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MARKET ACCESS NEGOTIATIONS FOR NON-AGRICULTURAL PRODUCTS (INDUSTRIAL TARIFFS)

FREQUENTLY ASKED QUESTIONS

Market Access Negotiations are negotiations in which participating countries commit to each other an assured degree of access to their markets. Market access is expressed in WTO terms as “border measures”, i.e., tariffs and non-tariff measures in respect of cross border supply of goods and regulations inside the market in respect of services and intellectual property rights. The principle of non-discrimination in the multilateral trade system is aimed particularly at smoothening market access measures to facilitate international trade in goods and services. The Ministry of Commerce & Industry (Department of Commerce), Government of India, has recently brought out a Booklet titled “Market Access Negotiations for Non-agricultural Products (Industrial Tariffs)”. Reproduced below is the above publication in the form of Frequently Asked Questions:

BACKGROUND

1. What is meant by “market access negotiations”?

Market access negotiations are negotiations in which participating countries commit to each other an assured degree of access to their markets. While this would include market for all goods and services, in this brochure we shall confine ourselves to only negotiations on market access for non-agricultural products.

2. What are non-agricultural products? Are they the same as industrial products?

In WTO, there is a specific “Agreement on Agriculture” which lists all the products on which it applies; (See Annexure-I). All other products are taken as non-agricultural products.

Non-agricultural products include fish, rubber, jute, minerals & ores etc. and therefore are wider in scope than “industrial products”.

3. What is normally negotiated in market access negotiations for non-agricultural products?

Negotiations by WTO Members seek to obtain

- a. Commitments not to impose customs duty and other import stage taxes above particular levels for different products (such a level for each item is referred to as the bound rate for the item) ;and
- b. Commitments to remove and/ or not to impose any non-tariff measures which would restrict the import of a particular product into their country.

4. Is it necessary in such negotiations to have the tariff levels bound for every item?

The extent of bindings, itself, is normally subject to negotiations. In India’s case, for instance, about 32% of tariff lines of non-agricultural products are still unbound. On the other hand all agricultural products are presently bound.

5. Can actual (or applied) tariffs be raised beyond bound levels? If yes, is there a cost to be paid?

Applied tariffs can be raised beyond bound levels. Before doing so, however, we have to renegotiate the binding with other Members who have a substantial trade interest in the product and will be affected as a result.

Yes, there is a price to be paid. The price is in the form of equivalent reduction in a trade weighted form in the bindings of those products in which the affected Members have a trade interest.

6. Do market access negotiations take place only in WTO?

No, market access negotiations also take place bilaterally between two countries such as between India and Nepal or in a regional setting such as the South Asian Preferential Trade Agreement (SAPTA). WTO is however the only multilateral forum for such negotiations.

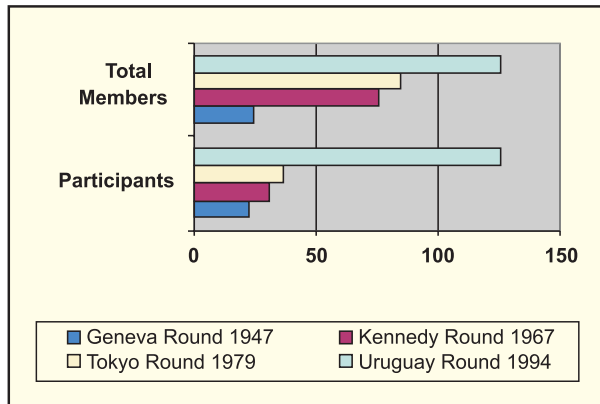
7. How many negotiations have been held in the WTO, so far?

Eight rounds of multilateral trade negotiations have been held between 1947 and 1994.

These were the Geneva Tariff Conference (1947), the Annecy Tariff Conference (1949), the Torquay Tariff Conference (1950-51), the Geneva Tariff Conference (1956), the Geneva Tariff Conference (1960-1961), also known as the Dillon Round, the Kennedy Round (1964-1967), the Tokyo Round (1973-1979) and the Uruguay Round (1986-94). The first four conferences, which are also referred to as rounds, are known by the place where they were held, the next two after individuals who had provided the inspiration for the negotiations (US Under Secretary of State, Douglas Dillon and the US President, J.F. Kennedy). The last two rounds have been known by the place/country where the Ministers adopted the Declaration launching the negotiations.

8. Did all Members participate in all GATT Rounds of market access negotiations?

No, during the GATT period it was not necessary for all Members to participate. Most developed countries and some developing countries looking for specific concessions participated.



9. In what way was the market access negotiation in the Uruguay Round different from earlier Rounds?

The Uruguay Round was the most comprehensive trade negotiations ever. All WTO Members, developed or developing, participated and contributed towards tariff reductions. In the case of developed countries the percentage of bound tariff lines increased from 78% to 99% whereas in the case of developing countries it increased from an average of 21% to 73%.

10. Has market access significantly improved for developing countries after the Uruguay Round?

As a result of the Uruguay Round of negotiations, following tariff reductions came about in developed countries:

- Average tariff on non-agricultural goods came down from 6.3% to 3.8%.
- Proportion of non-agricultural goods getting duty

free treatment went up from 20% to 44%.

- Non-agricultural goods facing tariffs higher than 15% came down from 7% to 5%.

Despite this improved market access situation on the aggregate, developing countries continued to face relatively higher tariff barriers on products of particular interest to them because:

- Textiles, Leather and footwear items, and fish & fish products and transport equipments got lower duty cuts.
- Textiles continued to face tariff peaks. (Tariff peaks refer to a situation where while the average tariff may be low, on a select few sensitive items the tariff is three times the average or even higher).
- Tariff escalation remained. (Duties for items at a more advanced stage of production being higher than for those at earlier stages of production or processing)

11. Have there been Market access negotiations in WTO outside the "Rounds"?

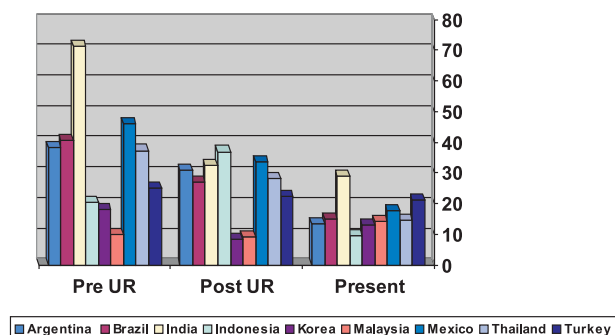
Yes, if Members want they can hold such negotiations without linking them to a "Round". The Information Technology Agreement (ITA) under which Members agreed to reduce the tariff on information technology products to zero took place in 1996.

