

# Concerns, problems and proposals

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**W**e would also like to have some indications as to what the phrase "further focussed analytical work" means. Here, in order to balance my earlier support to the Swiss ambassador on the subject of GIs, I have to strongly differ from his remarks on the subject of investment. There was no agreement at Seattle on any type of "bridge proposals" on investment...

As you are aware, we have given a large number of proposals under implementation relating to anti-dumping and subsidies agreement. We would like to know the outcome of these proposals before taking a position on paragraph 24... We are still studying the language of this paragraph [25] and we will revert to you soon with some drafting suggestions.

In respect of paragraph 26 dealing with DSU, we would like to understand what is meant by saying "negotiations should be based on the work done thus far" in the second sentence while the first sentence contemplates "negotiations on the basis of proposals by members" which gives the impression that members will be called upon to make proposals during possible future negotiations. We would give our views on paragraph 26 after getting necessary clarifications.

Regarding paragraph 27 of the declaration, we would like to say that we have no problem with CTE continuing its ongoing work within its current mandate. We cannot accept any negotiations on any aspect of environment since we are convinced that the existing WTO rules are adequate to protect all legitimate environmental concerns. In fact, our assessment is that the jurisprudence in this area is developing in such a way as to justify easily measures claimed to have been taken for protection of environment on the basis of "evolutionary theory of interpretation". It is debatable as to whether the language of the provisions in the various agreements really provide such a wide latitude to measures claimed to have been taken on grounds of environment. Though the distinguished ambassador of Norway expressed his dissatisfaction with the draft saying

Extracts from the statement made by India at the World Trade Organization's informal general council meeting, Doha, 2001

that it does not mean anything, we have serious problems with the draft. We are concerned that the draft appears to accord priority and suggests focused study of some issues of importance to some countries, thereby disturbing the fine balance that is there in the agenda of the CTE. At a minimum, with a view to provide appropriate



Trading paragraphs

balance, at least two more items should be included for special focus, namely market access and relationship between TRIPS and environment.

We are confused about para 28. Though this paragraph is included under the heading "Trade and Environment", paragraph 28 seems to refer to "labelling" and not "eco-labelling". Regarding Para 29 dealing with e-commerce we are not in a position to go along with any suggestion for legally binding commitment regarding customs duty on electronic transmission. We support the broad thrust of ideas contained in paragraphs 30, 33 and 34 relating to small economies, technical cooperation and capacity building and least developed countries.

Regarding paragraphs 31 and 32 we recall that along with a number of other devel-

oping countries we had made a number of proposals on the relationship between trade, debt and finance as well as the subject of transfer of technology. We are studying the mandate contained in paragraphs 31 and 32 and we will revert to you soon in case we have any drafting suggestion. We note that para 35 relating to special and differential treatment will be developed after taking into consideration the inputs from CTD.

As I foreshadowed during the earlier part of my statement, we have a major concern with regard to paragraphs 36 to 39 and 42. When I first glanced through your draft, I got the impression that there was no "round" in it, in as much as I saw only the first two-thirds of the draft. But subsequently, when I looked at paragraphs 36 to 39 and 42, all ideas, concepts and trappings which go to make a "round" have been included in these paragraphs. We feel that these paragraphs closely mirror the Punta Declaration. Somehow the fact that since 1.1.95, we have a permanent negotiating forum and that we are no longer in the GATT era seems to have been overlooked. We do not see why there should be a trade negotiation committee. We have the general council in the WTO as provided for under article IV.2 of the agreement. This is the supreme organ of the WTO next only to ministerial conference. Moreover, in the intervals between the meeting of the ministerial conference, its functions shall be conducted by the general council. Therefore, it is beyond my comprehension as to why there is need to introduce a new structure "trade negotiation committee" and then go on to say rather defensively that the new structure will be under the authority of the general council. Similarly, it is not clear to me as to why we should envisage a special session of the ministerial conference for taking decisions on negotiations, if it is possible to take such decisions in a regular ministerial conference. Otherwise, the general council can perform the functions of the ministerial conference during the intervals between ministerial conferences.

TO BE CONCLUDED

# What India wants clarified

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**O**bviously, we are not yet clear as to whether these three expectations would be realized; however, we do hope we can realize these expectations. We note that the draft mandate suggested by you specifically includes "reduction or elimination of tariff peaks and tariff escalations". Our suggestion is to make the reduction or elimination of tariff peaks, tariff escalations and the application of specific and mixed and compound duties on products of export interest to developing countries, the specific objective of the proposed negotiations. We are proceeding on the basis that your draft does not imply that the developing countries including least developed countries will not have the freedom not to bind their tariffs in respect of certain sensitive items. A confirmation in this regard will be helpful. Equally, we have made it clear that bound rates should be the basis for negotiations.

Again, the phrase "less than full reciprocity" needs clarification. There should be a clear commitment that the reduction for elimination of tariff peaks, tariff escalation and specific and mixed and compound duties in the developed countries will not be conditional on concessions from the developing countries. Furthermore, it should be clearly stipulated that developing countries shall not be required to offer reciprocal concessions. My delegation is also attracted by the suggestions of some delegations that before starting any negotiations on industrial tariffs, there should be a study process to determine the effects of reduction of tariffs on the domestic industries of developing countries. I understand that in the seminar conducted by the WTO secretariat on industrial tariffs sometime back, this thought came out quite prominently.

We are looking forward to separate meaningful declaration on the relationship between intellectual property and public health as foreshadowed in the footnote. Regarding paragraph 15, a group of countries including my own had submitted a draft to you providing for negotiations to extend the additional protection of GIs to

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products other than wines and spirits. We would like the option to negotiate to be strengthened and made clearer. In this regard, I would like to echo the sentiments expressed by the distinguished ambassador of Switzerland. In paragraph 16, we need strengthening of the language; the TRIPS council just "giving due attention" to the



Points to ponder

issues of importance raised by developing countries is not enough. The language relating to TRIPS gives the uncomfortable impression that there is no serious attempt to bring issues of importance to developing countries into the mainstream of work programme...

We have been clearly pointing out that we are not in a position to commence negotiations with a view to make binding rules in any one of these four areas. We have spoken often and extensively on these four subjects and I do not feel any need to repeat myself. For us, these four subjects have to be dealt with in the framework of the Singapore Ministerial Declaration. A solemn commitment was given by our major trading partners, to my minister at Singapore that there will be no pressure on us to

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negotiate rules in these areas and as a compromise, my minister was asked to accept a non-prejudicial study programme with a clear stipulation that negotiations will commence in these areas only when there is "explicit consensus". While I respect and understand the wishes of some of my colleagues for launching of negotiations in these four areas, I am sure they will acknowledge that even in the meetings convened by the proponents themselves, it became absolutely clear that there was no consensus in favour of changing the study mode into negotiation mode in respect of any one of these subjects. Therefore, I am a bit surprised that in respect of government procurement and trade facilitation, your draft provides commencement of negotiations as the only option in these two areas.

The option that was proposed by a large number of delegations, namely continuation of study process has not even been included in draft, which is a bit regrettable. Again, in respect of these two areas, the draft keeps the issue of coverage of DSU open, while even many of those delegations who were willing to contemplate negotiation in these two areas clearly indicated that what should be negotiated are voluntary guidelines and not binding enforceable rules.

As regards investment and competition policy, we recognize that you had tried to take on board serious concerns of a large number of delegations by providing for two options. However, we are surprised that the option suggested by a large number of delegations that the study process should continue on the basis of Singapore mandate is not even indicated as an option. Our inability to accept a negotiation option in these two areas is well known, and I do not have to say anything more on this. The second option provided also raises a lot of concerns. There is a phrase "based on proposals by Members". It is not clear whether it is a reference to the papers already tabled over the last few years or it is an invitation to the members to submit proposals in future.

TO BE CONCLUDED

THE TELEGRAPH

12 DEC 2001

# Declaring draft differences

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**M**r Chairman, let me start by thanking you for coming out with the Draft Ministerial Declaration contained in job (01/140 dated 26 September 2001). I would also like to thank the DG and the Secretariat for providing excellent cooperation to you in preparing the Draft Declaration. I recognize that you have organized extensive multilateral, plurilateral and bilateral consultations in order to assess the problems, concerns and flexibilities of the delegations before producing the first Draft. Whatever may be our concerns with this first Draft, which I will outline shortly, I will like to pay a special tribute to you for the patience and perseverance you have shown in handling this difficult and delicate task.

Mr Chairman, you will not be surprised if I say that I have serious concerns with many elements as well as the structure of the Draft. The fundamental concern for my delegation is that the fact that though the draft does not use the word "round" anywhere, the implication of the draft declaration appears to launch an open-ended new round of negotiations with all the traditional elements of a round as seen during the Uruguay Round, built into it. I shall explain this concern of my delegation in greater detail towards the latter half of my intervention. Again, we have major concerns with the preambular portion also to which I will revert to a little later.

Now, I would like to start with para 10 of your Draft which deals with implementation issues and related concerns. At the outset I would like to say that both in the implementation draft and declaration draft, it is better to recall 1998 Geneva Ministerial Declaration while dealing with implementation, as was suggested by one delegation yesterday. We have had an informal general council meeting yesterday evening to discuss your Draft on implementation, which has two annexes, and a language regarding the proposed treatment of issues which may remain unresolved. We and a large number of delegations have spoken extensively yesterday. Though paragraph 10 starts with the sentence "we attach the utmost importance to the implementation issues and

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related concerns raised by members and are determined to resolve them", the results achieved so far do not appear to be in consonance with the sentence. However, I am hoping that by the time the declaration is adopted by the Min-



Varying differences

isters, there could be a general feeling and appreciation that this sentence is justified. In this context, I would like to specifically recall my statement of yesterday. All the tires not covered by Annex I and Annex 11 cannot be relegated to the post-Doha process. We have indicated clearly our priorities yesterday. There is another concern regarding para 10 that I would like to highlight. I get the impression that your intention is that implementation issues that remain unresolved even by Doha, should be fully addressed, in accordance with appropriate guidelines developed under the work programme proposed to be established. My understanding is that your intention is to bring this work programme as an element under future work programmes. There is some anxiety and doubt on this in as

much as some delegations appear to interpret the work programme envisaged under paragraph 10 as a separate self-standing work programme, unrelated to the future work programme which starts from paragraph 11. You can probably remove lot of anxiety and concern through appropriate clarifications. If necessary, you can consult further in this regard. I recall that you said that this could have been in italics. We would also like to say that the implementation issues which are brought on to the mainstream of the work in the future work programme should be on a fast track and thus, the time target for completion of the work on the implementation issues should be very much earlier than that for the future work programme.

Paragraph 11 of the Draft deals with agriculture. You have taken us into confidence as to why in the first draft you limited yourself to outlining elements rather than providing any specific draft. I am aware that you intend to consult on the subject further. During these consultations, we will make our priorities and concerns known.

Para 12 deals with services. We have no serious problem with this paragraph. We may offer some drafting suggestions later. Mr Chairman, as you would guess, my major problems start with paragraph 13. Though my delegation has initially expressed serious concerns even about starting negotiations in the area of non-agricultural market access, in recent weeks, we have indicated that we can go along with negotiations in this area subject to fulfilment of certain expectations and these are not those of my delegation alone. They are: (a) the mandate for negotiations should indicate that tariff peaks, tariff escalations and specific and mixed and compound duties on products of export interest to developing countries will be addressed as a matter of priority; (b) there should be satisfactory outcome on the implementation front; (c) there must be a consensus for negotiations designed towards extension of the protection of the geographical indications to products other than wines and spirits.

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# Caution, development in the making

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**M**odalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

The negotiations on trade in services shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries. We recognize the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services, and the large number of proposals submitted by Members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons. We reaffirm the Guidelines and Procedures for the Negotiations adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX.... Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without *a priori* exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accor-

## Extracts from the ministerial declaration adopted at the 4th session of the World Trade Organization, 2001

dance with the relevant provisions of Article XXVIII *bis* of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations.

We stress the importance we attach to implementation



Their concerns

and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate Declaration.

With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be ad-

dressed in the Council for TRIPS pursuant to paragraph 12 of this Declaration.

We instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this Declaration, to examine, *inter alia*, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by Members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.

Recognizing the case for a multilateral framework to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment, that will contribute to the expansion of trade, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 21, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations.

We recognize the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area, including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional development. To this end, we shall work in cooperation with other relevant intergovernmental organizations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

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THE STATESMAN

23 Oct.



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# Doha: saving WTO, killing democracy

7/12

By Vandana Shiva

The Doha meet of the World Trade Organisation was described by the U.S. Trade Representative, Mr. Robert Zoellick, as having "removed the stain of Seattle". Seattle stands as a historical watershed, through which citizens mobilised democratically to respond to free-trade treaties and agendas of corporate globalisation. The WTO, like the NAFTA and the FTAA, is designed to exclude democratic decision-making in economic affairs. At the domestic level, the WTO destroys economic democracy through rules that prevent people, Parliaments and Governments from providing economic security and livelihoods and jobs for the people. At the international level, the WTO is loaded in process and content by the agenda of the rich and powerful corporations and countries.

Seattle stopped the enlargement of this undemocratic structure and its undemocratic processes. People from across the world, and Governments of poor countries stopped a new round from being launched. The WTO's failure was democracy's victory. This victory of democracy is being described by Mr. Zoellick as the "stain of Seattle". Removing the "stain" of democracy is what Doha was designed for and achieved.

First, Doha was chosen as a venue to escape from popular response of citizens mobilising on a largescale as they did in Seattle, Gothenberg, Genoa. The democratic expression of civil society was attempted to be muffled by the location and restrictions on visas. The democratic rights of poor countries were extinguished by bulldozing, arm-twisting, undemocratic and non-democratic processes for which the WTO has

become famous. Doha's success was based on democratic failure. The WTO which had been derailed in Seattle by the combined force of people and developing countries was, "put on track" in Doha, according to Mr. Pascal Lamy, the E.U. Trade Commissioner. During his trip to India immediately after Doha for the EU-India business summit, Mr. Pascal Lamy admitted that the WTO was a "medieval" institution in desperate need of reform, but a new round had to be launched before the reform proc-

## OPINION

ess otherwise the WTO could have been destroyed. This is like arguing that an infectious disease must be allowed to spread because curing it might kill the infectious agent. Saving democracy should be the criteria, not saving the WTO.

Mr. Lamy has described the new round launched at Doha as a new global deal on trade, development and environment. It is a "deal" in which the rich grab more from the poor instead of giving more. Development has been reinterpreted to mean trade liberalisation and environment is being reinterpreted to mean free trade in natural resources. Unfortunately, the very meaning and content of "development" and "environment" are being forced to undergo a change. After Doha, the slogan of "trade, not aid" has been altered to "aid for trade" which in effect means using taxpayer's money as subsidies for exports and conditionalities for trade liberalisation.

For Mr. Lamy and the European Commission, Doha was a "development" round. "Development" has been redefined as "trade lib-

eralisation" and economic reform for corporate welfare and the welfare of the rich.

India has been reduced to its business people who can export goods and services to Europe. Its women, children, peasants, tribals, craftspeople, workers and their basic rights have all disappeared. Doha has formalised development as exploiting the labour and resources of the poor to provide cheap goods and services for the rich.

Unfortunately, though it was the Commerce Minister, Mr. Murasoli Maran, who fought the hardest against further liberalisation of trade and investment in Doha, his first announcement on returning was to accelerate the pace of economic reforms and liberalise investments.

The people of India reject the imposition of irresponsible commerce and corporate globalisation by the WTO, or by the Government, because the impact on the people is the same — more farmers committing suicide, more children dying of hunger, more violence against women and more workers without jobs.

Over the next two years, environment and development groups and movements need to build up enough public pressure and public opinion to promote environmental and sustainable development goal, and reform of global institutions and trade treaties to reach those goals. Transformation of WTO rules and structures will have to be an important part of this agenda. The work of Seattle needs to continue.

*(The writer is Director, Research Foundation for Science, Technology and Ecology, New Delhi.)*

INDIAN EXPRESS

INDIAN EXPRESS

- 2 DEC 2001

# The road from Doha

India will find it difficult to keep out new issues from the ambit of negotiations as the tendency in the WTO is for a larger agenda, says Narendar Pani

ONE of the lasting images of the Doha ministerial will be that of Indian assertiveness. Mr Murasoli Maran began India's participation in the conference by scolding the WTO for trying to become a world government. And he ended it by making the other 141 members wait hours for India's nod. In a domestic milieu, where the general impression is that India gets trampled upon in the WTO, this very public display of assertiveness will undoubtedly pay political dividend. But as a negotiating strategy to maximise economic returns for the country, it could be somewhat less rewarding.

The greatest danger of a consistently aggressive posture is that it gives the impression that the country is not willing to negotiate. Countries with opposing interests will then concentrate on convincing others. Countries with similar interests will support the aggressive player till such time that they work out their own bargains. And once these deals are made, the rigid, aggressive player is isolated.

The Doha ministerial conference saw India going through all these stages. Before the conference began it was clear that the developed world was wooing other developing countries. Some dominant developing countries like Brazil were wooed through commitments on intellectual property rights. Others like Pakistan were wooed through factors outside the trade regime.

The EU made specific concessions to former colonies in Asia, the Caribbean and the Pacific (ACP). Concessions to this select group of countries went against the Most Favoured Nation clause in the WTO that requires concessions offered to one country to be offered to all other members. The EU and the ACP thus needed a waiver from the MFN clause. And, as Mr Maran has acknowledged, once this waiver was accepted, the 77 ACP members were as determined as the developed world to ensure the ministerial did not fail. India's continuing aggressive rigid position on the last day only ensured it was isolated.

The format of WTO negotiations makes this isolation seem less of a problem than it is. The emphasis on consensus suggests that any one country can block the negotiations. And for a while it looked as if Mr Maran would pull the plug on the ministerial. But in reality the options available to each country are not the same. If a country like India, which accounts for just 0.6 per cent of world trade, were

to take the extreme step, it is very unlikely that the rest of the world will simply stand by and watch. Even if India managed to destroy the Doha ministerial, other members could, quite simply, have created an alternative mechanism to define global trade rules; a mechanism in which India would have been marginalised if not ignored altogether.

Fortunately for the country, Mr Maran recognised this danger at Doha. He accepted a declaration that scheduled negotiations on new issues like competition, investment and government procurement to begin after the next ministerial. Mr Maran only managed to ensure that the text also said the negotiations will be "on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations."



BONNY THOMAS

Mr Maran has interpreted this clause to mean any single country can block the negotiations. He has described this clause, in his typically colourful terminology, as a nuclear bomb. And in a literal sense he may even be right. But in reality, any country that stands out all alone against the rest of the world runs the risk of the rest of the world choosing to carry on without it. A country that accounts for a major share of world trade may decide the rest of the world will not ignore it. But India, with its minuscule share of world trade, cannot take that risk. In other words, faced with a consensus among other countries, India will be forced to fall in line at the next ministerial, just as it did on the last day at Doha.

There is thus an urgent need for

Indian assertiveness in trade negotiations to be matched by a realistic perception of ground realities. And there were at least three aspects of the emerging reality that stood out at Doha.

First, there was further evidence of the splintering of the developing country alliance. The Doha declaration makes a specific commitment to duty free, quota-free access to the Least Developed Countries. There is also an explicit recognition of the need to examine issues related to the trade of small economies, though the declaration insists this is not a first step toward creating a new sub-category of WTC members. India's unwillingness to face up to this reality can be expensive. At Doha India wanted the deadline for the introduction of the new patent regime to be extended for all developing countries. But the extension was only provided for the Least Developed Countries.

Second, the splintering of the developing country alliance can lead to fresh alliances consisting of both developed and developing countries. This has already happened in the case of regional blocs. And Doha could mark the beginning of a new large alliance between EU and the members of the ACP.

And third, with more countries getting actively involved in the negotiations there is a greater scope for deals based on concessions across sectors. And the ability to exchange concessions increases if there are more issues brought on to the plate. The tendency in the WTO is thus for a larger, and not smaller, agenda. India will find it increasingly difficult to keep out new issues.

While India has evidently not anticipated these changes there is no reason to believe it cannot benefit from them. India could identify specific issues, prioritise them and then join the bargaining. But there are several aspects of its current approach to trade negotiations that could come in the way. The unflinching faith in developing country alliances does not help when groups of developing countries are all going their own way. The refusal to link domestic economic liberalisation with the positions adopted at the WTO results in anomalies like supporting the creation of competition rules at home while opposing the creation of similar rules abroad.

The road from Doha is built on the creation of a larger number of global trade rules. If we choose not to take this road, we must accept being left behind.

MONDAY, NOVEMBER 19, 2001

## THE ROAD FROM DOHA

THE WORLD TRADE Organisation's meeting at Doha has been quickly followed by claims and counter-claims about what the agreement on a negotiating agenda means for India. The truth, as always, lies between the Government's claims of "a positive outcome" and the Opposition's allegations of a "surrender". The one unambiguous verdict that can be delivered is that, considering the array of forces ranged against India, it was the best possible deal for the country. It was not the perfect result, but it could have been much worse if it were not for the position taken by the country's negotiators. It is to the credit of the Union Commerce Minister, Mr. Murasoli Maran, that India defended its trade interests to the very end and agreed to join the consensus only after it felt the agenda had been sufficiently modified to reflect the country's concerns. This is in spite of concerted efforts by many abroad to paint India as the villain of Doha that came close to "wrecking" the meeting. It is therefore wrong for critics like the former Prime Minister, Mr. V. P. Singh, who as Commerce Minister in 1986, signed on to a GATT negotiating agenda that gave the world the TRIPS agreement, to now hurl the accusation of capitulation at the Government.

But all that is in the past for, the agreement at Doha was only about what has been colourfully described as "the end of the beginning" — a decision on an agenda for further trade talks at the WTO that has taken more than three years to finalise. The more difficult and vastly more important job of actually negotiating new agreements on a number of subjects will now begin. India's interests will therefore be better served by a domestic debate that focuses on what position the country should take at these WTO negotiations rather than one that is full of recriminations about what happened and did not happen at Doha. Of the many trade liberalisation issues on the agenda, the most important from India's point of view will be four: industrial tariffs, agriculture, services and the

environment. The challenge in the first three areas is to find the right balance between protecting the interests of domestic producers and at the same time persuading export markets to provide more opportunities for Indian exporters. The fourth issue, environment, a non-trade issue, comes up for negotiation at the WTO for the first time. While the agenda here is narrowly defined, there is the danger that it could be the thin end of the wedge of protectionism. One should not forget that what was merely supposed to be, according to the 1986 agenda of GATT, a discussion on "counterfeit goods" finally led to the monster of TRIPS covering intellectual property in pharmaceuticals, integrated circuits, plant varieties and geographical appellations. There are other issues on the agenda, like the outstanding implementation concerns, anti-dumping duties, a review of the TRIPS agreement and of the controversial dispute settlement process, that will make enormous demands on India's negotiating skills at Geneva during a period that will surely last longer than it has taken to decide on the agenda.

Two processes in the past have caused problems for India. One is a lack of consistency between domestic policy and the negotiating stance at the WTO. The other is a political debate that has frequently muddied rather than settled the waters about the issues involved in the negotiations. Finally, Doha showed that developing country unity at the WTO can be a very fragile one for, India found that when it came to the crunch, few countries from Asia, Africa or Latin America wanted to remain in an alliance that had been built up over the years. It may be necessary therefore to develop a new strategy that is based more on an identification of India's economic interests and is inclusive of both rich and poor countries. China has followed such an approach and its formal entry into the WTO will perforce persuade India to think on the same lines.

THE HINDU

19 NOV 2001

# What is the Doha ministerial?

THE DEVELOPED world believes there is a need for more areas to be brought under global trade rules. The negotiations for these rules were to be launched at the WTO ministerial (a meeting of ministers) in Seattle in 1999, but the members failed to reach an agreement. It was widely believed that if the Doha ministerial too failed, the developed countries would take other routes to create these rules, such as agreements between regional blocs.

This pressure for a new round of trade negotiations gained further momentum after September 11. The US argued that a new round would help rebuild business confidence that had been shattered by the terrorist attacks.

## What was India's position?

India argued that the developing countries were not in a position to begin a new round of trade negotiations. The agreements reached during the Uruguay round had itself not been fully implemented. These implementation issues needed to be addressed before a new round could even be contemplated, India argued.

If such a round was to be contemplated, new issues, particularly investment, competition and government procurement must not be included. And there was an urgent need to clarify that the commitment to patents would not come in the way of countries protecting public health. To this end there must be a further extension of the transitional period for developing countries to accept the new patent regime.

## What happened at Doha?

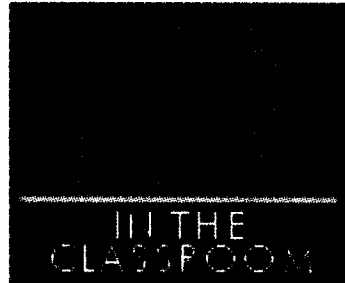
The ministerial made a separate declaration clarifying that countries could license domestic producers to manufacture patented drugs in the case of an epidemic.

And the transitional period to introduce the new drug patent regime was extended, but only

for the Least Developed Countries, which does not include India for which the deadline remains 2005. These countries were given time till January 2016 to implement patent laws for pharmaceuticals.

The ministerial also decided on around 40 implementation issues and the other issues would be considered by the relevant WTO bodies. These bodies would report to the Trade Negotiating Committee by the end of 2002 for appropriate action.

