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Lead Article

Evolution of India's Regional Trading Arrangements

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This paper traces the evolution of India's Regional Trading Arrangements (RTAs). From limited scope RTAs with developing countries earlier to more comprehensive agreements with neighbouring economies, India is now negotiating RTAs with some of the major OECD economies. These moves are examined in the context of the global RTA scene with particular relevance to Asia. The impetus provided by India's liberalized trading framework and its rapid growth is assessed. The pros and cons of RTAs are also looked at, along with the possible approaches that India could adopt in shaping more balanced agreements. The full article has been published in the October 2009 issue of the Journal of World Trade and we acknowledge with thanks the permission of Mr. Edwin Vermulst, Editor, Journal of World Trade, enabling us to print excerpts of the article reproduced below.

Introduction

India has shown greater openness in recent years towards negotiating free trade or other preferential trading arrangements either bilaterally on in a regional framework (for brevity we shall henceforth refer to all such arrangements as Regional Trading Arrangements or RTAs[1] for short). With the economy performing well and industry showing greater competitiveness, India is feeling more confident in exploring this parallel track of trade liberalization with select partners. This is also in keeping with the worldwide trend which is seeing a sharp surge in such arrangements with even a country like Japan that had desisted from such an approach cutting an increasing number of bilateral deals.

Consulting stakeholders on WTO

Left to Right: Mr. Manab Mukherjee (Assistant Secretary General, FICCI), Dr. Amit Mitra (Secretary General, FICCI), Dr. Rahul Khullar (Commerce Secretary), Mr. Abhijit Das (Deputy Co-ordinator, UNCTAD India program) and Prof. R.S. Ratna, CWS.

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[1] We shall also use the terms Free Trade Area (FTA), Preferential Trading Arrangement (PTA), Comprehensive Economic Cooperation Agreement (CECA) and Comprehensive Economic Cooperation and Partnership Agreement (CEPA) in specific context but each one of them will also be generically referred to as an RTA.

India's approach: RTAs as building blocks to multilateral trade liberalization

India's approach to RTAs was quite reserved till the late nineties, till when trade was closely regulated by a regime of import licences, high tariffs and the prevalence of quantitative restrictions. With foreign exchange posing a major constraint, any decision to arrive at a preferential trade arrangement had to have a strong political or other compelling rationale. But with the economy becoming more open and showing rapid growth India's approach to RTAs has also seen an evolution.

Three different types of RTAs emerged in the Indian portfolio. In the initial stage, RTAs were confined mainly to being preferential trade arrangements with developing countries that had limited scope. In the subsequent phase, which came about with the conclusion of the India Sri Lanka FTA in 1998, more comprehensive agreements were attempted but still with developing countries. In the last and most recent category are the RTAs that India has begun to negotiate with some of the advanced OECD economies such as EU and Japan, which can be expected to usher in new dimensions in India's trading framework.

There is also a running discourse in the literature on the subject, about the relative merits of trade liberalization through bilateral and other RTAs on the one hand and through multilateral trade liberalization on the other. Views remain varied on whether they can run in parallel and provide healthy competition with one spurring the other or they are more likely to be hurtful with one diminishing the urge and the benefits for the other. **India's decision to proceed along the RTA route, albeit in a selective manner, is an indicator that it sees these agreements as possible building blocks rather than stumbling blocks to multilateral trade liberalization. India has nevertheless always maintained its firm commitment to multilateral trade liberalization under WTO to which it has attached primary importance.**

Finally, there is the compatibility element between the RTAs entered into by India and the WTO rules[2]. Some commentators have made references to this aspect and also pointed to the need for timely notification of the RTAs to WTO. While these can be addressed, they do not appear to be coming in the way of moving along the RTA track even if at a cautious pace.

India's RTAs

The First Phase: upto 1998

Early on, India entered into **trade agreements in its own neighbourhood with Bhutan and Nepal.** The agreement with Bhutan provides for free trade and commerce with commercial transactions carried out in Indian Rupees and Bhutanese Ngultrum. The India-Nepal Treaty allows free trade in primary goods and also allows non-reciprocal duty free treatment to manufactured products from Nepal for all but a small negative list. It also has a value addition requirement to guard against simple rerouting of third country goods. Both these agreements clearly fall into a special category that is more in the realm of carrying on trade with close neighbours in a spirit of development cooperation. The two agreements have seen periodic revisions and currently have validity till 2016 (Bhutan) and 2012 (Nepal).

On the other hand, as an experiment in generating more trade among them and also as a consequence of greater understanding among their political leaders and **nonaligned solidarity, Egypt, India and Yugoslavia signed a Trade Expansion and Economic Cooperation Agreement in 1967 that brought about greater trade flows**. Tariff concessions upto 50% were available for 129 products. However, after several renewals, the Tripartite Agreement, as it was referred to, was allowed to expire in 1993.

India also entered into bilateral trade agreements with various East European countries that were then outside of the GATT framework. Trade between India and then Soviet Union, in particular, operated on a different pedestal facilitated by the Rupee-Ruble agreement of 1978.

2. RTAs are an exception to multilateral trade rules and these have been sanctioned under Article XXIV of GATT for trade in goods and under Article V of GATS for trade in services. Conditions however apply. Article XXIV, for example, requires inter alia (a) the RTA should be to facilitate trade among the RTA members and not to raise barriers for trade between the RTA members and third parties; that is the RTA should not result for third parties in higher or more restrictive duties and other regulations of commerce than their corresponding ones before the formation of the RTA; (b) the RTA should result in elimination of duties and other restrictive regulations of commerce and cover substantially all trade, which has been further amplified to mean no major sector of trade should be left uncovered;and (c) the implementation period of the RTA should come about within 10 years from the date of launch. There is, however, considerable lack of clarity still in respect of what is 'substantially all trade', what constitutes ' restrictive regulation of commerce', etc. For RTAs among developing countries, there is, however, greater flexibility provided by the 'Enabling Clause' which formed part of the Tokyo Round Agreements of GATT under which there is little conditionality excepting that the reduction or elimination of tariffs and non-tariff measures be mutual.

In the Asia-Pacific region, with UN-ESCAP providing the ground work, India became a **founding party to the Bangkok Agreement in 1975** that was a modest start towards offering trade preferences among its participating countries which were Bangladesh, India, Laos Korea, Philippines, Sri Lanka and Thailand. This agreement has, however, undergone a change in membership with the withdrawal of ASEAN members on the one hand and with the entry of China in 2001 on the other. The Agreement has also been renamed as Asia-Pacific Trade Agreement (APTA) in 2006, but its coverage and depth of preference still remain limited.

Another limited endeavour was the initiative by the G-77 Group of Developing Countries to draw up the Generalized System of Trade Preferences (GSTP), the agreement for whose launch entered into force in 1989. Two rounds of tariff concessions have been concluded so far under GSTP in which India has extended tariff preferences between 10 and 50% on 53 tariff lines with deeper concessions on these same items being made available to Least Developed Countries (LDCs). The third round of tariff concessions (Sao Paulo Round) is currently underway, and countries have been urged to widen the scope and deepen the coverage but it remains to be seen to what extent this call would be heeded by all participant nations.

In South Asia itself, **India was quite supportive of the Sri Lankan proposal in 1991 for SAARC countries to enter into a preferential Trade Arrangement (SAPTA) which was launched in 1993. There was, however, no real appetite for substantial trade liberalization among many of the SAARC members during the initial years and progress was slow**. Even after two rounds of SAPTA concessions, intra regional trade was limited to 4% and this had been attributed largely to irrelevance of much of the concessions that had been offered, limited depth of tariff cuts, failure to deal with non-tariff issues and restrictive rules of origin. The call for SAARC to quickly undertake immediate negotiations on a separate South Asia Free Trade Agreement (SAFTA) Treaty too did not see a prompt response although both the Male (1997) and Colombo (1998) summits made pronouncements about concluding a free trade area by 2001. It was in this context, that India announced at the Colombo SAARC summit its unilateral decision to lift all Quantitative Restrictions preferentially on imports from SAARC countries with effect from 1 August 1998 involving over 2000 products.

The Second Phase

The **India-Sri Lanka Free Trade Agreement (ISLFTA)** was signed on December 28, 1998 and entered into force from March 1, 2000. While the agreement, expectedly, offered a more favourable treatment to Sri Lanka, it was nevertheless reciprocal in terms of benefits and was negotiated with a 'negative list' approach that enabled a substantially larger coverage. India offered, as early harvest, zero duty for 1348 6-digit tariff lines and 50% margin of preference for all other items except 196 tariff lines on the negative list and tariff quotas and limited reductions on sensitive items like tea, garments and

BOX 1

Main elements of India-Sri Lanka FTA (ISLFTA)

1. Tariff reduction commitments (on 5115 tariff lines on 6-digit HS code)

   India:

   1348 tariff lines - zero by 2000

   2806 tariff lines - 50% by 2000, 100% by 2005

   196 tariff lines - Negative list Tea - 50% on a tariff quota of 15 million kgs.

   Garments - 50% on 233 tariff lines subject to 8 million pieces quota limit of which 6 million to be made from Indian fabric Textiles - 25% on 527 tariff lines

   Sri Lanka:

   319 tariff lines - zero by 2000

   889 tariff lines - 50% by 2000, 100% by 2005

   2724 tariff lines - 35% by 2000, 70% by 2006, 100% by 2008

   1180 tariff lines - Negative list

   Rules of origin

2. 35 percent value addition in addition to change in Tariff Heading

While the implementation of ISLTA has proceeded well, what is noteworthy is **its transformational effect. Bilateral trade grew over five times in the period 1999-2007 with Sri Lanka's export to India growing even faster, by 10 times, since 2000. India's investments in Sri Lanka after ISLFTA have been sizable and there has also been a beginning in the reverse direction. Thus the first substantive FTA, even if somewhat asymmetric, has had a significant trade demonstrative effect. More importantly, this FTA model that had the following elements came to serve as a template for future FTAs: (a) a early harvest component; (b) a time table of gradual tariff reduction for most other products; (c) a negative list on which no tariff reduction commitment will be made, at least initially; (d) Rules of Origin (ROO) aimed to prevent circumvention; and (e) arrangements for trade facilitation and procedures.**

Both **India and Sri Lanka subsequently decided in 2004 to negotiate a Comprehensive Economic Partnership Agreement (CEPA)** and this has since been concluded and awaits signature. It has been indicated that the agreement, which has not been made public yet, will further deepen the concessions on merchandise goods by pruning the negative list that will see India opening a further 114 items and Sri Lanka 32 new tariff lines.