12. Do countries reduce their tariffs autonomously?

The actual or applied tariff (which has to be less than the bound level) is autonomously decided by a country and can be increased or decreased depending on its domestic policies.

A country can also unilaterally reduce its tariff bindings in the WTO.

Trade Weighted Average Tariffs in Some Developing Countries



13. What is the nature of India’s tariff bindings after the Uruguay Round for non-agricultural products?

India has at present bound 68.2% of the tariff lines for non-agricultural products. Wherever the bindings have been taken, they are 40% for finished products and intermediates and 25% for raw materials. There are however a few items which have been historically bound at different levels. A pictorial representation of share of bound tariff lines in manufactured products may be seen in Annexure-II. In addition to what has been indicated therein, bindings have also not been taken in respect of fish and crustacean products.

14. Are there significant non-tariff barriers facing developing country exports in developed markets?

With the general reduction in tariff levels in developed countries, non-tariff measures remain the most significant restrictions on market access.

Studies have shown that non-tariff measures have the effect of significantly increasing the level of protection afforded to products in developed markets thus acting as barriers to market access for developing countries.

Non-tariff barriers include quotas & other seasonal quantitative restrictions; non-transparent administration of tariff rate quotas; restrictive rules of origin; unduly high product standards; delayed conformance testing procedures; consumer boycotts; improper use of anti-dumping or countervailing measures etc.

15. Why was a need felt for further market access negotiations at this stage?

As mentioned earlier, although the average tariffs in developed markets have come down after the Uruguay Round to an average of around 3.8%, there are several items of interest to developing countries, such as textiles or leather goods, fish and fish products or transport equipment where there is a prevalence tariff peaks and tariff escalation. In several sectors, there are also various forms of non-tariff barriers that are coming in the way of expanding developing country exports to developed markets. The elimination or reduction of all these barriers in a fresh set of market access negotiations would be in developing countries’ interests.

On the other hand, developed countries favoured fresh negotiations, as they were looking for increased market access in developing countries where the tariffs are perceived by them as being significantly higher.

B. DOHA WORK PROGRAMME

16. Does the Doha Work Programme include market access negotiations?

Yes, the Doha work programme mandates fresh market access negotiations for non-agricultural products and also for environmental products.

This is in addition to the negotiations already taking place on market access for agricultural products and services.

17. What is the mandate?

The Doha Ministerial Conference mandate on the commencement of tariff negotiations on non-agricultural goods reads:

"16. We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations."

Additionally the mandate under the paragraph on trade and environment includes:

"31. With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

(iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services."

18. Why have environmental goods received a special mention in the mandate?

There is a growing environmental awareness in the

world. A specific mandate to promote free trade of products that are environment friendly or environment related is seen as WTO's contribution to promoting and protecting the environment.

19. What is meant by "modalities" for negotiations?

Modalities are the basic parameters of the negotiations. These include issues like –

- Time schedules for the different phases of the negotiations.
- How will the tariff reductions be negotiated? Will it be on the basis of a uniform formula or on the basis of requests and offers or other means?
- What will be the starting point for calculating the extent of fresh concessions offered by a Member?
- Will the two aspects of the negotiations – tariffs and non-tariffs – be treated separately, together or on parallel tracks?
- Will all products be required to be bound? Will developing countries be permitted some exemptions?
- How will the provision in the mandate for "less than full reciprocity" for developing countries be actually given effect to?

20. How have such "modalities" been dealt with in previous rounds of negotiations?

Agreement on modalities is important, though not necessary, for the smooth conduct of the actual negotiations. In all negotiations modalities are first discussed and attempts made towards arriving at an agreement on these.

In the Uruguay Round no agreement on the modalities of the market access negotiations could be reached. Thus, Members went their own way in making offers and carrying out the negotiations. All the same agreement was reached amongst all Members.

21. How are the actual negotiations conducted?

Negotiations may be conducted using three broad methods; any or a combination of all of these methods may be employed:

- a. Product-by-product i.e. request-offer negotiations. In this each Member asks each of its trading partners to give concessions on products of its interest and offers compensatory concessions in return. Agreement is reached amongst each set of trading partners. The main problem in using this method is the complexity of managing bilateral negotiations amongst a 144 strong Membership. Modern data processing techniques do however make it possible to conduct request-offer negotiations efficiently. This has been a popular method of carrying out negotiations in almost all the Rounds held so far as it addresses specific trade concerns.
- b. Formula approaches. Formulas envisage uniform application of a method by all members resulting in comparable commitments. Several types of formulae have been used these include Linear Formula which envisage an agreement among governments to reduce their tariff levels by a fixed percentage or Non-linear Formulae that addresses the issue of differential levels of tariffs which make linear reductions unfair for all participants.
- c. Sectoral Approaches. These are of two types, the first is the sectoral 'zero-for-zero' whereby the tariffs on an identified sector is brought down to zero by all participating Members (Information Technology Agreement is an example) and the second is sectoral 'harmonisation' in which the end result is not 'zero tariff' but a mutually agreed 'low tariff'. Such proposals were made at the UR on Chemicals; textiles & clothing; and non-ferrous metals

22. Will all non-agricultural products be covered?

Regarding coverage, the mandate mentions that it will be 'comprehensive and without *a priori* exclusions'. A case may therefore be made for all its Members to undertake commitments on all non-agricultural products.

However this will also depend on the negotiations themselves.

23. The mandate mentions "peak tariffs"; "high tariffs"; and "tariff escalation" can these terms be further elaborated?

Peak tariffs are identified either as:

- tariffs above the *ad valorem* level of 12/15% or
- tariffs two to three times the national average or the standard deviation from the national average.

