

# India & The WTO

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The Union Minister of Commerce and Industry, Mr. Arun Jaitley, releasing the Export and Import (EXIM) Policy for 2003-04 at a Press Conference in New Delhi on March 31, 2003. Flanking him are Mr. Rajiv Pratap Rudy (R) and Mr. Vidya Sagar Rao (L), Ministers of State.

## Exim Policy 2003-04 : Agriculture, Services to be Engines of Growth

(Excerpts of the speech of Shri Arun Jaitley, Union Minister of Commerce & Industry and Law & Justice, on the occasion of announcement of Export and Import Policy 2003-2004 on 31<sup>st</sup> March, 2003)

"Exactly a year back, my distinguished predecessor, Thiru Murasoli Maran, had announced the Export and Import Policy for the five year period 2002-07 coinciding with

the 10<sup>th</sup> Five year Plan. This Policy recognised that international trade is a vital part of development strategy and that it can be an effective instrument of economic growth, employment generation and poverty alleviation. In line with the Medium Term Strategy for Exports, the policy adopted the goal for India to reach 1% share of global merchandise trade by the year 2007, up from the level of 0.67%. For this, Indian exports have to grow at 12% per year and to double in dollar terms from roughly 40 billion U.S. Dollars per annum to 80 billion U.S. Dollars...

## REVIEW OF EXPORT PERFORMANCE

Let me first take stock of what has been achieved in the year since Five Year Policy was announced. It is gratifying that provisional figures of exports for the period April, 2002 to February, 2003 indicate that exports have grown by as much as 16.76% in dollar terms (and 18.8% in rupee terms) over the same period in the preceding financial year. Growth of exports from EOU, SEZ and erstwhile EPZ sector has been over 20% during this period. This growth has been contributed mainly by Textiles, Gems and Jewellery, Engineering products particularly Auto and Auto Ancillaries, Drugs and Pharmaceuticals, Chemicals and Agro Products. What is noteworthy is the significant contribution by high value-added manufacturing sectors. Moreover, sizeable growth is visible in our exports to major markets such as the United States, the European Union and South East Asia. This has been achieved in the face of global recession, particularly in the US market, following 9/11. It not only

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shows resilience of the Indian exporters but also underscores their growing confidence and competitiveness of Indian products. Lest we become complacent, let me caution that this growth has been achieved against the back-drop of near stagnation of exports in the earlier year. Hence, we have to pursue relentlessly our objective of improving our share of world trade.

In specific terms, exports during April, 2002 to February, 2003 amounted to Rs. 2,23,249 crores as compared to Rs. 1,87,876 crores during the same period in the previous year. Textiles contributed Rs. 45,509 crores as compared to Rs. 41,809 crores during the previous year representing a growth rate of 8.85% accounting for a share of 21.31% in the total exports. Gems and Jewellery contributed Rs. 38,032 crores as compared to Rs. 30,453 crores in the previous year representing a growth rate of nearly 24.89% accounting for a share of 16.97%. Chemicals and related products contributed Rs. 32,805 crores as compared to Rs. 27,518 crores with a growth rate of 19.21% and a share of 14.64%. Engineering goods contributed Rs. 31,152 crores as compared to Rs. 24,650 crores with a growth rate of 26.30% and a share of 13.90%. What is a matter of a particular satisfaction is that the export of agriculture and allied products contributed Rs. 18,907 crores as compared to Rs. 17,320 crores in the previous year with a growth rate of 9.16% and a share of 8.44%.

That brings me to the objective of achieving 1% of the world merchandise trade by 2007. If the present trend continues, we may not only reach the target but also surpass it. It is almost certain that the merchandise exports will cross the US Dollar 50 billion (approximately Rs. 2,42,300 crores) milestone this year. But for the uncertain conditions in the Middle East, we might even have reviewed our target. Suffice it to say, we shall strive to sustain the present rate of growth and to accelerate it through the initiatives and strategy in the Exim Policy 2003-04. Exports can act as the motive power of growth for a rapidly developing Indian economy and in making India a significant player in the world market. For this, exports have to be recognized as a national priority by the all agencies of Government of India and State Governments and the private sector. What is needed is a partnership between the Government machinery at all levels and all the stake holders in the process of exports. The media too has a significant role to play in bringing about a consensus on critical issues related to reforms, and promotion of investment including foreign direct investment, particularly in the manufacturing sector, without which high rate of export growth can not be sustained.

## **THE NEW POLICY**

I shall now explain our approach in the new Policy. If I have to summarise this in one sentence, it is identification of engines

of growth and provision of extra power to them and building on areas of our core competence. Therefore, the Policy aims to provide an impetus to one important engine which has not been covered earlier. This is services exports. The other engine that will receive continued attention is Special Economic Zones. An equally important sector namely agriculture and allied products which I believe to be an area of core competence will come in for some special treatment. This I hope, will enthuse our farming community who constitute the bulk of the country's population. I also propose to encourage further those exporters who have been pillars of strength to us and urge them to attain greater heights. Last but not least, we shall simplify procedures sharply to further reduce transaction costs.

## **EXPORT OF SERVICES**

India has already emerged as a leading player in software exports. Apart from software, a host of services now provide unprecedented opportunities in global trade. With abundant skilled manpower, India is uniquely placed to take full advantage of the growing opportunities of services exports. This is an area which can be an engine for growth referred to by me earlier. We are, therefore, taking a bold initiative in not only recognizing the importance of service exports but also introducing a scheme for the promotion of exports of services. Already a strong message for the promotion and development of this sector has been given by my esteemed colleague Shri Jaswant Singhji while presenting the Budget for 2003 -04. I intend to follow up with some specific steps for boosting services exports.

As regards services exports, we have to recognise the fact that with the possible exception of the software sector, we have not even made a beginning. Keeping this in mind and in order to both facilitate and promote export of services from other sectors, we propose to allow import of consumables, office and professional equipments, spares and furnitures up to 10% of the average foreign exchange export earning in the previous three years. Since many of the sectors have not even made a beginning in the direction of exports, we propose to extend the facility even to new comers against Bank Guarantee to the extent of the revenue sacrificed. This will be subject to actual user condition. We expect that this would particularly help the Health Sector for which the Finance Minister has already given a strong signal for India to emerge as a major destination for health services.

In the services sector, only Tourism has received some attention over the years although we are no where near realising the full potential the country offers. In this year's Budget a strong signal has been given for the development of this sector. This sector already enjoys the benefit of the EPCG Scheme. However, we have been receiving persistent representations from this

industry to extend to it the benefits of advance licence scheme. We have, therefore, decided to allow recognised hotels of the category of three star and above and other registered service providers in this sector duty free import of consumables and spares upto 5% of their average foreign exchange earnings of the previous three years. This will be subject to actual user condition. The facility will not be available to certain sensitive items in a negative list to be notified for this purpose.

