – not to lose sight of the forest for the trees. As a first step Members need to agree by end March 2003 the formulae and quantitative targets for further liberalisation in the areas of market access, export subsidization and domestic support. At the end of last year, the Chairman of the negotiating group on agriculture produced an overview paper of the proposals submitted so far and this will be the basis on which Members will work towards a modalities agreement by March.

Special and differential treatment, of course, must be part of the negotiations in recognition of the particular difficulties that many developing countries have in reaping the benefits of international trade. The objective, however, must be to develop

proposals that will assist their development efforts, complement domestic reforms and so help them use trade liberalisation as a tool for economic growth and poverty reduction.

The Doha Development Agenda is operating under a significantly different mode from previous rounds. All participants have a big stake in the negotiations and they all must feel full ownership of both the process and outcome. For this reason I think that developing countries did the system a big favour to the system by insisting that technical assistance and capacity building play a central role in the negotiations. It is clear to me that the significant increase in funding for technical assistance activities, and hence our ability to upgrade the quality and quantity of technical assistance programmes has really helped move the negotiations forward. This is certainly the case for services, but also for the new areas like competition and investment. We have seen a more and constructive working atmosphere as Members have come to a better understanding of the issues at stake.

I pledged when I arrived at the WTO to put in place a long-term strategy for technical assistance and capacity building. A strategy that would look beyond the current negotiations, to the implementation of agreements reached and to the integration of trade into countries' development strategies. Throughout this process, I envisage much closer cooperation between the WTO and other development agencies – regional and international, with a more marginal role for the WTO if necessary. Greater coordination among agencies could help to address the supply-side constraints that prevent developing countries from benefiting from improved market access. It could be useful, for example, to help countries effect a transition from over-reliance on customs duties, for government revenue, to other systems of domestic taxation, which becomes more urgent as tariffs are lowered through trade negotiations.

The full participation of each WTO Member in such a broad and complex negotiation, as I said before, places a large responsibility on the shoulders of the various sectors of society with a stake in the system – from NGOs to business groups — to help governments define their interests and policy priorities. I am really pleased that the CII is rising to this challenge.



## A NEW WTO VIDEO

### **VIDEO: "TO THE HEART OF THE WTO"**

#### **New video explains the WTO through member governments' eyes**

A new WTO video, released today, 17 January, opens up the WTO system in a simple and lively way — through the eyes of representatives of Member governments, who operate the system.

"To the Heart of the WTO" seeks to shed light on how this works, through the experience and motivations of two very different countries: Brazil, a large developing nation, and Norway, a small but economically advanced state. Both have significant trade interests to promote and are active in the WTO.

While there is general awareness that the WTO provides a basis for reconciling diverging trade interests through negotiation and dialogue, many people do not fully understand how the organization functions on a practical level. Moreover, there has been a need to better illustrate the complex process undertaken by governments as they

weigh the interests of their constituents and develop their negotiating positions.

How do fishermen, farmers, industrialists, members of civil society and trade unionists view the WTO? What do they expect from their national representatives — ambassadors in Geneva and ministers in capitals? They all have a view of their national priorities in the current WTO trade negotiations, the Doha Development Agenda. Can all these priorities be met? This video shows how the WTO works toward a result which will benefit all its Member governments and the citizens they represent.

Length : 23 minutes

Price : 25 Swiss francs

Available in English, French and Spanish, from the WTO Bookshop and through the online bookshop.

It will soon be available to view free on the WTO website.

{Source: WTO/Geneva}



## IMPORT OF 300 SENSITIVE ITEMS DATA FOR APRIL - NOVEMBER 2002

The total import of 300 sensitive tariff lines for the period April-November 2002 has been Rs. 8605 crore against Rs. 7663 crore for the corresponding period of last year thereby showing a growth of 12%. However this growth is almost entirely due to significant increase in the import of crude palm oil, but for which import of all other sensitive items shows negative growth.

Imports of cotton & silk, alcoholic beverages, food grains and poultry have shown a decline at broad group level during the period. Imports of edible oil, fruits & vegetables, automobiles, milk & milk products and SSI products have shown increase during the period under reference.

