

India & The WTO

A Monthly Newsletter of the Ministry of Commerce and Industry

Vol.7 No. 1 - 2

January-February 2005

India, EU to work for progress of Doha Round

(Excerpts from the address by Mr. Kamal Nath, Minister of Commerce & Industry, at the "India-EU Strategic Partnership: Steps Ahead" organised by FICCI in New Delhi on January 14, 2005)



The EU Trade Commissioner Mr. Peter Mandelson meeting the Union Minister for Commerce and Industry Mr. Kamal Nath in New Delhi on January 14th, 2005

The India-EU relationship started essentially as a partnership for development and economic cooperation. However, it has evolved over the years to a stage where both sides have decided to elevate their engagement to the level of a formal strategic partnership spanning all aspects - political, cultural, social and economic. While the EU is trying to implement its 'Lisbon Strategy' to make Europe the world's most competitive economy, India is committed to banish poverty through economic reform for stimulating growth, investment and employment. While the EU is aiming for revitalizing and sustaining its developed economy, India is striving to become a developed economy within twenty years. These two processes have great synergy, and that is what we need to explore in a strategic relationship.

The EU is today India's largest trading partner, and with over 30 billion dollars worth of trade, it accounts for 20% of India's global trade. By contrast, India's share in the EU's global trade is a meagre 1%. It is evident that there is considerable untapped potential in our business relationship.

IN THIS ISSUE

Page No.

India, EU to work for progress of Doha Round	- 1
India and Europe natural partners, says Mandelson : Excerpts from speech at the CII Summit, Kolkata	- 3
Decisions/Meetings at Davos	- 8
Note on Impact of Multi Fibre Arrangement (MFA) termination and measures being taken to face post-MFA challenges	- 9
Four candidates nominated for the post of Director-General/WTO	- 11
WTO Chairpersons for 2005	- 12
India to resist attempts to divide developing countries in WTO	- 13
Further Structural Reforms can contribute to sustained Recovery : Trade Policy Review of Japan	- 14
Schedule of meetings at WTO/Geneva	- 16

However, the EU is also perceived in India as a market that is increasingly becoming more difficult to penetrate. Cumbersome rules, regulations and procedures, ever increasing stringency of standards and frequent use of trade defence instruments are seen as serious non-trade barriers. I am sure, Mr. Mandelson is aware of the fact that India seems to have borne the brunt of the EU's Trade Defence Actions which affect 3½% of Indian exports to the EU, as against the average global incidence in the EU of only ½%. It is rather odd that a developing country like India should be facing 9 out of the 20 Anti-Subsidy actions in force in EU. We would earnestly request Mr. Mandelson to see that the Article 15 of the WTO's Anti-Dumping Agreement and Article 27 of the WTO's Anti-Subsidy and Countervailing Duties Agreement are fully operationalised and not left as mere 'best endeavour' clauses, with least endeavour to implement them. You have signalled your positive intention on this in Kolkata, and I am thankful to you.

We look forward to the leadership of Mr. Mandelson to see that the development dimension should remain at the heart of the WTO negotiations and that the EU should take a leadership role in resolving the implementation related concerns of the developing countries, in operationalising the S&DT Clauses and in ensuring that principle of "less than full reciprocity" is applied without fail while according concessions to the developing countries.

Textile and Clothing exports contribute over 27% of Indian total exports to the EU. This sector

supports over 80 million of our people through direct and indirect employment. We have suffered in the last 2 to 3 years due to arbitrary administration of the GSP Scheme, wherein Zero duty concession on 2500 tariff lines was extended to our competitors. I am confident that Mr. Mandelson would ensure that the sustainable development of over 80 million persons, with the majority having a per capita income very much comparable to those in LDCs, is not once again adversely affected due to arbitrary fixation of graduation criterion for the EU's new GSP Scheme.

An important aspect of the development of our strategic partnership is our appreciation of each other's position in the multilateral trading system. India and the EU played a pivotal role in the formulation and adoption of the Framework Agreement last July. While the text reaffirms value and primacy of the multilateral trading system and the importance WTO Members attach to it, substantive work remains. We hope that the Doha Work Programme will now get the necessary impetus and reach early fruition. India needs development space to fulfil its 'Vision 2020'. Our development imperatives require accommodation of our concerns by the developed countries. We hope that this round will lead to substantial market access in agriculture, non-agriculture products as well as in the key area of services, not just for developed countries into developing countries, but the other way round also! We also hope that it would lead to a more equitable world trading order. ■

India and Europe Natural Partners : Mandelson (Excerpts from speech by Peter Mandelson, European Trade Commissioner, at the CII Summit on January 13, 2005 in Kolkata)

“ It is an immense pleasure - and privilege to be with you today - in India - on my first visit as new EU Trade Commissioner to one of our major trading partners. It's a first for me also in Kolkata and I have to say my first impressions are of awe.