## **ENTERTAINMENT INDUSTRY**

We have immense potential for exports in certain services sectors such as Entertainment and Education. Each sector has its own specific problems such as lack of investment, inadequacy of laws relating to piracy. Nonetheless, we have to leverage India's obvious advantages in these sectors. We propose to set up sector-specific Working Groups with representatives of Ministry of Finance, the Administrative Ministries concerned, the State Governments, Financial Institutions and the Industry to work towards a common goal by framing Action Plans to achieve the potential to be implemented within a specified time schedule. For entertainment services, which is singularly handicapped by lack of investment, but has tremendous opportunities for exports, it is proposed to promote through suitable tax incentives contributions to venture capital funds which will provide finance to this sector. We are in dialogue with Ministry of Finance how best this can be done.

"Services" as defined in the Exim Policy in Para 9.46 include all the tradable services covered under the General Agreement on Trade in Services and earning free foreign exchange. Similarly, "Service providers" have been defined in Para 9.47. List of services has also been included in Appendix 36 of the Handbook which is based on the General Agreement on Trade in Services. Having said this, I must admit that we have not yet put in place a system for collecting reliable statistics for export of services. This will engage our attention on a priority basis. Since there is no uniform standard in the world for this purpose, we have decided to set up a Group consisting of representatives of Department of Commerce, Central Statistical Organization, RBI, DGFT and Director General of Commercial Intelligence and Statistics, Kolkata, to consider all aspects of this issue and recommend to the Government a system for collection and maintenance of data relating to export of services. Till such a system is finalised and put in operation, we propose to base the implementation of the Scheme of promotion of services exports on free foreign exchange earned by any of the service providers listed in the Handbook.

## **AGRI EXPORTS**

Let me now turn to Agri and Allied Products Exports. I am convinced that unless we can ensure that the rural sector and Indian farmers receive visible benefits from economic reforms

and the process of globalisation, it may not be possible to accelerate economic growth. You would recollect that we had introduced the Scheme of Agro Export Processing Zones (AEZ) in the 2002-2007 Policy for end to end development of export of specific products from a geographically contiguous area. We are gratified that there has been an enthusiastic response to the scheme from the States and the rural community. As many as 45 AEZs have been notified so far in different parts of the country. We want to further accelerate this process. Agriculture and allied products is our core competence. Not only is it diversified with a large variety of crops, fruits, vegetables and flourishing dairy sector, but we are among the world leaders in output of many products.

As all of you are aware, one of the limiting factors in the increase in agricultural productivity and quality and for protecting it from the vagaries of monsoon is the lack of or inadequate investment in this sector for bringing to the farmer the latest technology and knowledge and for setting up critical infrastructure in the form of water harvesting and soil management, better quality of seeds and optimal use of inputs, adoption of scientific pre and post harvest treatment and storage and establishment of linkage with international marketing. In spite of the enthusiasm shown by many of the State Governments, availability of investible resources in creation of such critical infrastructure even in the AEZs has been a constraint. In view of this, we propose to also facilitate and promote association of corporates with proven credentials in the implementation of AEZs in order to give a boost to productivity and quality of specified agro products leading to accelerated exports. For this purpose, we are having consultations with Ministry of Finance who are receptive to the idea, to provide appropriate incentives to enable investments by these corporates to infrastructure, agricultural extension, processing, packing, storage, R&D and other facilities relating to exports in the approved AEZs.

Another major initiative to boost agri and allied products exports will be the modification of norms for fixing DEPB rates for export of agriculture, horticulture and allied products. In fixing DEPB rates for such products, we shall take into account inputs such as fertilisers, pesticides, certified seeds etc. used by the farmers prior to processing of the products for exports. This would also ensure that the Indian farmer uses the required inputs in a scientific manner to boost productivity and quality. To begin with, this facility will be extended only to selected products on the basis of the recommendation of an Inter-Ministerial Committee.

## **SEZs**

Let me now turn to my next engine for growth viz. the SEZ scheme. We have great hope for attracting Foreign Direct Investment and increasing our export through this scheme.

SEZs are required to provide a trouble free congenial and investment friendly environment where units, both Indian and foreign can manufacture their products at internationally competitive prices for exports or sale to domestic tariff area. Though most of the notified green field projects have not yet got off the ground due to delay in land acquisition, the Indore SEZ is very close to coming into operation. It is important to realize that unless we convince the potential investors that location in these SEZs can give them competitive edge over similar units in other countries, we shall not be able to attract any worthwhile investment. Therefore, our endeavor will be to bless our SEZs with facilities comparable to those obtaining elsewhere in the world. To enable exporters to access funds at international rates, we are in consultation with RBI and Finance Ministry for a suitable fiscal package for off-shore banking units (OBUs) set up in SEZs.

All the Ministries and agencies of Government of India as well as the concerned State Governments will have to work unitedly with a shared vision for the success of SEZ programme. While we shall continue our efforts including bringing in a comprehensive legislation, we will simultaneously explore the possibility of developing a scheme with features similar to the SEZ regime, for Export Oriented Units in selected sectors with capital investment in plant and machinery over Rs. 25 crore.

### **EPCG SCHEME**

I would like all of you to appreciate the fact that our growth in exports in the recent past has taken place in the background of a somewhat slow down at home. Since we are aiming to be a significant player in the world trade, we have to build up deliberately and quickly the manufacturing base in order to sustain a high rate of growth of exports. The EPCG Scheme has contributed significantly to exports by facilitating expansion of the manufacturing base with limited gestation period and at a comparatively lower capital investment. We recognise that the long term solution for the building up of a competitive manufacturing base would be to bring down the levels of import tariff on capital goods comparable to those prevailing in the countries which are considered as our competitors. Till that happens, EPCG Scheme will have to be continued. At the same time, we have to make it more flexible and attractive so that even the small scale sector is able to set up and expand its manufacturing base for exports.

### **EXPORT OF ELECTRONIC HARDWARE**

Export of electronic hardware is going to be one of our major thrusts. In order to give a boost to the export of electronic hardware, we are modifying the EHTP Scheme to allow counting of all 217 ITA-I items by EHTP units to DTA units for fulfillment of their export obligation. Similarly, in the software sector, procedure and formalities applicable to status holders

amongst STP units will be greatly simplified. This should facilitate free movement of laptop, computer and other professional equipments and provide required flexibility to the software professionals.

To promote the growth of software exports in the area of embedded programs, procedure for the import and re-export of the hardware including automobiles in which such programmes are embedded for testing and development will be greatly simplified in consultation with Ministry of Finance. Henceforth such hardware for embedding upto the value of U.S. Dollar 10,000 will be allowed to be imported duty free and permitted to be disposed of after testing subject to certification by Software Technology Parks India (STPI). In order to allow both hardware and software sectors to remain up-to-date in sectors with high rate of obsolescence, accelerated rate of depreciation will be allowed in conformity with accepted international practice. Similarly, procedural formalities governing donation and destruction of obsolete hardware and inventory will be simplified.