12-15% applied tariffs also roughly equals the other definition considering that developed country average tariffs are about 4-5%. Peak tariffs have been identified as one of the main tariff related tools used by developed countries to restrict market access to specific products from the developing world. Typically peak tariffs are found on labour intensive products like leather manufactures, textiles and agro processed products.

The common definition for High Tariffs is tariffs higher than the international/ regional averages. However, high tariffs are also described in Article XXVIII bis of the GATT 1994 as tariffs that discourage the importation even of minimum quantities into a WTO Member's territory.

Tariff escalation is the tool by which products at a lower level of manufacture have a lower tariff and that at a higher level a higher tariff. In international trade tariff escalation discourages higher value added imports *vis-*

à-vis lower value addition, promoting value addition at home. For developing countries this is an issue since as they move up the production chain towards being producers of finished goods their exports start facing higher tariffs.

24. Will developing countries be expected to take on the same level of commitments as developed countries?

No, as "less than full reciprocity in reduction commitments" is a special and differential treatment for developing countries built into the mandate.

Further, in the WTO, reciprocity between the obligations undertaken by developed country *vis-à-vis* those by developing countries are specifically excluded in the agreements governing the various market access negotiations.

25. What are the special provisions for developing countries in the Doha mandate?

The negotiations are to take fully into account the special needs and interests of developing and least-developed country participants through:

- less than full reciprocity in reduction commitments;
- appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations;
- observance of measures provided for in all other relevant WTO provisions like the principle of special and differential treatment for developing and least-developed countries embodied in Part IV of the GATT 1994; the Decision of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries; the Uruguay Round Decision on Measures in Favour of Least-Developed Countries.

26. How will non-tariff barriers be dealt with in the negotiations?

Unlike tariffs which are well defined and uniform for all countries, non-tariff barriers are nebulous and what may be a non-tariff barrier in one country may not be in another. Thus, how to deal with non-tariff barriers will have to be discussed and decided during the negotiations.

Further, several trade actions such as imposition of anti-dumping duties; determination of product and health standards; administration of licensing procedures; etc. are already the subject matter of WTO agreements. While, it may not be feasible to discuss all these actions in their entirety as part of the market access negotiations, specific aspects could certainly be discussed and commitments registered.

27. What is the time frame for the negotiations?

The process of negotiations would take place broadly in two stages –

- a) the first would be discussions and an agreement on modalities; and
- b) the actual market access negotiations based on the modalities agreed to.

Regarding the time-frame for modalities, Members may submit proposals by 1 November 2002, however proposals submitted until 31 December 2002 will be fully taken into account in a consolidated overview of proposals to be submitted to participants at the first meeting of the Negotiating Group in 2003. A common understanding on a possible outline of modalities is to be reached by the end of March 2003 with a view to reaching an agreement on the modalities by 31 May 2003. The actual market access negotiations commencing thereafter is stipulated to conclude by January 2005.

28. Have the negotiations already started?

A Negotiating Group has been established to conduct the negotiations on market access for non-agricultural products. The Group will have to evolve its modalities before proceeding to the actual market access negotiations based on those modalities.

29. Will the results of the negotiations implemented immediately?

Regarding implementation of results, as per precedent available in the GATT era implementation of tariff reductions is an element in tariff negotiations.

In the Tokyo Round, the tariff reductions were implemented in eight equal annual reductions beginning on 1 January 1980 and becoming fully effective on 1 January 1987.

The Uruguay Round provided for five equal annual instalments beginning on the date of entry into force of the WTO Agreement for industrial products and six equal annual instalments for developed countries and ten for developing countries in agricultural products.

For the present negotiations, therefore, the implementation period would also be negotiated and agreed to. If the negotiations conclude as per schedule in January 2005, the implementation of the reduction commitments could thereafter come into effect over perhaps another five year period.

C. IMPLICATIONS FOR INDIA AND PREPARING FOR THE NEGOTIATIONS

30. What are the advantages of such negotiations for India?

Advantages for India may be two fold, the first is that it allows establishment of a long-term framework of customs duty structure allowing the domestic industry to plan in advance its business strategies. The second advantage lies in providing the opportunity to secure

greater market access in foreign markets including through elimination of tariff peaks and tariff escalation which are prevalent in developed markets on products like textiles, leather and marine products as also the removal of non-tariff barriers in these and other areas of export interest to us.

One other indirect advantage is that increasingly regional preferential trading arrangements are diverting trade from countries like India to Members of such arrangements. General tariff reductions would reduce the difference between the preferential tariff and the general (or MFN) tariff thus improving the market access for non-members of the regional arrangements.

31. What are the likely consequences of reduction in bound tariff levels for domestic industry?

India has been autonomously reducing its tariff levels with the peak rate now pegged at 30%. In his Budget Speech for 2001-02, the Finance Minister had said that "I have already promised that our customs tariff would be brought down to East Asian levels. I will like to move progressively within three years to reduce the number of rates to the minimum with a peak rate of 20%. The modalities for this will be worked out in time for the next budget".

In his budget speech for 2002-2003 the Finance Minister further stated:

"I have decided that, by the year 2004-05, there would be only two basic rates of customs duties, namely, 10% covering generally raw materials, intermediates and components and 20% covering generally final products. The existing rates would be adjusted and subsumed in these two basic rates with some exceptions on account of WTO bindings or higher tariffs for agricultural products."

We are therefore reducing our tariffs in any case to reach the South East Asian levels in a few years time

and our industry is adjusting to these changes quite well.

We would, however, not benefit from a similar reduction in other markets in an assured manner particularly in items of interest to us if we do not bind our duty reductions but only reduce them autonomously.

32. What can our exporters and Export Promotion Councils do?

While the offer to be made by India would depend on its domestic policies and imperatives, it will be very important to modulate the same with requests to other Members regarding opening of their markets. This basically would mean requesting for reduction in customs duties and non-tariff barriers, if any, in all markets where we are exporting or where we have a potential to export. Exporters and export promotion councils can help us identify and provide specific details of such products, countries to which we are exporting or have a potential to export and the specific details of the tariff and non-tariff measures, removal of which can be requested by India.