The main task of the trade negotiating committee would however be to launch fresh negotiations. These negotiations will also cover issues like investment, competition, government procurement and measures facilitat-



ing trade, as well as the link between trade and environment.

India staunchly opposed the new issues. Consequently, the ministerial decided that negotiations on investment, competition, trade facilitation and government procurement would only start after the next ministerial, which has to be held within two years. And there would have to be an explicit consensus on the modalities of these negotiations.

India finally joined the consensus after the chairman of the ministerial conference, Qatar's minister of trade, interpreted this clause to mean any country can prevent negotiations. But the next ministerial will not be in

Doha and there will be a different chairman. And he may have a very different interpretation of what India has agreed to.

## How much has India gained by bringing implementation issues to the table?

The major beneficiaries of the decisions on implementation issues are the Least Developed Countries. But India has succeeded in getting some of its concerns addressed.

India believes the protection of geographical indications offered to products like champagne must be extended to basmati. The Doha ministerial decided that the question of extending the protection of geographical indications will be addressed by the Council for Trips.

India argued that while the Convention on Bio-diversity recognises the sovereign rights of individual countries over their bio-resources, the TRIPS agreement does not. TRIPS also does not protect traditional knowledge.

The Doha ministerial instructed the Council for TRIPS to examine the relationship between the TRIPS agreement and the Convention on Biological Diversity as well as the issue of protecting traditional knowledge and folklore.

India has consistently argued that the time-table for removing quotas in the textile markets in the developed world was not fair. This opening up was to be done in three phases.

In each of the three phases some commodities were to be taken out of the quota system and the quantities of those that remained under quotas were to grow at an increasing rate.

In practice, this system allowed for the bulk of the removal of restrictions to take place in the last phase between 2002 and the end of 2004.

*The Economic Times*

19 NOV 2001

## 18/11 TRADING PLACES 15/8

We did well — could have done better

TRADE negotiations were always going to be about opportunism and bargaining power, not cross-country, principled alliances. Either India discovered this at Doha or its pre-Doha rhetoric was a front masking the government's pragmatism. Either way, India has done pretty well for a large developing country with some clout but a very small percentage of world trade. But questions will remain whether India could not have gained more had it toned down its opposition on some issues, and used agreement for more leverage. This applies most to the so-called investment guarantee clauses. India has apprehensions on what it sees as diluting the right of governments to unilaterally restrict certain kinds of foreign investment. Instead of a total war on this — which in trade policy jargon is called pre-establishment non-discrimination — India will be better off agreeing to the proposal and then bargaining hard when countries try to list areas where governments can restrict foreign investment. In any case, our own foreign investment regime is in such a mess that getting uppity about dangerous foreign investment is a farce. So, it is no real loss for India that the Doha declaration mentions investment guarantees except that we possibly lost a bargaining counter. 15/9

The same holds for other issues India fought against, notably labour and environmental standards. On the first, the WTO declaration takes a softer position than was suggested at Seattle. On the second, the inclusion was inevitable as the EU, particularly France, had marked it as their pound of flesh. India should now concentrate on finding middle ways. For example, one way to assuage the green lobby is to accept environmental labelling — products can be classified according to their varying environmental standards but no country has the right to ban trade in any specific product. A compromise like that has the virtue of putting the choice on consumers. The major gain for developing countries is the exception to patent rules, which will allow reverse engineering and cheap imports of drugs in cases of "public health emergencies". This will help Indian pharmaceutical companies. But if they develop their own formulas and African countries demand that Indian-invented medicines must be made available without a patent premium, will India's position remain the same? It is this kind of scenario that makes fixed positions on trade negotiations foolish. In fact, India already has some stake on patent protection given its software development power and potential. Therefore, going too far down the line on patents with less developed countries is not in India's interest. As for the clarion call India gave before Doha — implementation of old issues before a new round — the declaration emphasises implementation but it also launches a new round. Everyone will keep talking — so will India, but hopefully more shrewdly and less shrilly.

18 NOV 2001

## Emphasis On 'Consensus' Creates Rather Than Clears Doubts

# India almost toppled Doha meet

Our Delhi Bureau

NEW DELHI 16 NOVEMBER

THE DOHA ministerial of World Trade Organisation (WTO) was on the verge of collapse as India decided to oppose the ministerial declaration over the proposed negotiations on investment, competition policy, transparency in government procurement and trade facilitation.

The fifth draft of the declaration did not reflect India's views and the informal meeting considering it was suddenly dispersed, commerce & industry minister Murali Manohar Murasoli Maran said on Friday, hinting at last minute efforts to bulldoze India to fall in line with the strategies worked out by the US, European Union and Japan.

Immediately, the Indian delegation lodged a protest and declined to support the declaration if India's views were not accommodated. The declaration was endorsed finally after it was decided that the chairman of the meeting, Qatar finance, economy and trade minister Youssef H. Kamal, would issue a clarification India's concerns.

The entire drama unfolded during the sixth and final day of the ministerial, which was

extended by a day to achieve consensus. For a brief while, India was preparing to block the draft declaration, ending the ministerial in failure, as had happened in the previous Seattle meet.

The final series of negotiations went on throughout the night and spilled over into the following morning, Mr Maran said. The proposal to launch negotiations on the four contentious issues — which India has been opposing right from the beginning — was introduced in the last minute.

India finally joined or "re-joined" consensus — a term used for supporting the declaration — only after Mr Kamal made it clear that talks on the four issues would take place after the next ministerial only if it enjoyed "explicit consensus." In other words, the clarification explained that each and every member would have the right to prevent negotiations from proceeding further after the next ministerial. Mr Maran felt this was a sort of veto available to all WTO members to reject negotiations on these issues.

The ministerial declaration says talks on these issues would take place after the fifth ministerial — which will take place in

2003 — on the basis of a decision to be taken, by explicit consensus, on the modalities of negotiations. This indicates that the need for explicit consensus is on the modalities of negotiations and not on the negotiations per se.

Therefore, Mr Kamal's statement said: "In my view, this will also give each member the right to take a position on the modalities that would prevent negotiations from proceeding after the Fifth Session of the ministerial conference until that member is prepared to join in an explicit consensus."

The clarification finally sealed the fate of the Doha ministerial and paved the way for the launch of a new round. "I would like to note that some delegations have requested clarifications concerning paragraphs 20, 23, 26, 27 (which deal with negotiations on Singapore issues after the next ministerial) of the draft declaration. Let me say that with respect to the reference to an 'explicit consensus' being needed in these paragraphs, for a decision to be taken at the fifth session of the ministerial conference, my understanding is that, at that session, a decision indeed needs to be taken,

by explicit consensus, before negotiations on trade and investment and trade and competition policy, transparency in government procurement, and trade facilitation could proceed," the statement said.

Despite the clarification, confusion prevails over the sanctity of the chairman's statement. Will it be accepted by the developed countries in the way India, and some developing countries, see it? Or will they insist on negotiations after the next ministerial, irrespective of the consensus of all WTO members or the lack of it.

The case is similar with "consensus" and "explicit consensus." What is the difference between the two in the WTO context? If explicit consensus is the same as consensus, why bring it into play at all? In any case, decision-making at WTO is supposed to be based on consensus. Therefore the emphasis on consensus stands out, creating fresh doubts instead of settling some.

Since the Doha declaration speaks only about a "work programme" and does not mention a "new round" of negotiations, questions have been raised about the outcome.



HOW GREEN WAS THEIR MEETING?

## Reforms should be autonomous, feels Maran

Our Delhi Bureau

NEW DELHI 16 NOVEMBER

INDIA SHOULD pursue economic liberalisation autonomously in order to meet new challenges in the global marketplace, commerce & industry minister Murali Manohar Murasoli Maran said on Friday. We should broaden and deepen economic reforms on our own, he said at a press briefing on the Doha ministerial meeting of the World Trade Organization (WTO).

Postponement of WTO negotiations on investment, competition policy, transparency in government procurement and trade facilitation will not lead to slackening of the reforms process, Mr Maran said. "We should not wait for external pressures. We should liberalise on our own in order to become efficient and face global competition," he said in reply to queries on the impact on the Doha meet's outcome on India's liberalisation process.

The entry of China and Taiwan into WTO will enhance competition in the global market, Mr Maran noted while explaining that it will take time to study the full implication. We have to wait and see, he said, adding that China cannot subject its trading partners to different sets of regulations since it has to adhere by the most favoured nation (MFN) principle which governs all WTO members.

On the opposition to new issues, the commerce & industry minister said India is not in a position to take up fresh commitments at this stage. Even the "opt out, opt in" clause will not help, he said, citing the example of foreign direct investment (FDI).

Once the proposed multilateral agreement on investment comes into force, investors will urge India to join the pact. International agencies will then join in to downgrade India for not joining the agreement, he noted, while explaining the difficulties arising from the "opt out, opt in" clause. If India joins the pact, investors will use it as a gun held against India's head to have their way on various issues, Mr Maran said.

## Cos take heart from India's inclusion in WTO final draft

Our Delhi Bureau

NEW DELHI 16 NOVEMBER

INDUSTRY HAS expressed satisfaction at the outcome of the just concluded WTO ministerial conference at Doha. The apex chambers have complimented the commerce minister Murali Manohar Murasoli Maran and his team for successfully projecting India's stand and ensuring the inclusion of India's concern in the final declaration.

Lauding Mr Maran and his team for their perseverance, Sanjiv Goenka, president, the Confederation of Indian Industry (CII) said: "This is the first time ever that India has played a really important role in the WTO discussions and in spite of numerous pressures, India's key concerns were factored into the final Doha declaration."

The CII said the future work programme brought into play by the declaration includes in its ambit, a significant number of issues which India and Indian industry were keen to bring it under its purview. These issues

include implementation, public health and access to essential medicines, protection of traditional knowledge and folklore, clarification and improvement of disciplines relating to anti-dumping and subsidies, countervailing measures and regional trade agreements.

Mr Goenka noted that the comprehensive reductions in industrial tariffs were now inevitable and will pose huge

### CHAMBERS CHEER

challenges for India and the industry should gear itself to face these challenges.

The Federation of Indian Chamber of Commerce and Industry (Ficci) said the final declaration on TRIPS agreement and public health will help promote greater access to medicine for developing and least developed countries, and enable them to take appropriate measures for protecting public health. This according to the chamber, repre-

sents a significant victory for India.

According to Ficci, significant gains have been made in the area of implementation — issues as the ministers agreed that "Negotiations on outstanding implementation issues shall be an integral part of the work programme....". Ficci is pleased that the special and differential treatment for developing countries shall constitute an integral part of all elements of the negotiations on agriculture.

Ficci has also expressed happiness over the section on industrial tariffs that contains elements of special and differential treatment for developing countries.

The Associated Chamber of Commerce and Industry of India (ASSOCHAM) congratulated Mr Maran for ensuring the immediate inclusion of negotiations on the "Singapore issues" of investment, competition policy, environment, trade facilitation and transparency of government procurement procedures.

## Doha meet offers little hope for optimism

Our Delhi Bureau

NEW DELHI 16 NOVEMBER

THE GHOST of Seattle has been buried at Doha with the launch of a new round of World Trade Organisation (WTO) negotiations but the circumstances under which a compromise was thrashed out and the conditions attached to the initiative leave little scope for optimism.

The meet had to be extended a day since consensus eluded it till the midnight of Tuesday — the original deadline. Even after that, the ministerial declaration was not acceptable to all WTO members; it had to be defended with separate documents on public health, implementation concerns and subsidies, apart from clarification that new issues will not be pushed till all members — the number has increased to 144 with the inclusion of China and Taiwan — agree to the expansion of WTO's agenda.

Launch of a new round is an achievement for influential members like the US, European Union

(EU) and Japan who are set to gain by trade liberalisation while developing countries like India have been mollified with an assurance that new issues like labour and environment will not be taken up unless there is "explicit consensus" at the next ministerial meet of the WTO which will take place two years later.

Such is the atmosphere of "distrust" that the ministerial declaration also makes specific mention of steps to make decision-making at WTO transparent and participation of members effective.

The substantial outcome of the Doha ministerial is the "work programme" aimed at reduction in customs tariffs and opening up of agriculture and services. Exporters of farm goods can expect to benefit from reduction of domestic support and export subsidies in Europe and the US. The food security and livelihood concerns expressed by India have been taken note of.

"We take note of the non-

trade concerns reflected in the negotiating proposals submitted by members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the agreement on agriculture," said the declaration. March 31, 2003 is the deadline for deciding on the modalities for further commitments and final negotiations can be expected at the next ministerial.

In the case of services, the draft declaration said that initial requests for specific commitments should be submitted by June 20 next year. The WTO expects initial offers from members by March 31, 2003. The negotiations that have already taken place under Article XIX of the General Agreement on Trade in Services will be the starting point for the fresh attempt to open up services.

In view of complex differences in opinion, investment, labour, environment, competition policy, transparency in government procurement and trade facilitation have been put on the

backburner for the time being. However, the declaration expresses WTO's commitment to these issues and the general impression is that influential members will take these up later. India can breathe a sigh of relief on account of the two-year moratorium available on new issues as this period can be used fruitfully for preparations to take on liberalisation at a future date.

On dispute settlement understanding, negotiations will be taken up on the demand of developing countries for improvement and clarifications. Since May 2003 has been set as the deadline for such improvement, aggrieved developing countries — including India — could look forward to some relief.

However, there is no commitment on implementing these changes by a specific date as the declaration mentions only "as soon as possible." The other area of interest to India is the commitment to address the concerns expressed by many of the developing countries.



# India gained at Doha: Maran

HT Correspondent  
New Delhi, November 16

COMMERCE MINISTER Mura-  
soli Maran today sought to play  
down the decision of the WTO  
ministerial conclave to launch  
new round of trade negotiations  
which seeks to put in place multi-  
lateral rules for investment and  
competition and linkages  
between environment and trade.

Addressing his first Press meet  
after the six-day Doha summit,  
Maran highlighted the conces-  
sions secured by India and other  
developing countries in return.

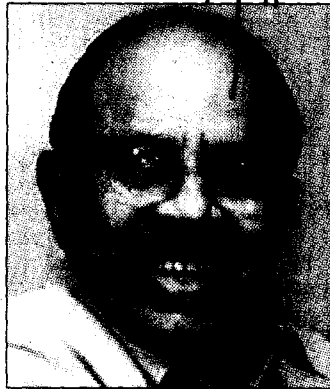
First, he brought to the fore the  
access to patented medicines at  
affordable prices either through  
imports or local manufacture  
under compulsory licences to  
address health concerns. Apart  
from HIV, malaria, tuberculosis  
and other epidemics have been  
included. Under the new norms,  
medicines could be made avail-  
able at cheap rates for tackling

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"national health concerns".

At Doha, India-led developing  
countries also got over the EU's  
attempts to block the phasing out  
of agriculture subsidies. EU mar-  
kets will now be accessible to  
countries like India for export of  
agri-produce. Assurances were  
also given under the ministerial  
declaration on possible conces-  
sions on food security and rural  
development under "develop-  
ment box" he stated.

On the export of marine prod-  
ucts, Maran maintained that fre-  
quent change in norms stipulated  
to allow import of food items  
could not be easily changed  
under sanitary and phyto-sani-  
tary conditions. At least six  
months have been given by WTO  
for any member-country to  
change over to new norms. Even-  
tually, the ploy of developed coun-  
tries to block our exports will not  
be possible due to the new rules,  
it was stated.

However, he conceded that no



MURASOLI MARAN

tangible results were possible on  
the textiles front. "Growth on  
Growth" provision to scale down  
the quotas on textiles was not  
agreeable to EU and US. Anyway,  
all quotas will have to be elimi-  
nated by 2005 as per Uruguay  
round of trade negotiations.

Even in the case of investment  
and competition, he maintained

that unless "explicit consensus"  
was achieved, no new negotia-  
tions on these issues could be  
launched after two years. In this  
context, he pointed to differential  
rates of taxation for companies  
with varying levels of foreign  
investment applied in China.  
This could bring support from  
China in India's campaign  
against multi-lateral rules on  
investment, it was stated. He also  
pointed to commitments made by  
India in bilateral investment pro-  
tection agreements signed with  
45 countries individually which  
cannot be wished away.

He also pointed to concessions  
secured on technology barriers  
being put up by developed coun-  
tries to stymie exports from India  
and other poor nations.

Meanwhile, Federation of Indi-  
an Export Organisations joined  
other industry chambers in wel-  
coming the stand taken by Mura-  
soli Maran at the Doha summit.

THE HINDUSTAN TIMES

17 NOV 2001

Maran calls for 'wider and deeper reforms' to meet post-Doha challenges

# Doha declaration positive

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 16. — The Union minister for commerce, Mr Murasoli Maran, back in Delhi after the 'WTO thriller' in Doha, today called for wider and deeper economic reforms in India, to meet the imminent challenges of the post-Doha WTO regime.

The minister claimed that because of the tough bargaining by the Indian delegation and modifications in the draft that followed, "the Doha declaration and the work programmes announced therein, will not produce any harm to our interests. Perhaps for the first time, we have something positive to show, he claimed.

Briefing the media on the Doha meet, Mr Maran said, "the first victory is in the field of implementation issues — the unimplemented portions of the previous Uruguay Round agreements.

First, our cries were ignored by the developed nations; later they started denying them by saying that they would reopen the entire Uruguay Round understandings.

We got the major global players and the world to accept India's point of view on implementation issues as correct. Some of them have been addressed at Doha and the

balance have been now put on the negotiation track for finding solution, Mr Maran added.

"Acknowledgement, accreditation and a future road map for resolution to implementation issue is the first piece of victory for us — even though we did not derive any comfort in the area of textiles," he said.

The commerce minister has also cited the agreement on the part of the developed nations to phase out export subsidies in agriculture, assurance on food security and rural development, as something "which may be termed the development box".

He described India conceding on the environment front as a 'trade off' to resist the pressure on trade and investment, trade and competition, transparency in government procurement practices and trade facilitation, which would be referred for study till the next ministerial conference scheduled two years later. He also described as a 'major victory,' the incorporation of the "explicit consensus" which according to the minister is good as a "veto power," when these contentious issues come up for consideration in the future rounds.

The minister said all these was possible, because India till the end, held the threat to preventing a consensus. He said the

threat to torpedo a consensus was a real one, in the face of the refusal of the developed nations to dismiss the Indian view point.

However, the commerce minister observed that the WTO platform is essentially loaded in favour of the developed countries. He felt all the last-minute confusions and troubles could have been avoided had the drafts were properly circulated in advance among the members.

He said the best way India could stand up to face the fall-out of WTO, was to make the domestic sector more competitive-worthy, by undertaking deeper, wider and speedier reforms. Mr Maran also claimed a major victory on the issue of public health taking precedence over patents. "We succeeded in securing firm commitment that the Trips agreement does not prevent a national government from taking measures to protect public health."

He said it was important that India should take enough steps to prepare the domestic sector to face the international challenges. He said the fact that many crucial issues have now been placed before the WTO panels for study, will not affect India going ahead with the usual bilateral trade agreements.

THE STATESMAN

17 NOV 2001

# What the Doha Development Agenda is all about-1

By C. Rammanohar Reddy

The 10-page declaration adopted at the WTO ministerial conference sets out the agenda for the new round of trade negotiations, the first since the Uruguay Round of 1986-93. Called the "Doha Development Agenda" there will be as many as 19 subjects in the work programme. Here is an analysis of some of the more important

## NEWS ANALYSIS

items that have been placed on the agenda:

**Implementation issues:** A decision was supposed to be made on all the proposals made by the developing countries, first in 1999, to address the difficulties and imbalances in the 1994 Uruguay Round agreement like in textiles, agricultural exports and patent protection. Instead, the less im-

portant items — about 40 in number — involving mainly a "best endeavour clause" have been settled at Doha. The only exception is an agreement by the rich countries not to repeat an anti-dumping action on a country for the same product within a year of the previous one being rejected/lifted. The practice of repeat investigations was a form of harassment of the developing countries.

All the other implementation issues — like on agriculture quotas and on the setting of standards for import into the rich countries — will form part of the entire negotiating agenda in the next round. In theory, this gives the developing countries an advantage in that they can reject the larger package if the implemented issues are not addressed satisfactorily; but in practice that is unlikely to happen.

While there is reason to feel unhappy about the way this issue has been played out, it was always known that this subject was a negotiating ploy of the developing countries to tie up the rich economies and delay progress on issues of interest to the latter. In this respect the ploy has worked remarkably well.

**Agriculture:** This was the most contentious issue among the developed economies with the EU and Japan ranged against the U.S. and agricultural exporters like Australia, where negotiations had not made much progress since 2000. A compromise on the text of which was enlargement of the larger agenda. India had little problems on the agenda for agriculture since it had earlier secured a reference to taking into account "food security and rural

development" concerns when negotiating market liberalisation.

**Services:** The second issue that was mandated in 1995 for talks to begin in 2000 did not see any disagreement. The Indian interest will be first and foremost in getting agreement for more liberal provisions for the temporary migration of Indian technical and non-technical workers to foreign markets.

**Market access for non-agricultural products:** The central focus of the old GATT covers import duties on industrial products. The negotiations will be both an opportunity and threat for India. The opportunities will come in forcing the EU and the U.S. to lower the very high duties they impose on certain products like sugar (tariff peaks) and in negotiating a reduction in duties on finished products while those on

raw materials remain low (tariff escalation). The threat will come from pressure on India to reduce its high average duties, since the country has some of the highest duties among the WTO members.

**Trade-related aspects of intellectual property rights (TRIPS):** The agenda calls for discussions (presumably to be followed by negotiations) on two issues of interest to India. One, the extension of WTO protection to geographical appellations other than wines and spirits so that India can prevent misuse of names like basmati rice and alphonso mangoes. Two, the mandate is to also discuss the protection of traditional knowledge and folklore.

**Singapore issues:** The biggest controversy in Doha was how to proceed with a study programme, that began after the first ministerial in Singapore in 1996, on the

links between trade and investment, trade and competition policies, and on transparency in government procurement and trade facilitation.

The Indian concern is that the first three years are really non-trade issues which do not belong to the WTO and also that negotiating global agreements on them will reduce the autonomy of developing countries to frame rules suited to individual needs

The EU, on the other hand, wanted negotiations to begin on drawing up new WTO agreements on all these issues, the U.S. on at least the last two. The compromise, brought about largely by Indian insistence, is that a decision will be taken at the fifth ministerial conference, in 2003, about whether or not to begin talks then. Until then more focussed study programme will continue.

HD-1

## INDIA'S CONCERNS ADDRESSED

16/11

# WTO talks end in agreement

By C. Rammanohar Reddy

**DOHA, NOV. 15.** The WTO's fourth ministerial meeting concluded on Wednesday with Ministers from 142 countries drawing up the 'Doha Development Agenda' for new trade liberalisation talks; with India approving the ministerial declaration only after it was satisfied that the conference Chairman's statements had addressed the country's concerns in the four "Singapore issues" of foreign investment, competition policies, transparency in government procurement and trade facilitation.

At the end of marathon negotiations that went on through the night of November 13 and took the meeting into an unscheduled sixth day, three major declarations were adopted — on the negotiating agenda for the new WTO round, on some 40 implementation concerns of the developing countries and on the political statement dealing with patents and public health. The main issues on the agenda for what the WTO still refused to call a new round would be the remaining

implementation issues, industrial tariffs, anti-dumping duties, some subjects on the environment, as well as the mandated issues of agriculture and services. The negotiating agenda is seen as more of a victory for the European Union and the U.S. than for the developing countries, with the E.U.'s ambitions failing only in the Singapore issues.

At the end of a day of high drama when India held the centre-stage by its refusal to approve the agenda unless it was modified, the Chairman, Qatar's Minister of the Economy, Mr. Yousef Hussain Kamal, announced that an explicit consensus would be required at the fifth ministerial conference in 2003, before negotiations could begin on the highly controversial Singapore issues. "A refusal to negotiate on the Singapore issues was India's bottomline before it came to Doha. It has succeeded there and also ensured that talks will not start in 2003 without an explicit consensus," said a senior trade official.

While the developing and least developed countries were not en-

tirely enthusiastic about the agenda for future negotiations and a few were even worried about what they may have signed up for, Mr. Robert Zoellick, the U.S. Trade Representative, said the agreements at Doha had removed "the stain of Seattle." The few NGOs who stayed on were also critical of the agenda that had been approved, with Oxfam stating that "the so-called 'development round' has been buried in the Doha sand." The ministerial declaration calls for conclusion of the Doha Development Agenda by 2005; but it is widely felt that the negotiations would go on until at least 2007.

The talks which had seemed headed for a collapse on the evening of November 13, the scheduled last day, were rescued during all-night closed-door negotiations of some 20 important rich and poor countries, which during a repeat of the non-transparent decision-making process that GATT was known for, the Africa Group and the Least Developed Countries were persuaded with the promise of technical assistance to give up their opposition to a new round. It was left to India, among the developing countries in the room, to try and contain the scope of the negotiating agenda. The 40-odd implementation concerns of the poor countries that were settled in Doha were, except for one on imposition of anti-dumping duties by the rich countries, all only statements of good intentions. The more important issues have been put into the negotiating basket. The U.S. stonewalled on a small relaxation of textile quotas which was slated for settlement in Doha. This issue will now be sent back to the WTO for further discussion, which is as good as killing it altogether.

More reports on Page 14



The WTO Director-General, Mr. Mike Moore (left), and the Qatari Finance, Economy and Trade Minister, Sheikh Youssef Hussain Kamal, who is also the president of the conference, applauding during the closing ceremony in Doha on Wednesday. — AFP

THE HINDU

16 NOV 2001

# US, EU mount pressure on India

AGENCIES

DOHA, Nov. 9. — The USA and the European Union mounted pressure on India to agree to a new round of trade negotiations as the fourth WTO Ministerial meeting got underway here today.

