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INDIA

Statement by Dr. Subramanian Swamy,

Union Minister of Commerce, Law and Justice

I would like first of all to express my gratitude to His Majesty King Baudouin for his gracious welcome and the people and the Government of Belgium for the generous hospitality in hosting this meeting. I bring from the people and Government of India best wishes for the successful conclusion of the Round.

All of us share the desire of a successful outcome. But we have different visions of success. From India's perspective, the results would be successful only if they take fully into account differences in the levels of development of the participating countries. In previous rounds the task was less difficult because we were dealing mainly with international trade in goods and that too with border measures. GATT disciplines have been concerned mainly with commercial policy instruments and have left the contracting parties free to design their domestic economic policies. The infinite complexity of the exercise of the last four years has been due to the fact that there have been relentless and vigorous attempts to move the negotiations upstream into the realm of domestic economic policy making. For the developing countries this has given rise to fundamental concerns as they do not share with the industrialized countries a homogeneity of economic structures and systems. Their economic policies are intended to respond to the challenges of their stage of development. Their socio-economic perspectives are different. Attempts to frame international rules which impinge on their domestic economic policies cannot be successful and acceptable, if they fail to address their problems adequately and are oblivious of this perspective. The tensions arising out of the attempts of the major players to maximize the gains for themselves while resolving their conflicting interests have attracted high profile publicity. The tensions arising out of divergence in the levels of development have been in the background. For countries like mine, pursuit of economic efficiency has to be tempered with concern for equity and social justice. More important, maximization of efficiency through trade has to be seen in a larger time perspective and must contribute to structural transformation implied in economic development. And herein lies the main problem for us with some of the proposals that have been made. For us to be on board, the rules of the game both

in the traditional and the new areas must fully recognize these compulsions.

In market access areas we have come here on a quest for equity. In the areas in which we, like many other developing countries, have comparative advantage namely, textiles and clothing, there is a long history of a highly restrictive and discriminatory international trade régime. It is time that this blot on the international trading system is wiped out. We are not unmindful of the difficulties of the importing countries in eliminating the restrictions immediately and I believe that there is an agreement that there would be a reasonable transitional period. However, the transitional arrangement must not provide the potential for new restraints. We must ensure that the process of liberalization once begun becomes irreversible. This can happen only if there is a substantial dose of liberalization at the outset and the momentum of liberalization is maintained through higher growth rates.

In agriculture, although we are not ourselves large exporters of temperate zone agricultural products, we recognize the inequity of the present situation from the perspective of the countries, particularly the developing countries, which are substantially dependent on exports of these products. We fully share the thrust for liberalization of agricultural trade and reduction of trade distortive subsidization particularly export subsidies. As for special and differential treatment for developing countries, we have elaborated an objective approach based on easily verifiable criteria which will be consonant with and contributing to the main thrust of liberalization of agricultural trade.

We often hear from our industrialized country trading partners exhortations for setting up of level playing fields. We also hear references to developing countries coming into the mainsteam of GATT by undertaking commitments comparable to those of their industrialized trading partners. But the reality of the present world trade order is that the system is tilted against the developing countries. The Uruguay Round gives us an opportunity to correct the situation. We on our part are prepared to make our own contributions to liberalization. We have made very substantial offers of tariff concessions envisaging reduction of basic customs duty by 30 per cent on as much as half of our import trade.

In the rule-making areas we support strengthening of the multilateral trading system by the adoption of stronger and clearer rules based on the principle of non-discrimination. We abhor selectivity in any form. We would like grey area measures to be outlawed. We favour elaboration of rules relating to unfair trading practices in such a way that there is no opportunity for using anti-dumping and countervailing duty investigations as protectionist tools for harassment of exporters. We support disciplines on subsidies both for manufactured and agricultural products. However, we would like our partners to take cognizance of two aspects; first, developing countries hardly have the financial resources to seek to subsidize the consumers of the developed countries; and second, we would like to have the possibility for neutralizing the distortions and market imperfections through the use of subsidies including export subsidies. In respect of agricultural subsidies, the country lists demonstrate clearly how big the gap is in our levels of assistance and the subsidization by the industrialized countries. If the subsidy wars between the major industrialized countries abate, and international prices are allowed to rise to their normal levels, we should not have the need to devote meagre resources to subsidize our exports of agricultural products. The industrialized countries have to come a long way in reducing their agricultural subsidies before they can legitimately ask the developing countries to undertake reduction commitments.