### **INCENTIVE FOR FAST GROWING STATUS HOLDERS**

The status holders have been a pillar of strength in increasing exports. There is a feeling among them that under the Exim Policy, substantive benefits are no longer available to them since the earlier benefits such as fast track clearance and relaxation from certain procedures, are now universally applicable in the liberalized environment. We recognise that the status holders will continue to play a significant and increasing role in boosting exports, particularly from the small scale sector, as most of the small scale units will not be in a position to directly access the international markets. Moreover, it will be our endeavor to facilitate India emerging as a major base for outsourcing products and services for the rest of the world. They are also critical to our strategy for accelerating the rate of incremental growth of exports. Therefore, we intend to give a premium to the status holders who achieve high growth rate in their exports. It is proposed to give a duty free entitlement to them for import of capital goods, spares, office equipments and consumables. This will be available to status holders who achieve a growth rate of 25% or more in the current year with a minimum export performance of Rs. 25 crore. They would be entitled to a duty free entitlement of 10% of the incremental growth in exports during the current financial year. This entitlement would be subject to actual user condition which can be passed on to associate manufacturers.

### **DEVELOPMENT OF EXPORT CLUSTERS**

Coming to the specific initiatives, the 2002-07 Policy had recognised three major industrial clusters at Tirupur, Panipat

and Ludhiana as Towns of Export Excellence with a view to maximising their export profile. It is also recognised that proactive steps need to be taken to enhance the productivity, quality, cost effectiveness of Indian Industry by bridging the gap in critical physical infrastructures by providing back up support of common facilities such as design centres, training for essential skills in the workforce, testing facilities to upgrade quality and market linkages etc. This will increase the overall competitiveness of the selected industrial locations which are predominantly export oriented. The Department of Industrial Policy & Promotion (DIPP) as a nodal department has formulated Industrial Infrastructure Upgradation Scheme which is in final stage of approval. This scheme envisages upgradation of infrastructure in existing clusters/ industrial locations that have developed on account of local skills, market and resources. Efforts under the scheme will be supplemented by the ASIDE Scheme of this Ministry and similar schemes being implemented by other departments. To start with ten clusters/ locations with high growth potential would be supported to bridge technology and productivity gaps. Areas of intervention in the selected clusters / locations would include, inter-alia Technology & Skill Upgradation, Physical infrastructure, environmental mitigation facilities etc. The user industry would identify the needs and implementation would be based on a participatory approach.

### **EXTENSION OF EXPORT OBLIGATION FOR REHABILITATION OF SICK UNITS**

Like other developing countries, India is a capital scarce country. We can not afford the luxury of dragging on indefinitely the process of either rehabilitation or winding-up of a sick unit. We have to ensure that a sick unit is quickly rehabilitated in case it is possible to do so. To facilitate this, we already have a provision for extension of the period of fulfilment export obligation in case a sick unit is taken over. However, there is no such provision for the existing management bringing a unit back to health on the basis of an approved rehabilitation programme. To remove this lacuna, we propose to allow extension of the period of export obligation of sick units on the basis of the draft rehabilitation schemes prepared by operating agencies appointed by BIFR. Similar facility would be available for units outside the scope of BIFR and under the scheme of rehabilitation of the concerned states.

### **REDUCING TRANSACTION COSTS**

In keeping with our policy to do away with unnecessary restrictions which increase transaction costs, there will be further simplification of procedures in order to reduce these costs to a minimum. A study carried out by Exim Bank in

October 2002 indicates a significant reduction in the transaction cost in all the sectors covered from levels prevailing as per an earlier survey in 1998. I have no doubt that simplifications and liberalization in earlier Exim Policies contributed substantially to this reduction. However, the fact remains that transaction cost levels in India still remain at unacceptably high levels. This seriously detracts from the competitiveness of our exports. Recognising this, we have taken on board the specific suggestions received from the exporters in the Open Houses to effect further simplification. As part of these efforts, we are now giving high priority to the implementation of the EDI programme covering all the major community partners in the export process in order to minimize transaction time and to reduce discretion. We are now aiming at providing on-line approvals. This can be possible only with the full implementation of the EDI programme by all the community partners as per the agreed schedule. We shall try to ensure that this takes place.

### **ANNUAL ADVANCE LICENSE FOR STATUS HOLDERS**

There are certain procedural simplification and flexibility which are being introduced in the new Policy. As part of our efforts at reduction of transaction cost, we are introducing annual advance licence facility for status holders so that they can plan for their imports of raw material and components on an annual basis and take advantage of bulk purchases. Similarly, we are introducing diamond dollar account for the convenience of gem and jewellery exporters. Along with the promotion of agro and service exports, which I have already covered, we intend to give special focus to certain sectors of merchandise export which hold the potential for accelerated growth. These sectors are textiles, particularly garments, auto components, gems and jewellery, drugs and pharmaceuticals and chemicals. We will work closely with the concerned administrative ministries and the industry not only to remove any possible hurdles in the way of accelerated growth of exports but also undertake measures for vigorous trade promotion to boost export of these items.

I shall end here by stating that our Approach would be to relentlessly pursue the goal of making India a significant player in the world market by leveraging India's undoubted strength viz. intelligence, innovation and entrepreneurship of every Indian. This will be our national objective. We in Ministry of Commerce and Industry shall play the lead role in co-ordinating with other Ministries of Government of India and the State Governments as well as the exporters to succeed in this national endeavour."



## LIST OF SERVICES

### APPENDIX - 36 of Handbook of Procedures (Vol. I) based on the General Agreement on Trade in Services

#### SECTOR AND SUB-SECTORS

##### 1. Business Services

- A. Professional services
  - a. Legal services
  - b. Accounting, auditing and book keeping services
  - c. Taxation services
  - d. Architectural services
  - e. Engineering services
  - f. Intergrated engineering services
  - g. Urban planning and landscape architectural services
  - h. Medical and dental services
  - i. Veterinary services
  - j. Services provided by midwives, nurses, physiotherapists and paramedical personnel
- B. Computer and related services**
  - a. Consultancy services related to the installation of computer hardware
  - b. Software Implementation services
  - c. Data processing services
  - d. Database services
  - e. Others
- C. Research and development service**
  - a. R&D services on natural sciences
  - b. R&D services on social sciences and humanities
  - c. Interdisciplinary R&D services
- D. Real estate services**
  - a. Involving own or leased property
  - b. On a free or contract basis
- E. Rental/Leasing services without operators**
  - a. Relating to ships
  - b. Relating to aircraft
  - c. Relating to other transport equipment
  - d. Relating to other machinery and equipment
  - e. Others

##### F. Other business services

- a. Advertising services
- b. Market research and public opinion polling services
- c. Management consulting service
- d. Services related to management consulting
- e. Technical testing and analysis services
- f. Services incidental to agricultural, hunting and forestry
- g. Services incidental to fishing
- h. Services incidental to mining
- i. Services incidental to manufacturing
- j. Services incidental to energy distribution
- k. Placement and supply services of personnel
- l. Investigation and security
- m. Related scientific and technical consulting services
- n. Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)
- o. Building- cleaning services
- p. Photographic services
- q. Packaging services
- r. Printing, publishing
- s. Convention services
- t. Others

