

## **World Trade Organization (WTO) related issues**

6.36 As per the Doha mandate, modalities for **negotiations in agriculture** are to be established by 31 March 2003 and schedule of commitments, based on these modalities, by September 2003. India has submitted its comprehensive proposals with a view to safeguarding the food and livelihood security of large subsistence level farming community and maximizing export opportunities for Indian agricultural products by seeking a reduction in high tariffs and subsidies prevalent in developed countries. Following the work programme, dedicated sessions were held in 2002 on export competition, market access and domestic support. The discussions revealed a clear divide between the protectionist group led by the European Union and the pro-liberalization group led by Cairns Group (and the USA) on these crucial issues. While the pro-liberalization group favours substantial reduction in tariff and domestic support and reduction in export subsidies, the protectionist group supports gradual tariff reduction. Another group consisting of newly acceded countries (like China and Croatia) does not favour any tariff cuts for themselves while pressing for substantial market access commitments from others. The net food importing countries oppose any substantial reduction in export subsidies while small economies based on single commodity exports prefer maintenance of preferential market access into major markets.

6.37 On negotiations in **services**, requests were to be filed by 30 June 2002 and offers are to be made by 31 March 2003. India has forwarded its requests in respect of medical, dental and health services, audio-visual services, tourism services, architectural services, computer aided services and maritime services. Other services of interest to India, and on which requests are being formulated, include computer and related services, accountancy, auditing and book keeping services, urban planning and landscape services and construction and audio-visual services. A work programme has been finalized for emergency safeguard

measures (ESM) for services, with the deadline for concluding negotiations on the same being extended to 15 March 2004. While General Agreement on Trade in Services (GATS) recognizes movement of natural persons as one of the modes of supply of service, the emphasis by India for higher commitments by developed countries under this mode would correct an important imbalance and increase developing countries participation in trade in services.

6.38 Under Trade Related Intellectual Property Rights, **TRIPS**, negotiations for establishing a multilateral system for notification and registration of geographical indications for wines and spirits have begun. India has proposed that the multilateral register should be extended for products other than wines and spirits. Issues being examined in the TRIPS Council include a review of provisions regarding biotechnological inventions, additional protection to geographical indications of products other than wines and spirits, the relationship between the TRIPS Agreement and Convention on Biological Diversity (CBD) and protection of traditional knowledge and folklore, with the last two issues being outstanding implementation issues requiring submission of report by the end of 2002. As regards negotiations on TRIPS and public health, India continues to maintain its position that Doha mandate on the subject should not be diluted to restrict the scope and the definition of diseases to just infectious diseases, as desired by some countries like the USA. Other aspects being deliberated in the negotiations include exports to countries with limited or no manufacturing capacities in pharmaceutical sector and related issues of disease and product coverage, eligible importing countries, notification and legal mechanism.

6.39 In respect of **Anti-dumping and Subsidies Agreement**, the various proposals submitted to the Negotiating Group on Rules (NG Rules) have generally sought strengthening of disciplines. India has made two submissions to the NG Rules, one seeking special and differential treatment for developing countries during anti-dumping and

countervailing duty investigations and second identification of specific provisions of the Anti-dumping Agreement that require amendments. Further, the NG Rules has also been discussing issues relating to Regional Trade Agreements (RTAs) and fisheries subsidies. In respect of RTAs, concern has been expressed by various countries at the rising number of such agreements that could undermine the multilateral trading system as preferences are exchanged between parties to the RTAs and are not extended to non members. On fisheries subsidies, the proponents (including USA, New Zealand, Australia, Chile) are seeking strengthened disciplines on subsidies given in this sector in the shape of a possible sectoral agreement on the plea that the heterogeneous nature of the products in this sector precludes a meaningful application of existing provisions of the subsidies agreement. The opponents (including Japan, Korea) do not favour a separate sectoral agreement on the grounds that heterogeneous nature of products is not unique to the fisheries sector and it is a generic issue.

6.40 As per the Doha mandate, the Committee on Trade and Development (CTD) in special session was required to come up with its recommendations to the General Council by July 2002 on how to make special and differential (S&D) clauses precise, effective and operational. India had submitted its specific proposals on a number of S&D clauses pertaining, inter alia, to Agreement on Agriculture, import licensing rules and SPS. India has expressed concern in the General Council on the lack of progress on S&D issues and the missing of July 2002 deadline. Similarly, India hopes that the outstanding implementation issues would be satisfactorily resolved within the framework set in the Doha Ministerial Declaration and the Decision on Implementation Related Issues.