It is the call of **future** that brings me here today. And it's a compelling call. For India is rapidly becoming another China in the impact she will have on the world economy. And with that emerging powerhouse comes a potential for world impact and leadership to which India, a great country, has long aspired, but now has the power, at last, to realise.

And proud though I am of my British roots, I speak as someone who believes in the potential of Europe, and now has the privilege of representing Europe, who wants to build a new stronger partnership with the new emerging India, so that we can tackle together the problems of our interdependent and fragile world.

This point on interdependence brings me back to my central theme - **Europe and India working together to make a success of the 21st Century.**

My first message is this: Europe takes India very seriously. The time has come to move from words to action. Dramatic change is afoot. The international economic order is being shaken. New economic powers are growing. The face of international business, economic relations, and, increasingly too, global politics is changing fast.

People talk of China. Hardly surprising given China's extraordinary energy and exporting power. The phenomenon of Chinese growth is making the whole world sit up and take notice: You in India; us in Europe. Our response has been the same: to engage with China and to seek to compete where we have comparative advantage.

But India is not that far behind: every bit as much a part of the new Asian economic phenomenon.

The facts speak for themselves. Trend growth in India's economy has risen about one percentage point every decade for the last three decades. There is a wide consensus that it will continue at minimum of six percent - possibly more.

By 2030 India should have overtaken China in terms of population, and have become the world's third or fourth largest economy.

And it is an economy full of paradox, and of potential yet to be fulfilled. First world capabilities in information technology, pharmaceuticals. some areas of biotechnology and automotive industries. Mobile telephones selling at two million a month. A high appetite and aptitude for education. Strong entrepreneurial and technological abilities. But also strengths in more traditional sectors, including agriculture.

Of course I know that success is not whole story. India still faces a daunting challenge of poverty, with three hundred million people living on less than a dollar a day. Three hundred million less than a generation ago. But three hundred million reasons

none-the-less why your government is right to place employment and education among its top priorities.

Another key paradox - and one I want to focus your minds on - that a country that counts for approaching a fifth of world population, accounts for less than a fiftieth of world trade.

Or again, India needs to improve its infrastructure for transport, power and telecommunications. This will require external investment, yet India's record in attracting foreign direct investment has been disappointing - for example by comparison with China - even if it is now rising sharply.

But let me say this. just as Europe should take India seriously, **I want India to take Europe seriously.** Some of you may think that, if India is about the future, Europe is about the past. That would hardly be surprising given the predominance of the United States in today's world and the history of India's relationship with Europe - or at least with one European country I happen to know well.

Over the years, as that old British relationship with India changed and diminished, Europe's contact with India has I feel declined. I read recently a report that Indians do not think very much about the European Union. This is a shame if it is true. **For the EU is today India's largest trading partner and largest source of foreign direct investment.** The European Union, like India, is also about the future.

The European Union may be made up of faded Empires - it was the fall of the Soviet Empire that led to last year's dramatic enlargement to 25 Member States -but Europe is the most successful, innovative and forward looking experiment in international governance of modern times.

I believe this enlargement will give the European Union a strong basis now to look out to the rest of the world, to develop and assert its common policies and to build strong partnerships.

India, like Europe, is made up of many languages, races and religions. Diversity is your strength as much it is ours. And as your last elections here showed, a country rooted in democracy and pluralism has proven its stability.

India and Europe are natural partners, and we should realise the fact. One of my fundamental objectives as a new Commissioner is to make Europe more effective in the world.

My second key objective as Europe's Trade Commissioner is to ensure that greater openness to the world makes Europe's economy more competitive and dynamic. this, we have agreed, is the central task of the new European Commission led by the personally determined Jose Manuel Barroso.

Our mission statement is simple: growth and jobs. We have a lot to do. Europe will never grow as fast as India or China, but more significantly in the last decade we have lagged behind the US. The new Commission will push for economic reforms to strengthen competition in Europe's Single Market, improve the way we regulate our economy and further promote innovation. growth and entrepreneurship.

This is not a charter for unbridled economic liberalism. That is not my political agenda.

Growth, competitiveness and economic openness in Europe are not ends in themselves - but vital means to serve the broader social purpose of improving opportunity and life chances for all. So I am convinced that both India and the **European Union now have a shared interest in building the new strategic partnership for the 21st Century.**

Looking ahead investment is key. Despite the growing interest in investment in India by EU companies, actual investment levels remain disappointing. Uncertainty is one of the greatest deterrents. A predictable regulatory environment and legal certainty are key conditions for creating a positive investment climate. A new and ambitious bilateral agreement would, in my view, be an excellent idea. We should start exploring this at once.