##### 2. COMMUNICATION SERVICES

- A. Postal services
- B. Courier services
- C. Telecommunication services
  - a. Voice telephone services
  - b. Packet-switched data transmission services
  - c. Circuit-switched data transmission services
  - d. Telex services
  - e. Telegraph services
  - f. Facsimile services
  - g. Private leased circuit services
  - h. Electronic mail
  - i. Voice mail

- j. On-line information and data base retrieval
- k. Electronic data interchange (EDI)
- l. Enhanced/value-added facsimile services including store and forward, store and retrieve
- m. Code and protocol conversion
- n. On-line information and/or data processing (including transaction processing)
- o. Others

#### **D. Audiovisual services**

- a. Motion picture and video tape production and distribution service
- b. Motion picture projection service
- c. Radio and television services
- d. Radio and television transmission services
- e. Sound recording
- f. Others

#### **E. Others**

### **3. CONSTRUCTION AND RELATED ENGINEERING SERVICES**

- A. General construction work for building
- B. General construction work for Civil Engineering
- C. Installation and assembly work
- D. Building completion and finishing work
- E. Others

### **4. DISTRIBUTION SERVICES**

- A. Commission agents' services
- B. Wholesale trade services
- C. Retailing services
- D. Franchising
- E. Others

### **5. EDUCATIONAL SERVICES**

- A. Primary education services
- B. Secondary education services
- C. Higher education services
- D. Adult education
- E. Other educational services

### **6. ENVIRONMENTAL SERVICES**

- A. Sewage services
- B. Refuse disposal services
- C. Sanitation and similar services
- D. Others

## **7. FINANCIAL SERVICES**

### **A. All Insurance and Insurance-related services**

- a. Life, accident and health insurance services
- b. Non-life insurance services
- c. Reinsurance and retrocession
- d. Services auxiliary to insurance (including brokering and agency services)

### **B. Banking and other Financial Services (excluding insurance)**

- a. Acceptance of deposits and other repayable funds from the public
- b. Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction
- c. Financial leasing
- d. All payment and money transmission services
- e. Guarantees and commitments
- f. Trading for own account or for account of consumer, whether on an exchange, in an over-the-counter market or otherwise, the following:
  - money market instruments (cheques, bills, certificates of deposits, etc.)
  - derivative products including, but not limited to, futures and options
  - exchange rate and interest rate instruments, including products such as swaps, forward rate agreements, etc. transferable securities
  - other negotiable instruments and financial assets, including bullion
- g. Participation in issue of all kinds of services including under, writing and placement as agent (whether publicly or privately) and provision of service related to such issues
- h. Money binding
- i. Asset management, such as cash or portfolio management, all forms of collective investment management pension fund management, custodial depository and trust services.
- j. Settlement and clearing services for financial Assets, including securities, derivative products and other negotiable instruments

- k. Advisory and other auxiliary financial services on all the activities listed in article 1B of MTN. TNC/W/50, including credit reference and analysis, investment and portfolio research and advise, on acquisitions and own corporate restructuring and strategy
- l. Provision and transfer of financial information and financial data processing and related software by providers of other financial services.

**C. Other**

**8. HEALTH-RELATED AND SOCIAL SERVICES**

(OTHER THAN THOSE LISTS UNDER 1.Ah-j.)

- A. Hospital services
- B. Other human health services
- C. Social services
- D. Other

**9. TOURISM AND TRAVEL-RELATED SERVICES**

- A. Hotel and Restaurants (including catering)
- B. Travel agencies and tour operators services
- C. Tourist guides services
- D. Others

**10. RECREATIONAL, CULTURAL AND SPORTING SERVICES**

(OTHER THAN AUDIOVISUAL SERVICES)

- A. Entertainment services (including theatre, live bands and circus services)
- B. New agency services
- C. Libraries, archives, museums and other cultural services
- D. Sporting and other recreational services
- E. Others

**11. TRANSPORT SERVICES**

**A. Maritime Transport Services**

- a. Passenger transportation
- b. Freight transportation
- c. Rental of vessels with crew
- d. Maintenance and repair of vessels
- e. Pushing and towing services
- f. Supporting services for maritime transport

**B. Internal waterways transport**

- a. Passenger transportation
- b. Freight transportation
- c. Rental of vessels with crew
- d. Maintenance and towing services
- e. Supporting services for internal waterways transport

**C. Air transport services**

- a. Passenger transportation
- b. Freight transportation
- c. Rental of aircraft with crew
- d. Maintenance and repair of aircraft
- e. Supporting services for air transport

**D. Space Transport**

**E. Rail Transport Services**

- a. Passenger transportation
- b. Freight transportation
- c. Pushing and towing services
- d. Maintenance and repair of rail transport equipment
- e. Supporting services for rail transport services

**F. Road Transport Services**

- a. Passenger transportation
- b. Freight transportation
- c. Rental of Commercial vehicles with operator
- d. Maintenance and repair of road transport equipment
- e. Supporting services for road transport services

**G. Pipeline Transport**

- a. Transportation of fuels
- b. Transportation of other goods

**H. Services Auxiliary to all modes of Transport**

- a. Cargo-handling services
- b. Storage and warehouse services
- c. Freight transport agency services
- d. Other's

**I. Other Services Not Included Elsewhere**



TEXT

## REMOVAL OF QRS ON 69 ITEMS

Import of 69 items have been removed from the restricted list as per the Exim Policy Notification dated 31<sup>st</sup> March, 2003, which has been reproduced below:

### NOTIFICATION NO. 02/(RE 2003)/2002-2007 Dated 31<sup>st</sup> March 2003

S.O. (E)- In exercise of powers conferred under Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with Paragraph 2.1 of the Export and Import Policy, 2002-2007, as amended from time to time, the Central Government hereby makes the following amendments in the ITC (HS) Classification of Export and Import Items, 2002-2007 published on 31<sup>st</sup> march, 2002 as amended from time to time.

After amendment the following entries would read as under:-

S. No.	Exim Code	Item Description	Policy	Conditions relating to the Policy
1	02082000	Frogs' legs	Free	
2	05040020	Guts of sheep and goats for natural food casings	Free	
3	05119129	other	Free	
4	05119919	Other	Free	
5	09083050	Small seeds- Cardamoms	Free	
6	09083090	Other-cardamoms	Free	
7	09103010	Turmeric (Curcuma): Fresh	Free	
8	09109911	Celery	Free	
9	09109912	Fenugreek	Free	
10	09109913	Dill	Free	
11	09109914	Ajwain	Free	
12	09109915	Cassia torea	Free	
13	09109919	Other	Free	
14	11062020	Of manioc (cassava)	Free	
15	12119013	Psyllium seed (isobgul)	Free	
16	12119032	Psyllium husk (isobgul husk)	Free	
17	23011010	Meat meals and pellets (including tankage)	Free	
18	23011090	Other (including greaves)	Free	
19	23012019	Other	Free	
20	23012090	Other	Free	
21	29241900	Others	Free	
22	29411010	Penicillins & its salts (eg procaine penicillin, penicillin G-potassium)	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act.
23	29411050	6-APA	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act