33. What role can industry and trade associations play?

Industry and Industry Associations are concerned with both ends of trade i.e. they are importers of goods and services as well as exporters. Industry and Industry Associations can help pinpoint the domestic imperatives to create a suitable tariff commitment structure so as to provide the necessary degree of protection while allowing import of competitively priced inputs.

34. Are any inputs expected from State Governments?

State Governments are increasingly being involved in export promotion activities. Export promotion is a vital aspect of the industrial policy of a State. Since the WTO negotiations would in a macro sense set limits

for the tariff policy of India which in turn would have an effect on the industrial regime, inputs from the State Governments would help in formulating a tariff commitment structure that would address the specific needs of the State Industrial Policy.

35. Is the government taking the assistance of any research organisation for providing the analytical back up?

Yes, several research organisations and government departments are analysing the implications and providing inputs for these negotiations. The Research and Information System for Non-aligned and Other Developing Countries (RIS) has also been requested to provide back-up studies for assisting the Government.

36. Is there a way by which even individuals, companies and other stakeholders can provide their viewpoints to the Government?

The purpose of the entire exercise is to have detailed information about the ground level situation in India. This information can only be procured from the actual stakeholders' i.e. individual companies and any other organisations in any way involved with issues concerned.

The interaction with the State Governments'; Industry Associations; and Export Promotion Councils is based on their interacting with the individual stakeholders. Therefore, individuals may contact the concerned association or council or forum easily available to them and provide the information/ comments/ views. Such bodies can in turn collect and collate the information preparing an industry perspective of the issues or even transmit the individual stakeholders' views directly.

Individuals may also directly contact the Government at the following E-mail addresses:

- snmenon@ub.delhi.nic.in
- vseshadri@ub.delhi.nic.in
- asen@ub.delhi.nic.in

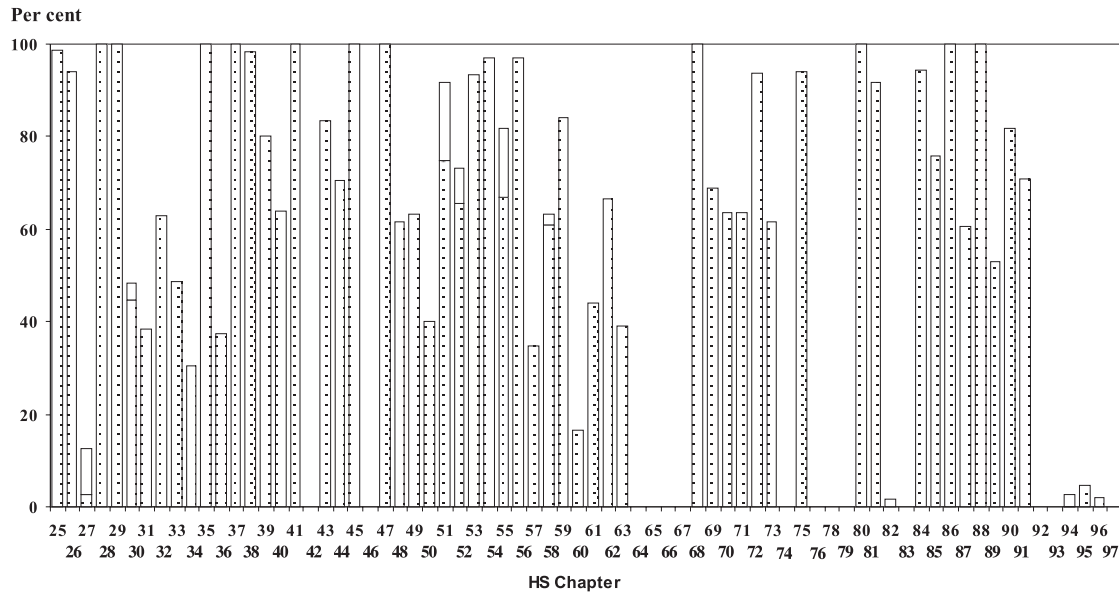
PRODUCT COVERAGE OF THE AGREEMENT ON AGRICULTURE

- | | |
|--|---|
| <p>1. The Agreement on Agriculture covers the following products:</p> <p>(i) HS Chapters 1 to 24 less fish and fish products, plus*</p> <p>(ii) HS Code 2905.43 (mannitol)</p> <p>HS Code 2905.44 (sorbitol)</p> <p>HS Heading 33.01 (essential oils)</p> <p>HS Headings 35.01 to 35.05 (albuminoidal substances, modified starches, glues)</p> <p>HS Code 3809.10 (finishing agents)</p> <p>HS Code 3823.60 (sorbitol n.e.p.)</p> | <p>HS Headings 41.01 to 41.03 (hides and skins)</p> <p>HS Heading 43.01 (raw furskins)</p> <p>HS Headings 50.01 to 50.03 (raw silk and silk waste)</p> <p>HS Headings 51.01 to 51.03 (wool and animal hair)</p> <p>HS Headings 52.01 to 52.03 (raw cotton, waste and cotton carded or combed)</p> <p>HS Heading 53.01 (raw flax)</p> <p>HS Heading 53.02 (raw hemp)</p> |
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*** The product descriptions in round brackets are not necessarily exhaustive.**

ANNEXURE II

Bound tariff lines in Non-agricultural products by HS chapter, 2001/02



Fully bound
 Partially bound

HS Chapter	Description
25	Salt; sulphur; earths and stone, etc.
26	Ores, slag and ash
27	Mineral fuels, mineral oils, etc.
28	Inorganic chemicals; org. or inorg. compounds of precious metals, etc.
29	Organic chemicals
30	Pharmaceutical products
31	Fertilizers
32	Tanning or dyeing extracts etc.
33	Essential oils & resinoids; perfumery, cosmetic/toilet prep.
34	Soap, organic surface-active agents washing prep., etc.
35	Albuminoidal substances; modified starches; glues, etc.
36	Explosives; pyrotechnic products; matches, etc.
37	Photographic or cinematographic goods
38	Miscellaneous chemical products
39	Plastics and articles thereof
40	Rubber and articles thereof
41	Raw hides and skins and leather
42	Articles of leather, etc.
43	Furskins and artificial fur; manufactures thereof
44	Wood and articles of wood, etc.
45	Cork and articles of cork
46	Manuf. of straw, of esparto, etc.
47	Pulp of wood or of other fibrous cellulosic material