Intellectual property protection provides confidence to European investors. Here again, I would like to work with India, in particular on the idea of a bilateral agreement on the protection of geographical indications.

Regulatory cooperation and convergence is another important area. Many of our bilateral trade problems have roots in domestic and regulatory policies. If only we could improve transparency and mutual understanding of our regulatory systems and work together to promote internationally accepted good practice. Business has an important role to play here. It is you, not governments, that create trade and investment and you should insist on the right conditions to do so.

EU and Indian industry have done an excellent job in identifying obstacles to trade in 8 important sectors through the Joint Initiative for Enhancing Trade and Investment. I want to work more with Kamal Nath and other Indian colleagues to build on this government-to-business dialogue.

But the relationship between India and Europe cannot be built solely through bilateral cooperation.

A further major test is how we work together in addressing global issues that concern us all and for me in particular this means how we work together on international economic and trade policy. I want to urge a stronger path upon you. **India needs to match its growing economic weight**

by taking up further leadership and responsibility in this crucial field of multilateral negotiation.

You will forgive me if I say that I have had the impression in the past that India has responded with reluctance to the challenge of market opening and globalisation. This may reflect the historic experiences of Imperial Preference and then the pursuit of a state socialist model in the decades after Independence. But the fact is that the greatest success of the Indian economy has been rooted in the last fifteen years' phase of progressive liberalisation.

India's economy has forged ahead since economic reform began. The present Indian Government has recognised this. Its Common Minimum Programme, sets the ambitious goal of 7-8 percent sustained growth every year and a doubling of per capita income in the next 10 years. **But the Indian Government accepts that these targets will not be achieved unless Indian markets are opened to foreign trade and investment.**

This does not mean that I have come to preach the case for an overnight revolution. **Adjustment takes time, and I do not advocate abrupt change that damages the interests of the rural poor or threatens India's crucial stability.** And I fully recognise - because we have a similar experience in Europe - that there are interests within the economy who feel that they are best served by the status quo and who need to be persuaded and sometimes cajoled to accept change.

India's approach to the Doha Round will, for me and many others, be a litmus test of India's commitment to progressive domestic economic opening.

As Trade Commissioner for the EU, my highest priority is to help bring to a successful conclusion of the Doha Development Agenda. I believe that India and Europe have a shared interest in its success. It has not been easy getting this far.

Seattle and Cancun were setbacks. But the July package of last year - especially in attacking agricultural export subsidies - marked an important milestone, and both the EU and India played an important role in achieving that. We now need to build on that success and re - inject momentum into the negotiations, to make the Hong Kong Ministerial in December this year another critical step forward towards a successful outcome.

India was a beneficiary of the previous Uruguay Round. The Doha Development Agenda has to yield results from which all participants can claim to be winners. Quite rightly, development is at the heart of this agenda - and that is what makes it different from all previous trade Rounds. The developing countries - and in particular the least developed countries - have to derive benefits which help to integrate them further into the world's open trading system.

This will be at the heart of my policies. I want to work for global prosperity and social justice through more open, rules based trade, for the benefit of all. Trade policy and WTO rules will not, on my watch, be the prerogative of a small club of wealthy nations. That way of doing business no longer reflects economic or political reality. New players must be given their say. And the poorest must benefit from global trade, not lag further and further behind as others race ahead. **For we have to realise that trade is a key instrument for development. More significant, if we get it right, than aid or debt relief.**

In this year of the Millennium Development Goals Review I want to see a harnessing of policy in the WTO, in the UN, in the IFIs, in the G8 and elsewhere to make serious inroads against poverty and for development.

I want to leave no room for doubt: **the Doha Round, if it is to succeed, must yield a balanced outcome** between the negotiations on agriculture

and in other areas, such as market access for industrial goods, services, trade facilitation and anti-dumping. There is a need right now to rebalance our focus and pursue a properly balanced agenda.

I look to India, and to other advanced developing countries and regional leaders, to take up the challenge of making the Doha round a success, not least through injecting momentum at the G-20 event which India will host next month. If a deal is eventually to be done, the advanced developing countries will have to contribute significantly to package. The EU, as I have said before, cannot be the sole banker for the Round.

I believe that India stands to gain from a successful Round if you approach it in a spirit of confidence and commitment. **After the Uruguay Round India's exports more than doubled and India's share of world trade grew by 40 percent.** But it remains only 0.8 percent of the total - and should be higher.

I realise India demands fair treatment from Europe, and the rest of the world. Take textiles, on which 80 million Indian jobs depend. The European Commission is working, at my instigation, to preserve the benefit for Indian textiles in our future General System of Preferences. You will be aware some Member States oppose this. Their concerns would count for less if in our new textile quota-free world, European producers in the niches where they are still competitive, did not face unfair obstacles in their access to certain overseas markets.