24	29419011	Rifampicin	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act.
25	29419012	3 Formyl Rifa S V(Rifa int)	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
26	29419013	Rifa S/Rifa S Sodium (Rifa i nt )	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
27	29419014	1-Amino-4-Methyl piperazine (Rifa int)	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
28	30031000	Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
29	30041010	Penicillins	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
30	30042092	Rifampicin	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
31	30049052	Rifampin	Free	Imports are permitted subject to Registration and other requirements as administered by Drug Controller General of India under the provisions of Drugs and Cosmetics Act
32	30065000	First-aid boxes and kits	Free	
33	31010010	Guano	Free	
34	37061011	Made wholly in black and white and of a length not exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
35	37061012	Made wholly in black and white and of a length exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
36	37061013	Made wholly or partly in colour and of a length not exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
37	37061014	Made wholly or partly in colour and of a length exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
38	37061020	Documentary Shorts, and Films certified as such by the Central Board of Film Certification	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.

39	37061041	Made wholly in black and white	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
40	37061042	Made wholly or partly in colour	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
41	37061051	Patch prints, including Logos intended exclusively for the entertainment of children.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
42	37061059	Other	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
43	37061069	Other	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
44	37061070	Short films not elsewhere specified	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
45	37061092	Master Positives, exposed negatives, dupes and rush prints as are not cleared for Public exhibitions.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
46	37061099	Other	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
47	37069011	Made wholly in black and white and of a length not exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
48	37069012	Made wholly in black and white and of a length exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
49	37069013	Made wholly or partly in colour and of a length not exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
50	37069014	Made wholly or partly in colour and of a length exceeding 4,000 metres.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
51	37069020	Documentary Shorts, and Films certified as such by the Central Board of Film Certification	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
52	37069041	Made wholly in black and white	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
53	37069042	Made wholly or partly in colour	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
54	37069051	Patch prints, including Logos intended exclusively for the entertainment of children	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
55	37069069	Other	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
56	37069070	Short film not elsewhere specified	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
57	37069092	Master Positives, exposed negatives, dupes and rush prints as are not cleared for Public exhibitions.	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.

58	37069099	Other	Free	Import permitted as per conditions at Licensing note no. 1 of the chapter.
59	85243920	Other video films	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
60	85243930	Video CD	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
61	85243940	DVD	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
62	85243950	Laser Disc	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
63	85243990	Other	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
64	85245140	Other video films	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
65	85245190	Other	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
66	85245240	Other Video films	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
67	85245290	Other	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
68	85245340	Other Video films	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.
69	85245390	Other	Free	Import permitted as per conditions at Licensing note no. 2 of the chapter.

2. The condition of the Policy as indicated in column 4 against Exim Code No. 27101111, 27101112, 27101113, 27100019, 27101920, 27101930, under the heading 2710 would stand amended and would read as below:

"Import allowed through IOC, subject to para 2.11 of the Exim Policy, except for the companies who have been granted rights for marketing of transportation fuels in terms of Min. of P & NG's Resolution No. P-23015/1/2001-MKT. Dated 8.3.2002".

This issues in public interest.

Sd/-

(L. MANSINGH)

Director General of Foreign Trade and  
Ex-Officio Additional Secretary to the Government of India

(Issued from File No. 01/93/180/M-31/AM04/Pol. I)

## DOHA ROUND MUST ADDRESS INDIA'S CONCERNS – JAITLEY

INDIA, EU DISCUSS WTO ISSUES - EU SIGNALS WILLINGNESS  
TO MOVE FORWARD ON AREAS OF INDIA'S CONCERN



The Trade Commissioner of the European Union Mr. Pascal Lamy meets the Union Minister of Commerce & Industry and Law & Justice Shri Arun Jaitley in New Delhi on March 13, 2003

Mr. Arun Jaitley, Union Minister of Commerce & Industry and Law & Justice, has said that India's concerns in the area of market access including less than full reciprocity in tariff reduction commitments and other Special & Differential (S&D) Treatment provisions for the developing countries must be addressed on priority in the current round of multilateral trade negotiations. A wide range of multilateral and bilateral trade issues were discussed when the European Union Trade Commissioner, Mr. Pascal Lamy, met Mr. Jaitley in New Delhi on March 13. Mr. Lamy signalled the EU's willingness to move forward on a number of areas of concern to India including modalities for agriculture and non-agriculture market access; movement of natural persons under Mode-4 and textiles. Mr. Lamy reiterated the EU's commitment to the phase out of textile quotas by the end of 2004 as mandated and noted EU's common position with India on TRIPs and Public Health.

Outlining India's priorities, Mr. Jaitley pointed out that despite some broad areas of convergence, India had domestic concerns which were not necessarily dictated by politics but by social reality and cited the example of agriculture in India where each product could affect the lives of millions of people dependent on agriculture for their livelihood. In the non-agricultural sector, he mentioned the autonomous process of

tariff reduction whereby the peak tariffs in India had been reduced to around 25% while underlining that the extent of reduction by the developed and developing countries would have to be different with built-in mechanism for special safeguards for developing countries like India. Mr. Lamy said that the EU would be willing to consider the specific formula being worked out by India for the developing countries in this regard. "We are ready to move on things which are important to you even if there are technical problems here and there on S&D treatment and Implementation Issues", Mr. Lamy said.

On textiles, it was indicated that bilateral discussions would take place shortly on a new textile package covering the issues of enhanced quotas etc. On the GSP issue, Secretary (Textiles), Mr. S. B. Mohapatra gave figures to show that India's exports to the EU had been affected by the GSP concession being extended to competitors. Mr. Lamy tried to explain on the basis of the EU data that India had not lost its market share but rather its textile exports to the EU had increased and, therefore, the GSP matter had not affected India's trade with the EU. However, he also said that Pakistan was likely to graduate – beyond the threshold level of exports – in the near future.



## **MONTHLY REPORT ON MULTILATERAL TRADE ISSUES AND DEVELOPMENTS (February 2003)**

### **Trade Negotiations Committee**

The Trade Negotiations Committee (TNC) of the WTO met on 5 February, 2003. **Members expressed serious concern at the uneven progress in the negotiations so far and stressed on the need to send out a clear political signal that members are entering an intensive phase of work. India expressed a deep sense of disappointment at the manner in which negotiations are progressing and said developing countries expect a certain degree of balance in the manner in which the negotiations proceed. It called on developed countries to engage positively on addressing developmental issues, rather than looking at them from a purely technical point of view. The Chairman informed members that he is planning to convene the TNC at the level of senior capital-based officials in April 2003.** On implementation issues, covered by para 12(b) of Doha Ministerial Declaration (DMD), he informed members that he has requested the chairpersons of WTO bodies to hold consultations and to provide him with advice on how to move forward on these issues.