As for South Asia itself, it took a few more years, thanks to also political developments in the region, to **move from the more modest SAPTA to SAFTA which was finally signed at the Twelfth SAARC Summit in Islamabad in 2004 and which came into force from January 1, 2006**. Limited to merchandise goods, the agreement was, however, more comprehensive than SAPTA, thanks to the adoption of a 'negative list' approach during the negotiations. India's own sensitive list consisted of 744 tariff lines for LDCs and 865 tariff lines for the others. On all other products, outside of the sensitive list, tariffs had to be brought down to 0 to 5% in a phased manner with the terminal year being 2016 for LDCs and 2013 for India. For LDCs, non-LDCs had to accelerate the tariff reductions and give zero duty access by 2009. During implementation India has granted zero duty access for all LDC members from January 1, 2008 and also pruned its sensitive list to only 480 tariff lines. Interestingly, SAFTA also contained a mechanism for compensation of revenue loss for the LDC members.

It may be **too early to draw inferences about the impact of SAFTA on intra-regional trade. In any case, it may not cause any dramatic impact on the trade between the two largest players, India and Pakistan, since the latter continues to deny even MFN treatment to India that is required as per WTO rules.** Even so, it is **interesting to note that for the year 2007-08, India's exports to rest of South Asia grew by 48.7% and imports too climbed by 40.18%.** Some of the impact studies have opined that SAFTA will be trade creating, albeit in a modest manner, till when there is greater trade and transport facilitation and some of the remaining NTBs are also removed.

Following the FTA with Sri Lanka, India agreed to explore concluding **RTAs with Thailand and Singapore as well as with ASEAN itself**. **In a way, the** situation was also favourable from an economic perspective. **On 1 April 2001, India dismantled on MFN basis all its remaining Quantitative Restrictions and the government also embarked on a path of progressive reductions in tariffs with the stated aim of reducing these to ASEAN levels.** India's 'Look East' policy, announced in 1992, was also gaining momentum and ASEAN had progressively elevated India from being a sectoral dialogue partner in 1992 to a full dialogue partner in 1996, and to upgrading the ASEAN-India relationship to summit level in 2001. Singapore played a major role in helping to facilitate these decisions within ASEAN forums. On the other hand, **Thailand, in collaboration with India, was piloting a proposal by the acronym BIMSTEC[3] (Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation) that was promising to bring together contiguous countries adjacent to the Bay of Bengal.** The first to get off the ground was **CECA with Singapore** that came into effect from 1st August 2005. It not only provided for liberalization in the goods sector but also in services and investment. It had several novel features including a bilateral agreement on investment promotion, protection and cooperation, an improved Double Taxation Avoidance Agreement, a more liberal air services agreement and open skies for charter flights and a work programme for cooperation in a number of areas (see Box 2 for more details).

3. BIMSTEC was originally conceived to include Bangladesh, India, Myanmar, Sri Lanka and Thailand and the acronym was intended to convey this. Eventually, however, with Nepal and Bhutan also joining, in the acronym was expanded to read 'Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation'.

BOX 2

Highlights of commitments in the India-Singapore CECA

1. Merchandise Goods (Eight digit tariff lines)

   India: 565 Tariff lines - Zero tariff by 2006

   2178 Tariff lines - Zero tariff by 2009

   2335 Tariff lines - 50% liberalization by 2009

   6551 Tariff lines - Uncovered by CECA

   Singapore : All tariffs eliminated on date of entry into force (January 2005)

   Rules of origin: Minimum of 40% local content and change in tariff heading (4 digit level) in addition to certain product specific ROO.

   Mutual Recognition of Standards and certification: Specific provisions for Telecom and Electrical and electronics equipment.

2. Services:

   (a) Substantial liberalization in both Horizontal and Sector Specific commitments.

   (b) Financial services liberalization, a major focus -

   (i) Indian Banks allowed upto 3 Qualifying Full Bank (QFB) privileges and unlimited wholesale Banking licenses in Singapore

   (ii) Three Singaporean Banks permitted to operate in India under any one model of presence with substantial operational freedom.

   Investments liberalized in banking and insurance sectors.

   (c) Substantial liberalization in mode 4 (Movement of Natural Persons) with visa liberalization for business visitors, short term service suppliers, professionals for upto 1 year or duration of contract and intra corporate transferees

   (d) Provision for Mutual Recognition of professional qualifications in accounting and auditing, architecture, medicine, dentistry and nursing.

   (iii) Two Singaporean government linked companies, Temasek Holding and Singapore Government Investment Company (GIC) allowed to invest in listed companies 10% above FII limits.

   (iv) Singaporean asset managers offering mutual funds in India allowed to invest US $ 250 million above the US $ 1 billion limit for other overseas entities.

3. Investment:

   (a) National treatment not only to investments but also to investors.

   (b) India binds 2005 liberalization measures on joint ventures and real estate development.

   (c) Possible tariff exemption on capital goods for Singapore invested infrastructure projects.

4. Double Taxation Avoidance Agreement:

   (a) Tax exemption on capital gains

   (b) Reduction in withholding tax from 15% to 10%

In the area of merchandise goods, Singapore already had zero MFN rate of duty for all but six tariff lines. Launch of CECA was, therefore, not expected to have any dramatic impact on India's exports to that country. On the other hand, **tariff liberalization by India covered over 75% of goods exported by Singapore and has, therefore, brought about a sharp increase in its exports to India** as in Table 1 below.

Table:1

(in million US dollars)

	2005-06	2006-07	2007-08
India's exports to Singapore	5,425.29 (35.61%)	6.064.19 (11.78%)	7,367 (21.49%)
Singapore's exports to India	3,353.77 (26.49%)	5,485.26 (63.5%)	8,117 (47.9%)

Source: Ministry of Commerce, Government of India

Note: Figures in parentheses indicate rate of increase over previous year

What is most noteworthy, from the point of view of evolution of India's RTAs, is that CECA not only covered services in a comprehensive way but carried commitments in respect of movement of natural persons, in specific categories that can provide a model for future agreements.

On the other hand, **negotiations with ASEAN on a Regional Trade and Investment Agreement (RTIA) got protracted and even the FTA part relating to goods could be finalized only recently**. The agreement is slated to be signed soon after ratification by all concerned. Issues relating to rules of origin, negative list, modalities for tariff reduction and elimination and Dispute Settlement Mechanism took considerable time for the two sides to arrive at a mutually satisfactory outcome. This is not surprising, however, considering that both are large and diverse markets with bilateral trade totalling US $ 38 billion in 2007-08.

Additionally, for a number of products, producers in the two markets are competitors. This was quite evident from the delay in finalization of the items to be included in the sensitive list with agricultural items like Palm oil, Pepper, tea, coffee etc. specially needing protracted discussion.

There are a few other ongoing negotiations with other developing country partners for concluding such comprehensive economic cooperation agreements- listed in Table 2.

Table : 2

Comprehensive Economic Cooperation (or Partnership) Agreements in Progress

Name of country/Regional Group	Launch of negotiation	Status
Mauritius	2005	Five Rounds of negotiations so far held
Gulf Cooperation Council (GCC) - Customs Union of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE	2004	First Round of negotiations held in March 2006
Malaysia	2008	Three Rounds of negotiations held to conclude a comprehensive Economic Cooperation Agreement dealing with trade, services and investment.
Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (India, Bangladesh, Bhutan, Nepal, Sri Lanka, Thailand and Myanmar)	Framework Agreement on BIMSTEC FTA signed in 2004	BIMSTEC Summit in November 2008 called on Trade Negotiations Committee on trade in goods as soon as possible and to continue efforts on services and investments.

Even as India has been in the process of finalizing comprehensive free trade and economic cooperation agreements, **it has also continued to proceed with PTAs with limited scope** with developing country partners that have shown an interest- indicated in Table 3.

Table : 3

PTAs finalized or negotiations in progress

Name of country/ origin	Year of Launch	Scope of Preference
Afghanistan	2003	Concession extended by India to 38 products from Afghanistan in return for preferential tariff for 8 Indian items
Chile	2005	178 tariff lines by India 296 tariff lines by Chile
MERCOSUR (Brazil, Argentina, Paraguay and Uruguay)	Has come into effect from 1 June 2009.	Approximately 450 tariff lines by each side
Southern Africa Customs Union (South Africa, Lesotho, Swaziland, Botswana and Namibia)	Framework agreed in 2004. Negotiations for PTA commenced in October 2007.	Approximately 450 tariff lines by each side

Another related development, reflective of India's approach to development cooperation, through enhanced market access, has been **the autonomous liberalization for products of all Least Developed Countries (LDC) into the Indian market**. On the occasion of the India-Africa Forum Summit in New Delhi in April 2008, India agreed to grant duty free access on 94% of India's total tariff lines to be implemented over a five year period. Specifically, it will provide preferential market access on tariff lines that comprise 92.5% of global exports of all LDCs.

The Third Phase:

A third phase in India's RTA evolution could be said to have begun around 2005 with India showing **readiness to explore concluding RTAs with the more advanced OECD economies.** EU, Japan and Korea were partners with whom separate study groups were set up to examine the possibility of establishing comprehensive economic partnership agreements. Favourable recommendations from these study groups led to decisions being taken in 2006 to move to negotiation stage.

Table:4

(in million US dollars)

Year 2006-07	EU	Japan	ROK
India's exports	US $ 26.7 b. (21.2%)	US $ 2.8 b. (2.26%)	US $ 2.512 b. (1.99%)
India's imports	US $ 29.8 b. (16.06%)	US $ 4.6 b. (2.47%)	US $ 4.8 b. (2.58%)

1. Source: Ministry of Commerce, Govt. of India
2. Figures in parentheses indicate percentage share of total exports/imports.

The fact that all the three potential partners were not aggressive exporters of agricultural products and had in fact high levels of agriculture imports must have been regarded a conducive factor. Secondly, there was a significant level of complementarity between India and these economies that offered win-win opportunities in coming closer.

It is relevant to note here that ***India had also, by this time, undertaken several measures to further liberalize its trade and investment framework***.

A North-South RTA by its nature, however, is different in terms of the issues and concerns it has to navigate through. The average tariff levels in developed economies are generally low. Some of them also offer GSP tariff concessions for developing countries. There is, therefore, not much to gain when the tariff barriers come down, or get eliminated, as part of RTA commitments. But many developed economies including EU and Japan, do have tariff peaks and tariff escalation for a small percentage of tariff lines that is of export interest to developing countries. These often relate to labour intensive items such as textiles and apparel, leather goods and marine products. Clearly, the focus will have to be to see how far there can be market access gains in these areas and towards ensuring that these products did not get included in the sensitive or negative lists of the developed partners. Most important, however, will be the removal of non-tariff barriers and to address the various regulatory measures relating to health and safety or other standards. These aspects will need to be resolved with suitable mutual recognitions where necessary, preferably before the signing of the agreement, and not be left for endless discussions later.