HS Chapter	Description
48	Paper and paper board, etc.
49	Printed books, newspapers, etc.
50	Silk
51	Wool; fine/coarse animal hair, etc.
52	Cotton
53	Other vegetable textile fibres
54	Man-made filaments
55	Man-made staple fibres
56	Wadding, felt and non-wovens; special yarns; twine, cordage, etc.
57	Carpets; other textile floor coverings
58	Special woven fabrics; lace, etc.
59	Impregnated, coated, covered or laminated textile fabrics, etc.
60	Knitted or crocheted fabrics
61	Articles of apparel and clothing accessories, knitted or crocheted
62	Articles of apparel and clothing accessories, not knitted, etc.
63	Other made-up textile articles; sets, worn clothing, etc.
64	Footwear, gaiters, etc.
65	Headgear and parts thereof
66	Umbrellas, walking-sticks, etc.
67	Prepared feathers and down, etc.
68	Articles of stone, plaster, etc.
69	Ceramic products
70	Glass and glassware
71	Natural or cultured pearls, precious/semi-prec. stones, prec. metals,

HS Chapter	Description
72	Iron and steel
73	Articles of iron and steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium etc.
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals, etc.
82	Tools, implements, cutler spoons and forks, etc.
83	Misc. articles of base metals
84	Nuclear reactors, boilers, machinery, etc.
85	Electrical machinery and equipment, etc.
86	Railway or tramway locomotives, etc.
87	Vehicles other than railway or tramway rolling-stock; etc.
88	Aircraft, spacecraft, etc.
89	Ships, boats, etc.
90	Optical, photographic, etc. apparatus
91	Clocks and watches, etc.
92	Musical instruments, etc.
93	Arms and ammunition, etc.
94	Furniture, bedding, etc.
95	Toy, games, etc.
96	Miscellaneous manuf. articles

[In addition, India has not any bound tariff lines relating to Fish and Crustacean Products (HS Chapter 3) which also come within the non-agricultural market access negotiations.]

PROCESS OF GLOBALISATION SHOULD BE HARNESSSED TO GENERATE BENEFITS FOR ALL – SUPACHAI

[WTO Director-General, Supachai Panitchpakdi's first press conference,
2 September, 2002, Geneva –

Mr. Supachai took over as DG/WTO on 1 September, 2002, succeeding Mr. Mike Moore]

First of all, let me say how much honoured I feel to have been given the opportunity to serve this important Organisation. It is also a source of major pride to be able to participate and be involved with some of the historic events that are taking place within the new work agenda, the Doha Development Agenda. The WTO itself is gaining in importance because of the mandates that have been given to us, because the new mandates that have been given to us from the Doha Ministerial Conference, because of the future challenges that will be confronting us in several aspects not only in terms of breaking into new paths, in gaining more opportunities for all membership to trade more openly and more intensively with one another with less and less impediments in any forms to trade. Avenues are opening up for us to be working closely with various other organisations so that **we can harness the process of globalisation that can generate benefits for all concerned, that we can help those who still lag behind** to get on board and to be able to partake in the process of globalisation so that they will gain in terms of their own benefits, upgrading their quality of life, enhancing the opportunities for gainful employment and having the kind of environment that we would like to see being improved. This

morning, I have had the opportunity to meet with our staff, the incumbent, present Deputies Director-General, who have been very helpful together with the former Director-General, Mr Mike Moore, in giving me all kinds of meticulous assistance to facilitate the transition process since the beginning of this year. It has been seamless, it has been most efficient, and to all of them, the former Director-General and the present Deputies Director-General, I would like to emphasise my sincere appreciation. **One of the most urgent issues that I intend to undertake is to see to it that we move into the phase of substantive negotiation under the Doha Development Agenda as soon as we can, as intensively as we can, as productively as we can.** I intend to be actively involved in a way that I can help with the negotiating groups, to monitor the progress and to lend all my assistance to guarantee that progress helps us to meet all the deadlines, and I would like to emphasise again that deadlines are important if we want to make this a successful and efficient round. We have little time to waste, we have actually no time to waste, so every bit and pieces of time that can be spent to advance the cause of the substantive negotiations, to come up as quickly with the substantive proposals, this is really my

most immediate task. Apart from this, I will be tasking my deputies, the four deputies, to have concrete and clear-cut areas of responsibilities. **There will be four major areas of responsibility that will reflect my own programme, my own principles in managing this Organisation.** First is in the area of legal affairs. I hope to assign one of the Deputy Director-Generals to work in the areas of legal affairs, to improve the kind of activities that would be as helpful as possible to the Members to avoid conflicts, to be able to abide by the rules at all times, to be able to have the kind of interpretation of the rules in a way that it would help to resolve any conflicts and to be able to make use as much as we can of the consultation process to prevent the conflicts from becoming too costly and too time-consuming to solve. The second area of responsibility that I will assign to one of the Deputies is the area of the strengthening of our Organisation and our institution, meaning both the Secretariat, the staff and also the trading system. I hope to be holding some sessions with the staff members of the Secretariat so that we can determine the need to strengthen and if needed to restructure the system, to improve as much as we can the work that we can do to serve our membership. The third area in which one of the Deputy Director-Generals will be tasked to work on is the area of technical assistance, which I see that is needed to be continued beyond the Doha Development Agenda. The Doha Agenda is meant to have the short-term effects in helping countries to be adequately equipped to participate in this new work programme but I perceive that beyond the Doha Agenda, we will be needing to continue with our trade-related development programmes so that countries that still lag behind could be helped to narrow the gap in catching up. **The last**

area of responsibility will be the area of coherence of policies between our own institution and other organisations because my opinion is that in order to be able to make real use of trade for sustainable development, the WTO would need to be working in tandem with other responsible organisations like the World Bank, the UNCTAD, the IMF, the UNDP, ILO, WHO, and so on and so forth, and not working only from time to time, but to be always in touch with one another, to be jointly developing certain programmes that we could enhance the instruments of trade for sustainable development. So this will be the work programme, the programme that I have set for myself and that I would ask the responsible Deputy Director-Generals to take care of and the allocation of divisions under the supervision of each Deputy Director-General will be structured according to this allocation of responsibilities. I will have three years to work, three years is not a very long period of time because we have so many tasks on our hands and ahead of us and so I would need to be as clear as possible as to the directions in which I will be going and certainly many of the things that I have said, many of the things that I will be proposing, I will be in close touch with the Membership so that we can do our best, I can do my best to serve the Membership and that, if permitted, I would like to take the opportunity to also make some proposals so that we can improve our own institutions in due time, but certainly I will build on the achievements that Mr Mike Moore and his team have been building up for me and I have been very fortunate in that several things that have been done have helped to reduce the burden for me that I am, e with my team that we will continue with this good work. ☺