India can be confident because India as well as other G-20 partners are highly competitive in many sectors and would benefit from further market opening.

Take services. The negotiations on services are now at a critical stage. and could flounder if more ambitious offers are not made by the deadline we have set of this May.

India has much to gain from liberalising **trade in services**, and should not feel defensive. But, frankly, India's offer so far has been disappointing. In a sector such as IT, where India is now a world leader, no commitment has yet been made. An ambitious new offer from India would send a very positive signal, both to other WTO members and to international investors.

The **debate on outsourcing**, which has been so sensitive in Europe, should encourage India to be confident of your ability to compete in this sector. Indeed it is I who has the more difficult challenge of explaining why outsourcing can also benefit the European economy. We have had this debate in Britain - and I am pleased to say that the supporters of economic openness are winning it. Because people understand how outsourcing can strengthen the competitiveness of European companies, as well as benefit jobs and growth in India.

Or take another example - **trade defence instruments. For my part as EU Trade Commissioner, I can give you this pledge. I intend to adopt a rigorous, disciplined and sparing approach to the use of anti-dumping and other Trade Defence Instruments. But I want India to act in the same spirit. India shares the interest of Europe and other WTO members in a further strengthening of the multilateral rules based system so that trade can be conducted** fairly and transparently. So the rules must be used properly.

On agricultural goods, we are well equipped with the July Framework and can work closely to fill in the gaps on the concept of sensitive products which is important to both India and Europe. On non-agricultural market access. India still has a rather restrictive trade regime overall, including the highest average tariffs in the world and a range of non-tariff barriers such as import bans and

mandatory certification requirements. As I have already argued, in the long run, market opening will have a positive impact on growth and competitiveness in India.

Conclusion

I hope I have set out a clear case for a stronger bilateral relationship between Europe and India, and for Europe and India developing a strong partnership on key areas of international policy. I am convinced of the need for both.

On the first, Europe can and must do more. **Europe needs to raise its game in India:** we need to be more present, more visible, more coherent. The new Strategic Partnership is recognition of this fact. We will work to make it a success because we have a strong economic and political interest in doing so.

On the second, I believe that Europeans are increasingly ready to see India and the other developing countries of the G-20 assume a greater role in international institutions and organisations. We certainly need you to take a greater role in resolving the complex problems of multilateral negotiations, above all in trade.

For me the test of success will be whether we can now work together as political partners in setting Doha. I am committed to work for this. We need to define the relationship we are going to build.

Europe cannot treat India as we would an advanced developed economy. We have to take account of your circumstances. But equally, India cannot behave over Doha like a poor developing country.

I look to India to assume the risks and responsibilities of leadership, and I offer you Europe's partnership in doing so. ” ■

Decisions/ Meetings at Davos

Mini Ministerial meeting of 33 Trade Ministers, was held in Davos (Switzerland) on 29.01.2005, with a G-20 meeting on the sidelines. Bilateral meetings were also held with Mr. Peter Mandelson, EU Trade Commissioner; Agricultural Commissioner, EU; US Trade Representative Mr. Robert Zoellick; German Trade Minister; Korean Trade Minister and the Singapore Trade Minister.

Key Decisions:

a. Decision to have G-20 meeting at Delhi on 18th and 19th March, 2005. G-20 would continue to focus on Agriculture but at the March meeting there would be a session for exchange of views on other issues like NAMA and Services to evolve issues of common interest.

b. At the mini Ministerial, the following broad decisions were taken:

- ➔ Need to accelerate the process of negotiations at Geneva.
- ➔ There would be a series of Mini Ministerial meetings till Hong Kong to sharpen negotiations and resolve outstanding issues.
- ➔ The next mini Ministerial meeting would be held in Kenya on 3rd to 5th March, 2005.

There will also be a mini Ministerial meeting to be convened by China in July, 2005. At the mini Ministerial meeting in March, 2005 DG/WTO would submit a note on issues for discussions and resolution.