But New Delhi, armed with the support of some Asian and African countries including Pakistan, was determined to stall the developed countries' effort. "We are under tremendous pressure from the USA and the EU, who have galvanised themselves after the 11 September terrorist attacks, but we have decided not to budge as inclusion of issues such as investment and competition will be detrimental to the domestic industry," a senior Indian official said here.

Meanwhile, Union commerce minister, Mr Murasoli Maran, held bilateral meetings with several countries including Malaysia, Pakistan, Zimbabwe and Cuba, last night.

These countries are by and large supportive of India's stand to oppose bringing extraneous issues like investment,

## WTO TALKS BEGIN

competition and environment into the negotiating agenda.

The Pakistani commerce minister, Mr Razak Dawood, who is responsible for the 'like-minded group initiative,' has agreed to go along with India in opposing introducing trade and investment. However, Islamabad, owing to compulsions of its difficult economic situation might

give in on certain other issues as a trade-off to get more aid from IMF and the World Bank.

The US and the EU do not want a repeat of the Seattle debacle and are keen to mobilise support for a new round, particularly because any failure, post-11 September, would send wrong signals about the globalisation.

Meanwhile, the WTO chief said here that countries facing economic slowdown should resist the temptation to retreat behind import barriers and instead try to trade their way to better times. Hours before trade ministers started a crucial five-day meeting in the Gulf state, Mr Mike Moore pressed the importance of launching a new round of trade liberalisation talks, saying it would benefit everybody.

# Poor nations may decide Doha meet outcome

969  
10/1  
By C. Rammanohar Reddy 10/1

DOHA, NOV. 9. In an unusual development, the outcome of the fourth ministerial conference of the World Trade Organisation could well be determined not by the traditional big players at the WTO, the Quad group of the U.S., E.U., Canada and Japan or large developing countries like India, Brazil and Malaysia, but by the position that some of the world's poorest countries — the least developed countries, the Africa group at the WTO and the members of the Africa Caribbean and Pacific (ACP) group of countries — take on the launch of a new round of trade talks.

Angry about the costs they say they have incurred in implementing the 1994 Uruguay Round agreements of GATT and unconvinced about the benefits they are being promised if they sign on to negotiating new multilateral trade agreements, the poorest countries of Asia, Africa and the Caribbean have been the most resolute among all countries in opposing a fresh negotiating agenda at the WTO.

"The attitude of these countries is extremely worrying; if they maintain their current position over their next few days it could result in the failure of the Doha conference," said a senior WTO official, indicating the seriousness of the poor countries' challenge. But what will be failure to some is a success to others. "We simply cannot afford to sign up for more new negotiations," said Mr. Iddi Mohammad Simba, Trade Minister of Tanzania, which heads the LDC bloc. "Our refusal to agree to negotiations on the Singapore issues — foreign investment, competition policies, transparency in government procurement and trade facilitation — is not born of any ideological conviction but of our inability to negotiate more agreements," said Mr. Simba referring to the conviction of many poor countries which with understaffed and inadequately manned missions in Geneva have been struggling to keep up with the innumerable technicalities and opacity of the WTO process.

As the attention of the U.S. and E.U. has been focussed on persuading India, Malaysia, Pakistan and Indonesia to support a new round of trade liberalisation talks, the world's poorest countries have quietly gone about consolidating their stand. In meeting after meeting earlier this year, at Zanzibar, Abuja, Washington and earlier this week at Brussels, ministers and officials from the LDC, the Africa and ACP blocs have signalled in no uncertain terms that they cannot be taken for granted and will not approve in any form the launch of new negotiations

## Bush to speak to PM?

By C. Rammanohar Reddy

DOHA, NOV. 9. The U.S. President, Mr. George Bush, may speak to the Prime Minister, Mr. A.B. Vajpayee, at the Indo-U.S. summit about the need for India to give up its opposition to the launch of a new round of trade talks at the WTO. "I will not be surprised if the President speaks to the Prime Minister of India about the WTO when they meet in Washington," said Mr. Robert Zoellick, the U.S. Trade Representative, at a press conference here today, shortly before the fourth ministerial conference was inaugurated by the Emir of Qatar.

Mr. Zoellick was responding to a question which pointed out that while the U.S. had identified Japan and India as the two biggest obstacles to the launch of a new round of trade talks, Mr. Bush had written to the Japanese Prime Minister, Mr. Junichiro Koizumi, calling for their support for fresh trade talks.

Mr. Zoellick spoke once again about the need for all developing countries to join in the launch of a new round as trade liberalisation will help lift millions of people out of poverty.

that have become so important for the E.U. and the U.S. The complaints are many. One is that each new WTO agreement costs money to implement in the form of creating institutional arrangements, while the returns are often negative. A World Bank study found that merely establishing the institutions necessary for implementing the TRIPS agreement would cost each country as much as \$150 million, often exceeding their health budgets. Another complaint is that the promised benefits of the 1994 GATT agreement in the form of greater market access have not materialised. A third and very vociferous complaint is that despite all claims of a change in attitude, they continue to be marginalised in the WTO decision-making process. The most recent example that is cited is the preparatory process and contents of the draft ministerial declaration that the LDCs say has completely ignored their concerns.

The big question is how the world's poorest countries can stand up to pressure and inducements from the richest economies. Officials and ministers dismiss speculation that all this is posturing and that the poor countries will fall in line at the last minute. "We will not budge in our opposition," said Mr. Simba.



# Greenpeace drops anchor for WTO showdown

REUTERS

DOHA, Nov. 8. — *Rainbow Warrior*, the flagship of the environmental group Greenpeace, today docked within view of a key trade ministers' meeting in Qatar to lead anti-globalisation protests.

The last attempt to launch global trade talks, in Seattle two years ago, was almost brought to a halt by protests that became a clarion call to the anti-globalisation movement.

But the Qatari authorities, hosting their biggest international event, are taking no chances, their nerves already frayed by a shooting near a local US airbase, as well as fears stemming from the Afghan war and protests at various international meetings.

Yesterday, there was a security scare when guards shot dead a Qatari who had fired near a US base, south of Doha.

A tight security cordon has been clamped around the sea-front luxury hotel where trade ministers and delegates from 142 countries have gathered for the WTO meeting, starting tomorrow.

Boats patrolled the waters off Doha, soldiers in full battle gear manned key intersections, and plainclothes security officers closed all roads leading to the conference centre on the outskirts of the city.

Greenpeace officials accused Qatar of renegeing on its prom-



A demonstrator, wearing an Uncle Sam mask, protests against WTO policies. In Manila on Thursday. — AP/PTI

ise to allow access by the public and activists from other NGOs to *Rainbow Warrior*, which set sail from Philadelphia four days after the 11 September attacks.

"We tell the Qataris to focus on their real security concerns and let the NGOs do their work," Greenpeace political director, Remi Parmentier, said. "NGOs, the press and the pub-

lic are having difficulty in accessing the *Rainbow Warrior*."

Qatar has said it'll allow only peaceful demonstrations at the 9-13 November meeting, which big powers hope will launch a new round of global trade talks after the failed Seattle dialogue.

Qatar's efforts to ensure security have involved restricting visas to groups and individuals accredited by the World Trade Organisation and limiting the number of NGO participants to below 600.

But Parmentier complained that more than half of the accredited NGOs were business lobbies, and that many groups critical of the WTO had received only one visa each.

"That's why we brought *Rainbow Warrior* — to ensure that the voices of those directly affected by the WTO, and who are often ignored, are heard."

Qatari officials dismissed Wednesday's attack as the work of a lone gunman, but some said security had since been tightened. Udeid airbase is one of the largest US military hardware storage facilities outside the USA.

An official said the attacker, Abdullah Mubarak Tashal al-Hajiri (35), was known for militant views and had visited Afghanistan. The state media had quoted a medical source as having said that the man had a history of psychological problems from 1984.

9 NOV 2001

# Stage set for tussle at Doha meeting

By C. Rammanohar Reddy

**DOHA, NOV. 8.** The fourth ministerial meeting of the World Trade Organisation that begins here tomorrow is expected to decide on the launch of a new round of talks to further liberalise global trade, the second such attempt in as many years though in a rapidly changing situation it is far from certain that the Doha conference will not repeat the failure of the Seattle meeting in 1999.

After a great deal of uncertainty about whether or not the meeting will take place in Doha, the stage is set for Trade Ministers from the 142-member organisation to decide over the next five days what their officials have been unable to agree on after more than a year of preparatory talks.

The conference, being held under tight security but without any sign of highhandedness from police officials in the Qatari capital, will not result in any new WTO treaty, it will only have to decide on the negotiating agenda. But on the table are a raft of proposals, which if agreed to will constitute an agenda that in size, ambition and controversy will be larger than what resulted in the sweeping 1994 agreement of GATT that introduced new rules in areas like Intellectual Property Rights

(IPRs). Proposals have been made to begin talks on new WTO agreements on foreign investment, national competition policies, transparency in Government procurement and trade facilitation. Negotiations to further reduce import duties on industrial products have also been mooted, so also a review of existing rules on anti-dumping duties, food safety and IPRs. This is in addition to giving a push to ongoing talks to liberalise trade in agriculture and services.

The divisions at the WTO on the launch of a new round have once again run on developed-developing country lines. The strongest proponents of a new round are the E.U., U.S., Japan and Canada, though some middle-income developing countries such as Brazil, South Africa and South Korea are also supportive of the idea. However, no two countries fully agree on a negotiating agenda.

The E.U. is alone in its demand for new talks on food safety and related subjects under the rubric of "environment issues," while the U.S. is isolated in its refusal to review the existing agreement on anti-dumping duties.

The developing countries, as part of the strategy to resist enlargement of the WTO agenda,

have focussed their attention on correcting the imbalances in the existing WTO agreements like in the high tariffs on export products of interest, the financial difficulties in enacting and enforcing new trade legislation and the likely negative impact of the TRIPS treaty. While India has been in the forefront in organising the campaign on the "implementation issues," an unusual aspect of the developing country position at the WTO this time is that the most vocal critics include the least developed countries and the poor countries of sub-Saharan Africa.

Ministers have before them for discussion and approval a controversial draft ministerial declaration prepared jointly by the Director-General, Mr. Mike Moore, and Mr. Stuart Harbinson, the Chairman of the WTO General Council, that lists the subjects for a possible new agenda and that they say was the result of months of discussions with all members of the WTO.

However, developing countries have been quick to criticise this draft as reflecting the developed countries' interests and inadequately representing the concerns of the developing countries. This has slowed down what a few weeks ago seemed an unstoppa-

ble momentum to the launch of a new round.

Also on the agenda is a draft declaration on TRIPS and the prices of medicines, which today was described by Mr. Moore as a "deal breaker" of the Doha meeting. While the statement will be only a political statement and not a review of TRIPS, it has attracted considerable attention because it could indicate the extent of flexibility the developing countries may or may not have in lowering the prices and increasing the availability of patented medicines through the use of instruments like compulsory licensing.

The U.S and Switzerland are ranged against the developing countries led by Brazil and India who are insisting on a strong affirmation of the flexibility that countries have in regulating patents on drugs.

The Doha conference will also be important because it will mark the formal entry of China and Taiwan to the WTO.

## New Delhi disposes

**NEW DELHI:** INDIA has turned down demands from developed countries for a 'comprehensive' agenda and stuck to its stand that the Uruguay Round implementation issues of concern to the developing countries should be satisfactorily addressed and non-trade related issues should be off the agenda for negotiations. India insists that it should address the work of resolution of implementation-related concerns, assess the progress and give policy directions for the on-going mandated negotiations in agriculture and services and mandated reviews such as Trade-Related Intellectual Property Rights.

### ■PUBLIC NOTICES

#### LAND ACQUISITION NOTICE

It is hereby notified for the information of all concerned that the Urban Estates Department, Haryana has issued Notification No. LAC(F)-2001 / NTLA / 61 dated 31.10.2001 in the Government Gazette under section 6 of the Land Acquisition Act, 1894 to acquire the land specified below for a public purpose namely to approach the road for creation of new stone crushing zone, in the village Mangar, Hadbast No. 20 and village Kot Hadbast No. 16, Tehsil and District Faridabad under the Haryana Urban Development Authority Act, 1977 by the Haryana Urban Development Authority.

**District:** Faridabad  
**Tehsil:** Faridabad  
**Village:** Mangar  
**H.B. No.:** 20  
**Area in Acres:** 18.21 acres  
**Rect./khasra no.:** 95

13 min, 18/1 min, 18/2 min, 19 min, 23 min  
118

3 min, 8 min, 12 min, 13 min, 19 min, 22 min, 23 min.  
121

2 min, 3 min, 8 min, 9 min, 12 min, 19 min, 21 min, 22 min.  
144

1 min, 10 min, 11 min, 20 min, 22 min.  
145, 146 min

25 min, 5 min  
147

1/1 min, 7 min, 8 min, 14 min, 17 min, 23 min, 16 min, 13 min.  
168

10 min, 11 min, 20 min, 21 min, 22 min  
169

5 min, 6 min  
171

1 min, 2 min, 3 min, 8 min, 9 min, 13 min, 14 min  
171

5 min, 17 min, 18 min  
72, 173

5 min 21 min  
87

min, 9 min, 10 min, 11 min, 12 min, 13 min, 17 min, 18 min, 24 min, 25 min.  
88, 189

1 min, 5/1 min, 5/2 min  
90

min, 10/1 min, 11/2 min, 12/1 min, 2/2 n, 19/1 min, 19/2 min, 22/2 min, 23/1 n, 23/2 min.  
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min, 3/2 min, 4/1 min, 7/1 min, 7/2, 14/2 min, 14/3 min, 17/1 min, 24/2

min, 4/2 min, 5 min, 6/2 min, 7 min

# Balancing act of liberalisation and regulation

## China revises its trade Union law on eve of WTO entry

REUTERS

BEIJING, NOVEMBER 5

CHINA has revised its 52-year-old law on trade unions to safeguard workers' legal rights ahead of the country's imminent accession into WTO, the official China Daily said on Monday. Amendments to the law, which took effect on October 27, included granting all employees the right to join trade unions and forbidding organisations or individuals from interfering with the process, the paper said.

"After the (WTO) accession, it is inevitable that the unemployment rate will rise and trade unions can play a big role in maintaining social stability and creating new employment opportunities," it quoted senior legislator Li Yining as saying.

Unemployment has risen in recent years as wrenching government reforms to state-owned enterprises have thrown millions out of work and it is expected to worsen as China's membership of the WTO pushes restructuring. The WTO is expected to approve China's membership on Saturday at a meeting in Doha, Qatar, and sign documents required the following day, Chinese officials say. Under WTO rules, China's formal entry will follow a month later. Rampant infringement of workers' legal rights and the refusal of many private and foreign enterprises to allow trade union activity within their organisations were key drivers behind the new amendments.

### ■PUBLIC NOTICES

#### NOTICE

It is notified for public at large that name of Master AJATSHATRU PASSI (Minor) S/O SH. SANJAY PASSI R/O N-93, PANCHSHEELA PARK NEW DELHI, has now been changed to ARYAMAN PASSI. Henceforth in municipal records, for all work and matters he will be known by the name ARYAMAN PASSI.

Sanjay Passi  
Father of ARYAMAN PASSI  
R/O N-93, Panchsheela Park  
Dated: 3rd November 2001 New Delhi

## Stock market to be liberalised

SHANGHAI: AFTER joining the WTO, China will allow foreign investors limited access to its stock market through investment funds, which analysts said on Monday would open the markets further without jeopardising capital controls.

The official Shanghai Securities newspaper said Laura Cha, vice chairwoman of the China Securities Regulatory Commission (CSRC), announced the new policy at a Shanghai conference on Sunday. Analysts said the reform would help draw overseas capital into the now Chinese investors-only A shares and stabilise the volatile, speculative markets. At the same time, Beijing would be able to retain its careful control of foreign exchange flows and avoid the big swings in hot money.



Chinese men sit in front of an advertisement feature the Disney character Mickey Mouse in Shanghai November 5, 2001. Aggressive advertising from local and foreign firms has erupted in China, whose entry to the WTO after 15 years of arduous negotiations is due to be approved when trade ministers meet in Qatar from November 9-13. Reuter photo

## WTO may go easy on drug patents

DOUG PALMER

WASHINGTON, NOVEMBER 5

WORLD Trade Organisation members may have to decide in the next nine days whether to launch world trade talks even if an agreement covering access to patented drugs cannot be reached, US Trade Representative Robert Zoellick said.

"I'd like to have both, but if we can't work something out on the health declaration, I still want to go ahead with the launch of the global negotiations," Zoellick said. "The two are not inextricably linked in my mind." He spoke to reporters on Friday on condition that his comments were held for later release.

With just a few days until the November 9-13 WTO conference in Doha, Qatar, the United States opposes language advocated by Brazil and India to make clear that nothing in the

WTO's agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) prevents countries from taking action to protect public health.

The issue is driven by the charge that WTO rules make it hard for poor countries faced with HIV/AIDS and other epidemics to get the drugs they need to treat their people. The United States supports a health declaration that would clarify how countries can legitimately override drug patents to address national health crises, but it says the language backed by Brazil and India would create an enormous loophole in the TRIPs accord.

To demonstrate flexibility, the United States has proposed giving least-developed countries a 10-year extension until 2016 to implement TRIPs and a five-year moratorium on contesting any drug patent actions taken by sub-Saharan African countries.

## COUNTDOWN TO DOHA



## 65-member Indian delegation for Doha

NEW DELHI: TO make its voice stronger at Doha, India will be represented by a 65-member high level delegation which can be called one of the biggest representation. Due to security reasons USA is coming with a pruned team of 50 members, which was earlier planned at 150. Headed by Commerce & Industry Minister Murasoli Maran, the Indian delegation includes Minister of state for Commerce & Industry Rajiv Pratap Rudy, Commerce Secretary Probir Sengupta, Special Secretary Nripendra Mishra, other senior officials from the commerce ministry, several senior representatives of other ministries. Representatives from industry associations will be joining the ministerial delegation in Doha. These include CII, FICCI, ASSOCHAM, FIEO and other leading chambers from Mumbai and Kolkata.

## EU's Lamy hints at breaks for poor

PARIS: EUROPEAN Trade Commissioner Pascal Lamy on Monday hinted at concessions for poorer countries at WTO talks starting on Friday. Lamy said that the conference aimed at launching a new global round of negotiations, must not be a 'remake of Seattle', where similar efforts failed amid violent anti-globalisation protests. He said the European Union was 'much more open' to the views of developing countries, who are opposed to more liberalisation, than it was during the 1999 Seattle talks. "One thing is sure: by the end of Doha, there must be something in the pipeline which gives maximum satisfaction to developing countries," Lamy, who is negotiating on behalf of the 15-nation bloc. He said stricter rules on the environment would not translate into unfair trade barriers and that he was ready to consider some 'opt-out' solutions for poor countries on investment and competition rules.

Expenditure for D&D declining for

# A pledge for the sake of a better future

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**W**e reaffirm the right of members under the General Agreement on Trade in Services to regulate, and to introduce new regulations on, the supply of services.

We reaffirm our declaration made at the Singapore ministerial conference regarding internationally recognized core labour standards. We take note of work under way in the International Labour Organization on the social dimension of globalization.

We note with particular satisfaction that this conference has completed the World Trade Organization accession procedures for China and Chinese Taipei. We also welcome the accession as new members, since our last session, of Albania, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman, and note the extensive market-access commitments already made by these countries on accession. These accessions will greatly strengthen the multilateral trading system, as will those of the 28 countries now negotiating their accession. We therefore attach great importance to concluding accession proceedings as quickly as possible. In particular, we are committed to accelerating the accession of least-developed countries.

Recognizing the challenges posed by an expanding WTO membership, we confirm our collective responsibility to ensure internal transparency and the effective participation of all members. While emphasizing the intergovernmental character of the organization, we are committed to making the WTO's operations more transparent, including through more effective and prompt dissemination of information, and to improve dialogue with the public. We shall therefore, at the national and multilateral levels, continue to promote a better public understanding of the WTO and to communicate the benefits of a liberal, rules-based multilateral trading system.

In view of these considerations, we hereby agree to undertake the broad and balanced work programme set out below. This incorporates both an expanded negotiating

## Extracts from the ministerial declaration adopted at the 4th session of the World Trade Organization, 2001

agenda and other important decisions and activities necessary to address the challenges facing the multilateral trading system.

We attach the utmost importance to the implementation-related issues and concerns raised by members and



Doha: better understanding

are determined to find appropriate solutions to them. In this connection, and having regard to the general council decisions of May 3 and December 15, 2000, we further adopt the decision on implementation-related issues and concerns in document WT/MIN(01)/17 to address a number of implementation problems faced by members. We agree that negotiations on outstanding implementation issues shall be an integral part of the work programme we are establishing... In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this declaration,

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the relevant implementation issues shall be addressed under that mandate; (b) the other outstanding implementation issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the trade negotiations committee... by the end of 2002 for appropriate action.

We recognize the work already undertaken in the negotiations initiated in early 2000 under article 20 of the agreement on agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the agreement to establish a fair and market-oriented trading system through a programme of fundamental reform, encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations, we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the agreement on agriculture.

TO BE CONCLUDED

# Trading illusions

By C. Rammanohar Reddy

*At Doha, the major powers scripted an agreement that created the mirage of a triumph for an equitable global trading system. They did so by weaving an illusion that all countries, rich and poor, gained something.*

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**M**UCH LIKE the characters in the Japanese film classic, *Rashomon*, there have been as many verdicts delivered on the Doha conference of the World Trade Organisation as there were participating governments. One interpretation is that there is a little bit of a gain and a bit of a loss for every country which is why all governments have claimed a victory about what their critics say is a disaster. A bolder interpretation would be that at Doha the major powers scripted an agreement that created the mirage of a triumph for an equitable global trading system. They did so by weaving an illusion that all countries, rich and poor, gained something.

Of all the issues thrashed out at Doha, three are pointers to the future. First, the agenda for the new WTO round that has been drawn up is huge. There will be negotiations in as many as 12 distinct areas and there will be work programmes in four, perhaps seven, issues — large enough to tax the resources of all but the biggest countries in the world. The 10-page declaration that lists the agenda does refer to the concerns of the developing countries — in agriculture, import duties on industrial products, protection of traditional knowledge and many more. But for these concerns to be inscribed in WTO treaties they have to be negotiated, they will not be given as charity. (There is no better example of this than the way a decision on the more important of the implementation issues, first raised by the developing countries in 1998, has once again been postponed by pushing them on to the agenda of the Doha round.) The developing countries will have to match the negotiating skills of the armies of officials, lawyers and lobbyists deployed by the E.U. and the U.S., in a war of attrition that will most likely extend beyond the scheduled deadline of 2005. An India can just about keep pace with such negotiations, but how many other developing countries have the financial and human resources to be able to do so? The Doha declaration does promise the world's poorest economies technical assistance for negotiations, but such capacities cannot be acquired overnight. The least de-

veloped countries, with neither the capacity to negotiate nor the staying power, may in the end find that there was no oasis in Doha.

Second, India did stand firm in resisting the inclusion of new issues in the negotiating agenda. But time and distance suggest this "victory" was essentially semantic. The fine print quite unambiguously points to a "focussed" work programme that will draw up the framework of future WTO treaties on global rules for foreign investment, competition policies, transparency in government procurement and trade facilitation. In 1996, at Singa-

pore, it was merely a question of agreeing to "study" these four issues. In 1999, at Seattle,

the E.U. tried but failed to go from a study to negotiations. However, in 2001, the E.U. and the U.S. have been successful in taking the first steps to negotiated agreements. It is now just a question of time — may not be before 2005, but it will be done — before three non-trade issues (trade facilitation is the exception) are brought within the ambit of the WTO. The lessons then of the agreement on trade-related aspects of intellectual property rights (TRIPS) have not been learnt. Intellectual property rights, which are not connected to trade, were placed on the GATT agenda in 1986. Now it is the turn of three more non-trade issues to be covered by the WTO, only because it is the only international organisation with the powers of global economic enforcement. Clearly, a larger process which stalled at Seattle has picked up momentum at Doha.

This picture is made more complex by the declaration on TRIPS and Public Health, the third important issue, that has been interpreted as a sign of the developing countries exerting their influence on an all-powerful WTO. In an organisa-

tion where agreements take years to negotiate, this declaration was drawn up in less than six months and entirely on the initiative of the developing countries. For the first time, the WTO has been able to explicitly outline the conditions under which governments can over-ride drug patents. Yet, it must be seen in its context. First, it is an important, but limited, political declaration whose legal value is uncertain. Second, the WTO has postponed a decision where it really matters — in allowing Indian and Brazilian producers to export the larger part of their production of "patented" drugs to the world's poorest coun-

## MACROSCOPE

tries. Third, the U.S. in the end tied its adoption of the TRIPS declaration to the developing countries approving the agenda for a new round. With the tide of global opinion turning against the multinational pharmaceutical giants, both the U.S. and the E.U. decided that these companies were, for the moment, expendable: A non-binding and limited decision on softening TRIPS was a small price to pay for the consensus on an agenda for wide-ranging negotiations on trade liberalisation.