### **General Council**

The General Council of the WTO met on 10/2/03. The slate of chairpersons to various WTO bodies for the year 2003 was agreed upon. Mr. Carlos Perez Del Castillo, Ambassador of Uruguay, was elected as the Chairman of the General Council for 2003. Ethiopia presented its application for full membership of the WTO. A working party will be set up to consider the application. There was a lengthy debate on the report of the Council for Trade & Development – Special Session (CTD-SS) dealing with S&D issues. The CTD-SS had sought clarification on the mandate contained in the DMD on whether it includes changes in the text of the existing agreements and on whether it implies changes in rights and obligations in howsoever insignificant a way. The report was not allowed to be adopted by some members. The Chairman, General Council is to hold consultations on the issues raised in the CTD-SS

### **Special Session on Agriculture**

At the Special Session on Agriculture held in Geneva on 24 & 28/2/03, discussions took place on the First draft of modalities

prepared by the Chairman of the Special Session. The meeting was attended by Mr. K.M. Sahni, Additional Secretary and Mr. Rajiv Mehta from Deptt of Agriculture, Mr. R. Gopalan, Joint Secretary, Ministry of Commerce & Industry, and Mr. K.M. Chandrasekhar, Ambassador and Mr. Rajesh Aggarwal, Counsellor from PMI. The protectionists, such as EC, Japan, Norway, Switzerland, found the draft extremely ambitious which would amount to decimation of agriculture in their countries. The Exporters found it not going far enough in meeting their demands. India, while expressing satisfaction with some positions, found the commitments for developing countries too ambitious in Market Access and imbalanced. **Due to conflicting positions taken by Members, it seemed that Members are nowhere near consensus at this stage.** The discussions will continue at the next Special Session to be held on 25-31 March 03

### **Council for Trade in Services**

The main issue discussed at the Council for Trade in Services held on 28/2/03 was proposals relating to technical review of Article XX:2 of GATS. Hong Kong China (HKC) presented its paper on its proposals suggesting scheduling convention to avoid any ambiguity relating to overlap between Art XVI and XVII. The Brazilian proposal for authoritative interpretation of Article XX:2 was also discussed. There was no consensus to start the technical review though some members indicated their readiness to embark upon the technical review of Art XX:2.

### **Council for Trade in Goods**

The meeting of the CTG was held on 26/2/03 primarily to endorse the Kimberley Process waiver that was sought under Article IX of the WTO Agreement by Canada and some other countries. The Chairs of the various subsidiary bodies were also announced

### **Negotiating Group on Rules**

The Group which met on 3/2/03 discussed transparency-related issues regarding Regional Trade Arrangements (RTAs). The issues covered in the informal segment of the meeting included 'when and where to notify', the purpose of examination of RTAs, factual enquiry of notified RTAs, whether members perceive notification as a potential source of legal problems, etc. India favoured a two-stage approach to notification, with the second stage being completed before the entry into force of the agreement. India wanted RTAs under the Enabling Clause to be examined in the Committee on Trade and Development (CTD), as at present.

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

At this Special Session on 17 & 18/2/03, Brazil and the US formally introduced their proposals. We welcomed the Brazilian proposals in the formal session and sought certain clarifications

in the informal session. In the informal session, legal texts on Articles 10 to 17.6 of the DSU compiled by the Secretariat were discussed. While there was certain degree of agreement to enhance participation of third parties in the Dispute Settlement (DS) process, a few delegations, however, expressed reservations about their automatic participation in the consultations without defending party's consent and in panel's organisational meeting and at interim stage. Several questions were raised on the EC, Thai and Canada proposals on permanent panelists/chairpersons. There was no consensus on amicus briefs as well as on public access to panel proceedings and parties' submissions.

At another DSB meeting held on 19/2/03, Japanese Ambassador was elected as chairman of the DSB for the year 2003 by acclamation. The US under other business claimed that it had fully complied with the DSB rulings on *US – CTL* dispute (DS206). We contradicted that claim and reserved our rights under the DSU. When the US again under other business questioned convening of special DSB meeting on 24-2-03 on Byrd Amendment at co-complainants' request to express its intention to implement the DSB rulings, we along with other co-complainants rejected the US interpretation of Article 21.3 of the DSU. Argentina and we expressed interest in the dispute *US – Upland Cotton*, on which Brazil sought establishment of a panel. DSB could not establish panel, as this was the first request and the US did not accept. The US presented status reports on *Copyright Act, 1917 AD Act, Omnibus Act (Cuba rum)* and *Japan Hot-rolled Steel* disputes. EC, Japan and Cuba expressed disappointment at the continued delay in non-compliance of the DSB rulings by the US in these disputes

### **Panel Meeting**

In the third party session of the panel on *US – Softwood Lumber* (DS257) on 12/2/03 we criticised the panel's decision to accept amicus curiae briefs from NGOs and reiterated that use of cross-border price by the US as benchmark to determine 'benefit' was inconsistent with Subsidies and Countervailing Measures (SCM) Agreement.

### **Committee on Trade and Environment (CTE): Special Session**

The process of negotiations on paragraph 31 of the Doha Declaration was carried forward at the Meeting of the Committee on Trade and Environment – Special Session in Geneva on 12 & 13/2/03. Papers were presented by the US, Switzerland, Canada and India. India presented its submission on 'Relationship between specific Trade Obligations set out in MEAs and WTO Rules'. On the issue of information exchange between the MEA Secretariats and the relevant WTO Committees, it has been decided that for the next meeting, the following MEAs (Multilateral Environment Agreements) would be invited: (i) CITES, (ii) Basal, (iii) Montreal Protocol, (iv) CBD, (v) International Tropical Timber Organisation (ITTO),

(vi) UN Framework Convention on Climate Change (UNFCCC) and (vii) UNEP. In the light of submissions presented by Japan and Qatar, discussions also took place on the issue of reduction/elimination of tariffs and non-tariff barriers on environmental goods and services.

The CTE met again on 19/2/03. There was a usual repetition of discussions on those of Labelling, TRIPs & CBD and effect of environmental measures on market access issues. However, an important point was that the Chairman opened discussions on the kind of Report which the CTE would like to send to the Cancun Ministerial Meeting. It may be recalled that the CTE is required to report to the 5<sup>th</sup> Ministerial Meeting, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations. US, Australia, Brazil, Argentina, Philippines were of the view that Report should contain factual material only. They also underlined that proposals for recommendations, if any, desired by Members, should be submitted sufficiently in advance of the Meeting for consideration of Members. EC stated that draft factual Report can be prepared at this stage without prejudicing Members' proposals on appropriate recommendations to the Cancun Ministerial Meeting

### **Rules Negotiating Group**

A meeting of the Rules Negotiating Group was held on 6-7 February 2003. The Group is in the stage of getting proposals from Members and reactions thereon. India replied to the proposals made by the US on Subsidies Agreement and also answered questions asked on our proposals made earlier in the process.

### **Working Group on Trade and Competition Policy**

Further discussion on clarification of elements contained in Paragraph 25 of the Doha Declaration took place at the meeting of the Working Group on Trade & Competition Policy held on 20 & 21/2/03.