- ➔ The mini Ministerial reiterates its commitment to the Doha Development Agenda and the July Framework.
- ➔ Agreements on achieving a balance over all subjects and to resolve problems in all five sectors - Agriculture, Non-Agricultural Market Access (NAMA), Services, Rules and Trade Facilitation.
- ➔ There would be intensive Ministerial involvement and political directions throughout the year.
- ➔ Modalities for Agriculture and NAMA are expected to be finalised by Hong Kong Ministerial. There should be critical mass offer on Services as well as significant progress on Rules and Trade Facilitation.
- ➔ A first approximation/draft for the Hong Kong Ministerial would be finalised by August, 2005.
- ➔ It is expected that Doha Development Round could be concluded in 2006. ■

Note on Impact of Multi Fibre Arrangement (MFA) termination and measures taken/being taken by Govt. to face Post-MFA challenges

1. Post Multi Fibre Agreement (MFA) global Environment

1.1 Till December 31, 1994, the exports of textiles to certain developed countries (e.g. US; member countries of EU; Canada) had been governed by bilateral textile agreements entered into between India and these countries under the aegis of the Multi-Fibre Arrangement (MFA), outside the rules of the General Agreement on Tariffs and Trade (GATT). With effect from January 1, 1995, the quantitative restrictions (import quotas) in the bilateral agreements under the MFA, are being governed by the Agreement on Textiles and Clothing (ATC) contained in the Final Act of the Uruguay Round negotiations of the GATT.

1.2 As per ATC, the textile quotas would be phased out and textile sector fully integrated into WTO by 1st January 2005.

1.3 The liberalised trading regime would result in increased international trade in textiles thus providing greater export opportunities; and at the same time expose the domestic industry to import penetration in the domestic market. The industry will have to improve its efficiency and productivity to meet the emerging global competition.

1.4 To summarise quota elimination would result in the following benefits:

- Average growth rate of export from the supplying countries under quota would increase substantially;
- Investments in the textile and clothing sector on the basis of comparative advantage amongst supplying countries will be promoted;
- An equitable international setting for free flow of goods between suppliers, buyers and consumers will be established.
- The multilateral system enshrined under the WTO will be strengthened;

- Consumer prices and transaction costs for consumers and distributors will be reduced across the board.

1.5 The following adverse factors are anticipated in the post quota regime:

- A variety of non-tariff barriers like formation of Regional and Preferential Trading Arrangements (RTAs/PTAs), initiation of back to back anti-dumping proceeding on textile products, altering the definition of rules of origin unilaterally, discriminating on the basis of non-trade issues like Drug programmes, Environment safeguards and Labour standards show a desire on the part of the developed countries to continue with the retinue of restrictions in various ways.
- Regional and preferential trade arrangements are curtailing the trading opportunities of developing countries like India who are not part of any major trade block. Signing of regional trade agreements like NAFTA and Trade Development Act by the USA with Canada/Mexico and sub-Saharan Africa & Caribbean Islands is beginning to have a major impact on Indian exports.
- There is significant trade diversion due to such preferential arrangements as beneficiary countries either enjoy quota-free or duty-free supply or both even after quota-free regime.

1.6 To strengthen domestic textile industry for meeting the growing global competition, the following important announcements has been made in the Union Budget 2004-05.

- Except for mandatory excise duty on polyester filament yarn including texturised yarn, synthetic and artificial fibers and synthetic and artificial filament yarns, the whole value addition chain has been given excise exemption option.
- Additional Excise Duty on Textiles & Textile Articles (AT&T) and Additional Excise Duty

(Goods of Special Importance) Act have been abolished.

- Basis customs duty on various textile machinery and spare parts has been reduced to 5%.

Measures

1.7 Government has been taking a number of steps from time to time to provide an enabling environment for the Indian Textile Industry to meet the emerging global competitions. Some of the important initiatives taken are:

- i. The Technology Upgradation Fund Scheme (TUFS) has been made operational from 01.04.1999 to facilitate the modernisation and upgradation of the sector.
- ii. To improve the productivity and quality of cotton, Government have launched Technology Mission on Cotton (TMC). The mission comprises four mini-missions, which are being jointly implemented by the Ministry of Agriculture and Ministry of Textiles. One of the important ingredients of the Mission is to cotton processing facilities by upgrading/modernising the existing ginning and pressing facilities and setting up to new market yards/improvement of existing market yards.
- iii. The Government has launched a centrally sponsored scheme titled "Apparel Park for Export Scheme" for imparting focused thrust for setting up to apparel manufacturing units of international standards at potential growth centres and to give fillip to exports.
- iv. For upgrading infrastructure facilities at important textile centers, a scheme "Textile Centre Infrastructure Development Scheme" (TCIDS) has been launched.

2. Way Forward.

i. Fiscal Duty Reforms

Considerable rationalisation of fiscal duty structure has been effected during the last 3-4 Union Budgets.

Further action is proposed to be taken to achieve the following objectives:

- Further reduction in fiscal duty rates on textile items and capital goods.
- Rationalisation of duty structure - uniform duty rate on all fibres and yarns. (reduction in MMF items)
- Abolition of remaining exemptions wherever exists.

ii. Labour Reforms

The apparel industry is predominantly in the unorganised sector, which cover a large work force through small-scale units.

According to the document of 10th Plan Working Group on Textiles and Jute Industry, 3.54 million are employed in the garment sector, which should go upto 6.80 million in the terminal year of the Tenth Plan.