The WTO has emerged stronger from last week's meeting, but this strength is derived from the enlargement of its role as an overseer of globalisation in everything from trade to environment to foreign investment and more. But this widening of its remit may also contain its potential undoing, because the foundations of the institution are not designed to support more than a structure of rules to facilitate trade between countries. Overloading the negotiating agenda with new issues also means overloading the system. Another source of potential vulnerability is that the expansion of the WTO's powers has had to be purchased by giving the smaller members the illusion that they are equal partners in

the system. At Doha, this ruse worked with the declaration on TRIPS; the trick may not always work during the years of negotiations that lie ahead. So the success of last week may well contain the seeds of a future failure.

The statement on TRIPS is one example of the major powers showing that they had learnt the lessons of Seattle. It is no longer possible to take decisions peremptorily or be insensitive to the concerns of the majority of the WTO membership. But that does not mean the WTO is now a more inclusive organisation. Symbols are more important than substance.

Hence the political declaration on TRIPS, hence the last-minute concessions to the African, Caribbean and Pacific countries on banana exports, hence the token representation to Tanzania, as the leader of the least developed countries, in the closed-door negotiations. In all this, the members of Quad — the U.S., the E.U., Canada and Japan, never lost sight of the larger objective — a comprehensive negotiating agenda that would expand the role of the WTO in the world economy.

In the end, developing country unity crumbled at Doha. But the TRIPS declaration showed small advances were possible. Brazil brought to the negotiating table a social argument with its successful HIV/AIDS programme, India brought an economic one with its low-cost domestic drug industry, Africa brought a moral one with millions of HIV/AIDS patients in need of inexpensive treatment. They were joined by the global NGOs who had moulded public opinion with their campaigns on patents and high drug prices.

This was the first such broad-based alliance at the WTO; and it was successful. Therein perhaps lies a message for those who want to reform the WTO. But it is also disturbing that a coalition of North-South interests with all the political, economic, social and moral arguments on its side, could finally wrest from the world's richest countries only a limited softening of the TRIPS agreement. That is perhaps the real message from Doha.

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# WTO's shenanigans at Presidential Suite 11

16/11

By C. Rammanohar Reddy

**DOHA, NOV. 15.** When the stakes are high and it comes down to the wire, the World Trade Organisation returns to its old non-transparent and bullying ways. A few shenanigans, mentioned by a number of officials, ambassadors and ministers from rich and poor countries not all of whom wanted to be quoted, about what transpired behind closed doors.

WTO officials initially said that Doha would be the first ministerial without the notorious "green room" process of the former GATT, when ministers from a dozen or so rich and poor countries used to be called in to be brow-beaten by the U.S. and the E.U. behind closed doors and the results then sent to the larger assembly of all WTO members to be rubber-stamped for approval. With no agreement in sight, November 13 - the scheduled last day of the conference - saw ministers from 20-odd countries of the 142 WTO members called in at 6 p.m for closed door negotiations in Presidential Suite 11 of the conference centre. That meeting went on, with one brief interruption, up to 3 a.m on November 14 as the E.U., the U.S. and the WTO Director General, Mr. Mike Moore, sought to impress a recalcitrant bloc of developing countries to agree to the launch of a new round. "Wearing us down with fatigue is the typical tactic of the powerful at the WTO," said a minister from a developing country.

Those not invited had to wait outside to be briefed on the results of the talks. That was the end of the transparency initiative at the WTO. Uninvited government officials who tried to enter the decision-making room were asked to leave. This was what happened when Mr. Yash Tandon from the Uganda delegation tried to participate in the meeting. A little later a Trade Counsellor from a developing country who wanted to be

On issues of content too, pressure was applied. "At 3 a.m. on November 14, the European Union suddenly sprang a completely new proposal on the environment," said a developing country official, referring to how one of the most contentious issues at Doha was being dealt with. "Tanzania's minister said he could not understand the language and could he please have some time so that he could refer the issue to his officials outside." It is not only the developing countries who were subjected to such actions. A WTO ambassador from a European country that is not a member of the E.U. said that his country was upset with changes that the U.S. suddenly proposed on anti-dumping duties. "It was neither explained to us nor could we understand why new phrases and conditions were added at the last minute. Yet our consent was demanded immediately."

During the tense negotiations, ministers on more than one occasion lost their cool. But the ones who used strong words were usually the representatives of the rich countries. On one such event on November 13, angry with the tone of the admonishments from cabinet members of two of the developed countries in the Americas, Mr. Munir Akram, Pakistan's WTO ambassador, walked out though his minister remained in Presidential Suite 11. Next day, one of the senior-most officials of the WTO, anxious to launch a new round, showed his irritation with a commerce minister from Asia. It was left to junior WTO officials to subsequently apologise for such behaviour.

One senior ambassador from a developed country said what was witnessed at the WTO was going to harm the WTO as an institution.

"Some countries and WTO officials will go to

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THE HINDU



## Pharma gains at WTO

agreement on patents is the only tangible and immediate gain of Doha. Thanks in a large part to Maran's stance, the developed world agreed that countries were free to license even patented drugs to other producers to be able to provide low-cost drugs to treat national emergencies or epidemics like AIDS or TB. It is upto local governments to define what these emergencies are.

**SINGAPORE SLING:** At the last ministerial meet in Singapore, the developed world had tried to bring in four 'new issues'. These included common rules for treating foreign investment, greater transparency in government procurement, among others. Any discussion on these, or including them for negotiation, was stopped by India. That's a plus, except it has been agreed that these will be discussed at the next ministerial which will be around 2-3 years away. So, at best, some time has been bought.

**ENVIRONMENTAL CONCERNS:** Immediately, at Doha the ministers agreed that they will begin discussions on comparing WTO rules and those of existing international environment agreements. While the commerce ministry has sought to downplay the possible impact of this, one thing's certain — an issue that India didn't want in the WTO process is firmly in.

**WHO'S DUMPING?:** One of the issues that is to be negotiated is the reduction in the use of anti-dumping duties to restrict imports — India has been hit by several such measures by the US such as on its steel exports. So, reduction in this is a good thing. Except, India is itself using a lot more anti-dumping duties to protect local industry nowadays. Besides, beginning negotiations on anti-dumping duties was part of the WTO declaration of September 26, and so cannot in all fairness be touted as a Doha victory.

INDIAN EXPRESS

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FRIDAY, NOVEMBER 16, 2001

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**THE DEAL AT DOHA** 929

THE DOHA DECLARATION, approved by 142 countries at the fourth Ministerial meeting of the World Trade Organisation (WTO), comes at a time when the world can ill-afford a collapse in the multilateral global trading system. One way of measuring the outcome of the Doha Ministerial, which concluded after a day's extension on November 14, is to see if the Organisation was able to win the confidence of its member-states that any decision will not leave some countries poorer. To the extent that it has allayed fears of a steamrolling of the poor many by a powerful few, the accord reached at Doha is welcome. The three major declarations — on the negotiating agenda for a new WTO round, on the implementation concerns of the developing countries and on the political statement dealing with patents and public health — are indicative of the ability to move towards greater inclusiveness in charting out the further evolution of the multilateral trade order. That the concerns expressed by India were addressed, though not in substantive measure, makes the deal arrived at in Doha the best the circumstances could offer. True to form, India's negotiators did maintain their position with honour till the end and found a degree of success in ensuring that an explicit consensus on the contentious Singapore issues will be a precursor to further negotiations on these matters of concern at the next Ministerial, two years from now.

The outcome at Doha would have been much more beneficial for India and the developing countries if the coalition built over the years, opposing a broadening of the WTO agenda, had held. However, given the individual national susceptibilities in any round of multilateral negotiations, the measure of the Indian position is to be seen by the leverage it gained. The extended session of the Ministerial, complete with the closed-room politics of the

WTO mechanism, comes as a reflection of the dynamics involved in multilateral negotiations. One clear area of benefit is in the pharmaceutical sector. The flexibilities provided for in the Declaration on the TRIPS Agreement and Public Health for protecting public health and promoting access to medicines for all, particularly the clause that gives individual countries the "right to determine what constitutes a national emergency" comes as a clear area of benefit for India. It is through such forms of flexibility that the process of multilateral negotiations aimed at providing a fair deal for all gains a sense of credibility.

16/11  
However, behind the modest satisfaction gained at Doha, larger challenges remain for India's negotiators in the years ahead. With negotiations under the work programme mandated to conclude by January 1, 2005, the clock has, to put it in very simple terms, already started ticking. Moreover, China's entry into the WTO throws up a new dimension in the possible lineup of countries in future negotiations. With a whole range of issues on the agenda, the time from now will have to be occupied by continued attempts to further the country's economic interests. Needless to say, the task will be difficult, given the plethora of issues that have to be effectively addressed. Moreover, it is also important to take note of the fact that the Singapore issues — linking trade to foreign investment, competition policies, transparency in government procurements and trade facilitation — which were a main concern of India have now come centre-stage. As much as India opposes these, there are countries that would like to link the future of the WTO to the accommodation of these issues. The time gained at Doha could be lost if the country does not take concerted steps to improve its economic bargaining power and prepare internally for change.

THE HINDU

16 NOV 2001

# Doha's agreement on entry of drugs is right tonic for Delhi

■ Govt applauds Maran's role at WTO

SUNIL JAIN

NEW DELHI, NOVEMBER 15

AFTER six tense days at Doha, during which the future of the WTO system of multilateral trading hung in the balance with Commerce Minister Murali Maran in a position to make or break the negotiations, the good news is that over the next three years, all 142 (plus China) members of the WTO will in fact negotiate another trade round.

Issues to be negotiated include not just lowering of industrial tariffs and greater market-access but phasing out of farm subsidies in developed countries like the US and the European Union, and even limiting anti-trade measures such as anti-dumping duties practiced by countries including the US.

Immediately, the mood in Delhi turned jubilant. The government put out a press release that spoke of "major gains for India" and FICCI spoke of India's position being vindicated. While CII was a bit circumspect and said the "Doha dilemma" was "handled capably", the fact that most political parties had little to say was praise of sorts.

So, did Maran deliver for India? WTO expert Bibek Debroy says it's like the proverbial half-full, half-empty glass. "The half-full is the gains on patents, and on negotiations on phasing out of farm subsidies in developed economies. The half-empty is that environment has made



some kind of entry into the WTO."

## ■ WHO WON, WHO LOST:

Bit of a mixed picture, not surprising given it was such a complex negotiation. Besides, the actual results on winners and losers will depend on the final negotiations that take place till January 2005 — Doha was just about agreeing to negotiate, and over what issues.

The WTO agreeing, despite a near-rebellion by the French, to discuss further cuts in farm subsidies 'with a view to phasing them out' looks like a win today. But if, in January 2005, the cuts are only cosmetic today's winner could end up a loser.

Besides, the WTO declaration on farm subsidies was first put in the September 26 draft circulated to trade ministers — so it can hardly be seen as an Indian victory or, as the the government release puts it, 'a commitment for phase out of export subsidies by the developed countries has been secured in the Declaration.'

■ HEALTH ABOVE ALL: The  
CONTINUED ON PAGE 2

16 NOV 2001

# Trade wins, finally <sup>959</sup>

Only fresh negotiations could have addressed our concerns

**A**FTER six days of nail-biting anxiety, in which almost as many draft resolutions were negotiated before being torn up as the Doha trade talks teetered on the verge of collapse, our congratulations to commerce minister Murasoli Maran. For right till the end of the WTO ministerial that had to be extended by a full 24 hours, by when even the French had capitulated, it was minister Maran that held the fate of WTO in suspense — would he or wouldn't he agree to a fresh round? Any failure, especially after the debacle in Seattle would have dealt a near-death blow to the WTO. Maran's acquiescence now means the world is now free to negotiate a host of fresh trade concessions multilaterally. The WTO process, even its bitterest critic will agree, is what has helped smaller economies such as India withstand pressures of economic giants like the US or the EU — developing countries have won battles at the WTO's Dispute Settlement Board, something impossible without the WTO. And while this has not settled the age-old inequities between trading partners, it's certainly a start in reducing them.

Besides, it is accepted by most, expansion in global trade offers wonderful opportunities for economies — well, over the last half century, over eight rounds of trade negotiations, industrial tariffs have been slashed globally from an average of 40 per cent to under four now, and that has helped world trade increase 14-fold. And as this newspaper has maintained in the past, only fresh negotiations can address India's issues of concern. Like those of the developed world not cutting their farm subsidies, of them not increasing market access to products

<sup>96-8</sup> from the developing world, using of anti-dumping duties to block cheaper imports from developing countries, among a host of others. After all, even if you accept the logic of trade ministers like Maran that the developed world had not yielded enough in the last round, why should they yield more unless they too got something tangible in return?

Did Maran win, is clearly the question of the day. Did his refusal to negotiate for the first five days, and threatening to walk out on the sixth, get significant gains for the developing world? Surely the fact that the Europeans are willing to negotiate on eliminating farm subsidies is a victory? All such questions, and their answers, are of course irrelevant now, since the focus shifts to the actual negotiation itself. However, Maran would do well not to claim too much credit. On the Europeans agreeing to negotiate farm subsidies, for instance, 'negotiating' and finally cutting them are two distinct things. Besides, negotiating on farm subsidies was agreed to by all countries — except France — well before Doha even began. And while commerce ministry spokespersons will tell you Maran succeeded in keeping out anti-India issues such as common investment rules from the WTO negotiations, this is at best partially true — the subject will come up for negotiation again in another two or three years. On the other hand, the minister can surely take some credit for the fact that countries can now license even patented drugs to cheaper producers in order to provide low-cost solutions for pandemics like AIDS/TB. On balance, we would like to iterate, trade won and that's all that matters.

Send of Kohul

INDIAN EXPRESS

16 NOV 2001

## STORM IN TRADE CUP

<sup>10</sup> <sup>16</sup> <sup>11</sup>  
The fight in Doha is over. Negotiations (the word round is not used) will begin in January 2002 and conclude in January 2005, with a fifth ministerial conference taking stock in between. Negotiations on dispute settlement will however conclude in May 2003. If India's initial stance of opposing negotiations is taken at face value and not interpreted as public posturing, disaster has struck. However, in the fallback position, India switched to the more sensible position of not opposing talks *per se*, but opposing specific items for inclusion in the agenda. Among contentious issues in Doha were implementation, trade-related intellectual property rights, agriculture, environment, transparency in government procurement, trade facilitation, investment and competition policy, apart from the sense of developing countries and less developed countries being bypassed in the World Trade Organization's decision making processes. On the last, there is now a sentence in the ministerial, stating that the WTO processes will become more transparent. Implementation means implementation problems faced by developing countries and LDCs, as well as denial of market access (promised in the Uruguay Round) by developed countries. To address the concerns of developing countries and LDCs, the ministerial conference has adopted a decision on implementation. So far as market access is concerned, there will be negotiations on industrial tariffs, agriculture, services and TRIPs. <sup>9/29</sup>

Given the furore over AIDS and the South African and Brazilian cases, this dilution was expected. With impending elections in France, the French were understandably upset about liberalizing agriculture in general and phasing out agricultural export subsidies in particular. While agricultural negotiations and liberalization have been agreed to, the European Union has insisted on the *quid pro quo* of negotiations on environment. This is not an outcome developing countries will be happy with. Labour standards are not on anyone's agenda now. But resistance to environmental negotiations and the sense that environmental standards act as a guise for protectionism cut across all developing countries. On the positive side, developing countries should be happy that transparency in government procurement, trade facilitation, investment and competition policy have been kept out. These will be considered at the fifth ministerial conference, after which negotiations are almost certain.

While Mr Murasoli Maran will come back to much acclaim at having succeeded in keeping these four areas out (qualified by the inclusion of environment), there is the point that negotiations and externally imposed commitments in these areas would have been good for India. For instance, transparency in government procurement will help to limit several procurement-related scandals, and competition policy is desirable from the point of view of small-sized Indian firms that have to face competition from large-scale multinationals that sometimes indulge in unfair and restrictive business practices, not to speak of cross-border mergers and acquisitions. However, with the present economic malaise in India, the WTO is a favourite whipping boy, even though most economic problems have nothing to do with the WTO. One fear is that the WTO agenda might fall a victim to the elections in Uttar Pradesh. In India, politics always overrides economic sense.

# 16/11 Done Deal at Doha 11-12

And so it came to pass — just as many had predicted — that India was the last man left standing from among the developing nations, as the Doha talks entered the endgame phase. One by one, each of India's erstwhile allies quietly clinched backroom deals and dropped out. Yet India stuck to its guns. By some accounts, World Trade Organisation and European Union officials repeatedly rang up prime minister A B Vajpayee to break the deadlock. Finally, 18 hours after the initial deadline to wrap up the talks, India signalled its assent. Anti-WTO voices will call this a capitulation. But reflect for a moment: How many unilateral bullies would allow one dissenting voice to stall — for hours on end — something they desperately wanted? That lonely stand, in a way, is a tribute both to the Indian delegation's willingness to play hardball and the WTO's multilateralism. It was also encouraging to note the West's new-found flexibility. The US, for example, agreed to negotiations on anti-dumping rules, despite strong opposition from its powerful steel and semiconductor industries and their political lobbyists. This contrasts sharply with the isolationist stance adopted earlier by the Bush administration on issues like global warming. Clearly, the post-September 11 realities and the spectre of Seattle played heavily on western minds. Did this help India? Well, one major victory was achieved. The WTO issued a separate declaration on the trade-related aspects of intellectual property rights (TRIPS) agreement and public health, affirming that the pact should be implemented "in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all". Further, the TRIPS council has been directed to examine protection of traditional knowledge and folklore, and the relationship between the TRIPS agreement and the Convention on Biodiversity.

Compromises have been reached on most other key issues. India was demanding that the West implement unfulfilled commitments; the WTO has agreed that negotiations on implementation issues will be an integral part of the new work programme and will be addressed on a priority basis. India was opposed to negotiations on investment and competition policy, transparency in government procurement, and customs procedures, arguing that this would overload the WTO's agenda. These issues have been stalled for now, but talks on them are almost certain to begin after the next WTO ministerial meeting in 2003. At one point, the issue of farm subsidy removal threatened to become a deal-breaker. France, which has a strong farm lobby and impending presidential elections, was particularly intransigent. Finally, a deal was thrashed out: the EU agreed to the "phasing out" of subsidies, but inserted a clause that this should not "prejudice the outcome" of negotiations. In other words, these subsidies should go eventually, but not necessarily right away. Likewise, India and other developing countries wanted trade to be delinked from environmental standards. The issue has been put on the backburner for now, but is bound to crop up later. Inevitably, the spate of compromises on emotive issues will incite protests by activists around the world. But the takeaway for now is that most countries have given up a little, made crucial gains in some areas, and agreed to disagree when they ran out of common ground. Many mature relationships have thrived on far less.



# Consensus eludes Doha meet

## US, EU send lean teams amid terrorist fear

K A Badarinath  
Doha, November 9

EVEN AS the nerve-wrenching bargaining at the fourth ministerial conclave got underway here Friday, the World Trade Organisation (WTO) admitted that there was no consensus among the 142 member-countries on several issues especially competition policy and investment.

WTO spokesperson Keith Rockwell conceded "some countries are not happy with the draft declaration" to be moved for adoption during the next five days.

Rockwell also ruled out the possibility of bulldozing through the new round of trade liberalisation without consensus. This observation assumes significance in the backdrop of apprehensions aired by developing countries that the US and 15-member European Union may push through its agenda.

While the specific groups continued their last minute meet-

### WTO SECRETARY GENERAL SEEKS COMPROMISE

WITH THE deadlock between US-EU and developing countries, the looming large, World Trade Organisation (WTO) Secretary General Mike Moore has apparently proposed to keep competition and investment related proposals out of the ministerial agenda to enable the new round of negotiations to commence in the right earnest.

At the back room confabulations, Moore apparently asked both sides to "make compromises"

for preparing the ground to initiate a dialogue. Meanwhile, the African, Caribbean and Pacific states announced their opposition to inclusion of new issues at the fourth ministerial conclave. After a meeting of ACP, Kenya and Guyana articulated on behalf of the group that "draft declaration" does not guarantee any benefits to developing countries. ACP asked the US-EU and Japan to discharge their commitments.

HTC, Doha

ings, WTO conceded that the number of delegates and strength of various delegations has dwindled due to Qatar's proximity to the theatre of war.

Sources said that most of the 50-member US Congressional delegation has opted out.

Similarly, Japan and European Union members reached

Doha with smaller groups. Industry chambers and associations from these countries have also pruned their representation. Meanwhile, India has lodged a strong protest with WTO as well as the ministerial organising committee chairman Yousef Hussain Kamal on the covering note which seeks to

relegate to the background implementation issues like ending textile quotas.

Speaking to newsmen, Commerce Minister Murali Manohar said "the second draft is worse than the first. We (developing countries) have no say in setting the agenda".

Referring to WTO Secretary General Mike Moore's controversial covering note, Manohar said "do not mistake" that there is a consensus. "We are opposed to new issues forming part of the agenda," the Commerce Minister added.

Officials forming part of the negotiating team said they were opposed to a new round in the name of "expanded work programme". Meanwhile, the 13 Least Developed Countries (LDCs) under the chairmanship of Tanzania have expressed their "unhappiness and discontentment" at the proposed new round. Pakistan has taken the lead for forming the LDC group with India as an active participant.



Activists from main Left-wing parties shout anti-Government slogans at an anti-War and anti-WTO rally near Parliament in New Delhi on Thursday.



Philippine Leftist protesters burn a banner with the symbols of World Trade Organisation and United States at a rally in front of the US Embassy on Thursday. The Leftists are opposed to liberalisation and to closer Philippine ties with the United States.

## US holds out veiled threat against India

K A Badarinath  
Doha, November 9

UNITED STATES bullying came to fore, with the American trade representative Robert B Zoellick holding out a veiled threat to developing countries including India to fall in line by agreeing to new round of trade liberalisation or face the consequences.

Addressing newsmen on first day of ministerial conclave, Zoellick said "they (developing countries including India) will be bigger losers if they oppose the new round than by participating in the negotiations".

US pressure on India is bound to increase further during next 24 hours as American President George Bush is expected to pre-

vail upon Prime Minister Vajpayee to fall in line with US-EU and Japan on trade issues. A firm indication was available when Zoellick said, "I will not be surprised if they discuss WTO issues."

He defended the final draft of the new trade pact, saying "we tried to balance as many many interests possible". In this context, he referred to concerns of European Union and Japan on trade, services and competition vis-a-vis opposition from developing countries.

Zoellick did not mince words when he asked the developing countries to make Doha summit a fruitful one by softening their posture, away from the from "adamant stand".

He launched a frontal attack on India and its supporting members for harping on implementation issues to "extract unilateral concessions".

Referring to the issue of ending textiles quotas, Zoellick maintained that US was coming to terms with the fact that over six lakh jobs were lost in the industry from 1994. He advised India to sit at the negotiating table and discuss the issue. He gave enough indications that textile quotas will not be phased out before 2004 unless India lowers the peak duties from prevailing 40-45 per cent. Any reduction in the customs duty in the next fiscal's Union Budget is bound to put pressure on revenues for Centre.

However, differences between the US and European Union on agricultural subsidies came to the open when he cited the concessions worth US \$ 70 million as against European Union's \$ 5 billion.

On concessions sought by developing nations on patents regime especially with pharmaceuticals, essential medicines to tackle HIV and other diseases, Zoellick indicated that a "separate declaration" with a five year cool off period was possible.

Zoellick had a hectic day making attempts to enlist support for the new trade round by having separate discussions with Trade ministers of Asean, Latin America and South East Asia.

# Win-win at Doha

By Amit Dasgupta

9.6.9 KD-10 27/11

**S**ELF-INTEREST motivates all negotiations, but good negotiators know that the only successful strategies are those that strive for win-win solutions. This is about knowing where your interests lie, what concessions you can live with and what the bottom line is all about. It is also about how and when concessions need to be made so that you are able to derive maximum benefit at the negotiating table. More importantly, it is about candidly gauging what the other sides' bottom line is and recognising that they are, in all probability, better prepared than you.

Good negotiations are not about coming back after a dogged pursuit of a zero sum game where you gain only if the other side loses, and especially not when the negotiations are multilateral. Indeed, it was because of the rejection of the concerns and interests of the others, particularly by the Americans, that Seattle ended in a fiasco. For Doha to be different, there had to be benefits for everyone at the table.

Given this context, objective post-mortems of Doha are likely to dub it as a conference that finally salvaged the WTO's credibility. While the full impact of the decisions would only be felt after another three or four years, the overt reading is positive and win-win. Gambles had to be taken, strategies revised over and over again, and the crawl could only be inch by inch. There are happy faces all around and India, in no small measure, deserves full kudos.

No analysis of Doha should forget the build-up to the Conference. There were two clear reference points in this regard — the Seattle fiasco and the September 11 incidents. Seattle had seen the developed countries trying to arm-twist and bamboozle the poorer countries so that they could push through their agenda. Indeed, things had come to such a pass that many of the poorer countries expressed their serious disappointment and anger at the manner in which they were marginalised and pushed to the corner. In the build-up to Doha, developing countries insisted that a Seattle-revisited scenario was totally unacceptable to them if the credibility of the WTO was not to be entirely lost.

Then came the September 11 attacks. Consumer confidence plummeted and

government intervention appeared to have only cosmetic effect as the global economy plunged into deep recession. The word was quickly passed around by the developed countries and the Director-General of the WTO that the global community now had some sort of a moral and collective obligation to ensure that the global economy regained its health. In simple terms, this translated to a quick and early opening up of developing country markets to additional sectors and thereby, accelerating the pace of trade liberalisation. More significantly, it also meant that developing country concerns

the globe, the poorer nations of Africa, the Caribbean and the Pacific, spoke out against the skewed distribution of gains from the system and their continued marginalisation. In Doha, clear battle lines were drawn. Add to this, the tensions in the air with the bombing of Afghanistan and you have all the ingredients for a spaghetti Western.