### **TRIPs Council (Special Session) : Multilateral Register for wines & spirits**

The TRIPs Council met on 18, 19 & 21/2/03. It was a usual affair with no issue making any headway and Members repeating their positions. It appears that the Chairman will come up with a draft negotiating text before the next session, although this was opposed by Australia and Argentina.

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

A meeting of the Working Party on Domestic Regulation (WPDR) was held on 24-2-2003. On the issue of 'development of regulatory disciplines under GATS Art. VI: 4', the discussion took place on the basis of Secretariat's compilation (Job(02)/20/Rev. 4) of examples of measures to be addressed by Article VI:4. Under this agenda item, in the light of the discussion at the last informal meeting of WPDR held on 28-1-2003, Japan came out with a paper containing the draft outline of 'Annex

on Domestic Regulations'. On the request of members, the OECD made a presentation on Mutual Recognition Agreements (MRAs).

### **Working Party on Government Regulation (WPGR)**

A meeting of the Working Party on Government Regulation (WPGR) was held on 25-2-2003. On the issue of Emergency Safeguard Measures (ESM), the EC made a detailed intervention. It mainly emphasised that there are two very crucial words in the text of Art X of GATS namely: *emergency* and *questions*. The EC subsequently circulated the intervention through the Secretariat as a document S/WPGR/W/41. Thailand on behalf of ASEAN also made a detailed intervention highlighting mainly the need and desirability of disciplines on ESM under GATS. On Government Procurement, some members suggested to establish a closer link between the WPGR and the Working Group on Transparency in Government Procurement (WGTGP). In the light of the proposal earlier submitted by Poland, the members also discussed the issue of 'subsidies'.

### **Committee on Trade in Financial Services (CTFS)**

A presentation was made by the World Bank on its policy report entitled 'finance for growth: policy choices in volatile world' at the CTFS meeting in Geneva on 26/2/03. Discussions were also held on the coverage of Mode 1 commitments on the basis of the understanding on commitments in financial services, vis-à-vis coverage of the classification of financial services contained in paragraph 5 of the GATS annex on financial services. IMF circulated a list of papers on capital account liberalisation and financial services trade as requested by the Committee earlier. Discussions were also held on the Hong Kong China paper on e-commerce.

### **Committee on Specific Commitments (CSC)**

A meeting of the Committee on Specific Commitments was held on 27<sup>th</sup> February 2003. On the issue of 'classification', members noted that it is desirable to have a common classification so that the new/subsequent classification by members does not adversely affect the existing rights and obligations by way of affecting the respective UR commitments. Under the item "Scheduling of Commitments", India informed the members that it has completed the work of consolidation of schedule of commitments and Article II exemptions and would be circulating the consolidated schedule to the members very soon. The Chairman circulated a note (Job (03)/38)

containing the procedure for the submission and circulation of initial offers.

### **E-Commerce – Dedicated Session of the General Council**

The discussion at the meeting on 27/2/03 focussed on classification issues and fiscal implications of e-commerce. The U.S. suggested that rather than arriving at a consensus on classification of small set of digital products, it would be useful to have some broad guiding principles for e-commerce. It suggested to have a statement at the Cancun Ministerial Conference on E-Commerce. Many members noted that before agreeing on any broad guiding principles on e-commerce, more discussions would be required on number of issues relating to e-commerce. It would be premature to discuss any guiding principles at this stage. US noted that it would be submitting a paper on e-commerce shortly. Under agenda item-fiscal implication, Members sought information from the EC on its proposed VAT regime on e-commerce. Discussions were also held on the format of recording discussions in the dedicated session.

### **Committee on Customs Valuation**

A meeting of the Committee took place on 28/2/03 to endorse the notification by Sri Lanka regarding minimum value reservation.

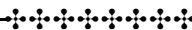
### **Working Party on Accession of Ukraine**

A meeting of the working party was held to review the progress in the legislative process undertaken in Ukraine to bring its foreign trade regime in conformity with the WTO. An overview was also given on the progress of bilateral agreements that Ukraine had accomplished. In all they have managed to finalise bilateral agreements with 10 countries, including India. Most of the Working party members, barring US, favoured beginning work on a draft working party report. However, no consensus could be reached.

### **Trade Policy Review Body (TPRB) – TPR of the El Salvador**

A meeting of the Trade Policy Review Body was held on 3 and 5 February 2003 to conduct the second Trade Policy Review of the El Salvador. All members appreciated the way El Salvador could manage its deep political crises prevailing till 90s. Members also noted El Salvador's active and productive engagement at the WTO.

{Source: PMI/Geneva}



## PARLIAMENT BRIEFS



### ● **Byrd Amendment**

India, along with eight other co-complainants, including European Communities and Japan, had raised a dispute at the World Trade Organisation (WTO) against the “Continued Dumping and Subsidy Offset Act (CDSOA)” of the United States, popularly called the Byrd Amendment, which permitted the US authorities to distribute on an annual basis duties assessed pursuant to countervailing duty /anti-dumping duty order to the affected domestic producers. Subsequently Canada and Mexico initiated separate disputes on the same subject. A common Dispute Settlement Panel was then established for all the disputes by the Dispute Settlement Body (DSB) of the WTO.

The WTO Dispute Settlement Panel held that the CDSOA violated obligations under the Anti-Dumping Agreement, the Subsidies Agreement and General Agreement on Tariffs and Trade 1994 (GATT 1994). Subsequently the US appealed certain findings and legal interpretations developed by the Panel in this dispute. The Appellate Body, while reversing certain findings of the Panel, has inter-alia upheld the overall determination of the Panel that the CDSOA constitutes non-permissible specific action against dumping or a subsidy and violates obligations under the Subsidies and Anti-Dumping Agreements.

The Rulings and Recommendations of the Panel and the Appellate Body in this dispute were adopted by the DSB during its meeting held on 27<sup>th</sup> January, 2003 following which US is required to bring its measures into conformity with obligations under the Anti-Dumping Agreement, the

Subsidies Agreement and GATT 1994. In accordance with the provisions of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), US would have a reasonable period of time for this purpose.

It may not be easy to make a precise assessment of the impact of the outcome of this dispute on India's trade. It should however be welcome that the US companies would not get added protection that the CDSOA sought to give them than what they were entitled to from the Anti-dumping and Subsidies Agreements of the WTO.

Remedies in trade disputes under the Dispute Settlement Mechanism of the WTO are generally prospective in nature. In any case it may not be possible for Indian companies to get compensation from the US Government even if the CDSOA is repealed since that would only mean that the anti-dumping or countervailing duty revenues would accrue to the US Department of Treasury, as in the past, than be distributed among the affected domestic producers.

