

# WORLD TRADE ORGANISATION

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## MINISTERIAL CONFERENCE

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### INDIA

#### Statement by Dr. B.B. Ramaiah

Minister of Commerce

The Uruguay Round negotiations, which culminated in the Final Act at Marrakesh in 1994 and led to the establishment of the World Trade Organization, brought about fundamental changes in the working of the multilateral trading system. All countries had made significant compromises and substantial sacrifices in order to create this new system. Though my country continues to have strong reservations about certain aspects of some of the Uruguay Round Agreements, it is also true that the establishment of the new multilateral trading system has resulted in several important gains. The first and foremost of these is the creation of the institutional structure for overseeing international trade and of an effective dispute settlement mechanism to ensure orderly progress. The commitment to integrate the textiles and clothing trade within the multilateral framework was another significant step forward. The Agreement on Agriculture promises a new future for farmers all over the world.

While implementing the various agreements many developing countries, including India, are facing a large number of problems. Apart from the procedural problems of having to deal with the innumerable notifications and the problems of inadequate financial and human resources, problems have also been encountered arising from the need to build political consensus in favour of implementation of certain segments of the Agreements.

A case in point is the TRIPS Agreement, which was largely the result of an initiative taken by the developed world. Concerns have been expressed in our country regarding the possible adverse effects of this Agreement on prices of pharmaceutical products and agro-chemicals. There is a feeling that the developing countries may have to incur heavy costs in implementing this Agreement by way of higher royalty payments, increased administrative costs and possible transnational monopolistic control

in some sectors. I would hope that we will collectively find ways and means of addressing these concerns.

We remain deeply concerned about the lack of commercially meaningful integration of textiles and clothing products by the importing countries. As we all know, in the first phase of integration, except for one product by one country, there was no integration of any restrained product. Even the latest indications on the attitude of the importing countries relating to the second phase of integration does not give us much cause for hope. We are also concerned about the systematic attempts being made by some of our major trading partners to delink the integration process from liberalization. We are dismayed at the indiscriminate use of the exceptional transitional safeguard mechanism, which has serious negative impact on exports of textiles. We are anxious that the textiles and clothing sector should no longer be an area of bilateralism and that recognition should be given to the fact that the Agreement on Textiles and Clothing is now a binding multilateral arrangement.

In the services area, we are concerned that negotiations on movement of natural persons which came to an end in July 1995 did not yield particularly meaningful results, from our perspective. In many cases, the movement of natural persons was linked to commercial presence. Where the commitments were undertaken independent of commercial presence, a number of conditions, like the economic needs test, were attached, thus significantly reducing their value. It is no exaggeration to say that in some cases access to skilled persons from India have, in fact, been made more restrictive during the last two years. This is a matter we intend pursuing.

The Agreement on Agriculture was designed to improve world trade, raise prices of agricultural products and ensure higher standards of living for farmers. The retention of domestic subsidies at a high rate by many developed countries continues to give us cause for concern. The clamour for greater market access in agricultural products would carry more conviction if a definite effort is also made to force the pace in respect of drawing down subsidies.

In my opinion, there is another point that deserves to be appreciated by this august body. A distinction has clearly to be made between those countries that are major exporters of agricultural products and those that primarily cater to their own domestic market. While subsidies can no doubt distort global trade in respect of the former group of countries, insignificant exporters of agricultural products should have the freedom to retain their own internal regime of subsidies, which are aimed more at protecting the farmers and achieving a greater degree of self-sufficiency in food, than at influencing world trade.

Another important achievement of the Uruguay Round was the further reduction in tariffs and the consequent greater market access. In actual fact, there has been a tendency on the part of some developed countries to deny this benefit for a range of products of particular interest to developing countries such as textiles and clothing, leather, rubber, footwear, travel goods and foodstuffs.

It is our view that further tariff liberalization should subserve the larger objective of development in individual countries. Any premature action to force developing

countries to scale down tariffs precipitately in the name of trade liberalization can lead to a negative impact on the development process.

In the recent past, there has been frequent and unwarranted initiation of anti-dumping investigations and countervailing duty actions, principally by developed countries against the exports of developing countries. In many cases action was not taken as no case could be established. However, serious damage is caused to our exporters in terms of litigation costs and risk of uncertainty. Greater caution and restraint should be exercised by our trading partners and use must be made of other instruments such as bilateral consultations or prior warning systems before such investigations are launched.

In various Uruguay Round Agreements, there are different provisions for further negotiations or reviews or work along with an indication regarding the time-frame. While so much work remains to be done, I am concerned to note that some developed countries are now proposing to introduce several new items in the agenda of the WTO. More such attempts may be made in the future as well.