It was in this kind of a charged atmosphere that Doha welcomed the Ministerial delegations on November 9th. After five days of stormy debate, a declaration finally emerged that all countries can go home with, but the poorer countries more

over the last decade and more has never been driven by moral considerations, only business and politics. Today, there is the sudden recognition in these countries of the existence of a global community.

3) Developing country delegations would succumb and India would be isolated: This did not happen. There was far greater unity among the developing country delegations and this was unique, given the extreme pressures that they were under from the U.S., the Europeans and Mr. Mike Moore.

4) India would cave in through political pressure: This did not happen. India decided to stick it out till it wrested one concession after another. What is important is that these were concessions that would benefit the developing countries, and not India alone. The first of these was access to cheap medicine in case of public health emergency, even under strict patent laws. U.S. and European drugs and pharmaceutical companies are reported to be peeved at this. This is likely to give a massive fillip to drug companies in the developing world. Second, developed countries would find it extremely difficult to block access into their markets of developing country products by taking recourse to anti-dumping duties. The U.S. companies are reported to have been hit hard by this decision. The Europeans have mixed feelings particularly as they too have been on the receiving end of U.S. anti-dumping duties, but as the WTO Annual Report indicated in 1997, of the 880 anti-dumping measures in effect, 302 were by the U.S. alone, 137 by the E.U. and 91 by Canada and accounted for over 60 per cent of the anti-dumping actions. Thirdly, the primacy of addressing implementation issues has been accepted. Fourthly, the trade agenda can be expanded only if there is explicit consensus.

For India and the developing countries, this has been a good meeting. To some measure, it has softened the hard knocks the WTO system has taken of late. India can walk tall, and rightly so. Its negotiating strategy paid off.

(The writer is Director at the SAARC Secretariat in Kathmandu. The views expressed in this article do not necessarily reflect those of the SAARC Secretariat or the member-Governments of the SAARC.)

*For India and the developing countries, this has been a good meeting. To some measure, it has softened the hard knocks the WTO system has taken of late. India can walk tall, and rightly so. Its negotiating strategy paid off.*

had to be put on the back-burner once again as any pressure now on developed country markets could be counter-productive to the global economy. Understandably, the developing countries saw the September 11 incidents as an excuse to resurrect the failed Seattle agenda. There were legitimate, genuine and credible fears that Doha would enshrine the polarisation among nations and thereby irreparably damage the WTO.

When developing country delegations left for Doha, quite understandably therefore, there were worried faces and sleepless nights. They opted for a hardline strategy not to give in to any pressure if Doha continued to ignore their demands. They knew that it would have been impossible to return home empty handed from Doha. Their domestic constituencies were no longer going to accept excuses for their failure at the negotiating table. The Commerce Minister of India fired the first shot when he dubbed the WTO as "a necessary evil". Within the SAARC region, the Commerce Ministers endorsed a collective position rejecting calls for expanding the trade agenda and insisted that their concerns needed to be addressed upfront and in the first instance. Promises made, they argued, needed to be honoured. Across

so than their richer counterparts.

So, what went wrong for the developed countries? To my mind, the Americans and their allies miscalculated badly. Briefly, I would enumerate these as follows:

1) The September 11 card was overplayed: The U.S. believed that the September 11 incidents could be a sort of rallying point for the global community even on trade issues. And so, when the U.S. Trade Representative, Mr. Robert B. Zoellick, dropped by in India and said that countries would "bite the dust" if they opposed developed country call for expanding the trade agenda, it sent out wrong signals. Poorer countries were simply not willing to buy the argument that they supported terrorism if they did not open up their markets to Western country products. They were determined to protect and project their own concerns, notwithstanding U.S. and European pressures.

2) Talking of 'global', unites: Not true. There is an old adage that there are no permanent friends, only permanent interests. Historically, it is only the poorer countries that allowed morality to guide their decisions, placing business and economic considerations at a secondary position. On the other hand, every decision that the U.S. or the Europeans have taken

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12/11/01

# Post Doha, Nam is dead. Revive the moribund Saarc

**F**OLLOWING the release of the Doha ministerial declaration on the night of 14 November, the print and visual media were consumed with the (largely political) issue of whether India 'won' or 'lost' in the negotiations. This is a meaningless debate as the nature of multilateral negotiations after the Uruguay round has been such that every country must be giving up something to get something else. As I have argued earlier (ET, August 3) this is consequent to the 'single undertaking' clause applied in 1995. The same clause is now to be repeated in the new round as per para 47 of the Doha declaration. What I will suggest here is the lessons that India must draw from the Doha episode.

The principal lesson is that Doha is more about economics than politics. This was evident from the speed with which other developing countries deserted India in its stand against inclusion of environment, competition law, MAI, etc., in the new round. In my article (ET, August 17) I had suggested reasons why I felt that the developing countries will not make common cause at Doha. Thus, for example, the African countries have much to gain by special bilateral preferences outside the MFN clause in their trade with the EU. Similarly, the Caribbean Basin Initiative (CBI) bestows special preferences in the textile trade of the Caribbean countries with the US. It was not surprising to find India isolated on the issue of advancing the time table for dismantling the MFA: it is not in the interests of most developing countries. I am not convinced that it is in India's interests either! Hopefully, the Indian government is now convinced that the Non-Aligned Movement does not exist. There is probably more to be gained from trying to revive the now

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moribund SAARC.

Second, India has been losing market access due to various 'bilaterals', 'zero for zero' and other preferential arrangements which have been offered by the two main blocs, EU and NAFTA. The number of regional trading arrangements (RTAs) notified to the WTO has gone up from around 40 in 1992 to 140 in 2000. The end result is that the MFN clause is now meaningless. Since India is not a part of any effective RTA, its efforts must be to reduce the overall level of tariffs. A general tariff reduction reduces

## OCCASIONAL PAPER MANOJ PANT

the benefits of preferential treatment from one or the other trading bloc. Since India's market access is also affected by peak tariffs (in agriculture and industrial goods), one might explore the possibility of reviving the 'Swiss formula' for tariff cuts which was used during the Tokyo round.

Third, as many other writers have also pointed out, the problems of Indian agriculture are related to domestic politics and not international trade. The issue of agricultural subsidies relates mainly to three class of products: beef and meat, cereals and dairy products. Where does India stand in such trade? A country is said to have a 'revealed comparative advantage' (RCA) in those commodities whose share in world exports of that commodity is greater than the country's share of world trade. A glance at India's exports in the golden years 1995-99 (data available from the author upon request) proves the point. Barring rice, not one of the above products figures in those items in which India has an RCA greater

than 0.7 (which is India's share of world trade). Since India's main domestic concern (food security) has been addressed in the Doha declaration, India can make common cause with the EU rather than the US in future negotiations on agriculture.

Barring labour standards (which is not part of the work program of the declaration) everything else is in: environment, competition law, international investment and trade facilitation. It is clear that we have a two-year reprieve. The issues are to be negotiated in the Trade Negotiation Committee (TNC) starting 31 January, 2002 but the modalities of negotiation have to be submitted by March 2003. Let no one be fooled that the 'consensus' argument will allow any one country to prevent these issues from coming into the WTO at the time of the next ministerial. What will be solid research and readiness with the detailed fine print to protect Indian interests.

So far, the Indian effort has been confined to fighting the WTO: either through non-inclusion of issues or asking for exclusion through special safeguards. This is of obvious importance in issues like public health and protecting the poor (non-trade issues). The Doha declaration rightly recognises the importance of non-reciprocity where such issues are concerned. What is puzzling is the inability of the Indian negotiators to become pro-active where purely trade issues are important. A number of authors have traced this to the lack of any domestic research on WTO issues. This was our downfall in 1995 and, partially at least, at Doha. Are we now going to get pro-active? Are efforts on to develop a strong domestic R&D cell on WTO issues? I sincerely hope so. (The author is professor of Economics, School of International Studies, JNU)

The Economic Times

23 NOV 2001

# OECD sees recession in world

By Brian Love

PARIS: The global economy seems to be in recession for the first time in 20 years following September's attacks on the United States, but may bounce back late next year, the Organisation for Economic Cooperation and Development said on Tuesday.

"The terrorist attacks of September 11...have inflicted a severe shock the world economy," the OECD, whose membership of 30 countries accounts for the bulk of the planet's wealth, said in its Economic Outlook, a twice-yearly report. "OECD-wide output is estimated to be contracting slightly in the second half of this year—for the first time in 20 years next year," the report from the Paris-based agency said.

The OECD forecast U.S. growth of 1.1 per cent this year, with growth of 1.2 per cent in the first half offset by a 0.6 per cent contraction in the second half.

It said the U.S. Federal Reserve could cut interest rates further below the current 2.0 per cent level, the lowest since 1961, if

things got even worse, but it should hold off for now as the 10 rate cuts made this year started to feed through.

The OECD predicted U.S. shrinkage of 0.1 per cent in the first half of next year followed by a solid pick-up of 3.8 per cent second-half growth, to give 0.7 per cent growth for 2002 as a whole. Growth in 2003 should be 3.8 per cent, it said.

The forecasts for the powerhouse economy for 2001 and 2002 were the same as the revised forecasts issued last week by the International Monetary Fund.

As for the euro zone, the OECD said it expected 1.6 per cent growth this year, followed by 1.4 and 3.0 per cent in 2002 and 2003 respectively, broadly on line with the IMF forecasts. The OECD said it assumed the ECB would cut interest rates by another half of a percentage point as inflation eased back below two percent in the 12-nation currency zone in 2002—and that it might need to cut more aggressively if things deteriorated. Its key rate currently stands at 3.25 per cent.

As for Japan, the economy was expected to shrink 0.7 per cent this year and by 1.0 per cent in 2002, with a return to growth in 2003 with a modest 0.8 per cent expansion.

The Bank of Japan, with key rates barely above zero, had very little room to help activity by lowering credit costs and should focus on driving the yen lower through foreign exchange market intervention to fend off deflationary pressures, it said.

In general, the OECD sounded a positive message about the prospects for global recovery late next year, but emphasised that all forecasts were uncertain at this time. "Assuming that household and business confidence turns up from current low levels, a significant rebound of activity should take place in the second half of next year," it said. The OECD said global gross domestic product (GDP), which is the broadest gauge of economic performance, could expand next year, albeit by a slim one percent, but that growth could pick up strongly in 2003, to three per cent. (Reuters)

THE TIMES OF INDIA

# What the Doha Development Agenda is all about-II

By C. Rammanohar Reddy

*This is the second and concluding part of an analysis of the main items of the agenda of the new WTO Round. The first part was published in these columns on November 15.*

**WTO Rules:** The agenda here is mainly to review and re-negotiate the existing rules on application of anti-dumping duties. While the tussle is mainly between the U.S. and Japan, India too has an interest — both as a user and victim — in renegotiating the presently opaque rules in this area. The sec-

## NEWS ANALYSIS

ond item in this area is a review of WTO rules covering subsidies in fisheries, which are at present very large in the EU and Japan.

**Dispute Settlement Understanding:** The dispute settlement process has been a considerable source of discomfort for all countries — developed and developing — with allegations of poor judgments that go well into re-writing existing WTO/GATT agreements. The agenda calls for a review and re-negotiation of the DSU rules.

**Trade and Environment:** This is a new area, another non-trade subject, which for the first time has been brought in for negotiation. A potential major concern

for India, the Union Commerce Minister, Mr. Murasoli Maran, said in Doha that "We have to be careful that it does not become a monster like TRIPS." The agenda, drawn up at the EU insistence mainly in response to domestic NGO opinion, consists of two parts.

One is negotiations on the relationship between multilateral environment agreements (MEAs) like the U.N. convention on biological diversity and the WTO rules in the same area and on the tariffs on environmental goods (this for the EU environment industry).

Two, a discussion in the WTO on eco-labelling procedures; which in theory could lead to negotiations in the area.

**Electronic commerce:** A continuation of the work programme in this area with maintaining the zero per cent duty on products bought and sold across national borders through the internet.

Other areas for negotiation include technical co-operation and a study programme on the links between trade, debt and finance — both of greater interest to the least developed countries.

**Organisation of the Work Programme:** One of the biggest concerns, tucked away at the end of the declaration, it calls for talks to be completed by 2005. While

this is over-ambitious and will not be realised (a conclusion before 2007 is unlikely), the problem is that while the negotiations in each area above will result in a separate WTO agreement, countries will have to take all of them as one package and cannot pick and choose which ones to approve and which to reject. This "single undertaking" as it is called — and was first introduced in the Uruguay Round — gives little flexibility to developing countries, which is also why it was insisted on especially by the EU.

The negotiations will also be conducted outside the General Council of the WTO (the main body of the organisation) and like during the Uruguay Round a separate "Trade Negotiations Committee" will be set up. Besides bypassing the General Council, this procedure will also make additional demands on the manpower and negotiating skills of the WTO missions of the developing countries.

All in all the Doha Development Agenda will pose a significant challenge to Indian negotiators, both to realise the opportunities where they will be available as well as to counter the threats in areas which are detrimental to Indian interests.

(Concluded)

THE HINDU

17 NOV 2001



# Deal at Doha, WTO moves on

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Doha, November 14

WTO MINISTERS approved the launch of a new round of talks aimed at lowering trade barriers and sparking a recovery in a faltering world economy here today.

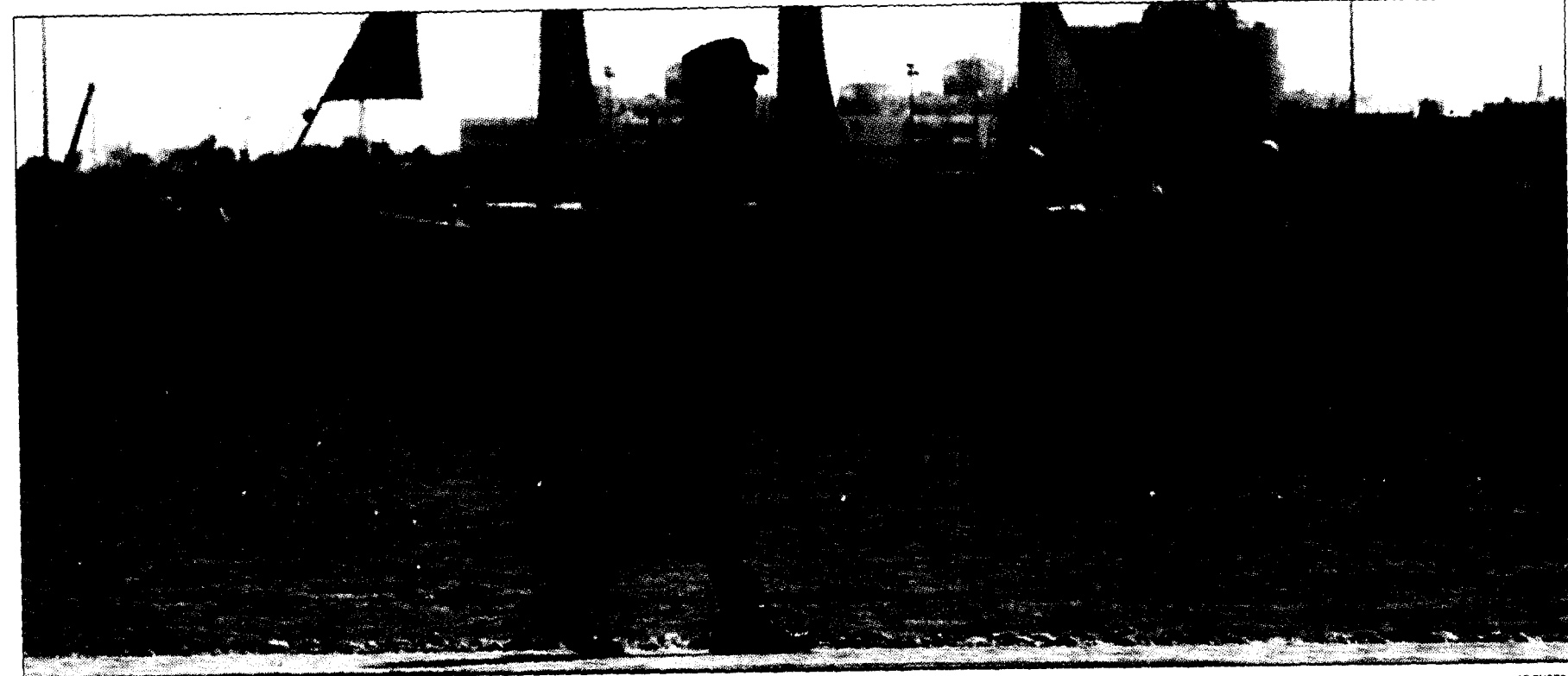
Ministers from the 142-member World Trade Organisation backed the new round at the end of a gruelling six days of bargaining here in the Qatari capital Doha. Relieved delegates broke into broad smiles and applauded heartily as Qatari Economy and Commerce Minister Youssef Kamal and chairman of the conference banged a gavel to signal that the new round had been approved by consensus.

"The past five days have seen a tremendous amount of commitment by all delegations," he said.

Takeo Hiranuma, Japan's Minister of Economy, Trade and Industry, linked the agreement here to the September 11 suicide attacks in the United States.

"With the growing uncertainty and instability in the global economy following the tragic events of September 11, I am extremely happy that we can send out a positive message to the world," he said.

The cycle of negotiations called for in the text endorsed here would be wrapped up by January 1, 2005 and would ease restrictions on the flow of goods and services across national borders. The WTO estimates that if all barriers to trade were removed, the world economy



A Qatari soldier passes by the Rainbow Warrior, the Greenpeace flag ship, near the main venue of the WTO meeting a few hours ahead of the final session as the WTO conference was extended into an extra sixth day in Doha on Wednesday. AP PHOTO

would be enriched by some 1.9 trillion dollars, the equivalent of adding two Chinas to the global financial network. Agreement here did not come easy, as delegations clung to entrenched national positions until the last minute. A major break came in

the early hours of Wednesday when negotiators managed to mollify fierce European Union objections to language in the text calling for the phasing out of agricultural export subsidies.

Until then the row between the EU on the one hand and the United States and an alliance of agricultural exporting countries known as the Cairns Group on the other, had threatened to wreck the conference, like the one in Seattle. Indeed, the debacle in Seattle loomed large here, with delegates determined to leave Doha with a deal in hand.

The stakes this time around were of course far higher than they were two years ago. The Doha conference was called as three of the world's most powerful economies, the United States, Germany and Japan, appear to be rushing headlong into recession after the attacks in the US.

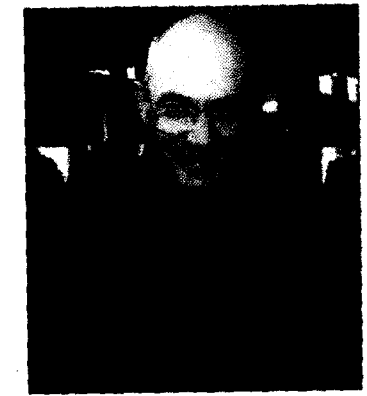
## Philippines, Thailand accept EU proposal

DOHA, November 14

PHILIPPINES AND Thailand agreed today to a mediation proposal by the European Union aimed at removing their opposition to a special trade accord for African, Caribbean and Pacific (ACP) countries. The EU made the offer through its trade commissioner, Pascal Lamy, who is attending a World Trade Organisation ministerial meeting to draft an agenda for new trade talks.

"We have offered them substantial guarantees to look at their problems in four weeks, with a deadline of April 30 2002," a European negotiator said.

"It's a process of consultation which will begin in four



PASCAL LAMY

weeks and afterwards they will explain what sort of measures they recommend to the EU Council of Ministers," Philippines Ambassador to the WTO

Edsel Custodio said.

The Philippines and Thailand had sought better treatment by the EU for their canned tuna exports in exchange for agreeing not to oppose the special trade pact between the EU and ACP countries.

The 77 ACP countries under terms of the Lome Convention can export tuna to the 15-nation European Union under a quota system and at a tariff level of zero.

Tuna exports from Thailand and the Philippines face duties of 24 percent on entering the EU, according to Karun Kittisataporn, Thailand's permanent secretary at the ministry of commerce.

AFP

### INDIA OKAYS MOVE TO NEXT ROUND



MURASOLI MARAN

COMMERCE AND Industry Minister Murasoli Maran has said that the WTO ministers agreed to launch a new round of multilateral trade and liberalisation talks at the Doha meet on Wednesday. Maran was speaking as world trade organisation ministers were gathering in a plenary session to give formal backing to a call for a three-year cycle of talks aimed at lowering trade barriers worldwide.

AFP

# WTO agrees to start new round

CHRISTINE BUCKLEY  
THE TIMES, LONDON

989 SA 15/11  
DOHA, Nov. 14. — WTO ministers meeting here agreed today to hold a new round of talks over trade liberalisation after last-minute objections from India and France were overcome. These objections related to market access and linking trade to environment and labour standards, key issues for developing countries.

The agreement means that detailed discussions will now start towards establishing a new rulebook to govern international trade. (Speaking to reporters later, the Union commerce minister, Mr Murasoli Maran, said: "We are happy because the interests and concerns of developing countries have been addressed. The fear of non-trade issues being brought into the work programme of WTO has now been put to rest.", adds PTI. India's concerns on Trips, trade and transfer of technology and WTO rules have also been addressed, he said.)

The US trade representative, Mr Robert Zoellick, said the deal would help to "deliver growth, development and prosperity throughout the world".

Delegates had been desperate to reach an agreement after the collapse of the last WTO meeting in Seattle two years ago. The talks were due to end at midnight on Tuesday but they continued today, seeking to persuade France to accept a commitment to look at phasing out agricultural subsidies.

India, too, had to be pressed to speed up plans so as to allow more textile imports into rich countries, particularly the USA and Canada. The USA, which had earlier made a concession on drug patents, said that it had given as much ground as it could without involving Congress.

The European Union succeeded in getting some of its key priorities into the agreement, including environmental issues, the extension of competition laws and making government procurement transparent.

THE STATESMAN

15 NOV 2001

## Agreement at Doha to soften TRIPS provisions

By C. Rammanohar Reddy

**DOHA, NOV. 13.** The first significant achievement of the World Trade Organisation's Doha ministerial conference came this morning when a compromise on the "Declaration on the TRIPS Agreement and Public Health" was reached, a breakthrough that one health activist said was "a ringing endorsement" of the power of developing countries to use compulsory licences to supply low-cost patented medicines for public health programmes.

The political declaration which will be formally adopted at the concluding session of the Doha meet is a political statement that does not re-write the agreement on Trade-related Intellectual Property Rights (TRIPS).

It does, however, assert that the controversial 1994 GATT agreement provides countries with sufficient flexibility to respond to public health needs by over-riding patents and issuing compulsory licences (CLs) to generic producers of inexpensive drugs.

The result of negotiations which saw many African countries (who first raised the issue), Brazil and India ranged against the U.S. and Switzerland was a compromise that did not please everybody, but was nevertheless seen as a political statement that shifted the bal-

ance away from the pharmaceutical companies and towards the developing countries.

The declaration states that while it recognises the importance of protection of intellectual property rights, countries can use the TRIPS agreement to issue CLs and also determine the grounds on which such licences can be granted. The statement gives the least developed countries time until 2016 (as against 2006 presently) to introduce legislation for product patents.

All countries are also free to decide what constitutes a national emergency in health, when, under the TRIPS agreement, countries can override patents. The TRIPS agreement neither mentions CLs explicitly nor does it outline what constitutes a "national emergency".

There was, however, some dissatisfaction that the declaration did not go far enough in giving small developing countries the power to issue CLs to manufacturers in third countries. This particular issue will now go to the WTO for a satisfactory solution by the end of 2002.

A U.S. trade official today said that the declaration was "a political and not legal text" and that "the statement does not add or subtract to TRIPS". Mr. Harvey Bale, an official of

a global pharmaceutical industry grouping, said the agreement represents "a fair balance that we can live with". Despite these brave words and the compromises that had to be made by the developing countries, it was clear that the declaration was a small but significant step in the direction of softening the impact of TRIPS on drug prices for the world's poor.

With WTO dispute settlement bodies reading legal meanings into even political statements, one observer said this was a declaration with legal implications that would protect developing countries in possible disputes brought against the poor countries by the global pharmaceutical industry.

Mr. James Love of the Washington-based Consumer Project on Technology, one of the organisations campaigning for a better TRIPS deal, said that the WTO statement was "stronger than anything passed at the World Health Organisation" on patents and access to medicines. And that while trade policy is usually dominated by exporter interests, "this is the first time that consumer interests have been recognised at the WTO".

Mr. Love also said that a political declaration was needed to address the global political difficulties that the developing countries face in interpreting TRIPS according to their needs.

THE HINDU

14 NOV 2001



# WTO talks headed for failure?

By C. Rammanohar Reddy

**DOHA, NOV. 13.** As the clock kept ticking away to a midnight deadline of the World Trade Organisation's conference, trade ministers from both the rich and poor countries were frozen in their positions, persuading an African negotiator to say this evening that the "gaps now seem too wide to be bridged" to reach an agreement on the agenda for a new round of trade talks. But officials did not rule out a last-minute agreement saying the situation could quickly change if even one contentious issue was resolved.