It may also be pertinent to mention that the apparel industry is highly dependent on labour productive norms. In this context, suitable relaxation may have to be considered.

Some of the State Governments, meanwhile, have given relaxation in labour laws applicability in SEZs/Apparel Parks. However, the changes at the Centre level will enable the sector to get foreign direct investment.

3. Expectations for future

3.1 The Indian textile exports are expected to receive a big push once the trade quotas are dismantled. Top textile importing countries like USA and the EU are looking towards India for meeting their import requirements. India, according to several recent studies, is going to emerge as alternative source of supply to China. India's growth in exports will be driven by value-added made-ups and apparel, as India has comparative advantages over its competitors in relation to (i) availability of relatively inexpensive and skilled workforce (ii) design expertise (iii) large production base of basic raw material like home grown cotton, yarns and fabrics and (iv) availability of wide range of textiles. A recent report of Mckinsey & Company has mentioned that exports can grow @ 15-18% and reach a level of US \$ 25-30 billion by 2013.

3.2 According to a recent study by CRISIL (commissioned by ICMF), the Indian textiles and apparel industry can achieve a potential size of US\$ 85 billion by 2010. Of which, the domestic market potential would be US\$ 45 billion and export potential would be US\$ 40 billion. Nearly 60% of exports would comprise garments. This would create 12 million job opportunities, 5 million direct jobs in textile industry, and 7 million jobs in allied sectors. ■

(Source : Ministry of Textiles)



Four candidates nominated for the post of Director-General/WTO

The following candidates have been nominated by their respective governments for the post of WTO Director-General to succeed the current Director-General, Dr Supachai Panitchpakdi, whose term of office expires on 31 August 2005:

*Carlos Pérez del Castillo of Uruguay
Jaya Krishna Cuttaree of Mauritius
Luiz Felipe de Seixas Corrêa of Brazil
Pascal Lamy of France*

According to the WTO procedures for appointment of Director-General (summarised below), the nomination period closed on 31 December 2004.

A formal General Council meeting will be held on 26 January 2005 where candidates will present themselves to the membership.

The selection process will conclude with a decision by the General Council no later than 31 May 2005.

Summary of the appointment procedures

The procedures for the appointment of Director-General, adopted by the General Council on 10 December 2002 (WT/L/509), stipulate that the appointment process must start nine months prior to the expiry of the term of the incumbent Director-General.

Since the term of office of the current Director-General, Dr Supachai Panitchpakdi, comes to an end on 31 August 2005, the appointment process for the next Director-General began on 1 December 2004.

Full details of the procedures are set out in document WT/L/509. Some of the time-lines for the process are summarised below:

1 – 31 December 2004 : One month for Member Governments to nominate candidates.

1 January – 31 March 2005 : Three months for the nominated candidates to make themselves known to Members, to engage in discussions on the pertinent issues facing the WTO, and to be invited to meet with Members at a formal General Council meeting.

1 April 2005 – 31 May 2005 : Two months for the Members to select and appoint one of the candidates. The process shall conclude with a meeting of the General Council convened not later than three months prior to the expiry of the incumbent's term (i.e. by 31 May 2005), at which a decision to appoint a new Director-General shall be taken.

(Source : WTO)



WTO Chairpersons for 2005

The WTO General Council on 15 February noted the consensus on the following slate of names of chairpersons for WTO Bodies:

General Council	H.E. Ms. Amina Chawahir MOHAMED (Kenya)
Dispute Settlement Body	H.E. Mr. Eirik GLENNE (Norway)
Trade Policy Review Body	H.E. Mr. Don STEPHENSON (Canada)
Council for Trade in Goods	H.E. Mr. Vesa Tapani HIMANEN (Finland)
Council for Trade in Services	H.E. Ms. Claudia URIBE (Colombia)
Council for TRIPS	H.E. Mr. CHOI Hyuck (Korea)
Committee on Trade and Environment (Mauritius)	H.E. Mr. Shree Baboo Chekitan SERVANSING
Committee on Trade and Development	H.E. Mr. Gomi THARAKA SENADHIRA (Sri Lanka)
Committee on Balance-of-Payments Restrictions	Mr. Víctor ECHEVARRÍA UGARTE (Spain)
Committee on Regional Trade Agreements	H.E. Mr. Ronald SABORÍO SOTO (Costa Rica)
Committee on Budget, Finance and Administration	Mr. Jan-Meinte POSTMA (Netherlands)
Working Group on Trade and Transfer of Technology (Philippines)	H.E. Mr. Manuel Antonio J. TEEHANKEE
Working Group on Trade, Debt and Finance	H.E. Mr. KWERONDA-RUHEMBA (Uganda)