In respect of the services sector, the large complementarities both in terms of sectors of mutual interest and modes of mutual strengths should, on the one hand, render the negotiations somewhat less cumbersome.

Lastly, **there is the issue of balance. The large market that India offers, and the fact that MFN tariffs are still significant, marks a substantial benefit for India's FTA partners. It would also be necessary to ensure that the principle of 'less than full reciprocity' in favour of the developing country (India in this case) forms the basis for assessing whether the outcome is a balanced one. This is a principle that is also enshrined in the Doha agenda.**

At the time of writing this paper, negotiations in respect of a CEPA/EPA between India and Japan and a broad based trade and investment agreement between India and EU are still underway. These agreements could also be precedent setters for RTAs with other advanced economies that India may possibly negotiate with in the future, for which joint studies are already underway with Australia, New Zealand, EFTA, among others.

Proliferation of RTAs

Even as India has proceeded with negotiations on some RTAs, a number of Asian countries have also cut similar deals as in Table 5 below, with most of them concluded after the year 2000. **Worldwide, the number of RTAs have soared.** As of 1 November 2007, 385 RTAs have been notified to WTO, 197 of which are currently in force. The WTO Secretariat has also stated on its website that if all RTAs that were in force but not notified, those signed but not yet in force, those currently being negotiated and those in the proposal stage were taken into account then the total figure will be close to 400 which are scheduled to be implemented by 2010. Many of these RTAs also go far beyond merchandise trade and include services, investment, IPRs, etc.

Table : 5

RTAs of other Asian countries

Country	RTA partners/Agreements	Under negotiation
Japan	Singapore (2007), Thailand (2007), Malaysia (2008), Brunei (2007), Switzerland (2008 in principle), Philippines (2006) Indonesia (2007) , ASEAN (2008), Chile (2007), Mexico (2004)	India, Vietnam, Australia, GCC
Singapore	AFTA (1993), New Zealand (2000), Japan (2007), India (2005), EFTA (2002), ROK (2005), Panama (2006), Jordan (2004), Australia (2003), US (2003), China (2008)	Canada
ROK	Chile (2002), ASEAN minus Singapore (2005), Thailand (2007), US (signed in 2007 still to be approved by US Congress, India (2008), EFTA (2006)	EU
China	ASEAN (2004), Singapore (2008), New Zealand (2008)	Australia
ASEAN (as a whole)	China (2004, FTA in services 2007), India (2008), Japan (2008) ROK (2007)	New Zealand, Australia, EU
Australia	Thailand (2005), USA (2005), New Zealand (CER 1988), Singapore (2003), Chile (2008)	ASEAN, China, GCC, Japan, Malaysia
Malaysia	Japan (2005), Pakistan (2007) AFTA (1992)	Australia, US, India, New Zealand
Thailand	AFTA (1992), Japan (2007), Australia (2005) New Zealand (2005)	US, India
Indonesia	AFTA (1992), Japan (2007)	Pakistan
GCC		Japan, Australia, Singapore, New Zealand, EU

There are also several instances where two or more countries may be party to more than one RTA raising a question as to which RTA rules will apply to trade between these countries. In the case of India and Sri Lanka, for example, apart from the bilateral ISLFTA, both are also members of SAFTA and APTA. In fact, Jagdish Bhagwati, who has written extensively on the subject of RTAs, had drawn an analogy, that is now often quoted, between the growing cris-crossing nature of the RTAs and a spaghetti bowl and had also likened the complexity of the rules of origin to the mess created for the tie and shirt of the diner in dealing with the spaghetti.

Downsides and Advantages

At this stage it may be appropriate to **dwell briefly on what many trade economists and analysts have said about the benefits or otherwise of entering into RTAs in relation to multilateral trade liberalization under WTO or even in comparison with unilateral trade liberalization.**

The renowned economist Jagdish Bhagwati has been quite critical of the worldwide trend towards RTAs and has called it a pandemic of discrimination in the world trading system. In general, many trade economists consider RTAs to have several **downsides**, including the following:

(a) *Trade diversion, which can result in welfare losses and inefficiencies;*

(b) *Bringing increased complexity to trade rules including as a result of complex rules of origin that can be widely varying from one RTA to another;*

(c) *Undue pressure to yield to concessions that can be faced by the weaker partner;*

(d) *Diversion of attention and expertise to negotiating RTAs at the cost of the more important multilateral trade negotiations;*

(e) *Creation of vested interests which may then oppose trade liberalization with third countries or under the WTO; and*

(f) *Seeking to deal with subjects unrelated or remotely related to trade.*

One may ask **how do all these for and against arguments add up in respect of the RTAs that India has concluded or is in the process of doing so. Would India have been better off restricting itself to the unilateral and multilateral tracks? Has India made its industry vulnerable to trade and investment diversions? As for possible adverse impact from these agreements, these need to be guarded against. For example, where feasible, unilateral MFN liberalization would seem advisable even if it came about after a time gap vis-à-vis RTA liberalization. Uniformity in rules across RTAs, such as in respect of rules of origin (ROO), should also be attempted for reducing transaction costs. There are also suggestions that ROOs should be designed in a manner that makes it easy to multilateralize them.**

Even as the ROO issue looms, it would be difficult to argue that India should desist from pursuing the RTA track. Not being part of the RTA bandwagon, when most other countries are in it, carries the risk of being left to wallow in the wake of trade diversion that other RTAs could create. Secondly, even as there are potential downsides there are some **advantages** too:

(i) *It is a useful policy tool in further developing India's external economic relations, particularly in relation to development cooperation;*

(ii) *It allows experimentation with bolder trade liberalization even if limited to few countries. Some reciprocal benefits are also secured in the process;*

(iii) *Even if the on-going WTO Round is quickly wrapped up, which does not look likely at the time of writing this paper, the resultant trade liberalization is unlikely to be as deep as in an RTA. A comparison between the formulae on the table for the ongoing Non-Agricultural Market Access (NAMA) negotiations under the Doha Round as against the tariff reduction schedules in some of the recent RTAs in force or under negotiations is a pointer. Although in NAMA negotiations there are also proposals for tariff elimination in specific sectors these have not attracted widespread support;*

(iv) *Beneficiaries being limited in an RTA framework, there can be a more realistic evaluation of the balance of advantages. This also helps in more quickly selling the agreement to the domestic stakeholders;*

(v) *RTA negotiations have tended to evoke less political sensitivities than in the case of WTO negotiations. While there have been strong reactions even in the case of RTAs (such as from the Rubber, Pepper or tea interests in the case of ISLFTA or the Palm oil and other vegetable oil interests in the case of FTA with ASEAN) these can be more manageably dealt with by suitably addressing the sensitivities in the negotiations;*

(vi) *RTA liberalization should in fact assist in easing domestic acceptance to Doha Round commitments as and when they will get finalized.*

(vii) *The WTO process, unfortunately, has not been able to effectively address elimination of non tariff barriers. Also, SPS and other product specific regulations, have not got sorted out in many cases particularly where developing countries' export interests have been involved. Most of these measures also require prior certifications and inspections that in turn need exchanges of visits of expert teams. It has to be admitted that these steps have received greater impetus to move forward in a RTA framework although many of these are non-restrictive regulations of commerce governed by MFN principles;*

(viii) *It helps to draw attention of the domestic industry and the government on some of the policy issues that need to be confronted. For example, a report by Confederation of Indian Industry (CII) had the following to say:*

'Perhaps the biggest blessing in disguise has been that the Thai and the Sri Lankan experiences have gone on to reveal the

domestic economic problems such as inverted duty structures and high transaction costs of operation. Indian industry while voicing its concern has taken it to be a wake up call'; and

(ix) Crafting an RTA is also a valuable experience in the services sector such as in respect of putting together Mutual Recognition Agreements. This negotiating experience can also be very useful in the WTO negotiations since these are relatively newer areas where the options for liberalization are many and some of the RTA solutions can serve as models.

While, therefore, there are several advantages, these will all accrue only if India is able to secure a balanced outcome in all the RTA negotiations with developed countries and there is also an underlying acceptance of the principle of 'less than full reciprocity' in India's favour.

It must also be stated here that **while RTAs will bring benefits, it is not a substitute for improving productivity and competitiveness.** In this regard a recent article by Parthapratim Pal that looks at the evidence provided by RTAs entered into between US and a number of developing countries is relevant. For some countries (e.g. Mexico, Jordan, etc) their market share in the US increased immediately after the RTA conclusion but stagnated or declined thereafter presumably because they were not able to maintain their competitive edge at a time when China entered the US market in a big way and there were also other new RTA partners. For certain other countries, the RTAs provided no improvement to their market share in US and there was even a decline in some cases. Thus, **any initial advantage, in terms of increase in market share, will be sustained only if there is continual improvement in productivity both in industrialized and agricultural products particularly where the developed country is continually adding new RTA partners.**

India's RTAs and WTO Law

India's RTAs have been examined for WTO compatibility by some analysts. **Most of Indian RTAs will get covered by the 'Enabling Clause', under which there is a substantial degree of flexibility for developing countries to enter into RTAs with other developing countries. Shadan Farasat has commented that there could, however, be compatibility questions about CECA with Singapore,** which is not regarded a developing country. This agreement has been notified, for the goods sector, under Article XXIV of GATT, which requires tighter conditions to be fulfilled. Farasat has held that even though the items that have been excluded from tariff liberalization in CECA constituted less than 25 percent of Singaporean exports to India, exclusion of so many tariff items and some major sectors of trade raised serious questions about CECA satisfying the 'substantially all' coverage under Article XXIV. Again, in respect of the services component of CECA that has been notified under Article V of GATS, certain aspects such as selective permission by India to only three Singaporean banks, could be hit on grounds of violation of the non-discriminatory requirement of Article V:1 (b) of GATS, particularly if the interpretation by the Dispute Settlement Panel in the Canada-Auto case in WTO is taken into account.

It is noteworthy also that there has been only one legal dispute involving GATT Article XXIV so far in WTO, the Turkey Textiles case brought by India. There has also been no dispute in which a Services RTA has been challenged. With most WTO members being a participant in one RTA or more, and legal compatibility being largely an untested territory , there may be little willingness to challenge other RTAs.

That said, it is not being suggested that India can ignore the WTO compatibility of its RTAs. On the contrary, conforming to all the provisions including an enhanced level of coverage and securing due reciprocity should generally be in India's own overall interest as well. This can however come about progressively and is in fact already happening as the evolution story charted in this paper indicates.