A revised declaration put out earlier in the day satisfied only U.S. and Japan, with the Union Commerce Minister, Mr. Murasoli Maran, expressing "strong disappointment" that it did not reflect India's concerns. The statement proposed a major negotiating agenda that included agriculture, the environment,

government procurement and industrial tariffs. The only softening was in foreign investment and competition policies, two of the "new issues" to which India was strongly opposed and where the revised proposal suggested only a continuation of a study process.

With ministers struggling to reach an agreement, it was almost certain that the conference would be extended by another day. The mood on a day which began with optimism had by the evening changed as there was the possibility of a repeat of the Seattle collapse in 1999. The U.S. was emerging as a mediator with Mr. Robert Zoellick, the U.S. Trade Representative, saying privately it had now fallen on him to broker a deal between the European Union and the developing countries.

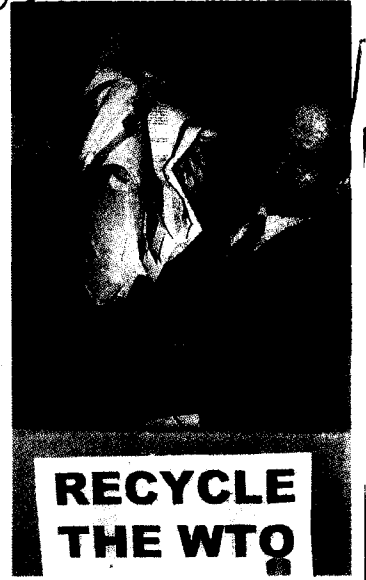
The three blocs that were maintaining their positions were the E.U., India and the multi-group formation comprising the Africa-

Caribbean-Pacific (ACP) economies, the least developed countries and the African countries. The third bloc continued to surprise most observers, holding firm on demanding concessions and refusing to agree to talks on any of the "new issues."

Referring to how the TRIPS agreement was negotiated at GATT, a senior diplomat from a least developed country said, "There was one sentence on patents in 1986 and in the end we got the TRIPS monster; we are not going to repeat that mistake."

The villain of Doha today was the E.U. which besides refusing to endorse the agenda for talks on farm trade was demanding that all the new issues should be on the negotiating agenda, so too environment and worse it wanted tough language on trade and labour standards, an old ghost that had returned to haunt the WTO.

Accord to soften TRIPS: Page 17



**Mr. David Batker of Seattle, Washington, a Greenpeace activist, throws WTO documents into a recycling bin in Doha on Tuesday. — AP**

# WTO relaxes rule on drug patents

Charlotte Denny  
Doha, November 13

DEVELOPING COUNTRIES won a breakthrough deal on relaxing drug patents at the World Trade Organisation's Doha meeting on Monday. Campaigners hope it will bring down the cost of remedies for treating diseases killing millions of poor people every year.

Under the agreement, countries can seek a waiver on public health grounds from strict WTO rules which guarantee drug patents for 20 years.

The deal has still to be endorsed by the full WTO membership, but an official spokesman said yesterday that he was confident it would get through.

The row over patents had pitted the developing world against rich countries, threatening to derail the meeting aimed at launching a new round of global free trade talks.

The US and Switzerland backed a weaker deal which would have allowed countries to buy cheap copies of patented drugs only when they faced a health emergency.

But campaigners said the US had undermined its own position by itself threatening to override the patent on Cipro, the main anti-anthrax remedy last month, even though only four



Head of the World Trade Organisation Mike Moore (right) congratulates Taiwanese Minister of Economic Affairs Lin Hain-I during the signing in ceremony of Taiwan's accession to the WTO in Doha on Monday.

people have died of the disease.

Welcoming yesterday's deal, Michael Bailey, senior policy adviser at Oxfam, said the charity would still be calling for total overhaul of the patent system. "We've made progress, and because the issue has had such a

high profile it will be harder for companies to bully countries which override patents in the interests of public health," he said.

A last minute attempt by European Union negotiators to delay resolution of the drugs

issue failed yesterday morning, leaving Brussels highly exposed at the talks, as French resistance to abolishing European farming subsidies is now seen as the key obstacle to a successful start of new round of negotiations.

The EU objects to the draft agenda that proposes "reductions of, with a view to phasing out, all forms of export subsidies".

Scrapping farm subsidies would tear the heart out of the common agricultural policy, and the EU's official line has been that while it is prepared to negotiate reductions, it cannot commit itself to abolishing them altogether.

Brussels is looking increasingly isolated over the issue.

Both Japan and Norway, which provide heavy domestic subsidies to their farmers, were prepared to back a phasing out of export subsidies, one EU diplomat said.

Despite the formal unity of all 15 members states on the issue, EU officials say most members would be ready to explore a formula that could lead to phasing out, if it did not commit the bloc to scrapping subsidies or adopting a timetable for action.

The only exceptions are the agricultural powerhouses France and Ireland, one EU diplomat said.

*The Guardian*

THE HINDUSTAN TIMES

# Compromise on Trips in Doha

PRESS TRUST OF INDIA

DOHA, Nov. 12. — Negotiators from over 144 WTO member countries reached a compromise deal at the ministerial conference today on Trade-related Intellectual Property Rights (Trips).

This was one of the contentious and difficult implementation issues pertaining to access to medicine and public health concerns in poor and developing countries.

The text, accepted by the ministerial working group after hard bargaining that lasted till the early hours today, said the WTO's Intellectual Property Rights accord, known as Trips, "shall not prevent members from taking measures to protect public health."

A broad consensus has been reached on four issues of agriculture, services, rules and public health concerns but intense negotiations were on Singapore issues and environment, brightening the prospects for launch of new round of negotiations at the ministerial conference ending

tomorrow.

A senior Indian commerce ministry official, summing up the outcome of the negotiations, told reporters that more or less a deal has been struck on the four issues and discussions on them were now "very positive." On trade-related intellectual property rights (Trips) a separate annexure is to be included to the draft Ministerial Declaration to address public health concerns. The issue of rules pertains to anti-dumping and subsidy issues.

"We are now very close to agreement on these issues," the official said. There was a very positive understanding on the relevant paragraphs in the draft text on these issues.

On the Singapore issues encompassing investment, competition, trade facilitation and transparency in government procurement, the official said intense negotiations were on in which India and other developing countries are determined to oppose inclusion of these new issues in the WTO agenda. India and other developing

countries maintain that let the ongoing study on these issues be completed before contemplating a negotiations.

The developed countries are now agreeable to this position but want developing countries to commit to start negotiations on them by the next ministerial conference two years away.

The contentious point is that India and developing countries say they could not commit to negotiations two years later without knowing what is the outcome of the study.

Trade and Environment too is being pushed hard by European Union. There again, India maintains that till the committee on Trade and environment completes its study and later examined, the developing countries could agree to any negotiations.

The official said "we cannot pre-judge the outcome of the study to agree to negotiations on these issues at the next ministerial." The area of difference has now narrowed to this aspect on which intense negotiations were on.

With a broad consensus on



The Chinese trade minister, Mr Shi Guangsheng (right), and Mr Mike Moore, WTO director-general, celebrate in Doha after China became member of the organisation. At centre is the Qatari trade minister, Mr Yusef Hussein Kamal. — AP/PTI

providing special and differential treatment on Agriculture for food security besides reduction in farm subsidy paving the way for starting negotiations. On services, which is also mandated negotiations like agriculture, the ministerial has agreed to build on "bottoms up" approach as demanded by the developed countries.

# The Doha road is long and winding

11-15  
13/11  
D. B. J.

By K.R. Sudhaman

DOHA: Trade ministers from over 140 countries on Tuesday were struggling to break the political logjam over the launch of the new round of talks with rich and poor nations failing to bridge the gap on various issues even as the U.S. said

it was safe to be "cautiously optimistic" at this stage. "We are half-way through. We see pieces falling in place even though there is a long way to go," a U.S. spokesman told reporters.

He, however, said new issues like investment and competition, which India and several other developing countries were opposing, continued to be "difficult".

The ministers have narrowed a few of their differences, despite two days of intensive talks expected to pave the way for compromises with most countries sticking to their stated positions. Commerce minister Murasoli Maran said though the talks have reached a "crucial stage", the house is divided between the rich and the poor. "There are a lot of gaps," he added. As the conference approaches the deadline, "persuasions will be more", Mr Maran, who met U.S.

trade representative Robert Zoellick, said. The U.S. spokesman said the bilateral meeting was cordial and "there was a clear understanding of our positions and no threats" were held out. As behind-the-scenes activity intensified, all eyes are towards India. Analysts



A security officer with worry beads in his hand watches proceedings at a conference hall during the WTO meeting in Doha.

say agreement would require the U.S. and EU to make sizeable concessions along with Japan which is also keen to launch the new round.

As pressure mounted from the developing countries, the

U.S. and EU have started broaching contentious issues like labour standards and environment. The issue of labour standards led to the collapse of the Seattle conference with the North and the South sharply divided on the issue.

Developing countries have been critical of the way in which informal consultations were being held and Uganda's trade minister Rugumayo said, "This was not a good start." India, Nicaragua, Bangladesh, Jamaica, Zimbabwe, Pakistan, Bolivia and Tanzania have also had problems following the process. (PTI)

INDIA MOVES INTO NEGOTIATING MODE WITH JUST A DAY TO GO

# Ministers give cocktails a miss and stick to bargains

Arun Goyal

DOHA 12 NOVEMBER

TRADE MINISTERS are burning oil and missing out on gala receptions thrown by the Qatar emir to welcome WTO ministerial participants. Public health issues, environment, investment and competition policy remain areas of contention. Major deals with compromises on both sides are being hammered out. India, too, has moved to the negotiating mode.

Commerce minister Murasoli Maran, normally effusive and vocal about the concerns of the country, was tightlipped in his evening press briefing with journalists assembled in the city on Sunday. The delegations expect progress by the end of the day when something on TRIPs and public health should be declared.

**TRIPs and Public Health:** This is an area in which there is some progress. Mexican trade minister Batista has asked eight countries to draft compromise language on the two options outlined under paragraph four. The countries are New Zealand, EU, Canada, the US, Zimbabwe, India, Brazil, and Kenya. While there is a fair amount of ambiguity on parallel imports and compulsory licensing, sources say that all the other open questions on this point will be addressed relatively easily once paragraph four was resolved.

Text should be released on Monday, when it will be forwarded to a larger group of some 20-odd countries for further discussion. After this process, the minister will report the outcome of his consultations to the Committee of the Whole (CoW) consisting of heads of delegations.

Some developing countries now think that the best option will be to go back to a previous "sovereign rights" paragraph submitted by developing countries in September that say they would prefer that the final text include either this or nothing.

According to one informed source, developing countries are coming on "very strong and very unified" in opposition to Option 2 in paragraph 4 of the draft declaration which calls for limitations and conditions under which devi-



WELCOME IN: (From left) WTO chief Mike Moore, Qatar's finance, economy & trade minister Sheikh Yusef Hussein Kamal and Chinese foreign trade & economic cooperation minister Shi Guangsheng at the signing ceremony of China's entry into the WTO in Doha on Monday. — AFP

ations from the TRIPs is allowed on grounds of public health.

**Singapore Issues:** Many developing countries led by India, and LDCs in particular, continue to resist text committing members to negotiations on investment, competition policy, government procurement and trade facilitation. This also applies to the opt-in/opt-out approach proposed in the current draft Declaration. India is relatively muted in criticism after the remarks of the Indian commerce minister on Nov 10 drew the ire of the other members who are not speaking openly on the subject and tightlipped on the reactions.

**Agriculture:** In agriculture, the "development box" which excludes food security and rural development from the purview of subsidy reduction commitments is a possible outcome of the negotiations. Its exact contents are likely to be a subject of intense and even acrimonious negotiations. Only the US is reportedly entirely opposed to it. The Cairns Group members, who are the main votaries of agriculture trade liberalisation, are wary and see the box as an escape route for subsidy commitments. They want specific criteria, such as food security and perhaps some clearly defined social objectives.

Textiles is emerging as the

point for eye ball to eye ball confrontation between the developed and textile exporting developing countries. India is standing firm on its demand for a better deal under which the benefits of WTO should be brought forward.

**Environment:** The stridency in the EU tone on environment appears to be going up on clarifying WTO rules' on environmental issues linked to market access and labelling. EU officials say, this an "extremely important, if not the most important" issue of the Doha meet. The aim is to achieve a clear common understanding on issues rather than change in the rules themselves.

Environment may well become a pawn in the larger calculations and trade offs in the negotiations.

**Other issues:** Other issues raised in the ministerial were labour standards (EU); external transparency (by Canada, the US and the EU); procedures for sequencing steps prior to trade retaliation procedures under the DSU (by Japan); trade, debt and finance (by Pakistan, Malawi, Malaysia and others), industrial tariff negotiations (by Mauritius and other African countries, who requested that feasibility studies and analyses be undertaken before new negotiations in this area).

■ (Academy of Business Studies)

The Economic Times

13 NOV 2001

# Tussle over flexibility of TRIPS at Doha

HO-15  
18/11

By C. Rammanohar Reddy

**DOHA, NOV. 12.** As negotiators at the ministerial conference of the World Trade Organisation struggle to reach an agreement on a future work programme, one area where there has been a considerable amount of movement back and forth is on a political declaration that is expected to demonstrate how much flexibility the developing countries can read into the provisions of the 1994 GATT agreement on drug patents. On Tuesday evening, negotiators said they were close to an agreement on a final package.

The controversial agreement on trade-related aspects of intellectual rights (TRIPS) will not be re-written, countries will still have to provide strict patent protection and Indian companies after 2005 will not be able to freely produce patented drugs. But an alliance between developing country Governments and international groups working on public health has forced the developed countries to consider a declaration that asserts that notwithstanding the TRIPS agreement, Governments have the right to override patents and licence production from generic drug companies. Over the past few days negotiators have been trying to finalise the declaration. The statement would enable the world's poorest countries to access inexpensive medicines which are under patent from Indian firms, while others such as Brazil would have the freedom to use compulsory licences to pro-

duce patented drugs at low cost for their health programmes. "We are not talking about disregarding IPRs, but of using suitable instruments to check the abuse of patent monopoly in a crucial area like health," said Mr. Jose Serra, Brazil's articulate Health Minister, who is here to argue his country's case.

With the global public mood turning against pharmaceutical firms for the high prices they charge for patented drugs, the U.S., Switzerland, Germany and the U.K. — home to the world's biggest drug companies — are willing to consider a ministerial statement that asserts the freedom of Governments to issue compulsory licences. But the sticking point is proving to be the conditions under which Governments can override patents. Anxious to see that the tide does not turn too much against intellectual property rights, the developed countries would like this flexibility to be limited to public health crises such as the HIV/AIDS pandemic, while Brazil, India, the sub-Saharan Africa countries and the NGOs have been demanding that the demands of any health situation, not necessarily an emergency, should permit the overriding of patents by production of generic variants. At the heart of the debate is innocuously sounding text that states: "Nothing in the TRIPS agreement shall prevent members from taking measures to protect public health". Many see this as a test of the developed countries' commit-

ment to demonstrating the true extent of flexibility in TRIPS. "The draft has already watered down the language demanded by the developing countries, if it is going to be weakened further by giving paramount importance to the rights of patent holders it would be a mockery of the professed sensitivity of the developed countries to the health concerns of the poor countries," said Ms. Ellen t' Hoen of Medicins Sans Frontieres, the Nobel Prize winning organisation that has been one of the NGOs campaigning on this issue.

But the content of the preamble of the political declaration is not the only issue involved. For Mr. James Love of the Washington-based CPT, another group active in the area, it is as important for the TRIPS declaration to enable poor countries with small markets or low technological capability to be able to buy drugs that are under patent from low-cost producers in third countries like India. Without such an explicit provision it will not be possible for many of the world's poorest countries, with small markets or low technological capability, to take advantage of any stated flexibility in the TRIPS agreement.

The U.S., on its part, has proposed a 10-year extension, up to 2006, of the transition period for the least developed countries to introduce product patents. It has also suggested a moratorium on disputes involving the LDCs and possible violation of the TRIPS agreement.

THE HINDU

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**Signs of agreement  
 in fluid situation**

By C. Rammanohar Reddy

**DOHA, NOV. 12.** On a day when the state of negotiations changed by the hour, delegates to the fourth Ministerial Conference of the World Trade Organisation appeared close to reaching an agreement on the launch of what was already being christened the "Doha Development Round" of trade liberalisation talks, though negotiators cautioned that while there was progress in some areas, others, environment in particular, were still deadlocked. Mr. Murasoli Maran, Union Commerce Minister, said this evening at a press briefing that while some officials claimed that the end of the game was in sight, he did not see any light at the end of the tunnel.

Trade officials said that in a fluid situation, with each contentious issue connected to the other, the lack of agreement in one could cause an overall collapse.

Mr. Maran said India's position on all issues and, especially on the "new issues" of foreign investment and competition policies remained unchanged.

On textiles, where India stands opposed to the U.S., he said India's final position would be guided by that of the Like-Minded Group (LMG) of developing countries. Ministers now have just 24 hours to sew up the entire package and a new, revised draft declaration is expected to be presented tomorrow to the Ministers.

While progress was made today in resolving differences in two contentious areas, the agenda for renegotiating the agreement on anti-dumping duties and the political declaration on drug patents and public health, there were at least three other sets of issues — agriculture, environment and the implementation issues of developing countries — where there was little progress.

On a day when rumours and misinformation were rife in the corridors of the convention centre — including false allegations by a couple of countries in Africa that India had deserted the developing country cause — a breakthrough came when the U.S. signalled that it was willing to put anti-dumping duties on the agenda. This removed a major contentious area since this had been a case of the U.S. versus the rest of the world. Officials said it was

now a question of the E.U. obtaining some compromise by which its major concerns on food safety, the precautionary principle and other issues falling under the rubric of environment issues would be included in the WTO's future work programme, and if that was done there was little likelihood of the developing countries being able to stop the launch of a new WTO round of talks.

However, a big question mark still is if France would finally agree to negotiations to liberalise trade in farm products.

The developing countries could claim some progress in their demands when the ministerial declaration that is expected to assert that the TRIPS agreement had flexibility on drug patents was considerably advanced in its finalisation.

The most important subject in the developing countries' implementation issues was, however, still unresolved since the U.S., with its hands tied by the Congress, was insisting that it could not agree to one particular set of concessions on textile imports. This is of considerable importance to India with one estimate suggesting that it involved a potential annual gain of \$100 million to exports.

Negotiators said that if the E.U. obtained acceptable language on the environment, it would be willing to back down on its insistence for talks on new agreements on foreign investment and competition policies — since the environment issue was more important to the E.U.

The watering down of the proposals on at least two of the four "new or Singapore issues" would meet India's interests to a considerable extent. The other two Singapore issues are transparency in Government procurement and trade facilitation. Much of all this was uncertain since a final agreement would have to be based on a single package.

One development, however, is that the unity between India and Pakistan at the WTO that had been built over the past few years had been breaking up. Though Indian officials denied that this was the case, independent sources said that Pakistan had been indicating that it is willing to accept the WTO talks on the Singapore issues, a position that is the opposite of India's.

# 'Pay attention to developing nations'

PRESS TRUST OF INDIA

## WTO NEGOTIATIONS

LONDON, Nov. 11. — Commonwealth Secretary General Don McKinnon has called for greater attention to the needs and concerns of developing countries in trade negotiations, as ministers gathered in Doha for the World Trade Organisation meeting this weekend.

"There must be a determination to conduct trade negotiations with a spirit of fairness and integrity," said Mr McKinnon in a statement here last night. "Increased trade liberalisation will only work if it works for the benefit of all countries. We need to recognise that true globalisation means fair globalisation." He said the experience of developing countries since the conclusion of the Uruguay Round of trade talks has made them sceptical about the process of global trade liberalisation.

In particular there are five issues of great concern among Commonwealth developing

countries, he said.

Industrialised countries have failed to live up to the spirit of previous agreements, notably on textiles and clothing. These countries need to recognise that the "development dimension" will have to be addressed in any new round of negotiations.

Agricultural protection, particularly in major OECD marks, impacts negatively on the economies of many developing countries. Industrialised countries continue to maintain high levels of domestic and export subsidies on products that could offer great opportunities for developing countries.

The third concern to be take note of is that in many economic sectors of major importance to developing countries, tariffs continue to affect their ability to trade.

"Anxieties of developing countries regarding application of the TRIPS agreement

are well founded. Greater clarity is required to allow some flexibility in the application of the TRIPS agreement in order to address public health crises," Mr McKinnon said.

He said new issues, including investment, competition policy, environment and labour standards, raised fundamental questions about the breadth of mandate of the WTO.

"Developing countries are concerned and including these issues on the agenda might divert attention from issues of major importance to them. One thing that could be done to help developing countries is to fund research to determine the real interests of developing countries in any negotiations on new issues." The Commonwealth Secretariat, according to Mr McKinnon, is working to build the capacity of developing countries.

A Commonwealth trade adviser operates from Geneva to provide on-the-spot advice to trade diplomats from Commonwealth countries.

THE STATESMAN

12 NOV 2001



# Lone-ranger Delhi lines up WTO face-saver ✓

FROM JAYANTA ROY CHOWDHURY

New Delhi, Nov. 11: Is the Indian side at the global trade talks winning or losing? A difficult question to answer, even for those who are in the thick of things at Doha.

Top policy-makers watching the ebb and flow of diplomacy in the Arab city feel the western powers will succeed in their efforts to get most nations to agree to a new round now, or at the worst, in the next round. And India will continue with its stand — a lone nation against a juggernaut.

If Tanzania had not dropped a bombshell by standing up against the US-European Union trade crusade, by now it would have been a cakewalk for the West. India and Egypt, the sole proponents of a permanent hardline stance, would have then been out on a limb.

Pakistan, India's long-time supporter on the WTO agenda, was probably bought out when the European Union (EU) offered it a no-strings-attached duty-free export of textiles and a 15 per cent hike in its quota.

However, in a bid to avoid a red face before other developing nations, who feel, even if they do not always express, angst over the way western powers are arm-twisting them to support their agenda, the Pakistanis will pay lip sympathy



Delegates offer namaz at the WTO conference centre. (AFP)

to the hardline view for some time.

Malaysia, the other player on whom the Indians are banking, is willing to offer support though limited. Like India and Egypt, Malaysia will not mind a new round of trade talks but is against bringing in investment, environment and other issues into it.

Delhi knows in the end it will have to bend and officials have already put together face-saving formulae which they hope will let the BJP government off the hook.

Before accepting a new round with its fresh thinking on investment, competition and trade in

farm produce, India will for one insist on creating a food safety net, which will allow it to raise tariff on farm produce if its foodgrain output falls below the minimum requirements of food security.

Similarly, before agreeing to any talks on services, India will insist on further lifting of restrictions on the movement of professionals. The Indian side will also try to delay actual talks on investment and competition policies.

Delhi will, however, insist that the issues from the previous rounds like freeing textile trade from quotas and multiple layers of duties imposed by the West and a consensus policy on anti-dumping duties be also settled promptly. India may even insist on shortening the timetable for opening up the textile trade.

Tacitly, India is providing limited support to the US line on farm-sector trade negotiations by favouring a scale-down of agriculture subsidies.

## Taiwan enters WTO

The WTO today approved Taiwan's entry, a day after welcoming China into the global trade club.

Beijing has insisted Taiwan could enter only after China since it considers the island part of its territory. Taiwan's accession will increase trade ties with rival China.

THE TELEGRAPH

12 NOV 2001

# China, Taiwan enter WTO

By C. Rammanohar Reddy

DOHA, NOV. 11. China today took the penultimate step in its 15-year "Long March" to join the WTO when it signed its accession agreement with the trade body, while Taiwan too completed its 12-year accession programme when its application was approved at the Doha Ministerial conference.

China, the world's fourth largest exporter, and Taiwan, the 14th in the league, have all but become the 143rd and 144th members of the WTO. The elaborate procedures mean that both countries formally join the WTO only after they communicate that their Governments have ratified the protocols of accession. Under an informal agreement struck by China with the WTO in 1992, Taiwan would not be admitted to the trade body before its own accession was complete. That deal has been maintained to the finest detail; Taiwan's accession was approved by the WTO, a day after China's yesterday. The only large economy still outside the WTO is Russia, whose application is being negotiated under considerable controversy.

It is universally agreed that China's entry into the WTO will transform the organisation by changing the balance of power among the traditional big players in the organisation. "But it would be wrong to assume that China will act as a developing country," said a senior trade official, "Its position at the WTO will be based on its own interests; sometimes allying with the rich countries and at others with the poor nations."

The most unusual aspect of the Chinese accession programme is that in spite of its political and economic power, it has had to agree to some conditions which go far beyond what India and other developing countries at the WTO have signed up for. China would be bound to all the clauses of the controversial agreement on trade-related aspects of intellectual property rights (TRIPS) from the very first day of accession, though the developing countries who are already WTO members have up to 2005 to implement some of the provisions.

China has agreed to limit agricultural subsidies to 8.5 per cent of the value of agricultural production while developing

12/11



**HARBINGER OF BETTER TIMES?: A homeless woman sits on a bench next to Ronald McDonald on a street in the southern Chinese city of Guangzhou on Sunday. — AFP**

countries are entitled to a ceiling of 10 per cent. China has agreed to provisions which will enable its trading partners to slap anti-dumping duties that cannot be contested fully at the WTO for as long as 15 years. All these terms were negotiated mainly by the U.S. and E.U. as the price for accepting China's accession.