QUICK TAKES

■ INDIA FOR FTA WITH ASEAN – MARAN

India would like to have a Bilateral Regional Trade and Investment Agreement (RTIA) or Free Trade Area (FTA) with the ASEAN in the long-term so as to make this economic integration meaningful, Mr. Murasoli Maran, Commerce & Industry Minister said while addressing the First ASEAN Economic Ministers (AEM) – India Consultation held at Brunei Darussalam on 15th September, 2002. The meeting was historical in the sense that for the first time, the Trade Ministers of India and ASEAN met to discuss the issues of enhancement of trade and investment linkages and economic integration between India and the ASEAN. Mr. Maran led the Indian delegation at the consultations, which was co-chaired by Mr. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources, Brunei Darussalam. The Ministers agreed that a Regional Trade & Investment Agreement between ASEAN and India should be the long-term objective. They also agreed to establish a ASEAN-India Economic Linkages Task Force, which would submit its recommendations, including the draft of a framework agreement to enhance ASEAN-India trade and economic cooperation. The Task Force would also include members of the private sector. The first summit of leaders of India and the ASEAN is to be held in Phnom Penh, Cambodia, in the first week of November, 2002. The Prime Minister, Shri Atal Behari Vajpayee, is expected to attend the summit. The Ministers exchanged views on broad aspects of the present global economic climate in general and recent developments in ASEAN-India in particular. They noted with satisfaction the recent trends in ASEAN-India trade, which grew by 30% from US \$ 7.6 billion in 1999 to US \$ 9.88 billion in 2001. The ASEAN Economic Ministers welcomed the efforts to bridge the gap between ASEAN's average tariff and

Indian tariff and also Mr. Maran's expression of interest in having a bilateral RTIA or FTA as a long-term goal of ASEAN-India economic relations.

■ INDIA SUBMITS MARKET ACCESS FOR PROFESSIONALS: RUDY

The supply of services through Movement of Natural Persons i.e. Mode 4 is of primary interest to developing countries. Under this mode of supply, the commitments taken are largely linked to commercial presence i.e. Mode 3 and, therefore, are of limited use to the developing countries. Further the commitments are primarily horizontal and these are subjected to a number of limitations and administrative hurdles. The limitations existing in these commitments include restrictions on the entry and stay of service providers, limits on duration of stay, quantitative limits on visas, economic needs test (ENT), lack of recognition of qualifications and payment of social security taxes. India has submitted a proposal on "Liberalisation of Movement of Professionals under General Agreement on Trade in Service (GATS)" during the ongoing Services negotiations at the WTO, Mr. Rajiv Rudy, Minister of State for Commerce & Industry, said in a reply in an unstarred question in the Lok Sabha. In preparation of the proposal, consultations have been held with stake holders and industry associations, including FICCI. The proposal identifies the barriers faced in the movement of professionals for delivery of services and suggests strategies to achieve meaningful liberalisation in this area and to improve trade & services through Mode-4. The strategies suggested include delinking of commitments from Mode 3 by inclusion of a category of independent professionals in the horizontal commitments, establishment of multilateral norms to reduce the scope for discriminatory practices in use of ENT: exemption

from Social security contributions; transparent and objective administration of visa regimes and separation of temporary service providers from permanent labour flows by introducing separate visa procedures; establishment of multilateral norms to facilitate Mutual Recognition Agreements (MRAs) among member countries, and exemption from social security contributions for developing country professionals. The proposal also seeks specific sectoral commitments on Mode 4 from developed countries. During discussions at the Special Sessions of the CTS, WTO member countries appreciated the importance of the issues raised in India's proposal to developing countries and expressed interest in them. Developing countries were particularly interested in liberalisation of this mode of supply and wanted more sector specific commitments from developed countries. Though the developed countries were supportive of the importance of greater procedural transparency and improved access to information on laws and regulations by the service suppliers and were inclined to work on definitions of various categories of personnel, they were not favorably inclined towards the proposals for separate visa procedures and exemption from social security payments and the development of multilateral norms on MRAs.

■ **WTO ASSISTANCE FOR TRADE NEGOTIATIONS**

At the Fourth Ministerial Conference of the WTO held at Doha, the members confirmed that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading systems. It was decided to develop a plan to ensure long term, secure and predictable funding for the WTO technical assistance activities. Pursuant to the mandate contained in the Doha Ministerial Declaration, the General Council decided to convene a Pledging Conference and also to create the Doha Development

Agenda Global Trust Fund. In the Pledging Conference held on 11th March, 2002, the member governments pledged to the Global Trust Fund an amount of over 30 million Swiss Francs for the WTO to conduct the technical assistance and capacity building activities for the developing countries for their constructive and fruitful participation in the Doha Work Programme. The coordinated WTO Secretariat Annual Technical Assistance Plan 2002 which is being implemented, lists various technical assistance activities for the developing countries including LDCs. **For India, the activities listed include Technical Missions on Trade and Competition Policy, Trade and Investment (in cooperation with the UNCTAD), Trade Facilitation, Integrated Data Base, Services, Intensive Training Course for Asia and Pacific Region to be organised in New Delhi (in cooperation with the UNCTAD) and a Regional Workshop on SPS Agreement.** Further action in respect of these activities and others considered necessary will be taken in accordance with our felt needs at the appropriate time.