Conclusion

India has moved in a phased manner in concluding RTAs with some select trading partners. While these were largely PTAs and limited scope agreements to begin with, negotiations are now underway for concluding comprehensive economic cooperation agreements with major OECD economies. **This evolution has come about even as India proceeded with unilateral liberalization of its trade and investment regime. Two of the more comprehensive agreements that have been in place for some time now, ISLFTA and CECA with Singapore, have already demonstrated significant expansion in bilateral trade and investment exchanges.** There have also been some downsides for the domestic industry including in the plantation sector and in cases where an inverted duty structure prevailed. The Government has, however, continued to pursue the RTA track although at a cautious pace. It has also tried to do this keeping in view a balance of various competing interests including that of the domestic industry. When some of the ongoing negotiations are successfully completed, in the coming year or so, over 30% of India's external trade would get covered under its RTA network. The coverage should be even higher in respect of foreign investments. While such a framework could work for a further expansion of India's trade and foreign investments, both inbound and outbound, it would be important to move towards a more uniform set of rules of origin, across all its RTAs, in order that the benefits of market opening are not lost in a complex maze of ROOs that can be deterring.

It will also be very important for India to negotiate not only tariff reductions but also non-tariff measures and services, the latter in sectors and modes of its interest.

Progress on the RTA front will also not reduce the importance of an early successful conclusion of the Doha Round, which alone can address the many systemic issues ranging from agricultural subsidies to improving anti-dumping and subsidy rules. WTO may also need to go beyond putting in place a 'Transparency Mechanism' to ensuring that the growing worldwide RTA network will not in any way undermine the multilateral trading system but work in a complementary and supportive manner.

EVENTS

National Stakeholder Consultation on WTO Negotiations

In light of the ongoing Doha Negotiations, a National Consultation was organized by the Centre for WTO Studies, UNCTAD India Project and FICCI, at the FICCI Auditorium in New Delhi on 8-9 December, 2009 to gain an insight into industry's opinions, responses and feedback on the subject.

In his welcome address, Dr. Amit Mitra, Secretary General, FICCI, highlighted the importance of such a stakeholder consultation in providing valuable inputs for negotiations and observed that successful conclusion of the Doha Round would lead to a huge increase in the world trade and GDP. Mr. Abhijit Das, Deputy Project Co-ordinator, UNCTAD, India, emphasized the importance of representing the interests of the various sections of the society at the multilateral level. Professor R.S. Ratna, of Centre for WTO Studies underlined the role played by the Centre in research and capacity building on WTO issues.

Commerce Secretary Dr. Rahul Khullar covered three basic aspects in his address, namely, the Agenda for India at the WTO; the recent Ministerial conference; and the way forward. He said that India's position was primarily defensive in agriculture and NAMA; however, it was offensive in the services sector as India had a competitive edge here. He stressed the need for all developing countries to come together for the welfare of the common people and to help in concluding the Doha Round.

The consultation, attended by stakeholders from all over the country representing various industries and sectors such as the fisheries, textiles, leather etc. and professionals and academicians, was spread out over 6 sessions covering issues relating to domestic support, export subsidy and market access negotiations on agriculture, fisheries subsidies negotiations, services and NAMA negotiations.

In the session relating to domestic support, export subsidies and market access, Mr. Subhash Garg, Joint Secretary, Department of Agriculture, made a presentation on the Special and Sensitive Products, their importance to a developing nation like India and listed the parameters on how to actually prepare a list of products falling within this category. Mr. Jayant Dasgupta, Secretary, Economic Advisory Council to the Prime Minister, touched upon India's stand in the agriculture negotiations. He mentioned the various challenges related to domestic support, market access and export subsidies and the unresolved issues in these areas. In the second session, Ms. Anu Mathai, Deputy Secretary, Department of Commerce, explained the importance of the three pillars of the Agreement on Agriculture i.e. Market Access, Domestic Support and Export Subsidy. Mr. D.K. Mittal, Additional Secretary, Department of Commerce, raised concerns regarding the use of amber and blue box subsidies on the pretext of green box subsidies by developed nations. Industry representatives suggested that proper safeguards should be in place to protect the interest of marginal sections of the society.

The third session on fishery subsidies negotiations was addressed by Mr. Tarun Shridhar, Joint Secretary, Department of Animal Husbandry and Fisheries in Ministry of Agriculture, who said that the fisheries sector needed a separate set of negotiations due to the specific nature of the sector and that the negotiations focused more on depletion of resources than on trade concerns. India had been fishing in a responsible and sustainable manner, and therefore, India's stand should be based on this line. The industry felt that the Indian fishermen deserved direct subsidies which would help improve their living conditions and fishing standards.

Mr. Sharad Bhansali from APJ-SLG Law Offices and Mr. AK Gupta from TPM Consultants made presentations on India's interests in the Antidumping Negotiations, emphasizing the proper use of the Anti Dumping Agreement and suggesting certain changes to the Chairman's Text which would provide certain flexibilities to the exporters, taking into account the interest of the exporters, producers and consumers. The stakeholders raised concerns regarding problems in translation of texts of the Anti Dumping proceedings from different countries and suggested a review of antidumping provisions on the pattern of trade policy review of different countries.

Session 5 dealt with the services negotiations wherein Ms. Bharathi Sihag, Joint Secretary, Department of Commerce, made a presentation on India's strategy in the ongoing Doha Round, underlining especially the benefits that would accrue to India through services trade, such as creation of job opportunities, increase in revenue flow etc. and said that India had an aggressive strategy in services negotiations due to its comparative advantage with respect of skilled labour and professionals. India's major interests lay in Modes 1 and 4. Questions were raised about trading of legal and other professional services. In the last session on negotiations on industrial goods more popularly known as NAMA, Mr. Amarendra Khatua, Joint Secretary, Department of Commerce, traced the progress of NAMA negotiations in the WTO. He was of the view that sectoral initiatives were proving to be a deal breaker. Professor R.S. Ratna of Centre for WTO Studies reiterated India's stand on the sectorals that they should be non-mandatory and a larger implementation period should be given. They were both of the opinion that agreeing to sectoral initiatives would bring bigger challenges and lesser opportunities for the Indian industry. Mr. Manab Majumdar of FICCI focused on re-manufactured goods and the Indian industrial perspective. Clarifications were sought on issues relating to the EC's REACH Regulation, sectoral initiatives and trade implications for Indian SMEs.

Industry representatives at the Conference

Prof. R.S. Ratna, Mr. Abhijit Das, Mr. Amarendra Khatua and Mr. Manab Majumdar at the session on NAMA

Seminar on WTO Agreements and Doha Negotiations: Mumbai

A one day seminar on “WTO Agreements and Doha Negotiations: Capacity Building of Stakeholders” was jointly organized by FICCI; Department of Commerce, Government of India; and Centre for WTO Studies (CWS) on 15 December, 2009, in Mumbai, aimed at enhancing understanding of the issues in trade negotiations, Sanitary and Phytosanitary (SPS) and Technical Barrier to Trade (TBT) measures and their possible negative impact on Indian business.

The Seminar, attended by the consulate members, industry representatives, academia, journalists and civil society groups, began with a welcome address by Mr. Nanik Rupani, Co-Chairman, FICCI and Chairman Western Regional Council. He highlighted the importance of such stakeholder consultations as it would provide valuable inputs for trade negotiations which would lead to better trade policy formulation. The technical session began with a talk on the need for a successful completion of the Doha Round negotiations for India and the other developing countries. Some of the unresolved and important issues were discussed including their respective linkages with the current economic scenario. On NAMA, some of the critical issues discussed were: its impact on the Indian economy; especially in the context of the sectorals proposal and the trade-off between tariff and Non-Tariff Barriers. The significance of Intellectual Property Rights and the TRIPS Agreements was highlighted in the context of growing importance of services sector trade of India. The existence of SPS and TBT web portals were introduced to the stakeholders. The speakers also highlighted a case where the 'HS Code' was not provided by the notifying country to the WTO Secretariat and explained as to how these so-called 'gaps in the database' were filled while preparing the final database. The process of registration to access the portals was also explained.

Technical Sessions were addressed by Dr. Biswajit Dhar, Director General, RIS; Mr. Bipin Menon, Deputy Secretary, Ministry of Commerce & Industry, Professor Madhukar Sinha, and Dr. Murali Kallummal Associate Professor from the CWS. Mrs. Jitarani Udgata, Research Fellow, was the rapporteur for the event.

Dr. ***Biswajit Dhar, Director General, RIS,*** *addressing the participants during the Seminar. Others from L. to R. Dr. Vaijayanti Pandit, Director, FICCI, Western Regional Council,* ***Mr. Bipin Menon, Deputy Secretary, Ministry of Commerce & Industry, Mr. Nanik Rupani, Co-Chairman, FICCI and Chairman Western Regional Council,*** *Professor Madhukar Sinha, and Dr. Murali Kallummal Associate Professor from the CWS.*

Capacity Building Workshop on WTO Agreements: Gurgaon

The Centre for WTO Studies (CWS) and the Confederation of Indian Industry (CII) jointly organized a capacity building Workshop to create awareness on WTO Agreements on 24 November 2009 at The Leela Kempinsky, Gurgaon, which was attended by Industry representatives and exporters, officials of Chambers of Commerce & Industry Associations and researchers working in the area of foreign trade, trade policy and WTO issues. The workshop was designed specifically to enhance understanding of the issues on Sanitary and Phytosanitary (SPS) and Technical Barrier to Trade (TBT) measures and their possible impact on Indian business as well as to inform about the online Web portal by the Centre of WTO Studies. Professor Rajan Sudesh Ratna of CWS introduced the participants to the Capacity Building Programme, while Professsor Madhukar Sinha of the Centre talked about different dimensions of Indian service sector and the Trade in Services; Intellectual Property Rights and the TRIPS Agreements. Dr. Murali Kallummal of CWS spoke about the Centre's work on the preparation and updation of its online Web portal. All the Research Fellows and Consultants of the Centre also spoke in brief about the work they were doing at the CWS.

Prof. R. S. Ratna, CWS, IIFT addressing the participants in the workshop. Others from left to right: Mr. Pritam Banerjee, Prof. Madhukar Sinha, Dr. Murali Kallummal.

New Faculty in Centre for WTO Studies

Mr. Sachin Kumar Sharma has joined the Centre for WTO Studies (CWS) as a consultant (Agriculture) with effect from 6 November 2009. He did his M. Phil and Ph.D (Economics) from Jawaharlal Nehru University (JNU), New Delhi. Earlier, he worked as a consultant with UNDP and Planning Commission of India on a project titled "National Human Development Report". His areas of interest are: Agriculture, International Trade and WTO.