While considering the question of WTO's basic competence and propriety in taking on board any new issue, I would strongly urge the Committee of WTO Members to remember that international trade is the means of exchange of goods and services produced within a country with goods and services produced in other countries. Trade should not encroach on the production system itself in one or another country. Any attempt by the WTO to overstep the legitimate boundaries of trade and invade the jurisdiction of domestic production systems is bound to create serious problems and raise basic questions about WTO's competence and credibility. We strongly feel that the WTO should not lose its basic focus on trade.

I would now like to deal with the proposal relating to initiation of a discussion or an educative process in the WTO on the subject of investment. The proponents of such a proposal seem to believe that as trade and investment are closely linked and as substantial trade liberalization has been achieved, the WTO should now turn to liberalization of investment regimes. We would urge Ministers and delegations present here to reflect on whether such a subject falls within the natural boundaries of their multilateral trade relations.

We feel that while foreign direct investment (FDI) has indirect linkages with trade, it has more intricate linkages with development. The investment policy of a country has to take into account a whole host of complex and interrelated matters of national importance - regional disparities, income inequalities, employment, taxation and social justice. FDI can therefore play a more positive role in promoting overall development of the host country only when it is undertaken within a framework of regulation and policy as has been established by the experience of South-East Asia. The point is whether a multilateral framework on investment with a set of uniform disciplines can really respond to every country's specific requirements. There are many unresolved questions on this.

Moreover, the production system involves the interplay of several factors such as land, labour, capital, entrepreneurship and technology. Can one seek, in good conscience and equity, the selective liberalization of just one factor of production, namely, capital, while maintaining restrictive regimes on other equally important factors such as labour and technology?

We are aware that the Ninth UNCTAD Meeting at Midrand held earlier this year has already mandated that such a study should be undertaken. On the face of it, we believe that a uniform multilateral regime on investment, in whichever forum it is developed, is not in the interest of promoting equitable global development. This is because it will seriously constrain the freedom of individual countries to prescribe the role they may wish to assign to FDI in their national development strategy. This will also restrict their freedom to set conditionalities on investments such that these are consistent with their multidimensional developmental objectives, including regional development, employment, encouragement of the small and tiny sectors and the according of preferences to encourage domestic entrepreneurship. Therefore, in our view, these complex matters should be carefully studied in UNCTAD, which is a more transparent and universal forum.

In respect of competition policy also, we would like to see the work to be initially undertaken in UNCTAD. I recall at this juncture, that UNCTAD had drawn up a Code of Conduct for Transnational Corporations. However, because of lack of enthusiasm on the part of major delegations for the concept of supervision over transnational corporations the Code of Conduct was not approved. Just as in respect of investment policy, in the case of competition policy also, the subject has to be looked into as part of the TRIMS review in 1999-2000. In the meanwhile, UNCTAD should examine all the aspects of competition policy as already decided at Midrand.

In respect of government procurement, there can be no difference of view regarding the need for transparency in government purchases. It is our understanding that the proposals made do not have any implication on the provision of market access. I would be interested in dealing with the subject purely as designed towards achieving a procedural agreement providing for transparency. I am interested in hearing the views of the other delegations on this subject. In respect of the subject of trade facilitation also, we feel the concept is good. However, we would like to get some aspects of the proposal clarified.

The introduction of basic rights and interests of workers, also called "core labour standards", on the future agenda of the WTO has been opposed by many countries. India has a long history of commitment and adherence to the ILO conventions which deal with such rights and interests. We do not see any purpose in bringing this subject into the WTO except possibly to use trade measures to enforce labour standards, if not now, then at a future date. We are of the opinion that trade measures should not be used to address non-trade objectives, however laudable they may be. It is also our considered view that the International Labour Organization is clearly the institution that has the exclusive mandate, competence and responsibility to deal with the subject.

In conclusion, I would like to state that India will sincerely and constructively participate in the deliberations of this Conference, clearly articulating her views and striving to achieve the balance required to make this endeavour a success. I would earnestly urge all the distinguished delegates present here to work unitedly towards this goal.

While expressing my sincere hope that this meeting will succeed in strengthening the evolution of an equitable global trading system, I would like to warmly thank the Government of Singapore and the Chairman of the meeting for the excellent

arrangements made for the organization of the meeting as well as the Director-General and the Secretariat of the WTO for their earnest and dedicated efforts in undertaking the elaborate preparatory work for the Conference.