### ● **Establishment of Free Trade Zone with Asean Countries**

In the first ASEAN Economic Ministers (AEM) - India Consultations held on 15<sup>th</sup> September, 2002 in Brunei Darussalam, the Ministers agreed to establish an ASEAN-India Economic Linkages Task Force (AIELTF) to prepare a draft Framework Agreement to enhance ASEAN-India trade and economic cooperation and recommend measures for integration towards closer economic

partnership. So far, two meetings of the Task Force have been held in December 2002 (New Delhi) and February 2003 (Jakarta). A joint study on AFTA India Linkages for the Enhancement of Trade & Investment undertaken by the Indian Institute of Foreign Trade and the Malaysian Institute of Economic Research has proposed for Regional Trade & Investment Area (RTIA) between India and ASEAN in the long term. The study has highlighted that ASEAN and India offer a large market with a 'combined population of 1.485 billion people and therefore, there is a great potential to enhance trade & investment flows between India and ASEAN countries. As per the joint study, based on the UNCTAD methodology, the aggregate trade between India and ASEAN - 5 is estimated to increase three folds from the present level of trade. On the short term benefits, India and ASEAN seek to deepen cooperation in the areas of Trade Facilitation, Science & technology, Human Resources Development, Information and Communication Technology, Pharmaceuticals, Tourism, etc. besides promoting people to people linkages.

● **Trade Agreement with South Africa**

A Joint Working Group has been set up to examine the proposal for a bilateral Preferential Trade Arrangement (PTA) and to prepare a draft Framework Treaty for this purpose between India and the South African Customs Union (SACU) which includes Lesotho, Botswana Swaziland Namibia and South Africa. A Free Trade Agreements (FTA) between India and Sri Lanka was signed on 28th December, 1998 in New Delhi. The FTA has been made operative by the issuance of Customs Notification on 1st March, 2000. The Agreement envisages phasing out of tariffs on all products, over a period of time, except for a limited number of items in the Negative List, While India would complete the process of tariff elimination over a period of 3 years, Sri Lanka would achieve this over 8 years. Such Free Trade Agreements are expected to

enhance the bilateral trade and investment flows between the countries by providing better market access resulting from the exchange of tariff concessions. Since the coming into operation of FTA between India and Sri Lanka, the growth in bilateral trade turnover is as given below :

(Value in Rs. Lakhs)

S. No.	Year	1999-2000	2000-2001	2001-2002
1.	India's total trade with Sri Lanka	235,514.76	313,006.87	333,018.83
2.	% Growth	17.90	32.90	6.39

● **Demand for Anti-Dumping Duty on Import of Milk and Milk Products**

The details of imports of Milk and Milk Products during the last three years, country-wise and year-wise are given below:

(Value in Rs. Lakhs)

Country	1999-2000	2000-2001	2001-2002
New Zealand	4427.31	2447.31	1300.81
Australia	3196.1	908.6	449.24
Netherlands	2895.69	162.08	39.26
Germany	2006.57	66.77	19.65
Ireland	1870.33	-	-
Belgium	1299.69	584.05	2.43
U K	716.51	2.31	110.62
France	367.18	127.43	757.03
Argentina	253.77	-	-
Denmark	157.55	141.86	264.4
Other Countries	849.97	368.24	295.32
<b>Total</b>	<b>18040.67</b>	<b>4808.65</b>	<b>3238.76</b>

Source: DGCI & S

Anti-Dumping cases are normally initiated on the basis of a fully documented petition submitted by the domestic industry containing sufficient evidence in respect of alleged dumping injury and causal link between the two. The DGAD has so far not received any petition initiation of investigation into import of Milk & Milk Products from US

and developed countries in Europe. However on the basis of a petition filed by the Center for International Trade in Agriculture and Agro Based Industries (CITA), the DGAD has initiated investigation into import of Butter Oil from New Zealand vide notification dated 26.11.2002. The investigation is in progress.

● **Anti-Dumping Proceedings of USA Against Indian Steel**

The initiation of anti-dumping investigation is against the pricing factor relating to the subject products which is primarily concerning the company or companies of the exporting country. However, in the anti-dumping investigation initiated by USA against import of cut-to-length carbon steel plates, at India's request a panel was established under the Dispute Settlement Mechanism of the WTO for examining India's claims in the dispute relating to imposition of dumping duty to the extent of 72.49% by the US. Subsequent to the directions of the Dispute Settlement Body of WTO, the US authorities have revised the dumping duty and reduced it to 42.39%. In the cold rolled steel products case, the US International Trade Commission issued its final determination on August 25, 2002 in respect of India and four other countries, and ruled that there was no evidence to support the charges that dumping was taking place and had resulted in injury to the US steel producers.

● **Anti-Dumping Duty on Import From China and Hongkong**

Directorate General of Anti-Dumping & Allied Duties has so far initiated investigations into 66 cases involving imports from China and 6 cases involving imports from Hongkong. The major product categories on which Anti-dumping duty has been levied are Chemical & Petrochemical products, Pharmaceuticals, Steel & Other Metals and Consumer goods.

Present status of the cases involving imports from China is given below:

Cases in which final findings have been issued	49
Cases in which preliminary findings have been brought out and further proceedings are on	8
Cases under investigation for preliminary findings	6
Cases initiated but closed	3
<b>Total</b>	<b>66</b>

Present status of the cases involving imports from Hongkong is given below:

Cases in which final findings have been issued	5
Cases under investigation for preliminary findings	1
<b>Total</b>	<b>6</b>

Anti-Dumping investigations are initiated on the basis of a fully documented petition submitted by the domestic industry containing sufficient evidence in respect of alleged dumping, injury and causal link between the two. Designated Authority may also initiate suo-moto investigations if it is satisfied from the information received from the Collector of Customs appointed under the Customs Act, 1962, or from any other source that sufficient evidence exists as to the existence of dumping, material injury to the domestic industry and causal link between the two.

Anti-dumping is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry. The purpose of Anti-dumping duties is to counteract trade distortion caused by dumping and the consequential injury to the domestic industry. The imposition of Anti-dumping measures does not restrict imports from the subject countries.

***(Source : Replies in Parliament in March 2003)***



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

### APRIL

2-3	Committee on Sanitary and Phytosanitary Measures	23	Trade Policy Review Body-Southern African Customs Union (SACU)
2	Trade Policy Review Body-Burundi	23-24	Workshop on Information Technology Products
3-4	Committee on Regional Trade Agreements	24	Committee of Participants on the Expansion of Trade in Information Technology Products
3-4	Committee on Trade-Related Investment Measures	24-25	Special Session of the Council for Trade-Related Aspects of Intellectual Property Rights
4	Trade Negotiations Committee	25	Trade Policy Review Body-Southern African Customs Union (SACU)
4	Trade Policy Review Body-Burundi	28	Committee on Safeguards
10-11	Special Session of the Dispute Settlement Body	28	Sub-Committee on Least-Development Countries
14-16	Negotiating Group on Market Access	28-30	Textiles Monitoring Body
15	Dispute Settlement Body	29-2	Committee on Anti-Dumping Practices
18	Good Friday (WTO non-working day)	29-30	Committee on Trade and Environment
21	Easter Monday (WTO non-working day)		

\*Source : WTO/Geneva as on March 2003

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