In the edible oil segment, the imports have increased from Rs. 4657 crore last year to Rs. 5280 crore for the corresponding period this year. However, significant feature of edible oil import is that while import of crude palm oil has gone up, that of refined palm oil has gone down leading to better utilisation of processing capacity in the country. Import of Sunflower oil, both crude & refined, has gone down.

Imports from Indonesia, Malaysia, Guinea Bisu, Czech Republic & Ivory Coast etc. have shown some increase while those from Argentina, Australia, Thailand, Paraguay, Benin & Iran etc. have shown some decrease.

### IMPORT OF SENSITIVE ITEMS- PROVISIONAL ESTIMATE

| Sl. No. | COMMODITY GROUP   | No. of<br>Tariff lines | Value (Rs. Crore) |                |
|---------|---|------------------------|-------------------|----------------|
|         |   |                        | IMPORT            |                |
|         |   |                        | April-Nov-01      | April-Nov-02   |
| 1       | Milk & Milk Products  | 22                     | 9.77              | 31.18          |
| 2       | Fruits & Vegetables   | 48                     | 582.30            | 1109.78        |
| 3       | Poultry   | 13                     | 0.26              | 0.03           |
| 4       | Food Grains   | 12                     | 2.90              | 1.42           |
| 5       | Edible Oil  | 27                     | 4657.27           | 5280.39        |
| 6       | Alcoholic beverages   | 8                      | 20.24             | 16.35          |
| 7       | Cotton & Silk   | 6                      | 1947.60           | 1417.71        |
| 8       | Automobiles   | 32                     | 43.86             | 234.51         |
| 9       | Products of concern to SSI<br>(toys, writing instruments,<br>tiles, glassware etc.) | 20                     | 71.89             | 90.08          |
| 10      | Others  | 112                    | 327.13            | 423.09         |
|         | <b>Total</b>  | <b>300</b>             | <b>7663.22</b>    | <b>8604.54</b> |

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

### FEBRUARY

|         |   |         |  |
|---------|---|---------|--|
|         |   | 20      | Council for Trade-Related Aspects of Intellectual Property Rights                        |
| 3       | Negotiating Group on Rules  | 20 & 21 | Working Group on the Interaction between Trade and Competition Policy                    |
| 3       | Trade Policy Review Body-El Salvador                              |         |  |
| 4 & 5   | Trade Negotiating Committee                                       | 21      | Negotiating Group on Market Access   |
| 5       | Trade Policy Review Body-El Salvador                              | 21      | Special Session of the Council for Trade-Related Aspects of Intellectual Property Rights |
| 6       | Committee on Government Procurement                               |         |  |
| 6 & 7   | Negotiating Group on Rules  | 21      | Workshop on Regionalism  |
| 6       | Special Session of the Committee on Trade and Development         | 22      | Symposium on Trade and Competition   |
| 7       | Committee on Budget, Finance and Administration                   | 24      | Committee on Specific Commitments  |
| 7       | Working Group on Transparency in Government Procurement           | 24 & 25 | Special Session of the Committee on Agriculture  |
| 10 & 11 | General Council   | 24 & 25 | Textiles Monitoring Body   |
| 12 & 13 | Special Session of the Committee on Trade and Environment         | 25      | Working Party on GATS Rules  |
| 14      | Committee on Trade Environment                                    | 25      | Working Party on the Accession of Ukraine  |
| 17 & 18 | Special Session of the Dispute Settlement Body                    | 26      | Committee on Trade in Financial Services   |
| 18 & 19 | Council for Trade-Related Aspects on Intellectual Property Rights | 26      | Committee on Trade in Financial Services - Presentation by World Bank                    |
| 19      | Dispute Settlement Body   | 26 & 27 | Special Session of the Committee on Agriculture  |
| 19 & 20 | Negotiating Group on Market Access                                | 26      | Textiles Monitoring Body   |
|         |   | 27      | Committee on Customs Valuation   |
|         |   | 27      | Dedicated Discussion on E-Commerce   |
|         |   | 27      | Working Party on Domestic Regulation   |
|         |   | 28      | Council for Trade in Services  |
|         |   | 28      | Special Session of the Committee on Agriculture  |

\*Source : WTO/Geneva as on January 2003

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