Trade Talks Series 2

Policy Responses in the Times of Crisis

The Centre for WTO Studies organized a lecture by Dr. Simon Evenett, Professor International Trade and Economic Development, University of St. Gallen, Switzerland on 18 December 2009 in IIFT on the topic 'Trade Policy Responses in the Times of Crisis'. Dr. Evenett gave an overview of the Global Trade Alert which is maintained to track the protectionist policies adopted by different countries as a response to the global economic crisis. This has been instituted as a follow up of the G-20 Declaration of November 2008 where the G-20 countries had committed to refrain, for the next 12 months, from raising new barriers to investment or to trade in goods and services, or imposing new export restrictions or implementing WTO inconsistent measures to stimulate exports. He observed that **their study showed that despite the G-20 Declaration, protectionism continued unabated.** The Report has been primarily compiled on the basis of information obtained from four sources, namely media announcements; information contained on Government website and in Government gazettes; reports of international organizations; and anonymous reports by academicians, exporters, Chambers of Commerce, etc. The preliminary information obtained from these sources are further investigated and are attempted to be linked to the specific measures adopted in each case, track the products and sectors involved and also identify the countries likely to be affected. Only such measures have been identified which came into force on or after 1st November, 2008. He pointed out that the Report did not give an estimate of trade effect or welfare effect of such measures because of insufficiency of resources and data to conduct such an analysis.

The Report captures all those measures by the Governments which altered the conditions of market access, whether positively or negatively, with respect to its trading partners. The Report presently contains details of 657 completed investigations. Out of these, 445 measures have already been implemented and 212 measures are pending implementation. He pointed out that out of the implemented measures, 322 discriminated against commercial interests of other countries and out of these, 197 were imposed by G-20 member countries. Out of pending measures, 194 would involve discrimination with respect to other trading partners.

The Report **has identified 20 top discriminating measures,** and out of this, the top five Measures are: (i) bailouts and subsidies to manufacturing sectors(123 cases, adversely affecting interests of 176 countries); (ii) trade defence measures (64 measures, adversely affecting interests of 109 countries); (iii) tariff measures (44 measures adversely affecting interests of 122 countries); (iv) export subsidy (14 measures, adversely affecting interests of 145 countries) and (v) public procurement (14 measures, adversely affecting interests of 133 countries). He informed that the details of the measures were contained on the website **globaltradealert.org** and is being used extensively by different interested parties numbering more than 5000.

Mr. Evenett also drew some interesting differences between the measures brought into force after the present economic crisis and after the Depression of 1930s. He pointed out that unlike the primarily tariff related response to the 1930 Depression, the Governments have largely used fiscal policies to counteract the present crisis. This is because of change in supply chains involving outsourcing. This has made corporates chary of supporting tariff measures. International initiatives like G-20, as also RTAs and WTO might have also helped in containing protectionism to some extent. However the latter reason is arguable because there is considerable difference between bound and applied tariff rates of WTO Members. The US had effected a 6 % increase in tariff under the Smoot Hawley Act of 1930, and such a tariff increase can presently be effected by 100 WTO Members because of the gap between their bound and applied tariff rates.

He also expressed that the protectionist dynamics in the next 12 months would depend upon factors like increase in unemployment in the developed economies; fiscal stringencies and limited government tools to help domestic firms; the manner of “injury” determination in trade remedy investigations and some unexpected developments like border tax adjustment for carbon taxes. He informed that the 3rd Global Trade Alert Report focused on Asia-Pacific Region which would be of particular interest to countries like India.

School on Trade and Public health

The interface of trade policies and public health has been a subject of wide ranging debate especially during the last few years. To address a range of issues and to develop a holistic understanding on how the global trade regime impacts public health, the Centre for WTO Studies in collaboration with Centre for Trade and Development (Centad), New Delhi organized a **School on Trade and Public Health** from **5 to 9 October 2009 at Indian Institute of Foreign Trade (IIFT), New Delhi**. Academicians, government bodies and students from all over India participated in the programme.

In his inaugural speech Mr. K. T. Chako, Director, IIFT, said that trade should not be carried out for the sake of trade, without meeting the welfare objectives including that of universal access to public health. He stated that in India, health services were cheaper than most parts of the world which put India in a competitive position *vis-a-vis* the developed countries in terms of export of health services. Mr. Linu Mathew Phillip, Executive Director, Centad, introduced the participants to the School on Trade and Public Health. Prof. Madhukar Sinha of CWS spoke about the efforts of the Centre towards building an Indian perspective to trade issues, while Prof. Shashank Priya of CWS offered a Vote of Thanks. The training covered a diverse range of subjects relating to trade and public health. These included Intellectual Property Rights including Patent Law, TRIPS Agreement, domestic drug laws and policies, state of Indian pharmaceutical industry, Competition law and policy, Indian medical heritage, Bilateral and Regional trade agreements. Every session was followed by an exercise designed by the resource person(s). This helped participants to appreciate the issues and concepts better and also made the sessions highly interactive and lively. A Panel Discussion on "Universal Public-Health Aspirants and the Current Intellectual Property Regime in India: Is there scope for synergy?" was also organized on the last day in which Prof. Biswajit Dhar, Director General, RIS, New Delhi and Ms. Rajeshwari H., Partner, M/S KNS Partners, New Delhi participated as panelists. The Valedictory Session was addressed by Ambassador Edward Laurent, Head of Trade Section, Commonwealth Secretariat, who expressed appreciation of the work being done at IIFT and other organizations involved in organizing the training. Such training helped in disseminating information to a wide section of the society which can take a leadership role on issues concerning trade and health, he said.

Mr. K. T. Chako, Director, IIFT addressing the participants during the inaugural session. Others from left to right: Prof. R. S. Ratna, Mr. Linu Mathew Phillip, Prof. Madhukar Sinha, Prof. Shashank Priya.

Ambassador Edward Laurent distributing certificate of participation

The participants

Faculty Participation in Outreach Programmes (Nov.-Dec., 09)

S.No.	Participating Faculty	Date	Topic	Location
1	Prof. Shashank Priya	November 3, 2009	Sessions on Anti-dumping and Subsidy issues for training programme for IAS Officers	Hyderabad
		Novmeber 5, 2009	i) Fundamentals of International Trade (International Trade theories like Mercantilism, Free Trade theory, comparative advantage) ii) GATT 1947	ICAI Bhawan, Indraprastha Marg, New Delhi
		November 10, 2009	i) Singapore Issues Trade Facilitation ii) Custom Valuation (Agreement on Implementation of Article VII of GATT, 1994) iii) Agreement on Import Licensing	
		November 11, 2009	i) Agreement on Rules of Origin ii) Agreement on Pre-shipment Inspection	
2	Prof. R. S. Ratna	November 14, 2009	Presentation on "WTO NAMA Negotiations" in the Trade Union Workshop on Non-Agricultural Market Access Negotiations in WTO.	New Delhi
		November 24, 2009	Presentation on "WTO Agreement: An Overview" in the Workshop on WTO Agreements: A Capacity Building Initiative	CII, Gurgaon
		November 24, 2009	Presentation on "Agriculture and NAMA Market Access Negotiations" in the Workshop on WTO Agreements: A Capacity Building Initiative	
		November 27, 2009	Presentation on "SMEs and Global Trade Regime": Training for Foreign Diplomats by TERI	TERI, New Delhi
		December 03, 2009	Presentation on "South Asian Integration Dream or Reality": International Conference on Dynamics of Regional Trade Agreements and WTO: Developing Countries Perspective.	Jamia Milia Islamia, University, New Delhi
		December 09, 2009	Presentation on "WTO NAMA Negotiations: India's Interests and Concerns" in the National Stakeholders Consultation on WTO Negotiations	FICCI, New Delhi
		December 11, 2009	Presentation on "India's Regional Trade Agreements and the Competition Law".	CIRC, New Delhi
		December 14, 2009	Presentation on "The Global Economic Crisis and Rising NTMs: Is South-South Trade a Viable Option".	Macao
3	Prof. Madhukar Sinha	11-13 November, 2009	Enforcement of Copy rights- WIPO Conference with FICCI and DIPP	Hotel Crown Plaza, New Delhi
		24 November, 2009	Issues on TRIPS Negotiations organised by CII	Gurgaon, Haryana
		25-27 November, 2009	IPRs in Fashion Industry- Workshop on IPR organised by WIPO with NIFT	New Delhi
		15 December, 2009	TRIPS Agreement Jointly organised by Centre for WTO Studies, Department of Commerce and FICCI	Mumbai
4	Dr. Murali Kallummal	November 24, 2009	Workshop on WTO Agreement A Capacity Building Initiative. Presentation on SPS/TBT Web portal	Gurgaon
		December 15, 2009	Seminar on WTO Agreement and Doha Negotiations: Towards Capacity Building by Stakeholders, Mumbai. Presentation on SPS/TBT web portal: How the stakeholder cab use and benefit	Mumbai
5	Shri Bipin Kumar	November 16, 2009	Export Restraint Measure in the WTO	Indian Society of International Law, Delhi
		December 2, 2009	Agreement on Subsidies and countervailing Measures	
		December 4, 2009	Agreement on Agriculture	
		December 7, 2009	International Investment: Recent Issues	
		December 12, 2009	Trade Related Investment Measures in WTO	

• WTO disputes reach 400 mark

On the eve of its 15th "birthday", the World Trade Organisation (WTO) earlier this month of November reached the milestone of having 400th trade dispute brought to the body's dispute settlement mechanism. Since coming into existence in January 1995, the WTO's 153 members initiated an average of approximately 27 disputes per year under the provisions of the Dispute Settlement Understanding the WTO treaty governing the settlement of all disputes among the organisation's members.

"This is surely a vote of confidence in a system which many consider to be a role model for the peaceful resolution of disputes in other areas of international political or economic relations", the WTO Director-General Pascal Lamy said, to mark the occasion. " All the political muscle-flexing and grandiloquence is discarded at the door once the case enters the WTO".

Of these 400 disputes:

- 84 appear to have been resolved bilaterally but for which no outcome notified to WTO;
- 95 were resolved bilaterally for which outcome notified to WTO;
- 23 were resolved bilaterally after a panel was established but before the panel was composed;
- 12 are currently the subject of active consultations between parties;
- 186 went into litigation.

"The dispute settlement system is widely considered to be the jewel in the crown of the WTO. Some critics claim that the system is monopolized by the developed countries, especially the US and the EC. Certainly, these two trading giants are the most frequent users of the system. This is not surprising since they are the world's biggest traders, as is increasingly the case with China. But the figures also show that developing countries do not play coy hand-maidens to their richer trading partners. During the period 1995-2009, developing countries have been complainants in more than 45 per cent of all cases, and have been respondents in more than 42 per cent of the cases".

• Long running banana dispute ends

The Latin American banana producing countries, the United States and the European Union ended their long running dispute over trade in bananas on 15 December 2009. It has been one of the longest running disputes in the post-World War II multilateral trading system. And it has resulted in multiple legal rulings by dispute panels, the Appellate Body and special arbitrators. All this attention has focused on the treatment the EU gave to the import of bananas from the African, Caribbean and Pacific (ACP) countries in preference to bananas from Latin America.