■ **INCREASE IN CROP - SUBSIDY BY AMERICA**

It is reported that the subsidies proposed in the US Farm Security and Rural Investment Act, 2002 would be of the order of US\$ 180 billion in next ten years. The proposed increase in subsidy to agriculture in America would not be consistent with the spirit of Doha Ministerial Declaration where it was decided to engage into negotiations aimed at substantial improvement in market access; reduction of, with a view to phasing out all forms of export subsidies; and substantial reduction in trade distorting domestic support. Reports are indicating that US Farms Security and Rural Investment Act, 2002 will have a price depressing effect on world markets. This may have negative effects for developing countries as well.



IMPORT OF SENSITIVE ITEMS: APRIL-JULY 2002

The total import of 300 sensitive tariff lines for the period April-July 2002 has been Rs. 4477 crore against Rs. 3588 crore for the corresponding period of last year thereby showing a growth of 24.8 %. However, this growth is almost entirely due to significant increase in the import of crude palm oil & Soya bean oil. But for this import of all other sensitive items together shows negative growth.

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

In the edible oil segment, the imports have increased from Rs. 2120 crore last year to Rs. 3096 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 Soya bean & palm oil has gone down leading to better utilisation of the processing capacity in the country. However, import of Sunflower oil, both crude & refined, has gone down.

Imports from Indonesia, Malaysia, USA, Ivory Coast & Switzerland etc. have shown some increase while those from Australia, Argentina Benin, Paraguay Iran & Tanzania Rep. etc. have shown some decrease.

IMPORT OF SENSITIVE ITEMS- PROVISIONAL ESTIMATE

Value (Rs. Crore)

Sl. No.	COMMODITY GROUP	No. of Tariff lines	IMPORT	
			April-July 01	April-July 02
1	Milk & Milk Products	22	6.88	16.35
2	Fruits & Vegetables	48	237.20	443.90
3	Poultry	13	0.17	0.07
4	Food Grains	12	2.72	0.01
5	Edible Oil	27	2119.77	3095.67
6	Alcoholic beverages	8	9.02	8.89
7	Cotton & Silk	6	1022.23	593.51
8	Automobiles	32	21.48	68.42
9	Products of concern to SSI (toys, writing instruments, tiles, glassware etc.)	20	33.83	37.98
10	Others	112	134.78	212.02
Total		300	3588.08	4476.81

TRADE POLICY REVIEW: AUSTRALIA

Sound macroeconomic policies and far-reaching structural reforms behind Australia's impressive economic performance, says WTO

Australia's impressive economic performance during the past decade or so is due in large part to sound macroeconomic policies in combination with some far-reaching structural reforms that have reinforced past unilateral trade liberalisation, according to a WTO Secretariat report on the trade policies and practices of Australia.

The WTO report, along with the policy statement by the Government of Australia, served as a basis for the fourth Trade Policy Review (TPR) of Australia by the Trade Policy Review Body of the WTO on 23 and 25 of September 2002.

Since its previous Review in 1998, Australia has successfully weathered the Asian financial crisis, despite the severe slowdown elsewhere in the region. Real GDP growth, generated largely by domestic demand and rising multi-factor productivity, remained strong until 2001, when a temporary decline in residential construction activity and the global economic slowdown adversely affected Australia's short-run outlook for growth and employment. Nonetheless, unemployment has continued to fall and inflation has remained low.

The patterns of foreign trade and direct investment have hardly changed. Australia has remained largely dependent on commodity exports and manufactured imports. Most of its merchandise trade has continued to be conducted with Asia-Pacific Economic Cooperation (APEC) partners, with some reinforcement of trade with East Asia in the wake of the Asian crisis.

Since its previous Review, Australia has continued to

implement trade reforms so as to strengthen competition in the domestic market and thus improve economic efficiency, according to the report. These reforms were undertaken partly in line with the scheduled implementation of Australia's WTO commitments, but also unilaterally in accordance with domestic policy goals.

The customs tariff remains Australia's main trade policy instrument, albeit a minor source of tax revenue (accounting for 2.3% of total tax revenues). Some 96.2% of tariff lines are bound, thereby imparting a high degree of predictability to the tariff. The average applied MFN tariff is currently 4.3%, down from 5.6% in 1997/98; further unilateral reductions in the rates applied to passenger motor vehicles and textiles, clothing and footwear are envisaged by 2005. Whereas the average applied MFN tariff for agricultural products is 1.2%, that for industrial products is of the order of 4.7%. The tariff rates applied to passenger motor vehicles, textiles, clothing, and footwear are two to three times higher than the average for industrial products. On the other hand, unilateral tariff reductions have brought about 86% of tariff rates within the zero to 5% range. The customs tariff has also been considerably simplified through the reduction in the number of rates. However, these changes have done little to reduce tariff escalation. Applied tariff rates currently fall short of bound rates by an average of 6.2 percentage points; while the consequent gap between bound and applied MFN rates provides considerable scope for the authorities to increase

applied tariffs within bindings, this does not appear to have happened during the period under review. Indeed, the widening of this gap since 1997/98, despite the reduction in bound rates, is the result of even greater unilateral reductions in applied rates; applied rates have been increased in very few, if any, instances.

Perhaps the most important structural policy development during the period under review has been tax reform, notably implementation of The New Tax System, which has inter alia involved the rationalisation and simplification of the indirect tax structure, thereby rendering it more neutral, especially with respect to international trade. The centrepiece of this reform involved the replacement of the Wholesale Sales Tax (WST) levied on manufactured goods by a broad-based Goods and Services Tax (GST). However, the special Luxury Car Tax, which seems to be biased against imports, remains in place.

The overall level of government assistance to agriculture, livestock, forestry and fisheries has remained low since 1998. Average nominal applied MFN tariff protection has remained negligible. Total support (TSE) to agriculture amounted to only 0.3% of GDP in 2001, the lowest percentage among all OECD countries, while Australia's overall producer support estimate (PSE) was 4%, the second lowest. Around 96% of domestic support involves so-called "green" subsidies that have little, if any, distorting effect on production or trade; such support was predominantly general services (e.g., infrastructural, extension, advisory and R&D services and environmental programmes).