Two reasons are offered for why China has agreed to these and many more onerous conditions of WTO membership. The first is that the benefits of the "Most Favoured Nation" status that come with WTO membership would avoid the annual ignominy and uncertainty that used to accompany the annual examination by the U.S. Congress of China's human rights record and other non-trade issues whenever the bilateral MFN relationship came up for approval. The second argument is that China took a conscious political decision to

pay the economic costs of WTO membership to get round the domestic obstacles to further globalisation.

Some preliminary estimates suggest that with WTO membership China's share of world trade will jump from 4 per cent today to as much as 6.75 per cent in 2005. The biggest export gains are expected to be in textiles, especially in apparel. With China now being covered by the WTO's Agreement on Textiles and Clothing, a study done at the World Bank projected that its exports of apparel would rise by as much as 375 per cent over the next 10 years. This is expected to come at the cost of a decline in India's share of the world market in textiles. China has also committed itself to reducing its average import duties in agriculture to 15 per cent and on industrial products to as little as 9 per cent in most cases before 2004.

## U.S. isolated at WTO, says Japan

DOHA, NOV. 11. Japan today said Washington's insistence on imposing punitive "anti-dumping" duties on certain imports has left the U.S. isolated at the WTO ministerial meeting here.

"I am somewhat encouraged by the fact that most of the delegations, with one exception (the United States), talked about the importance of starting negotiations on anti-dumping mea-

sures," a senior Japanese official said. World Trade Organisation Ministers are in the third day of a five-day conference here aimed at forging an agenda for a new cycle of trade liberalisation talks — where Japan wants the anti-dumping issue to be prominent.

But the U.S. refused yesterday to lay down its anti-dumping weapon in the interests of expanding global trade.

Repeated U.S. anti-dumping reprisals against imports it seems to be excessively cheap or harmful to its industry have unleashed a furious reaction overseas, particularly Japanese steel makers.

But the U.S. public is deeply sceptical about the value of trade liberalisation and the U.S. Trade Representative, Mr. Robert Zoel-

lick, has said he risks losing its support if the WTO restricted the use of anti-dumping measures and countervailing duties for subsidised imports seen to harm U.S. companies.

The Japanese official noted that the U.S. itself had suffered from anti-dumping actions imposed by its trading partners. — AFP

# CAN WE PLAY THE DOHA GAME?

HR 14  
9/2/01

*New Delhi has to have a better strategy than just saying no at the WTO ministerial conference*

**Pramit Pal Chaudhuri**  
New Delhi

**I**N THE long term, free trade is good for everyone. But in the short term, any import or export treads on some vested interest's corns. Which is why it takes plenty political vision, skill and downright luck to get a trade treaty signed.

And when it comes to arousing vested interests, nothing is as hairy as trading negotiations under the WTO's banner.

Work it out. There are 142 members. There are pro and con trade lobbies in each country for several thousand trade items. Throw in a thousand squalling NGO types. Add up the number of vested interests and boggle.

At this point you can see why WTO powwows are like giraffes: ungainly creatures seemingly made of leftover bits and pieces. The only thing ungainlier: the stance India takes at these meets.

India has been bringing down the house that it doesn't want a new round of WTO talks. But since last month even Minister for Commerce Murasoli Maran has quietly let it out that this position is dead on arrival.

The game now is fixing the agenda of the new round. India is against adding competition and investment to the agenda. Maran also goes on about the failure of rich nations to implement promises made at the last set of talks, the Uruguay round.

India's position at Doha is made of equal parts of sweet reason, nonsense and caveman negotiating tactics. This is not as bad as it sounds. Most third world countries are worse. As for the rich nations, they do better research but are not short of hypocrisy - Washington on textiles, Brussels and Tokyo on farm trade.

Remember: ignore the moral lectures by Robert Zoellick, Pascal Lamy or Maran. In trade there are no saints, only sinners. India included.

**IMPLEMENTATION BLUES**

Consider implementation, an issue Maran gets hysterical about. India is not incorrect in grumbling that rich nations have put up many new and nasty trade barriers against imports following the Uruguay round. Even the World Bank agrees.

But India is no Snow White. One, India has been as good as anyone else in finding nifty ways to block imports. It is a world leader in anti-dumping abuse.

Two, India hasn't fulfilled some of its own commitments under

the last round. Even Indian economists admit the West has been better at following the letter of WTO law than India.

Finally, there's tactics. India first raised implementation as a diversionary tactic at the WTO Singapore ministerial in 1999. Fair dinkum.

But then, in brahminical fashion, it elaborated and worshipped the original proposal until it became a monstrosity. It produced some 40 implementation complaints. And insisted they had to be acted on first, before any other WTO business.

Look closely and realize these demands are impossible. They would require changes in the WTO treaty followed by changes in the domestic law of scores of countries. To fulfil India's preconditions for a new trade round the WTO would have to hold yet another round. Says Jairam Ramesh, the Congress's trade expert, "Maran is guilty of misleading the country on implementation."

Once they saw the fine print, trade diplomats from other countries understood India's implementation proposals were over the moon. So they discounted them as posturing. Some of the proposals are gilt-edged, but Maran ensured they were lost in the dross. Anwar ul Hoda, ex-deputy director of the WTO, calls India's stance "patently absurd."

**CONFUSION GALORE**

That's the sort of confusion one gets on India's stance on implementation. It gets worse when you turn to other issues.

Look at farm trade. Skip the fact the agriculture ministry and the finance ministry were draggers drawn over export subsidies. Anything agro is deep in the manure of India's rural politics. New Delhi always makes the least sense in this field. What use is winning access to Western markets for grain when the Punjab farm lobby has priced Indian wheat out of the global market?

The India's paper on agriculture has chapter and verse on food security. Problem: the WTO is a million miles from ever impinging on food security. The phrase is there for effect: bureaucrats say that if they don't use "food security" a dozen times they get thumped at home.

Then there's this North-South stuff. Any official who's gone through the trading grind knows this is all nonsense. The third world betrays its own kind first. In the run-up to the Singapore ministerial, for example, Malaysia was the loudest supporter of

India in opposing investment policy. At the conference, Malaysia pulled out its own version of an investment pact and offered it to the West in return for concessions on computer hardware.

At a recent FICCI Doha brainstorming session, an ex-commerce secretary recalled arriving at a negotiations session and having the Brazilians and Egyptians sidling up to him and saying, "You know that united position we took earlier? Sorry, but we're pulling it out."

Commerce officials are cynical. "The developing countries? Well, you never know with them," one said before Doha.

India's basic position was no new round and no new issues, and yes for implementation. Having formulated this sometime in 1998, New Delhi then got stuck in a rut. It didn't budge on this policy between then and last month when the WTO produced the Harbinson draft. At this point even Maran figured India couldn't stop a new round.

It is not as if India's ranting did not earn it leverage. Implementation became a fixture at the WTO. WTO chief Mike Moore admitted, "India has been a leader in [implementation] negotiations." But New Delhi shows no signs of using that leverage more constructively, like getting tariffs on leather goods chopped.

A similar fate may await investment and competition. The US is lukewarm. That, merged with third world naysaying, could cancel out Japanese and EU enthusiasm for the two issues.

India will also want implementation sops as well. Lower tariffs on leather, reworked anti-dumping rules and some intellectual property breaks. It depends on how well Maran can translate temperament into tangibles.

India does not really have that much to lose. Investment may sound scary but the truth is India already grants such rights to the West. Also opening up textiles too fast will benefit China more than India. It goes on.

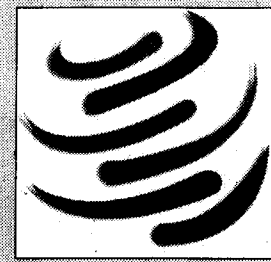
A Doha success would be a boost for India. It could arrest the present global recession. It would stop the rising power of regional trade pacts. India, a member of no major pact, is a big loser in this game.

Doha could fail. This would not be good. As Moore warned WTO members in July, "A fundamental decision will be taken at Doha, which will have long term implications for the future of this institution and the way we do business."

Ironically, the biggest battles

11/4

## WHAT THE WTO IS ABOUT



### Critics and WTO in Seattle

Critics say during the Seattle round too, the WTO often helped MNCs at the expense of the environment, workers and human rights

#### ISSUE



#### PROTESTER'S COMPLAINT

Unions say dumping cheap, imported steel cuts US jobs

Environmentalists say WTO contributes to deaths of endangered sea turtles by ignoring environmental impact of its decisions

Labour groups say the push for free trade encourages poor countries to lure US firms overseas for cheap labour

Farmers say heavy food-importing countries risk losing domestic food supply

Activists say WTO membership is no guarantee China will stop human rights abuses

#### WTO ACTION

WTO may try to eliminate US anti-dumping laws

WTO ruled in favour of Asian countries challenging US law requiring turtle-excluding devices on shrimp boats selling shrimp to US

WTO doesn't set international labour standards

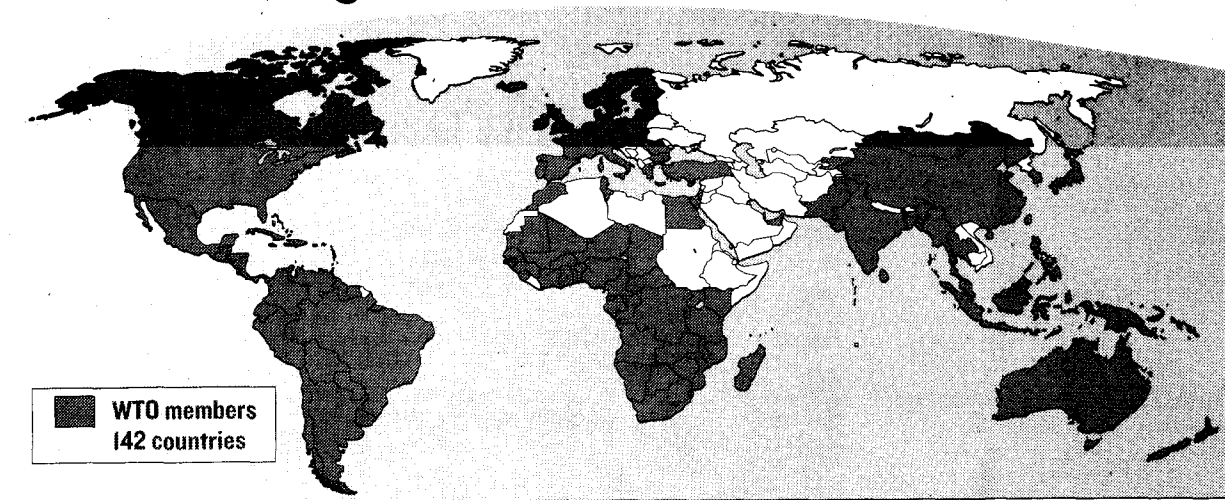
WTO's goal of reducing tariffs on imported food could threaten farmers' jobs

US says China's economy will improve, bringing it in line with Western human rights standards

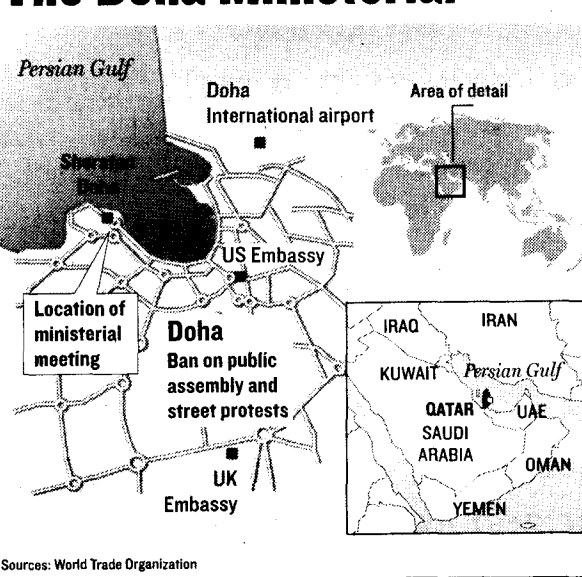
Sources: AP, Reuters

### World Trade Organisation

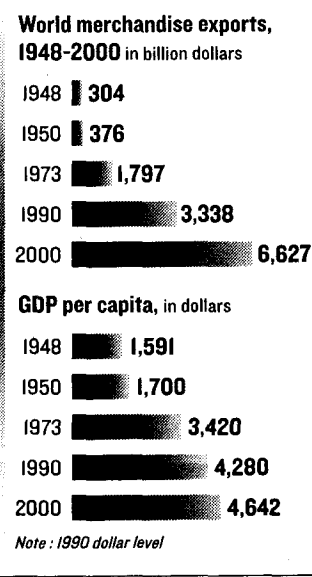
The WTO, whose members account for more than 90 per cent of international trade, was established to help trade flow smoothly, freely, fairly and predictably



### The Doha Ministerial



### Impact on trade



### The Big 10

Leading exporters/importers in world merchandise trade, 1997

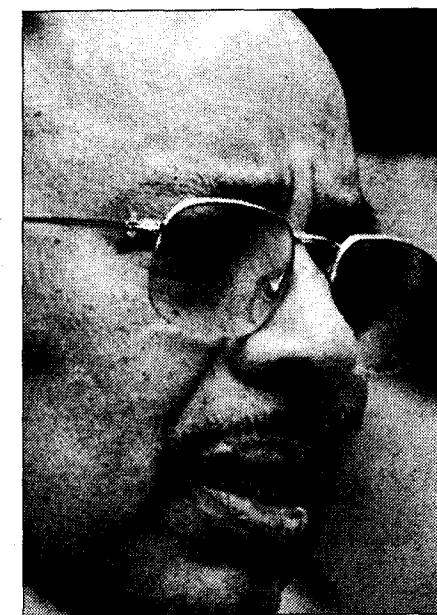
	VALUE \$ billion	VALUE in %
US	688.7	12.6
Germany	511.7	9.4
Japan	421.0	7.7
France	289.5	5.3
UK	281.6	5.2
Italy	238.2	4.4
Canada	214.4	3.9
Netherlands	193.8	3.5
Hong Kong	188.2	3.4
China	182.7	3.3

### FAST FACTS

- The World Trade Organisation came into being in 1995, in Marrakesh, as a successor to the General Agreement on Tariffs and Trade (GATT) established after the Second World War. The secretariat is based in Geneva.
- Overriding objective: Help trade flow smoothly, freely, fairly and predictably.
- WTO has 142 members, accounting for over 90 per cent of world trade. Twenty eight countries are negotiating membership. China, Taiwan and Vanatu are joining at Doha.
- The WTO secretariat is headed by director-general Mike Moore, a former prime minister of New Zealand, and the General Council chairman is Stuart Harbinson, who prepared the draft for the Doha meet; therefore, the Harbinson Draft.
- All WTO decisions are taken by the entire membership, typically by consensus. Though a majority vote can be taken, it hasn't happened since WTO replaced GATT.
- The top decision-making level is the Ministerial Conference, like the one happening in Doha. This meeting happens once every two years. The first was in Singapore in 1996, the second in Geneva in 1998, the third in Seattle in 1999 (which broke up without achieving much because of protests) and the fourth is in Doha.
- WTO organisation: Below the Ministerial Conference is the General Council comprising ambassadors and heads of delegation. Based in Geneva. This council also doubles up as the Trade Policy Review body and the Dispute Settlement Body.
- At the next level are the Goods Council, the Services Council and the Intellectual Property Council. They report to the General Council.
- The WTO rules - actually agreements - are the results of the negotiations that are usually called the Uruguay Round, which lasted from 1986 to 1994 and majorly overhauled the original GATT.
- While the GATT, the updated version, remains the principal rule-book for trade in goods, the Uruguay Round made the new rules for dealing with trade in services, intellectual property and dispute settlement and trade policy reviews.
- At the heart of the system - known as the multilateral trading system - are the WTO's agreements, negotiated and signed by the members.
- The complete set of rules runs into 30,000 pages and consists of 30 agreements and commitments (technically called schedules).
- The agreement, for instance, on services trade, is called General Agreement on Trade in Services (GATS).
- Periodic review of the trade policies of the member countries is mandatory; so far over 45 members reviewed.
- About three-fourths of the members are developing or least developing countries.

GRAPHICS: ASHUTOSH SAPRU and VINEY

## Read my lips: No New Round



*That's been Commerce minister Murasoli Maran's single most important message, as stated in statements and interviews*

**Basically, no New Round.**

"Why should we overload WTO agenda? Is this some world government or a trade body?"

"Talking about a 'round' before deciding on the agenda is akin to putting the cart before the horse. Clearly the primary issue is not really as to whether there will be a round or not, but the issue really relates to what is the agenda which is acceptable to all the members."

**Resolve the implementation issues**

"Unless the development deficit in the current WTO rules is made good through meaningful decisions on implementation issues, it would be difficult to convince people that WTO is a just and equitable system."

"We want implementation issues addressed. We want further progress on

the built-in agenda of the Uruguay Round, especially in trade in services and agriculture. We will not accept any discussion of non-trade issues like labour standards."

"India is willing to engage constructively, if a viable fast track mechanism is evolved for the time bound resolution of the balance of the implementation issues."

**About India getting isolated**

"India is not isolated, but if it comes to that, we are not afraid of isolation. We will defend out national interest."

**On differences in the government.**

"Some people want to please the United States. Why should we? The US and the EU are allies, but they have serious difference on trade policy. I accept we should have friendly relations with the US, but not at the cost of our national interest."

# China walks into WTO

**Doha, Nov. 10 (Reuters):** China completed a 15-year quest on Saturday to join the World Trade Organisation (WTO), bringing a market of 1.3 billion people into the global trading system and changing the way Beijing does business with the world.

Ministers of the 142-strong world trade body stood and applauded after approving by acclamation the proposal to admit China, the world's most populous nation and until now a huge missing link in the WTO's membership.

"After 15 years of difficult negotiations, we finally came to this historic moment," China's foreign trade minister Shi Guangsheng said in a speech to fellow ministers meeting in Qatar for their biennial conference.

Other countries hailed what they called a momentous step. "I believe that as this century unfolds and people look back on this day, they will conclude that in admitting China to the WTO we took

a decisive step in shaping a global economic and commercial system," US trade representative Robert Zoellick said.

French finance minister Laurent Fabius added: "We are talking about the WTO. Yet the 'W' without China is not the World. Now it will be."

WTO membership will open more markets for China's rapidly expanding economy but will also expose its inefficient, overmanned industries to merciless foreign competition as tariffs are lowered and trade barriers gradually torn down.

Tens of millions of people could be thrown out of work, risking social upheaval.

But Shi said joining the WTO was a strategic decision by the Chinese leadership aimed at refuelling the engine for market reforms launched more than 20 years ago when it started to open its hermit economy to the rest of the world.



119-16  
9/10/11

# Protests against WTO meet

**TOKYO, NOV. 9.** Hundreds of Thai farmers burned chillies in a protest against the World Trade Organisation today, but other anti-globalisation protests were small in Asia and mixed with an anti-war message ahead of WTO talks in Qatar.

The sombre atmosphere created by the war in Afghanistan and September's attacks on the United States has helped prevent a repeat of the violence that hampered the 1999 WTO ministerial meeting in Seattle and other recent international gatherings.

It has also helped keep the number of protests in Asia small as delegates from 142 countries gathered on Friday in the oil-rich Gulf state for the five-day meeting, where big powers hope to launch a new round of global trade talks.

About 500 protesters, including 400 from leftist South Korean trade unions and 100 unionists from 16 countries, marched in Seoul today, scuffling briefly with riot police in an otherwise peaceful protest.

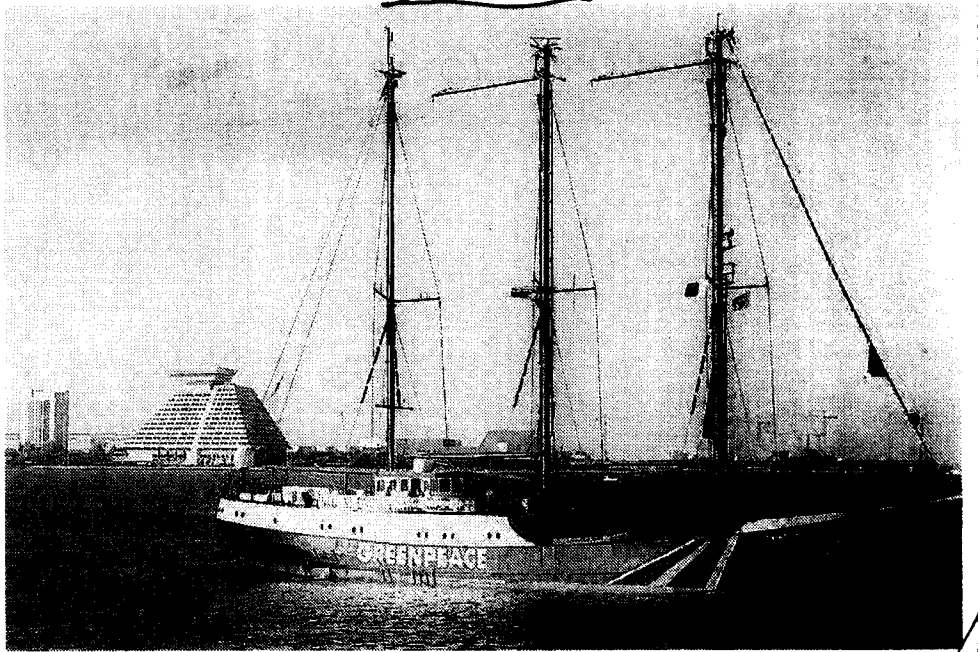
"We oppose the fourth WTO ministerial meeting, which is trying to start a new round to uphold only the interests of the United States and countries of the centre," said a statement issued at the march.

"Trade liberalisation and opening aggravates the gap between rich and poor worldwide and destroys the economic base of every country," it said.

In Thailand, about 1,000 protesters, mostly farmers, held a peaceful march from Bangkok's World Trade Centre shopping mall to the U.S. embassy to condemn Washington and its leading role in the WTO.

The protest was highlighted by a traditional Thai "cursing ceremony" directed at the U.S. Government where protesters burned chillies in a frying pan, filling the air with eye-stinging smoke.

Rain marred a protest in Tokyo's Shinjuku entertainment district where about 200 peo-



**The Rainbow Warrior, flagship of environmental group Greenpeace is moored off Doha on Thursday. Greenpeace International urged the trade ministers that the WTO should shelve talks on a new round of trade liberalisation until the U.S. ratifies the U.N. 1997 Kyoto accord on climate change. — AFP**

ple handed out pamphlets reading "no to globalisation that expands the gap between rich and poor" another said: "Stop expansion of gaps between rich and poor, oppression of human rights, child labour, terrorism".

Mr. Bamrung Kayotha, adviser to the Assembly of the Poor — one of 13 protesting non-governmental organisations — said the U.S. should remove agriculture from the WTO's trade rules in order to promote "food sovereignty" for the world's population. "Stop being selfish and threatening to the world's farmers," he said.

The demonstrators also accused U.S. scientists of trying to genetically modify Thai-

land's premium Jasmine rice to grow it in the U.S., and said Washington supported trade rules on pharmaceuticals that make life-saving drugs prohibitively expensive to be used by people in the developing world.

Negotiators at the WTO ministerial conference, held under a blanket of tight security in Doha, the Qatari capital, hope to agree on a new round of global free trade talks to begin early next year, something they failed to do in Seattle in 1999. Tomorrow, Hong Kong's confederation of trade unions plans to march to China's Foreign Ministry building when WTO ministers are due to approve China's entry into the WTO. — Reuters, AP

1 0 NOV 2001

## 'Saudi will not compromise faith to join WTO'

RIYADH: Saudi Arabia will not compromise its special position as the birthplace of Islam to gain entry to the World Trade Organisation (WTO), a Saudi government official was quoted as saying on Sunday. "As an Islamic country which has the honour to serve the two holy mosques, the Kingdom of Saudi Arabia enjoys a special status which cannot be abdicated, even if we join this global organisation," Fawaz al-Alami, a member of the team negotiating the kingdom's WTO bid, told the English-language *Saudi Gazette*.

"We will not pay a heavy price to join WTO. This will be according to sharia law which serves Islam and Muslims," said Mr Alami, commerce ministry undersecretary for technical affairs. Saudi Arabia, one of the world's four largest economies still outside the WTO, was among the first to apply to join the body. It is the only member of the six-nation Gulf Cooperation Council yet to join the organisation.

A Saudi official has said the WTO was demanding that the kingdom undertake substantial legal reforms before it could join the world body. He said some WTO officials were also demanding that Saudi Arabia allow the import of goods banned by Islam, such as pork and alcohol.

Saudi Arabia has said it had made substantial progress in its WTO bid since January and that there were intensive talks "to arrive at a package of obligations which is balanced and beneficial for the economic needs of Saudi Arabia". The kingdom has blamed delayed entry on unclear and inflexible WTO rules.

Mr Alami said it was 'difficult to predict' when a deal would be reached but that the kingdom was continuing its efforts. "We have already completed negotiations with 11 countries, and still have to conduct negotiations with 18 more, then submit the final report on the kingdom's commercial policies," he said. "We have already participated in eight rounds of negotiations and will join the ninth which will commence very soon," he added. (Reuters)

THE TIMES OF INDIA

5 NOV 2001

# WTO draft falls short of hope

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 3. — The Draft Ministerial Declaration, proposed for the World Trade Organisation talks at Doha next week, has fallen well short of Indian expectations, with some voices going so far as to suggest rejecting the draft, which "clearly prejudices" the interests of a large number of countries.

As 142 member nations prepare to meet next week in Qatar in the face of considerable security concerns, India has made it clear that it does not agree with many provisions of the draft declaration, and will not be coerced into accepting them.