Who said what:

Bi-monthly Round-up of News and Views on WTO and Related Issues

(November- December, 2009)

1. **China rejects US, EU complaints at WTO—** China on 2/11/09 turned its back on trade majors the US, the EU and Japan among others who complained that Beijing is not implementing the commitments it undertook in banking, insurance and pension services to join the WTO. In a sharp response, China said there was no merit in these charges, saying it had already carried out comprehensive reforms to meet its WTO obligations. (***Business Standard dated 3/11/09)***.

2. **India ready to face WTO over wines, spirits duties—** India is ready to face any action on the issue of high duty on wines and spirits imported from the European Union (EU) even as the two sides meet on November 6 for discussing trade and investment. Maharashtra is the only state that has not complied with the Union government advice to lower levies on imported wines and spirits. The issue has already been sorted out with the Goa and Tamil Nadu governments, which have agreed to give 'national treatment' to the imported liquor, which stipulates that they be treated on par as domestic items. Goa, Maharashtra and Tamil Nadu are among the biggest markets for imported wine and spirits. (***Business Standard dated 3/11/09***).

3. **Kerala politicising FTA : Antony—**The Left Democratic Front (LDF) government in the State is politicising the Free Trade Agreement (FTA) between India and the Association of South East Asian Nations (ASEAN), Defence Minister A.K. Antony has said. Speaking to press persons at the Trivandrum Press Club, Mr. Antony said it was unfortunate that the government was misleading the public and the farmers saying that there was 'no negative list.' As many as 489 items figured in the negative list, and the list would also come into effect once the agreement was implemented in January 2010. Tea and coffee figured in the highly sensitive list. (***Hindu dated 3/11/09***).

4. **India takes drugs seizure issue to WTO—**The seizure of another consignment of Indian generic drugs, in transit, has pushed India to drag the issue to the TRIPS Council, a high-level body of the World Trade Organization (WTO) dealing with intellectual property issues. Last month, French customs authorities seized 740,000 tablets of heart attack prevention medicine Clopidogrel that were shipped by Mumbai-based Macleods Pharma to Venezuela on complaints of alleged patent violation. Sanofi Aventis, the European drug maker that enjoys the patent rights over the drug, complained that the consignment violated its patent rights. India informed the TRIPS council meeting in Geneva last week that widespread and repeated seizures would have an adverse impact on legitimate trade of generic medicines, universal access to medicines in the Third World countries and national public health budgets. This was the 18th instance of seizure, and second during the year, when generic drugs meant for developing countries were confiscated during transit within the European Union, though the manufacture of the drug in India and sale in the destination country were legal. (***Business Standard dated 4/11/09***).

5. **Indian drugs may get safe EU passage: Netherlands takes lead after India threatens to drag EU to WTO—**Pharma exports from India are likely to be promised safe passage by the European Union after India took up the issue following seizure of two consignments while in transit through the region. The EU is in talks with the Indian government on making changes in its Customs rules to ensure that such seizures, which are in violation of international intellectual property rules, do not happen in the future. The Dutch

government, which is taking a lead in this matter as the seizures happened at the Schipol airport in the Netherlands, has asked India about the possible directives to the Customs department to prevent such seizures, a senior commerce department official has said. (***Economic Times dated 4/11/09***).

6. **China faces WTO probe over exports—**The US, European Union and Mexico have asked for a WTO dispute panel to investigate Chinese restrictions on exports of specialised raw materials used in industry. The move is the latest indication that the global slowdown is leading to greater international action against China's trade policies. The request to the WTO claims that China's restraints on exports of bauxite, magnesium and other raw materials, which are used to make steel, aluminium and some chemicals, are driving up the price of those end products. Australia has also become entangled in a trade dispute with China, its biggest trading partner, after it imposed an interim dumping duty of 16 per cent on Chinese exports of aluminium extrusion products. (***Financial Times of London dated 6/11/09***).

7. **India, EU hope to close talks on FTA in a year: PM—**The Prime Minister, Dr Manmohan Singh, has expressed the hope that negotiations for a Free Trade Agreement (FTA) between India and the European Union can be completed in a year. "There was a good bit of discussion on this subject. Both sides agreed that a broad-based trade and investment agreement is in our mutual interest. We have expressed the hope that the negotiations can be completed in one year," Dr Manmohan Singh told the media at the Xth India-EU summit in New Delhi. There is, however, scepticism on whether this is an achievable target as the two sides are far from reaching any understanding on the inclusion of many issues in the proposed agreement. While the EU reportedly wants the inclusion of a transparent public procurement policy, provisions on competition policy as well as labour and environment standards in the final pact, India has voiced its opinion against these. However, EU has shown reluctance on India's interests which include mutual recognition pacts on services and doing away with stringent tests on goods. There are also differences on the list of sensitive items (both agricultural and industrial goods) that should be excluded from trading. (***Hindu Business Line dated 7/11/09***).

8. **Trade in the time of Recession: There's good news and bad news concerning the prospects for a robust, open world economy: Jagdish Bhagwati—**There was much concern because trade volume had collapsed faster than world income. Did this imply that protectionism was breaking out? Were we backing into the 1930s with their spread of protectionism that accentuated the devastation caused by the Great Crash of 1929? Not really. The main proximate reason was instead that world trade had been growing faster than world income in the previous quarter of a century. So, if we went into reverse, trade would fall faster than income. But why was trade growing faster than income? The principal reason was that production was getting internationalised, with multinationals often shipping products in different stages of assembly around the world. Thus, a "basic" unfinished car would be exported from France to Portugal to add a bumper and then exported in turn to Spain to put on leather seats and then to Germany for instalment of electronic guidance systems. Each time, four times in this example, the basic car value would be counted as part of trade volumes whereas the GNP of the countries together would be going up only by the one-time value of the basic car in France and by the value of the additions made to it in the other three countries. The internationalisation of production creates also a genuine expansion

of trade through sourcing of components worldwide. So, as the world economy revives, world trade will return to its trend of growing faster than world GNP. But do we not then need to worry that protectionism may still cripple the growth of world trade? It is true that, as the WTO has documented, all the G-20 resolutions not to succumb to protectionism have been followed by some protectionist measures in many of the G-20 countries. Nonetheless, the actual damage to trade is still within bounds, though we must remember that a tsunami starts with a slow surge of the waves. But why has protectionism been contained? I believe that the answer lies in the interdependence today in the world economy as production and world trade have become globalised. There are far too many firms today that depend on world markets. General Electric, Boeing, Caterpillar are among the hundreds of US firms that have actively lobbied to contain US protectionism: they fear that retaliation by other nations will hurt them. But liberalising trade, i.e. moving forward, is a hard slog. Rarely have democratic nations successfully liberalised during recessions. But we now have an added problem: the virtuous statements on finally closing the Doha Round carry little salience when the biggest rottweiler on the block, the US, is paralysed on trade. The Democrats in the US Congress, after the last election, are heavily indebted to the labour unions that fear trade. In turn, they straitjacket the president, an eloquent man whose silence on Doha is eloquent instead. Progress on Doha without the US playing a key role to close the deal is impossible. So, the news on Doha is bad. ***(Jagdish Bhagwati, professor of economics and law at Columbia University, US, in Times of India dated 7/11/09)***

9. **IP rights create a secure environment for investment in innovation: Francis Gurry—** Intellectual property (IP) is one of the indispensable mechanisms for translating knowledge into commercial assets. IP rights create a secure environment for investment in innovation and provide a legal framework for trading in intellectual assets. An investment in knowledge creation, and the maintenance of a robust IP system that strikes an appropriate balance between the interests of innovators, investors and society, should feature prominently in any strategy to ensure sustainable economic growth. Indian commentators are familiar with the need to ensure that the IP system balances the interests of all IP stakeholders including developing countries and that it continues to serve the public good. Indeed, this is a constant challenge for WIPO and its constituents. The international IP system must be able to deliver tangible benefit to all countries, irrespective of where they fall on the spectrum of technological or economic development. The reality for a global organisation like WIPO, with 184 Member States, is that it must be fully able to serve all of them. It is important to bear in mind that the IP system is a mechanism for stimulating and disseminating innovation and creativity, for countering unfair competition and for contributing to market order. The debates and discussions at WIPO are ultimately about how the system can best serve these underlying principles, from which all countries stand to benefit. A member of WIPO since May 1975, India continues to make an important and positive contribution to the ongoing process of exploring how to further improve different aspects of the international IP system and to influence the future evolution of the IP landscape. ***(Francis Gurry, Director-General of the World Intellectual Property Organisation, in The Hindu dated 10/11/09)***

10. **Sharma: MNCs working against Indian drug cos—**The government on 11/11/09 complained to the World Intellectual Property Organisation (WIPO) that multinational pharmaceutical companies are campaigning

against India's generic drug industry, which accounts for 20% of the world's total generics business. Commerce and industry minister Anand Sharma said the campaign has broken the "cartel" in the generic drugs. Speaking at a conference organised by his ministry in association with WIPO and Federation of Indian Chambers of Commerce and Industry (Ficci), Sharma directed his complaints to WIPO director-general Francis Gurry. "We know how the campaign was there. They still continue to misinform, mislead and confuse when it comes to the Indian generics, which have brought a major change in the world," he said. The minister directed Gurry's attention to the controversial seizures of 17 consignments of generic drugs which were confiscated on their way to Brazil and other African countries by European Union (EU) custom authorities alleging they violated their IP rights. (***Financial Express dated 12/11/09***).

11. **SAARC to negotiate on liberalisation of services market—**Services market within the Saarc (South Asian Association for Regional Cooperation) region could be liberalized. Trade ministers from Saarc countries have agreed to negotiate on liberalising the services market within the region. This will lead to freer movement of people within the region and give a boost to investments in areas like tourism, financial services and telecom. Saarc consists of countries like India, Pakistan, Nepal, Bhutan, Bangladesh and Maldives. (***Times of India dated 14/11/09***).