6.41 In respect of negotiations on **market access for non agricultural products**, the schedule of negotiating group on market access meetings and time frame for modalities discussions has been agreed upon with a view to reaching an agreement on modalities by May 31, 2003. India has submitted its initial thinking on modalities in October 2002. The Committee on Trade and Environment (CTE) continued its deliberations on issues of relationship between Multilateral Environmental Agreements (MEAs) and the WTO, information exchange and observership between the two and market access for environmental goods and services. Under the Singapore Issues, discussions on issues identified in the Doha Declaration for clarification until the Fifth Ministerial meeting were held in their respective Working Groups. India has been emphasizing that these discussions are in study mode and must proceed on the basis of Doha Declaration read along with the Chairman's statement. However, varying interpretations to the Doha mandate continue to be made, especially from proponents like EC, who continue to emphasize that Singapore issues are as important as other items on the post-Doha negotiation agenda and continue to take the position that negotiations will commence after the Fifth Ministerial and results of the negotiations would be part of "single undertaking" to be concluded by March 31, 2005.

6.42 India has repeatedly stated its support for the WTO and the Doha Development Agenda but considers that if further progress is to be made, the onus remains on the developed countries to keep the promises made in Doha (Box 6.3). The progress of the Doha work programme would be reviewed in the Fifth Ministerial Conference of the WTO, to be held at Cancun (Mexico) during September 10-14, 2003.

### **Box 6.3 : Third trade policy review of India in WTO**

Under the Trade Policy Review Mechanism of the WTO, the trade policies of all the members are subject to periodic review. India's trade policy is subject to review every four years. Its third review of trade policy, practices and measures took place on June 19 and 21, 2002.

The WTO Secretariat Report on Trade Policies and Practices in India, highlighting the progress made by the Indian economy in different sectors, has pointed out that the Indian economy has grown rapidly over the past decade, with real GDP growth averaging some 6 percent annually. Social indicators, such as poverty and infant mortality have improved during the last ten years. Higher growth during this period was, in part, due to continued structural reforms, including trade liberalization, leading to efficiency gains. Major developments since the last review include simplification and rationalization of tariff, reduced licensing, removal of QRs on balance of payments grounds, reduced export restrictions, decline in number of activities reserved for public sector and significant reforms in services (especially telecommunications, financial services and infrastructure such as power and transport). Internal reforms have concentrated on improving efficiency and competition in the economy. To redress the fiscal balance, steps are being taken to rein in expenditure and to improve tax collection, through legislations like Fiscal Responsibility and Budget Management Bill and expenditure reforms as on food subsidy (public distribution system) and administered prices for petroleum. India's foreign direct investment policy has also been liberalized since its previous review. However, the tariff regime continues to be complex, given the numerous end-use based exemptions, with the level of protection remaining relatively high. The report concludes that India's economic reform programme has resulted in strong economic growth throughout the 1990s.

The Policy Statement by the Government of India also highlighted India's sustained economic growth and improvement in its social indicators. Besides giving an overview of key developments in trade and economic policies, it also underlined impediments to growth of India's international trade, which included restrictive import policy regimes of developed countries, unrealistic standards, testing, labeling and certification including phytosanitary standards, export subsidies (including agricultural export subsidies, preferential export financing schemes), barriers on services, Government procurement regimes and other barriers including anti-dumping and countervailing measures.

During the review, India was commended for its initiative to simplify the tariff, but members voiced concern over the persistence of high rates, escalation, complexity and the gap between applied and bound rates. Concerns were expressed about increased use of contingency measures, notably anti-dumping, and measures such as labeling, certification and sanitary and phytosanitary requirements. The country was commended for its efforts to enforce protection of intellectual property rights both through the adoption of new legislation and through education campaign. It was, however, stressed that further efforts were required in this regard, especially in view of India's need to attract more foreign direct investment. Expressing concern over subsidies for agricultural products and inputs, which have contributed to large grain stocks and to export restrictions on agricultural goods, further liberalization of the agricultural sector was emphasized. Some members also urged liberalization of the Indian textile sector, noting that protection through high tariffs and small scale reservations had hindered its competitiveness. India's progress in reforming services sectors were also appreciated, the success of software sector being an indicative of its ability to compete globally. The concerns of the members and other clarifications were responded to by the Indian delegation.

In conclusion, India was complimented for its reform process, including liberalization and simplification of trade and investment regimes. The need for accelerating the reforms was, however, emphasized given the ambitious growth targets to be achieved. It was stressed that India's efforts would be greatly enhanced by steps on the parts of India's trade partners to reduce, if not remove, the impediments to India's exports, especially in the context of ongoing negotiations in the Doha work programme. While India reiterated its support for WTO and the Doha work programme, it was added that if further progress was to be made, the onus remained on the developed countries to keep the promises made in Doha. This view was endorsed by many other members, who look to India for leadership in these negotiations.