There is one area of rules in which the changes sought by our trading partners have caused us great concern. The balance-of-payments provisions of GATT enable developing countries to use quantitative restrictions to control the overall

level of imports when faced with balance-of-payments difficulties. Adequate safeguards are provided by way of periodic consultations to ensure that the level of restrictions is commensurate with the gravity of the balance-of-payments problem. It has been left to the developing countries concerned to determine the incidence of the restrictions on various categories of goods so as to ensure that priority is given to those products which are needed for their development. The proposals made by some of our partners that only price-based measures should be used and these too should be uniformly applied to all categories of goods, not only seek to change the balance of rights and obligations inherent in GATT but also to ignore the compulsions of the process of equitable development. The problem of balance of payments faced by developing countries is structural in character. It has dimensions other than trade. The problem cannot be wished away by simplistic solutions. The recent Gulf crisis has once again brought into sharp focus the vulnerability of the external payments situation of countries like ours as well as the imperative of maintaining the existing balance-of-payments safeguard.

We cannot accept the proposals for imposing disciplines including prohibition on investment measures. The main aim also of the investor is to maximize his global profits. This objective does not necessarily coincide with the development goals and priorities of the host countries. The use of investment measures enables governments to bring about harmonization of the global profit maximizing objective of the corporate entity with the development objectives of the host country. Any disciplines on governments on the use of investment measures would make developing countries highly vulnerable. We are, however, not opposed to addressing the significant adverse trade effects of certain investment measures on a case-by-case basis. We should like to see trade effects being addressed similarly when caused by restrictive practices of transnational corporations.

In trade related aspects of intellectual property rights (TRIPs), the area of patents in general and scope of patentability in particular constitute our core concerns. The need for taking into account the technological, development and public interest objectives of developing countries in formulating the norms and standards is particularly important in this area. We have not been in favour of raising the levels of patent protection unduly, particularly in the area of pharmaceuticals, because of its adverse implications for the growth of indigenous industry as well as research and development efforts. Apart from increase in foreign exchange outgoes, it is also likely to result in higher price of medicine for the common man. My Government is firm on this issue and unless a solution is found to our concerns, I do not envisage the possibility of an agreement.

In trade in services, it was with some amount of reluctance that we had originally entered the negotiations. We have, over the last four years, participated in the negotiations constructively and contributed to the emerging consensus on a multilateral framework. Our comparative advantage lies in labour services. Unless adequate provisions are made for labour mobility providing for temporary relocation of labour for the provision of services particularly in the industrialized countries, we would be again instituting a fundamental inequity.

We have entered into negotiations in the area of TRIPs with a clear reservation on the question of lodgement of the outcome. Nearly two years of negotiations on norms and standards have convinced us that there is no place in GATT for an agreement covering these aspects. They raise issues of policy spanning over diverse areas of technology, ethics, culture and economic development. GATT is concerned with trade policies and should remain as such.

Negotiations for a multilateral framework on services have always been held in a separate juridical framework distinct from GATT.

As we approach the end of our endeavours, we are concerned at attempts to link agreements in the area of TRIPs and trade in services to the GATT through the concept of a single undertaking or the mechanism of a common dispute settlement machinery. We are not opposed to the idea of a new organization by whatever name it is called, as long as it is structured to service three distinct agreements. We reject any proposal which tends to link up three distinct agreements with a view to facilitating cross-retaliation.

Finally, I would like to state that the Uruguay Round has been a very ambitious venture. Some of the participants have set very high goals and proposed fundamental changes. Negotiations cannot be expected to bring about a revolution. We can expect only small incremental steps from these negotiations.