12. **'TRIPs flexibilities sacred; no plans to touch them': DG/WIPO—**Francis Gurry, the director-general of the World Intellectual Property Organisation (WIPO) was in the capital recently, amid the controversies over multilateral body's plans to reform the Patent Cooperation Treaty (PCT) which, some quarters allege, would lead to infringing upon the powers of national governments in matters of patent examination and grant. The fear is that WIPO's efforts to de-clog patent pipeline will practically necessitate dilution of powers of national governments to use their hard-earned freedom to set limits for intellectual property rights (IPRs) even while being signatories to the Trade Related Intellectual Property Rights (TRIPS) agreement. Gurry, who has been part of WIPO's top management team since 1997, attempted to allay these concerns in an exclusive interview with FE's KG Narendranath. "We plan to reform the PCT to address certain dysfunctions in the global patenting system, some of which are purely mechanical in nature. There is a choking of the patent offices across the world due to the spurt in number of patent applications in recent years. When the Paris Convention for the Protection of Industrial Property was first concluded in 1883, there were approximately 80,000 patent applications, or new technological solutions, filed around the world. As opposed to that, there are 1.8 million new patent applications every year. With the systems struggling to cope with the mammoth task of processing these requests, the number of unprocessed applications at last count was 4.2 million. Besides, there are also questions about the quality of the output of patent offices. PCT, being a very representative body of 144 member states, is an apt platform to initiate corrective steps to address these dysfunctions. There have been attempts to reduce the backlog of patent applications through bilateral initiatives like patent prosecution highways. The US and Japan have been particularly active on this front. But what PCT reform would offer is multilateral solution to this problem that would be much more effective. The proposed PCT reform, the roadmap for which was announced in September 2009, clearly won't affect the rights of any sovereign govt to grant or refuse patents. We don't intend to deal with such substantive matters of patentability". (***Financial Express dated 17/11/09***).

13. **Chinese court rules Microsoft in IPR case—**A Chinese court has ruled that Microsoft infringed a Chinese software maker's intellectual property rights in a surprise decision that has renewed worries among foreign patent experts about China's management of IPR disputes. Microsoft's use of two Chinese fonts developed by Zhongyi Electronic , a Beijing-based software company, was not covered by a licence agreement between the two, the Beijing No 1 Intermediary People's Court said in a verdict, and therefore infringed Zhongyi's intellectual property rights. (***Financial Times of London 19/11/09***).

14. **India manages to convince ASEAN on need to fast-track negotiations—**Service sector professionals and financial institutions such as banks and insurance companies may soon get easier entry into the East Asian market, as India has managed to convince a 10-member Asean delegation on the need to fast-track negotiations on opening up markets in services and investments. The two sides have decided to work towards finalising a deal in the two areas (services and investments) and make it part of the comprehensive economic partnership agreement by August next year, a commerce department official said. India and ASEAN have already signed an agreement for eliminating duties in more than three-fourths of the goods traded between the two over the next eight years. The agreement is scheduled to be implemented from January 1, 2010. Meanwhile, five out of the 10 Asean countries have not yet received parliamentary approval for the free trade agreement signed with India. The agreement would, therefore, only partly be implemented from January 1, 2010, a senior commerce department official has said. Others would join in as and when the approvals came. Singapore, Malaysia, Brunei, Myanmar and Thailand are the ones who would be able to implement the agreement from January 2010 and the rest in the next few months, joint secretary in the commerce minister P K Dash said. (***Economic Times dated 19/11/09***).

15. **Indian proposals for WTO reforms on ministerial agenda—**After the Doha Round impasse exposed the internal contradictions in the World Trade Organisation's (WTO) style of functioning, India has proposed a near-radical package for reforming the world body. The proposals include an institutionalised mechanism to give additional trade-related incentives to poor countries, more frequent meetings of various WTO committees, and a single window for sourcing information on non-tariff barriers (NTBs) imposed by countries. Almost all member countries have in-principle supported India's proposals that seek to make the organisation "more relevant, vibrant and user-friendly." Members like China, US and the EU have formally endorsed India's reform model. The proposals are now part of the ministerial meeting agenda. The three-day ministerial, starting in Geneva on November 30 2009 will be attended by over 150 trade ministers. (***Financial Express dated 21/11/09***).

16. **'India's WTO reform plans not coherent': A Hoda—**Former member of Planning Commission, Anwarul Hoda has said India's proposal to reform the functioning of the World Trade Organisation is not 'coherent'. The five-point proposal by India include setting up a web-based information system on non-tariff barriers imposed by countries as well as giving more teeth to the WTO committees. Moreover, India has also proposed that there should be better monitoring of bilateral duty free deals. Speaking at a seminar organised by civil society group CUTS Hoda said "I was looking for coherence in the proposals, but it is not there. It is a medley, going in every direction." Hoda was India's chief negotiator in the Uruguay Round of world trade talks. He also served as the deputy director general of WTO in 1995. Commenting on the proposal to

establish a web-based portal that seeks to act as a single platform for information on Non-Tariff Barriers, Hoda said there would be implementation issues. "It will be very difficult to have notifications, that too filed in a detailed format, in a database," he added. (***Financial Express dated 22/11/09***).

17. **Drug seizure: Govt to drag EU to WTO—**India is preparing to file a case against the European Union at the World Trade Organisation (WTO) for "wrongful" seizure of high quality Indian drugs at its ports while in transit to other destinations, a commerce department official has said. Preparations are on despite the EU's assurance that it would soon send a team of Customs officials to India to sort out the issue. (***Economic Times dated 23/11/09***).

18. **At odds elsewhere, India, China in same WTO team—**Political differences between India and China notwithstanding, the two countries are working in unison at the World Trade Organisation. India recently supported a proposal by China seeking more representation in the WTO secretariat in Geneva. "India has co-sponsored a proposal initiated by China and several countries, including South Africa, in the Budget Finance and Administration Committee of the WTO that has called for staff composition of the secretariat that is more representative of the WTO membership as a whole," South Africa's Head of Delegation to WTO Faizel Ismail said. (***Economic Times dated 23/11/09***).

19. **India open to free trade agreement with US, says PM—**Prime Minister Manmohan Singh has said India is open to discussions on a free trade pact with the US on the lines of the agreement New Delhi already has with the 10-nation South East Asian bloc. "I don't mind exploring the possibility for a free trade agreement with the US," Singh, who is on a four-day state- visit to the US, said during an interaction with the Council on Foreign Relations, a think tank, in Washington. The Prime Minister, however, said India's "first preference" was a fair and equitable multilateral trading agreement, and expressed "hope" that the Doha Round can succeed. Calling for "reduced role for trade distortions represented by tariffs and non-tariff barriers," the Prime Minister stated, "I sincerely hope that the Doha Round can succeed". The Doha Round of talks on a global trade deal have been stalled for last eight years now on differences over farm subsidies, lowering of tariff on industrial goods and protection to farmers in developing countries (***Hindu Business Line dated 25/11/09***).

20. **Sixth WTO meet on Doha may collapse under US demands—**The statements coming out of Washington point to a certain failure of the sixth WTO ministerial conference, beginning November 30 in Geneva on concluding the Doha Round of trade negotiations. Both US lawmakers and key trade negotiators want to scrap the Doha Development Round entirely. They have urged President Barack Obama to reverse the Doha round of talks and instead call for fresh negotiations that will protect labour rights, domestic workers, and environmental standards. The chairman of a working group of US lawmakers on trade issues, Michael Michaud, said: we want the Doha round be declared dead. The group blamed the free trade policy of the last administration for job losses in the US. (***Economic Times dated 26/11/09)***.

21. **The WIPO knife edge: officials are working at cross purposes in the apex patent body—**For well over a decade, the chirpy sounding acronym for the WTO's agreement on intellectual property (IP) rights, TRIPS, has rolled familiarly off tongues albeit with fear and loathing in the developing world. TRIPS, with its innate flexibilities and the embedding of the Doha development agenda, is now emerging as a less malignant beast. The bigger danger lurking on the horizon, according to several groups of developing countries, is WIPO, or the World Intellectual Property

Organisation, a UN body that they say is baring its fangs. WIPO's harmonisation agenda, according to a vocal group led by Brazil, Argentina and Algeria among others, is replacing TRIPS as the new instrument of a restrictive world order by changing the architecture of knowledge-sharing and IP protection. The IP debate, in fact, has shifted quite markedly from the WTO to WIPO where director-general Francis Gurry is pushing reforms aimed at bringing about a harmonisation process that the developing countries view with misgiving if not outright distrust. Gurry is an old WIPO hand, a man who has spent nearly 25 years with this specialised UN agency, and his major project is to reform the Patent Cooperation Treaty (PCT) which has been signed by its 141 members. As the WIPO chief sees it, there are compelling reasons for overhauling PCT. Primarily it is to unclog the system which is choked with some four million applications. Then he wants to harmonise national search and examination procedures. Should developing countries object to such laudable goals? The general fear is that a reformed PCT, or PCT II, would undermine the right of individual governments to formulate their own IP regimes. India, for instance, has come under intense western pressure for a certain section in its Patent Act that specifies what kind of drugs are not patentable, and a sizable section of opinion here believes PCT II will undermine such laws. The point is IP cannot be a one-size-fits-all regime. And this clearly is India's stance. The problem is that in WIPO India's stance is not so unequivocal. At times, the ministry does not send officials to crucial meetings of WIPO and when it does, there is a clear divergence of views between them and officials at India's permanent mission to the UN. While the latter goes by India's officially stated position, DIPP officials tend to have their own interpretation on issues such as PCT reforms, technology transfer for coping with climate change and traditional knowledge protection. (**Business Standard dated 27/11/09**).

22. **India sticks to its stand on WTO—**Maintaining its official stand on world trade negotiations, India has said the commitments by rich members of the World Trade Organisation on global trade rules should be more ambitious than those of the third world nations. “There is no change in India's negotiating position in agriculture and Non-Agriculture Market Access,” commerce minister Anand Sharma said in Geneva while speaking to the media on the sidelines of WTO ministerial meeting. Sharma led the Indian contingent at the summit, attended by over 150 trade ministers. However, Doha Round negotiations were kept out of the meeting agenda. At the Geneva summit, India proposed a four-pronged strategy to keep the Doha Round negotiations going. Sharma proposed that third world countries could be incentivised to come to the negotiating table by giving importance to development issues of the Doha Round. “A major concern of developing countries is that the development objectives of the Round continue to be diluted or ignored,” Sharma said while addressing the WTO ministerial meeting. He also insisted that trade ministers should stick to the offers already on the table and build on them and called for an inclusive approach in the way negotiations are carried out. India has been disappointed at the slow progress of the Doha Round talks, which restarted in September after an informal meeting of trade ministers in New Delhi. (***Financial Express dated 4/12/09***).