INDIA TO RESIST ATTEMPTS TO DIVIDE DEVELOPING COUNTRIES IN WTO

Shri Kamal Nath, Union Minister for Commerce & Industry, has said that India will strongly resist any overt or clandestine attempt to differentiate between and thus, divide, developing countries. Addressing the CII Partnership Summit session on "WTO Talks: Getting Back on Course" in Kolkata on January 12, Shri Kamal Nath said that in view of the date of the Hong Kong WTO Ministerial Conference having been fixed for December 2005, things had now begun to develop a sense of urgency and gather momentum. "The Framework Agreement adopted last July indicates the contours of the way forward. It provides the principles and criteria, and points the direction in which we should proceed in order to give concrete shape to what we envisioned as a 'development agenda'. A multitude of issues remain to be defined and refined, and numbers and dates have to be specified. Wide-ranging consultations with all stakeholders, including producers, consumers, academics, researchers and NGOs is essential. In this context, the exchange of views on this platform provided by the CII Partnership Summit promises to be both, illuminating and useful", he said.

How to achieve balance in the negotiations on the road to Hong Kong, taking into account the concerns of all members, both developed and developing would be of prime importance, Shri Kamal Nath said, adding that one of India's principal concerns related to Agriculture.

Referring to services, Shri Kamal Nath said given its importance to the economy, India had strong stakes in the services trade and was committed to a successful conclusion of WTO negotiations in this area. "In Mode 4, we want that the categories of personnel be delinked from the insistence on commercial presence and inter-corporate transfer conditions. In order to make Mode 4 effective, the issue of mutual recognition of qualifications is also pertinent. Bilateral arrangements in this context would have to keep pace with multilateral commitments. In the case of cross border supplies (essentially, Modes 1 & 2) we need to 'lock in' current regimes in order to establish a measure of predictability in commitments. We acknowledge that the EC has made some improvement in the light of the Framework Agreement", Shri Kamal Nath said. ■

Further structural reforms can contribute to a sustained recovery : Trade Policy Review of Japan

Since its previous Trade Policy Review, in 2002, Japan's economic situation has improved, particularly compared with the previous decade of slow growth, according to a report on the trade policies and practices of Japan published by the WTO Secretariat.

Japan has introduced various measures aimed at further liberalizing its trade and investment regimes and progress has been made in improving the competitive environment, including in telecommunications and financial services. However, the use of contingency measures is somewhat more evident than before, and potentially important distortions to competition remain in some sectors particularly in agriculture.

The report says that a sustained recovery would appear to hinge on continued structural reforms, particularly with regard to: the financial and corporate sectors; competition policy; pensions; and agriculture. If implemented, these reforms would help restore business and consumer confidence, contributing to the sustainability of Japan's economic recovery.

TRADE POLICY REVIEW : JAPAN

25 and 27 January 2005

Concluding remarks by the Chairperson

The seventh Trade Policy Review of Japan has been informative and open, thus contributing to a much improved understanding of recent developments in Japan's trade and related policies. In addition to the active engagement of the Japanese delegation, our discussion has greatly benefited from the insightful and thought-provoking

comments from our discussant and many thoughtful interventions by Members.

Members were encouraged by the recent recovery of Japan's economy, which is important for the prosperity of the world economy and the expansion of trade. Members recognized that the multilateral trading system, by keeping foreign markets open to Japan's exports, contributed greatly to its recovery. However, they inquired whether the sustainability of Japan's recovery might be undermined by, for example, the combination of high public debt and a rapidly aging population. Members encouraged Japan to continue its reform process and improve its market access, particularly in agriculture.

Members welcomed Japan's active role in the multilateral trading system, including its strong support for the Doha Development Agenda negotiations. In this respect, Members commended Japan for providing technical assistance and capacity building to developing countries and LDCs. Members also noted Japan's increasing involvement in bilateral/regional trading arrangements, and they urged Japan to ensure that these arrangements are fully compatible with the multilateral system. Some Members expressed their appreciation of the preferential market access provided by Japan to developing and least-developed countries; they encouraged Japan to open further its market in respect of LDCs' products.

Members expressed their appreciation of steps taken by Japan to liberalize further its trade regime. Many imports now enter Japan duty-free or at low tariff rates. However, Japan's tariff structure

remained complex, involving significant tariff peaks (often involving non-ad valorem rates) and tariff escalation for some products as well as intricate tariff quotas. These mainly involve agricultural and food products, footwear and textiles. Some Members urged Japan to simplify its tariff structure and improve the administration of its import quotas and tariff-rate quota systems. Many Members also called for greater transparency in government procurement practices. Steps to strengthen intellectual property rules and their enforcement were welcomed, although some Members voiced their concern over registration delays in this regard.