Australia's SPS and quarantine requirements have been criticised by a number of **its trading partners on the grounds that they are unduly stringent and therefore protectionist. But with Australia heavily dependent on agriculture and a major exporter of agricultural commodities and agri-food products, which receive relatively little government assistance and are sold at world market prices, these measures are believed to be necessary to ensure that Australia's reputation as a reliable exporter of high quality agricultural products is not jeopardised by pests and diseases.**

Nevertheless in the period under review, Government support to the services sector, through direct financial assistance, tax expenditures, and funding to public-sector institutions, has risen; the main recipients have been finance and insurance, cultural and recreational, transport and storage, property, and business and communication services. Several access restrictions have remained in force.

The Trade Policy Review Body of the WTO concluded its fourth review of Australia on 23 and 25 September 2002. The review enables the TPRB to conduct a collective examination of the full range of trade policies and practices of each WTO member countries at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The review is based on two reports which are prepared respectively by the WTO Secretariat and the government under review and which cover all aspects of the country's trade policies, including its domestic laws and regulations, the institutional framework, bilateral, regional and other preferential agreements, the wider economic needs and the external environment.

In his summing-up, the chairperson of the TPRB said: "This meeting has contributed to a much better understanding of recent developments in Australia's trade and trade-related policies, whose transparency is truly exemplary. With such transparency and the active interaction between the Australian delegation, the discussant and Members, the outcome has been a very successful fourth Review of Australia's trade policies, practices and measures.

Members commended Australia for its impressive economic performance and sound macroeconomic policies that helped to weather the Asian financial crisis. They noted its impressive GDP growth, low inflation rate and falling unemployment level. Members took note of the significant changes brought by the New Tax System, including the General Services Tax, the Luxury Car Tax and the New Business Tax. There was general agreement that trade liberalisation, including significant unilateral measures, together with ongoing structural reforms

and prudent macroeconomic policies had undoubtedly contributed to Australia's strong economic performance over the past decade.

Members congratulated Australia for its global orientation and its active role at the WTO, including its support for launching the Doha Round. Members noted Australia's strong commitment to the multilateral trading system and wondered about its position with respect to regional and bilateral trade agreements as well as the implementation of its 2001 undertaking on duty and quota free access for Least-Developed Countries.

Members noted Australia's low level of applied tariff protection and its plans to reduce unilaterally remaining tariff peaks in sensitive sectors such as passenger motor vehicles and textiles, clothing and footwear by 2005. Australia was encouraged to reduce tariff escalation as well as to bridge the gap between applied and bound rates. Despite a recent drop in recourse to contingency measures, Australia remained a major user of anti-dumping actions. Government procurement remained a major tool of industrial policy with Australia being the only major industrialised country that is not a signatory to the WTO Agreement on Government Procurement. Certain Members sought clarification on the liberalization of parallel imports and encouraged the strengthening of the intellectual property rights protection.

Despite low applied tariffs rates, assistance in form tax incentives, grants and concessional loans to domestic production of goods and services remained widespread. Members enquired about plans for reducing support, particularly to the automotive sector. Members noted changes in Australia's SPS requirements and voiced concern over their trade restrictiveness and the lengthiness of related procedures. They noted that single desk arrangements were in use for promoting exports of certain agricultural items, which were seemingly competitive in international markets. They also noted that several industry-specific schemes remained in place.

Market access conditions in the financial and telecommunications sectors as well as local content requirements and other forms of intervention in broadcasting, advertising and motion pictures were also discussed.

Members also sought clarification on several specific issues including:

- the impact of economic slowdown on commodity prices and current account balance;
- screening procedures for foreign direct investment;
- duty and tax concessions;
- customs valuation and clearance;
- import licensing requirements;
- competition policy;
- maritime transport restrictions;
- tuition fees for educational services based on nationality;
- professional services; and
- electronic commerce.

Members expressed their appreciation of the oral and written responses and explanations provided by the Australian delegation; they looked forward to receiving written answers on outstanding questions.

This brings us to the conclusion of our Review of Australia. The large number of advance questions, numerous interventions and the high level of attendance indicate the important role that Australia plays at the WTO. In this context, I would encourage Australia to continue in its strong support for the multilateral trading system. I also hope that Australia will take to heart the concerns expressed by many Members, including on SPS and tariff peaks, while noting the appreciation of Members for the largely open and transparent trade regime that Australia maintains".

(Source : WTO)



SCHEDULE OF MEETINGS AT THE WTO OCTOBER, 2002

October

1	Council for Trade in Goods	14	Special Session of the Dispute Settlement Body
1	Dispute Settlement Body	14 & 15	Textiles Monitoring Body
2	Committee on Balance-of-Payments	15 & 16	General Council
3 & 4	Council for Trade in Goods (Trade Facilitation)	16 & 17	Negotiating Group on Rules
3 & 4	Trade Negotiations Committee	16	Textiles Monitoring Body
7	Special Session of the Committee on Trade and Development	16	Workshop on Technical Barriers to Trade
7	Trade Policy Review Body - Dominican Republic	17	Committee on Technical Barriers to Trade
8	Committee on Government Procurement Agreement	18	Committee on Budget, Finance and Administration
8	Committee on Trade and Development	18	Negotiating Group on Rules
8	Committee on Trade and Environment	21 & 22	Committee on Anti-Dumping Practices - Working Group on Implementation
9	Committee on Trade and Environment	21 & 22	Council for Trade in Services
9	Special Session of the Committee on Trade and Development	23	Committee on Anti-Dumping Practices-Informal Group on Anti-Circumvention
9	Trade Policy Review Body - Dominican Republic	23 & 24	Council for Trade in Services
10 & 11	Special Session of the Committee on Trade and Environment	23	Trade Policy Review Body - Zambia
10	Working Group on Trade and Transfer of Technology	24 & 25	Committee on Anti-Dumping Practices
10 & 11	Working Group on Transparency in Government Procurement	25	Trade Policy Review Body-Zambia
14	Committee of Participants on the Expansion of Trade in Information Technology Products	28	Committee on Safeguards
14	Committee on Trade-Related Investment Measures	28 -31	Special Session of the Council for Trade in Service
		29	Seminar on Subsidies Notification
		30	Subsidies Notification Seminar
		31	Committee on Subsidies and Countervailing Measure

Source : WTO/Geneva as on September, 2002

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