23. **Blame goes global at WTO meet—**The European Union, Brazil and other economic powers have blamed the U.S. for gridlock in global-trade talks, but officials at a World Trade Organization summit this week said political fears all over the world are also responsible. The first meeting in four years of ministers from the WTO's 153 nations on 2/12/09 with no progress in the eight-year-

old Doha Round, which has repeatedly failed to achieve its stated mission of opening rich-country markets to imports of food from the developing world. Pascal Lamy, director general of the World Trade Organization, arrived Tuesday for a working session at the seventh WTO ministerial meeting in Geneva. In all countries, "people are afraid" of another trade deal, says U.S. Trade Representative Ron Kirk. "Trade has provided a way for people to have fresh produce, cheap T-shirts, available electronics, but the pain of trade is very real." Voters and politicians in every country are worried about protecting jobs, say trade officials and analysts. Almost no nation has the "political clarity" needed to sign Doha, said a Bolivian delegate. "The U.S. has been made to be the whipping boy but reservations about liberalization are far more widespread," said Simon Evenett, a professor at the University of St. Gallen in Switzerland. (**Wall Street Journal / Mint dated 4/12/09**).

24. **Analysis of global trade identifies three impediments against freer movement of goods WTO complexities, new protectionist policies and declining manufacturing: One way is FTAs - India should sign as many as possible ?—**Trade integration has been an important source of prosperity and progress in the last 500 years. However, the situation is sombre, and freedom of trade in the global economy has effectively worsened in recent decades. There are three facets to the problem. The first is the failure of the WTO. For all practical purposes, the WTO process is dead. The second area of gloom is the New Protectionism. In the global crisis, industry lobbying for protectionism spurted everywhere in the world. While the old-style protectionist tricks were disallowed thanks to the WTO process, governments worldwide come up with a new wave of protectionism that is WTO compliant. This includes government support to national champions, public sector procurement which forbids buying from foreigners, and currency manipulation. The website www.globaltradealert.org documents these impediments on an ongoing basis, and it makes for gloomy reading. The third and most basic problem is the dwindling importance of manufacturing. The focus of trade liberalisation has been on manufacturing, but manufacturing now accounts for just 30% of world GDP. Opening up agriculture to international trade matters to India, where agriculture is a full 16% of GDP. But on a global scale, opening up agriculture is irrelevant because it is a tiny fraction of world GDP. The bulk of world GDP is now in services. Hence, for free trade to work its magic on the world economy, what matters is free trade in services. As an example, an Indian producer of mutual fund paper should be able to go to Singapore and sell mutual fund units, as effortlessly as an Indian producer of steel is able to go to Singapore and sell steel. The world is far away from this open environment. The place where trade liberalisation can be an engine for world growth lies in making the world safe for free trade in services, including finance, law, accounting, consulting, etc. At the same time, we have to accept that the WTO is useless in getting to this goal. How can progress be achieved? The first path involves writing as many encompassing free trade agreements covering the entire economy and not just manufacturing as possible. If India will sign strong FTAs with the US, the European Union, the UK, Japan, Korea, Taiwan and Asean, then we will bring a good dose of trade into the economy, thus putting competitive pressure and getting gains from trade on a large swathe of the economy. The removal of Indian protectionism in banking even if only through a few FTAs will do a world of good for improving banking services in India. (***Article "Trading Down" by Ajay Shah, economist, in Financial Express dated 14 & 15/12/09***).

25. **WIPO goes 'green' to resolve domain name disputes—**Amid the ongoing global debate on

climate change, the World Intellectual Property Organisation (WIPO), has said it will launch paperless procedures in matters relating to domain name disputes from 14/12/09. The development is expected to substantially improve the efficiency of the mechanism by reducing the time and cost involved in submitting such applications and to save up to 1 million pages of paper filed per year, making it a greener and largely paperless procedure, the Geneva-based WIPO said. (***Business Standard dated 14/12/09***).

26. **WTO told to study stimulus impact, investigate local sourcing norms—**The World Trade Organisation should analyse the impact of the economic stimulus packages announced by various countries and investigate the mandatory local sourcing norms that were meant to give unfair advantage to domestic companies, India, Argentina and Ecuador have jointly proposed. The three countries maintained that the analysis would not only help the WTO member nations to understand the stimulus measures but also help the multilateral trade organisation to respond to the present and future crisis. The proposal was initially submitted to the WTO secretariat by the two Latin American nations. India requested to be a co-sponsor of the proposal. Significantly, another proposal by India seeking to strengthen the functioning of the WTO, has found support from almost all WTO members, including China, European Union and United States. (***Financial Express dated 18/12/09***).

27. **Copenhagen a negotiation model for WTO, says Lamy—**Behind the scenes negotiation by major economies in Copenhagen to agree to a climate accord may be a model for how to wrap up the Doha Round of trade talks, the head of the World Trade Organisation said. “You don't get to a sort of overall agreement with 153 members without a number of behind the scenes bilateral testing and contacts, and of course, US, China, Brazil, India, EU, Japan, who are the sort of biggest players in international trade, have a special responsibility to move this forward,” WTO Director-General Pascal Lamy told Reuters. While the Doha deal would ultimately require the support of all 153 WTO members to be signed, the largest trading nations may first need to agree between them how to cut protective tariffs and subsidies, he said. “After what happened in Copenhagen, you can have a sort of geopolitical intuition of what the end game could look like,” Lamy said, referring to an albeit unambitious climate deal that set no firm deadline for a legally binding treaty. (***Indian Express dated 22/12/09***).

28. **WTO rules against Beijing on film and music curbs—**The appeals body of the World Trade Organisation has upheld an earlier ruling against China's restrictions on imports of US films and music, rebuffing Beijing's claim that the restrictions were necessary to protect public morals. The verdict, which is final, also opens the way for US and other foreign companies to sell mobile ring tones and music over the internet in China. This rapidly growing market, already worth half a billion dollars annually, is currently barred to non-Chinese companies. (***Financial Times of London dated 22/12/09***).

29. **India gives EU another chance to settle drug seizure case—**India has decided to hold one last round of consultation with the European Union on the steps it is taking to stop the wrongful confiscation of pharmaceutical consignments from India at European ports before asking the WTO to set up a dispute settlement panel to resolve the issue. Preparations for filing a case against the EU, however, continues as India wants the issue to be settled as soon as possible. “We have not yet asked for the setting up of a dispute settlement panel to decide on the case,” a commerce department official told ET. (***Economic Times dated 26/12/09***).

30. **Two GM varieties of wheat developed by**

Indian co registered—The first of the genetically modified seed varieties developed in India will make it to the market soon as the government has registered two such wheat varieties developed by Mahyco, an Indian seeds company. This will create competition in the market dominated by multinational companies and thereby help lower seed prices. The registration of vegetable varieties will begin in March next year. The Protection of Plant Varieties and Farmers' Rights Authority (PPV&FR Authority) has registered these two hybrid wheat varieties. "The registration of the novel varieties is considered crucial since MNCs have so far dominated the sector and have even used the research knowledge and genetic material available here to register expensive varieties of food crop seeds," PPV&FR Authority chairperson Nagarajan told ET. (***Economic Times dated 26/12/09***).

31. **In South Asia, unease ahead of free trade zone —**When the clock strikes midnight on New Year's Eve, China and 10 Southeast Asian nations will usher in the world's third-largest free trade area. While many industries are eager for tariffs to fall on everything from textiles and rubber to vegetable oils and steel, a few are nervously waiting to see whether the agreement will mean boom or bust for their businesses. Trade between China and the 10 states that make up the Association of Southeast Asian Nations has soared in recent years, to $192.5 billion in 2008, from $59.6 billion in 2003. The new free trade zone, which will remove tariffs on 90 per cent of traded goods, is expected to increase that commerce still more. The zone will rank behind only the European Economic Area and the North American Free Trade Area in trade volume. It will encompass 1.9 billion people. The free trade area is expected to help Asean countries increase exports, particularly those with commodities that resource-hungry China desperately wants. The China-Asean free trade area has faced less vocal opposition than the European and North American zones, perhaps because existing tariffs were already low and because it is unlikely to alter commerce patterns radically, analysts say. However, some manufacturers in Southeast Asia are concerned that cheap Chinese goods may flood their markets, once import taxes are removed, making it more difficult for them to retain or increase their local market shares. Indonesia is so worried that it plans to ask for a delay in removing tariffs from some items like steel products, textiles, petrochemicals and electronics. (***Indian Express dated 29/12/09***).

32. **Industry flays IPR pact with WIPO: Department of Industrial Policy & Promotion says MOU will benefit the SMEs—**The government's plan to take the help of the World Intellectual Property Organisation (WIPO)a UN arm to put into action an intellectual property rights (IPR) strategy has met with strong disapproval from a section of the local pharma industry, which suspects the arrangement would benefit only multinational patent holders. Both WIPO's spokesperson and the department of industrial policy and promotion (DIPP) secretary Ajay Shankar told FE there is no merit in the industry's charge. Patent protection is an incentive for costly research and it keeps competition from imitators at bay for a limited time, while the patent holder enjoys nearly unlimited pricing freedom. In the case of new drugs it is 20 years, although the actual period of exclusivity would be much less. India has withstood pressure from rich countries and has put in place an IPR law that does a fine balancing between the interest of an inventor-mostly foreign MNCs--who spend money on research and that of the ultimate consumer who pays for the resultant products. The Indian Pharmaceutical Alliance (IPA), a prominent lobby group of national drug makers, views WIPO's role in promoting innovation and IPR in India with suspicion

saying WIPO is friendly with patent holders. Besides, the industry was not consulted while framing the strategy, IPA said. "Why is the department of industrial policy and promotion (DIPP) shying away from discussing such important policy initiatives with the national stakeholders when it is willing to share them with the WIPO, which is known for its proximity to foreign intellectual property owners?," asks IPA secretary general D G Shah. Ajay Shankar, who signed the deal on behalf of the Indian government, told FE that the agreement is all about co-operation between India and the UN body to use intellectual property for the economic, social and technological developments in the country. The main goal is to enable small and medium enterprises to access the large pool of technologies that go off-patent at any given time, the secretary said. Around 95% of industrial units in the country are SMEs and they account for nearly two-fifth of the value addition in the manufacturing sector. (***Financial Express dated 30/12/09***).

33. **India-EU free trade talks enter key phase—** Negotiations between India and the European Union (EU) over a free trade agreement enter a crucial stage with both sides set to discuss legal texts and tariff liberalization in the eighth round of talks to be held on 25-29 January in the Capital. They will take place as differences persist over non-trade issues raised by the EU such as child labour and human rights. These bilateral trade negotiations have proved to be among the toughest that India has been involved in, and are important since the value of India's trade with the EU is larger than its trade with either China or the US. (***HT Mint dated 30/12/09***).

Forthcoming Events

S.No.	Date	Topic	Location
1	5–6 February 2010	"National Seminar on ASEAN India Free Trade Agreement and Way Forward" in collaboration with CDS, Trivandrum	Trivandrum
2	10–11 February 2010	Workshop on WTO Agreements: A Capacity Building Programme in collaboration with FICCI	Hyderabad
3	24–25 February 2010	National Workshop on WTO and RTAs	Aizawl, Mizoram

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