While appreciating Japan's moves to harmonize its standards and technical regulations with international norms, some Members expressed concern over the complexity of Japan's standards, technical regulations, and sanitary and phytosanitary measures. They encouraged Japan to employ these measures in the least trade-restrictive manner.

Members welcomed Japan's ongoing efforts to strengthen corporate governance and competition policy by increasing the status of the Fair Trade Commission and providing it with more resources. Members also appreciated the establishment of Special Zones for structural reform. In addition, Members inquired about factors discouraging inward foreign direct investment (FDI) into Japan, which remains relatively low. Members appreciated the progress in privatizing public services; they were especially interested in the progress on the privatization of Japan Post.

On sectoral issues, Members noted that the level of domestic support for agriculture seemingly exceeds the sector's contribution to GDP and that the bulk of this support distorts trade and production. Members encouraged Japan to address

these concerns. Members appreciated reforms in the energy and services sectors, in particular, in financial services and telecommunications. Members expressed their belief that reform should continue with a view to enhancing competition not only in financial and telecommunications services, but also in transportation, distribution, tourism, construction, legal, accounting, medical and education services.

Members sought clarification on a range of other issues, including:

- customs procedures;
- rules of origin;
- contingency measures, including emergency safeguards;
- non-tariff border measures;
- state trading;
- export-related measures;
- taxation and tax-related assistance;
- agricultural reforms, trade arrangements for rice, self-sufficiency, fisheries;
- market access for manufactured products;
- and e-commerce.

Members expressed their appreciation of the oral and written responses to their questions provided by the Japanese delegation, and looked forward to receiving any outstanding answers to questions.

This successfully concludes our Review of Japan. The keen interest shown by Members, with large number of advance written questions, numerous interventions and high attendance, reflects the importance Members attach to Japan's key role at the WTO. In this context, I would encourage Japan to continue its strong support for the multilateral trading system. I also hope that Japan will take to heart the concerns expressed by Members, particularly with regard to its policies on agriculture, sanitary and phytosanitary measures, government procurement, FDI, and competition.

(Source: WTO)

SCHEDULE OF MEETINGS AT THE WTO/GENEVA*

FEBRUARY - 2005

7	Negotiating Group on Trade Facilitation
7-9	Services Meeting
7-8	Committee on Agriculture-Special Session
7-9	Services Meeting
9	Negotiating Group on Trade Facilitation
9	Trade Policy Review Body-Sierra Leone
10	Committee on Trade in Financial Services
10	Negotiating Group on Agriculture
11	Council for Trade in Services
11	Trade Policy Review Body-Sierra Leone
14	Trade Negotiations Committee
15-16	General Council
16	Sub-Committee on Cotton
17-18	Committee on Regional Trade Agreements
17	Dispute Settlement Body
17-18	Services Symposium
21	Council for Trade in Services-Special Session
21-23	Negotiating Group on Rules
21	Committee on Trade and Development-Dedicated Session
21	Trade Policy Review Body-Qatar
22	Committee on Trade and Development
22	Committee on Trade and Environment
23	Trade Policy Review Body-Qatar
24	Committee of Participants on the Expansion of Trade in Information Technology Products
24	Committee on Trade and Environment-Special Session
25	Council for Trade in Services-Special Session
28	Dispute Settlement Body-Special Session

MARCH - 2005

1-2	Dispute Settlement Body-Special Session
4	Committee on Trade-Related Investment Measures
7	Negotiating Group on Rules-Regional Trade Agreements
7-8	Working group on Trade, Debt and Finance
8-10	Council for Trade-Related Aspects of Intellectual Property Rights
9-10	Committee on Sanitary and Phytosanitary Measures
10	Sub-Committee on Least-Developed Countries
11	Council for Trade in Goods
11	Council for Trade-Related Aspects of Intellectual Property Rights-Special Session
14-18	Negotiating Group on Agriculture
14-18	Negotiating Group on Market Access
15	Trade Policy Review Body-Mongolia
16	Committee on Agriculture
17	Trade Policy Review Body-Mongolia
18	Committee on Government Procurement
21	Trade Negotiations Committee
21	Workshop on Technical Barriers of Trade
21	Dispute Settlement Body
22-24	Negotiating Group on Trade Facilitation
22-23	Committee on Technical Barriers to Trade
25	GOOD FRIDAY (WTO non-working day)
28	EASTER MONDAY (WTO non-working day)
30	Committee on Market Access

(Source : WTO/Geneva as on January - February 2005)

Published by

Ministry of Commerce & Industry

Government of India

Udyog Bhawan, New Delhi - 110 011

We welcome your comments and suggestions at :

Telefax : 2301 4622

E-mail : sbiswas@ub.nic.in

Website : <http://commerce.nic.in>