The government has made a detailed rebuttal on points of concern including investment, labour, and environmental issues.

The commerce secretary, Mr Prabir Sengupta, virtually rejected sections of the draft saying, "I must say that it is not possible for me to acquiesce in a situation where a draft ministerial declaration is transmitted to the ministers without reflecting the concerns and objections from a large number of countries including mine." India has taken exception, particularly to the dropping of investment and competition issues, leaving the draft with the only option of negotiations.

India said that by opting for a clean text without appropriately reflecting the different positions at least on major issues, the WTO

had presented developing nations with a *quid pro quo*.

"If appropriate revision of the text is not considered possible at this stage, at a minimum, there should be a clear covering letter as an integral part of the DMD, explaining the main differences encountered and options suggested on critical issues during the preparatory process," Mr Sengupta said.

An undertaking was given, officials said, at the Singapore Ministerial Declaration, to the effect that in the areas of investment and competition, changes would not be made on the issue of negotiations without explicit consensus.

Such a consensus is nowhere in sight. With a significant number of WTO members having serious concerns, the government does not think the system will be well-served by going along the route indicated in the revised draft declaration.

India also took exception to the word 'comprehensive' in the paragraph dealing with market access for non-agricultural products.

On negotiations relating to anti-dumping and subsidies, the Indian delegation would proceed on the basis that the phrase "while preserving the basic concepts and principles underlying them" would not inhibit consideration, during the negotiating process, of the outstanding implementation issues relating to these two agreements.

## Developing nations, US clash over patents

ASSOCIATED PRESS

NEW YORK, Nov. 3. — Developing nations are accusing the USA of applying double standards to the already contentious issue of pharmaceutical patents, in a clash that is likely to dominate the international trade talks next week. The US government's threat last month to override the patent on anthrax medication Cipro, seriously undermined its position against giving developing countries wide leeway in interpreting international patent agreements, according to activists and developing country officials.

International rules governing pharma patents, called Trade-Related Intellectual Property Rights agreements, will be scrutinised, and possibly modified, at the 9-13 November meeting of the WTO in Doha, Qatar.

Last month, the US health and human services secretary, Mr Tommy Thompson, threatened to override Bayer's patent, unless the German drug giant lowered the price of the pill. Bayer agreed to a price of 95 cents per pill, down from \$1.77.



A demonstrator protests outside the US Consulate in Johannesburg to demand cheaper Aids drugs recently.

— AP/PTI

THE STATESMAN

4 NOV 2001

# U.S. firms for joint ventures in defence sector

By Our Special Correspondent

**NEW DELHI, NOV. 29.** The U.S. industry is looking forward to commercial military sales and joint ventures with Indian companies in defence and security-related fields, following the opening up of the sector to private investment. This was disclosed here today by the chairman of the U.S. India Business Council (USIBC), Mr. Frank Wisner, who is leading a high-level business delegation to India.

The delegation was here to explore the opportunities unfolding as a result of the rapid warming of Indo-U.S. relations since the September 11 terror attacks, Mr. Wisner said, addressing a seminar organised by the Federation of Indian Chambers of Commerce and Industry and USIBC to mark the launch of the Indo-U.S. Knowledge Trade Initiative (KTI). In a bid to expand and strengthen the economic dialogue, there would be a Cabinet-level engagement backed by the Prime Minister's Office and the White House.

He said the "relaunched economic dialogue" would solicit strong inputs from the private sector. There was need for all involved to be engaged in identifying specific action points and policy targets to help achieve the aim of establishing India as a world class destination for investment.

Pointing to the other significant objective of the U.S. business leaders, he said it was time for the two countries to begin building a strong trading relationship by identifying and implementing steps towards pragmatic mutual market opening. Also, there was an urgent need to present a blueprint for bilateral cooperation and global leadership in opening world markets to trade in information-based products and services known as "knowledge trade."

The Indo-U.S. KTI report — "leveraging the knowledge economy: a blueprint for Indo-U.S. cooperation" — released on the occasion, highlights the scope for collaboration on a wide range of issues. These include e-commerce regulation and taxation, finance, human capital development, intellectual property rights, personnel mobility, trade in services and the communications infrastructure. In particular, the study highlights the scope for Indo-U.S. collaboration in bio-technology and entertainment. It also identifies issues of cooperation in the World Trade Organisation (WTO) and other multilateral fora.

The visiting delegation, which includes senior executives from 18 leading U.S. companies, is meeting senior officials in key economic Ministries. Among the participants

are the chief executive officer of the Chubb Corporation, Mr. Dean O'Hare, the president, Government relations, Raytheon Company, Mr. Robin Beard, the senior vice-president, AOL Time Warner, Mr. Hugh Stephens, and Ambassador Sue Esserman, partner, Steptoe and Johnson.

At a meeting with the Commerce Minister, Mr. Murasoli Maran, and senior officials today, the team sought reduction of average tariff levels to facilitate the process of developing bilateral trade and investment cooperation.

Mr. Maran said the global economic slowdown, coupled with the post-September 11 developments, had impacted India's exports to the U.S. adversely. He hoped the situation would improve in the coming months so that the momentum of trade with the U.S. could be sustained. Mr. Wisner said the time was ripe for the two countries to work together and take advantage of the recent WTO agreement.

The delegation also participated in a seminar organised by the Confederation of Indian Industry (CII) on Wednesday where the Disinvestment Minister, Mr. Arun Shourie, welcomed the resumption of the Cabinet-level economic dialogue. He also noted that the September 11 incident had brought the two countries closer and they should try and strengthen their strategic relationship.

THE HINDU

30 NOV 2002



# USA silent on hot pursuit of terror groups

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 29. — Top US officials today stonewalled questions about the stand Washington would take if India decided to strike terrorist training camps in Pakistan.

Despite strong words against terrorism, Admiral Dennis C Blair, commander-in-chief of the USA's Pacific Command, and the US ambassador, Mr Robert Blackwill, refused to talk about "hot pursuit" across the LoC, a subject that has come up recently.

Mr Blackwill said the USA's policy vis-a-vis Pakistan was well known and was not discussed during Admiral Blair's meetings with senior Cabinet members and military officers. Are India and the USA exchanging Intelligence on the 150-odd terrorist training camps across the LoC? Admiral Blair admitted there was exchange of information between the two governments for mutual benefit, but made no mention of the camps. Nor did he say whether cross-border terrorism was discussed.

He said that once Osama bin Laden's Al-Qaida group had been dealt with, other terrorist organisations would be isolated and, hence, easier to be tackled separately.

Admiral Blair's only reference to J&K was in a speech to the Confederation of Indian Industry in which he called the terrorist attack on the Assembly building in Srinagar "senseless".

He said he had discussed counter-terrorism, energy security, peacekeeping, training and exercises and cyber cooperation with Indian officials.

The greater security cooperation between Indian and US armed forces could include:

- Protection of sea-lanes and energy supplies
- Individual and unit visits, multilateral and bilateral training exercises, including "com-

## NO VIOLATION OF AIR SPACE: GEORGE

NEW DELHI, Nov. 29. — The Centre today denied that a US helicopter had violated the Indian air space on 26 November. The defence minister told the Lok Sabha that the chopper, of US carrier *John Young*, didn't fly over Kalpakkam nuclear power plant as reported in some papers.

Admiral Dennis C Blair, commander-in-chief of the US Pacific Command, echoed Mr George Fernandes.

The minister said: "The 01 civil radar of Chennai airport picked up an unidentified aircraft... about 123 km off Chennai, which was heading towards north. The aircraft was flying over international waters at 5,000-6,000 feet". The Naval authorities contacted the US carrier that was 60 km from the Chennai coast. It was advised to call back the chopper, though "this was not in violation of the Indian air space". The chopper finally returned to the ship.

Mr Fernandes said the territorial waters and national air space extend up to 12 nautical miles (22 km) from the Indian coast and "the waters beyond this limit are international waters where ships can operate without restrictions".

Admiral Blair said the copter began its training flight on the international waters and came back while the warship was well outside the Indian waters. — SNS

bined humanitarian airlift", combined special operations training, small-unit ground and air exercises, naval personal exchanges and training between the US Marines and corresponding Indian units.

Issues such as transfer of dual-use technology (for civilian and military uses) and sale of armaments to India would be talked about when Mr Douglas Feith, US defence undersecretary, arrives here for Indo-US defence policy group meetings.

A US official spoke of "widespread security cooperation" and easing of sanctions and other laws, making purchases much easier. Mr Richard Haass, undersecretary for policy and coordinator for Afghanistan, too will be here shortly.

Admiral Blair said Indo-US exercises, stopped after the 1998 Pokhran blasts, would begin shortly. An official said: "We're closer to conducting large-scale joint exercises."

On terrorism, the admiral called for cooperation among the Asia-Pacific countries. He wants joint efforts to fight

piracy in Malacca Straits and spoke of the involvement of Indonesia, Malaysia and Singapore. He also called for exchange of information among armed forces and police of various nations to track down terrorists and their financiers. He stressed the need to help the Philippines defeat the Abu Sayyaf terrorist group.

On the US presence in Central Asia, he said it would be less about presence of a large number of troops, but the ability to respond quickly.

Admiral Blair tried to soothe Muslim sentiments, saying the Afghan problem was not a clash of civilisations. He spoke of how Turkey provided special forces, Pakistan helped with logistics and Bangladesh, Malaysia and Indonesia offered troops for peacekeeping and humanitarian missions. "This is clearly not a war against Islam, but rather a war against enemies of civil society and human progress."

■ Two hurt in Pak shelling, page 6

THE STATESMAN

30 NOV 2001

# U.S. Commander for closer defence cooperation

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US HD-11

By Our Special Correspondent 23/11

**NEW DELHI, NOV. 28.** The visiting U.S. Commander-in-Chief of the Pacific Command, Admiral Dennis Blair, today met top officials of the Indian security establishment as part of efforts to deepen military cooperation between the two countries.

The meetings with the Defence Minister, Mr. George Fernandes, and top brass of the three services covered all aspects of strengthening military ties. These included sharing the Indian experience of combating terrorism and discussing future plans for joint military exercises and training programmes.

"The visit takes place within the templates set by the recent summit meeting in Washington between Mr. Atal Behari Vajpayee and Mr. George Bush to promote closer military to military cooperation. Admiral Blair's arrival here is part of that process," said official sources.

In his meeting with Mr. Fernandes which extended well beyond the scheduled 30 minutes, the two discussed the re-activation of the joint Defence Policy Group (DPG), an institution to promote close military relations. They are also understood to have touched upon the coming visit of senior U.S. defence establishment official, Mr. Douglas Feith, who will be the DPG's pointman from the U.S. side.

He also held discussions with the Army Chief, Gen. S. Padmanabhan, the Naval Chief, Admiral Sushil Kumar, the Defence Secretary, Mr. Yogendra Narain, and the Vice Chief of the Air Staff, Air Marshal S. Krishnaswamy.

Admiral Blair also met the Union Home Minister, Mr. L. K. Advani, and the Minister for External Affairs, Mr. Jaswant Singh, to exchange notes on the ongoing developments in the region.

Meanwhile, the Foreign Office said India and the U.S. were discussing the Chennai helicopter episode at appropriate levels. Downplaying the unauthorised two-hour flight of the U.S. military helicopter, they said the pilot had most probably committed a "technical mistake" in not filing a flight identification plan beforehand.

Other sources suggested that a more reasoned re-



**Admiral Dennis Blair, the Commander-in-Chief of the U.S. Pacific Command, calling on the Defence Minister, Mr. George Fernandes, at his office in New Delhi on Wednesday.**

— Photo Anu Pushkarna

sponse might be available tomorrow through a Government statement in Parliament. No reaction could be elicited from Admiral Blair as he did not speak to newsmen after emerging from the meetings with Mr. Fernandes and senior officials of the three services.

## Sharif's family members return

**ISLAMABAD, NOV. 28.** The sudden return of the wife and two daughters of Mr. Shahbaz Sharif, brother of the deposed Pakistan Prime Minister, Mr. Nawaz Sharif, to Pakistan has sparked speculations with the military regime accusing the family of violating the agreement under which they were exiled to Saudi Arabia. The three returned two days ago to Lahore and visited their relatives and leaders of the Nawaz Sharif-led Pakistan Muslim League, inviting attention of both the media and the Government. — PTI

THE HINDU

29 NOV 2001

# Second U.S. warship arrives in Chennai

Times News Network

CHENNAI: It took nearly two hours for the U.S. naval ship *USS John Young*, to dock at Chennai port on Monday morning. It is the second warship of the U.S. Seventh Fleet to dock here at Jawahar Dock.

The ship which arrived from Japan is expected to be at Chennai port for the customary three days for refuelling. This is the second vessel to dock in Chennai for refuelling and restocking, since the *USS O'Brien* that arrived on November 5.

Apart from refuelling and restocking, its 300 crew members would also be stretching their legs, spending time on sight-seeing and participating in community service projects.

The arrival of the second ship in less than three weeks and the immediate clearance given by the Government of India at a short notice for their docking underscores the new-found relationship between India and the U.S., following the war against terrorism—more significantly the dialogue between the Indian Prime Minister A.B. Vajpayee and the U.S. President George W. Bush.

The U.S. government officials waiting to receive the ship, observed that the fight against the Taliban and Osama bin Laden was the world's united fight to wipe out terrorism.

The *USS John Young*, a 'Spruance' class destroyer, belongs to the first class of ships in the US Navy to have gas turbine power. Commissioned in 1978, she has an overall length of 563 feet with a full displacement capacity of 9,153 tons and a speed of 30 plus knots, according to an US Consulate release.

The ship has the similar size and the functions as that of *USS O'Brien*, which too is a 'Spruance' class multi-task destroyer of the Seventh Fleet.

Chennai is ideal for deep draft vessels. According to the US Navy Attache in India, Captain Nelson, based in New Delhi, the Chennai port is a natural one. The sea is deep enough for the deep draft vessels to manoeuvre easily. And the location is ideal on route.

The US Navy is also looking at the options of docking at the Mumbai or Cochin ports. Incidentally, another US war-ship was to dock at the Cochin port on Monday. However, that was cancelled.

Complaints of improper media briefing when the *USS O'Brien* visited Chennai, prompted the U.S. Consulate in Chennai to arrange for mediapersons to visit the port as the ship arrived. But even after waiting for four hours, press briefing and tour of the ship were not allowed.

THE TIMES OF INDIA

28 NOV 2002

## UNMANNED AERIAL VEHICLES TO BE GIVEN

# U.S. to help India counter infiltration across LoC

By C. Raja Mohan

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**NEW DELHI, NOV. 24.** The United States has offered to assist India in countering the infiltration of terrorists from across the Line of Control in Jammu and Kashmir and improving India's border management, it is reliably learnt here.

During the Prime Minister, Mr. Atal Behari Vajpayee's visit to Washington earlier this month, the Bush administration committed a small amount to transfer appropriate sensors, unmanned aerial vehicles and other technical equipment to enhance India's capability to deal with the infiltration of militants into Jammu and Kashmir.

This will be the first instance of concrete American cooperation in countering terrorism in Jammu and Kashmir. If India is satisfied with the equipment, it would have the option of buying them in larger quantities to strengthen its surveillance of

the LoC. Whether the President of Pakistan, Gen. Pervez Musharraf, is willing to be persuaded by the international community to exercise restraint on the LoC or not, the proposed U.S. cooperation is certain to boost India's ability to deal with cross-border terrorism.

If American equipment shows good results on the ground, technical cooperation with the U.S. is likely to strengthen the security management of India's long and porous borders, observers here say.

New Delhi and Washington have, over the last two years, been working together on broader aspects of counter-terrorism through the mechanism of a Joint Working Group. The bilateral cooperation in making the LoC less penetrable, however, signifies a big leap towards addressing the immediate terrorist threats to India.

It was also agreed during Mr. Vajpayee's talks with the U.S.

President, Mr. George W. Bush, to deepen the JWG consultations to include issues relating to nuclear, radiological, chemical and biological terrorism. This might lead to the creation of institutional capabilities in India to deal with the emerging threats of terrorism, involving weapons of mass destruction. The two sides also plan to cooperate in dealing with the new threats of cyber terrorism.

The American technical assistance in blocking infiltration from across the LoC reflects the commitment of the Bush administration to a comprehensive global war against terrorism that looks beyond the Al-Qaeda, Osama bin Laden and the Taliban.

Indo-U.S. cooperation in counter-terrorism is also likely to get a big lift from the proposed visit to Washington by the Union Home Minister, Mr. L.K. Advani, scheduled to take place early next year.

SECRET

25 NOV 2004

# India, U.S. to intensify defence ties

By Our Special Correspondent

NEW DELHI, NOV. 21. India and the United States are "firmly" on the path to greater defence cooperation including arms sales. The partnership, which received an impetus from the anti-Taliban operations in Afghanistan, will be furthered by the visits of top policy makers and officials of both countries, the U.S. Ambassador to India, Mr. Robert Blackwill, said at a news conference here today.

The chief of the U.S. Pacific Command, Admiral Dennis Bair, will be arriving here next week followed by the U.S. Under Secretary for Policy in the Defence Department, Mr. Douglas Feith. India will reciprocate with the Union Home Minister, Mr. L. K. Advani, scheduled to visit Washington for discussions on intensi-

fyng cooperation in counter-terrorism.

The tone for more intimate ties in the defence sector was set by the recent summit meeting between the U.S. President, Mr. George Bush, and the Prime Minister, Mr. Atal Behari Vajpayee, which was "most substantive and consequential in the history of Indo-U.S. relations".

"Robust" defence cooperation and "conclusive acceleration" over the next year would cover arms sales, joint exercises, military training and other areas. The overall aim was to acquire a profile that was unprecedented, he said.

Commenting on the future of Afghanistan and New Delhi's place in the overall scheme of things, he said Mr. Bush had conveyed to Mr. Vajpayee that Wash-

ington visualised India as a central player in the international efforts to help create a "peaceful, non-terrorist regime" in Kabul. Discussion on this issue will be furthered with the special coordinator for Afghanistan in the U.S. State Department, Mr. Richard Haass, also scheduled to visit India within the next fortnight. The U.S. envoy to the anti-Taliban forces, Mr. James Dobbins, is also expected to arrive here on a similar mission.

Mr. Blackwill said the U.S. was unequivocal that the fight against terrorism did not end with Afghanistan. "A terrorist is a terrorist. He is not a freedom fighter. No country will be permitted to provide sanctuary to terrorists," he said when asked to comment on Pakistan-sheltered terrorists active in Jammu and Kashmir.

22/11

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# Indo-U.S. talks on n-safety soon: PM

2/11 By Our Special Correspondent 11/11

**NEW DELHI, NOV. 20.** India and the United States are set to begin a dialogue to make nuclear power reactors safer and streamline procedures for the transfer of sophisticated technology which can be used for military and civilian purposes.

Making a suo motu statement in both Houses of Parliament today on his recent visit to Russia, the U.S., the United Nations and the United Kingdom, the Prime Minister, Mr. Atal Behari Vajpayee, said the reactivated India-U.S. Defence Policy Group would meet next month.

India and the U.S. have agreed to discuss ways to stimulate bilateral high technology commerce and to streamline procedures for transfer of dual use technology and military items. "The lifting of economic and technology restrictions should help this process."

"We agreed to resume and broaden the Bilateral Economic Dialogue and extend our cooperation to energy, environment, health, biotechnology and information technology. We will soon initiate discussions on cooperation in space programmes and civilian nuclear safety projects."

He said the meetings with the U.S. President, Mr. George Bush, the Russian President, Mr. Vladimir Putin, and the British Prime Minister, Mr. Tony Blair, "focussed on the broader, long-term agenda of our bilateral relationships with these countries. They also provided the opportunity for consultations on important issues, including the campaign against terrorism and post-conflict challenges in Afghanistan."

Asserting India's desire to remain engaged with other countries on future political and humanitarian arrangements in Afghanistan, Mr. Vajpayee said the Government was "fully monitoring the situation and is in continuous touch with all the relevant parties and groups."

Calling upon the international community to summon the necessary political will to ensure that all funding and safe havens were totally denied to terrorists around the globe, he said the campaign against terrorism was not targeted any religion.

"In all my bilateral discussions, I found a broad identity of views on a comprehensive approach to international terrorism and about the situation in and the future of Afghanistan. There can be no political, economic or ideological justification for terrorism," Mr. Vajpayee told Parliament.

While there was a convergence of views on the need for a broad-based, representative, independent and neutral government in Kabul, he said India's legitimate interest in the political and economic future of Afghanistan was widely acknowledged.

THE HINDU

21 NOV 2001

VAJPAYEE VISIT / NEW BILATERAL AGENDA IN PLACE

# Indo-U.S. talks on technology trade

By C. Raja Mohan

NEW DELHI, NOV. 19. India and the United States are all set to launch multi-faceted talks in the coming weeks on expanding high technology trade, well-placed sources here say. By the time the U.S. President, George W. Bush, arrives here, probably early next year, bilateral cooperation in high technology sectors should begin to roll, they hope

Indo-U.S. talks on technology trade will be led by top officials from the Prime Minister's Office and the White House, as part of a streamlined economic engagement between the two nations.

An American commitment to negotiate liberalisation of technology exports to India appears to be the single biggest gain from the Prime Minister, Mr. Atal Behari Vajpayee's visit to the U.S. earlier this month.

With the Afghan developments overshadowing bilateral issues during Mr. Vajpayee's visit to Washington, little attention has been paid here to the substantive new agenda unveiled at the end of the talks between Mr. Vajpayee and Mr. Bush.

For the first time in two-and-a-half decades, trade in high technology was at the top of Indo-U.S. talks at the highest political level. The stage has been set for negotiations on subjects ranging from cooperation in civilian nuclear safety to space programmes and export con-

trols on sensitive technologies.

Since 1974, when New Delhi conducted its first nuclear test, the U.S. has built up a series of expanding restrictions against technology transfers to India — in the name of non-proliferation of weapons of mass destruction. Occasional attempts during the 1980s to circumvent the American technology blockade against India did not really take off. After May 1998, India and the U.S. revisited the issue as part of their extended nuclear dialogue. But the Clinton administration would not budge an inch on technology exports.

The former U.S. President, Mr. Bill Clinton, changed the optics of the Indo-U.S. relations, but there was no real movement on high technology cooperation. The advent of the Bush administration, however, has radically transformed the context of the Indo-U.S. relations.

Consider the following: Last year, during Mr. Clinton's visit to India and Mr. Vajpayee's visit to the U.S., the two sides were still talking about a linkage between India signing the Comprehensive Test Ban Treaty and the U.S.' lifting of sanctions against India.

The Bush administration has junked the CTBT and unilaterally lifted the sanctions against India. Going beyond that, Mr. Bush has agreed to put issues relating to high technology trade on the table for the first time.

Among the key decisions of the Bush-Vajpayee talks was the decision to expand the

current economic dialogue, to include subjects such as energy, space, and export controls. The joint statement issued in Washington declares that talks will soon begin on "ways to stimulate bilateral high technology commerce." And that the two sides will "evaluate processes by which we transfer dual-use and military items, with a view towards greater transparency and efficiency."

The statement also refers to the two countries' common interest in outer space and the agreement "to initiate discussions on civil space cooperation." And a separate fact sheet issued by the U.S. after the talks point to the renewal of talks on civilian nuclear safety.

These are issues on which India has long sought action from successive American administrations. Having accomplished that objective, the Government faces the harder task of making them quick and result-oriented.

These talks will be coordinated by the Principal Secretary in the Prime Minister's Office, Mr. Brajesh Mishra, and the U.S. National Economic Council Director, Mr. Larry Lindsey.

The Additional Secretary in the Prime Minister's office, Mr. Prodipto Ghosh, and the U.S. Under Secretary of State, Mr. Alan Larson, will serve as Executive Secretaries responsible for advancing the dialogue, especially those that cut across ministerial lines.

THE HINDU

20 NOV 2001



For New Delhi, Vajpayee's visit to Capitol Hill is of great importance

# Natural allies in the making

An unfortunate aspect of Atal Bihari Vajpayee's just-concluded visit to Washington was the relatively low public profile of the prime minister's day-long activities in Capitol Hill on the first day of his stay in America's capital.

It is perhaps inevitable that when a meeting with the president of the United States of America tops the prime minister's agenda, followed by a joint press conference covered live by the major television networks around the world, Vajpayee's meetings with American lawmakers naturally receives less attention and publicity.

It would be a mistake if such a low profile deflected attention either at Raisina Hill or at the Indian Embassy on Massachusetts Avenue from the importance — more than ever now — for India of actively engaging the US congress.

Capitol Hill provides important pointers to where US policies, be it domestic or external, are headed. More often than not, discussions and hearings at committees of the senate and the house of representatives reveal what the White House and the rest of the administration are trying to hide.

In the current, post-September 11 context of fighting terrorism, it is sometimes forgotten that it was the congress which last year exposed efforts by the administration to placate the taliban and cut deals with the militia's reclusive leadership, including Mohammed Omar. Again, it was on Capitol Hill that the administration's efforts in 1996 to virtually recognize the Pakistan-sponsored student militia as the legitimate government in Afghanistan was seriously and successfully challenged.

A detailed analysis of congressional activity on the day Vajpayee arrived in Washington provide straws in the wind about the controversy which erupted last week over an American proposal for a "military alliance" with India.

When the story about the proposal broke on the day Vajpayee met the American president, George W. Bush, the external affairs minister, Jaswant Singh, described it as nothing less than "pure fiction".

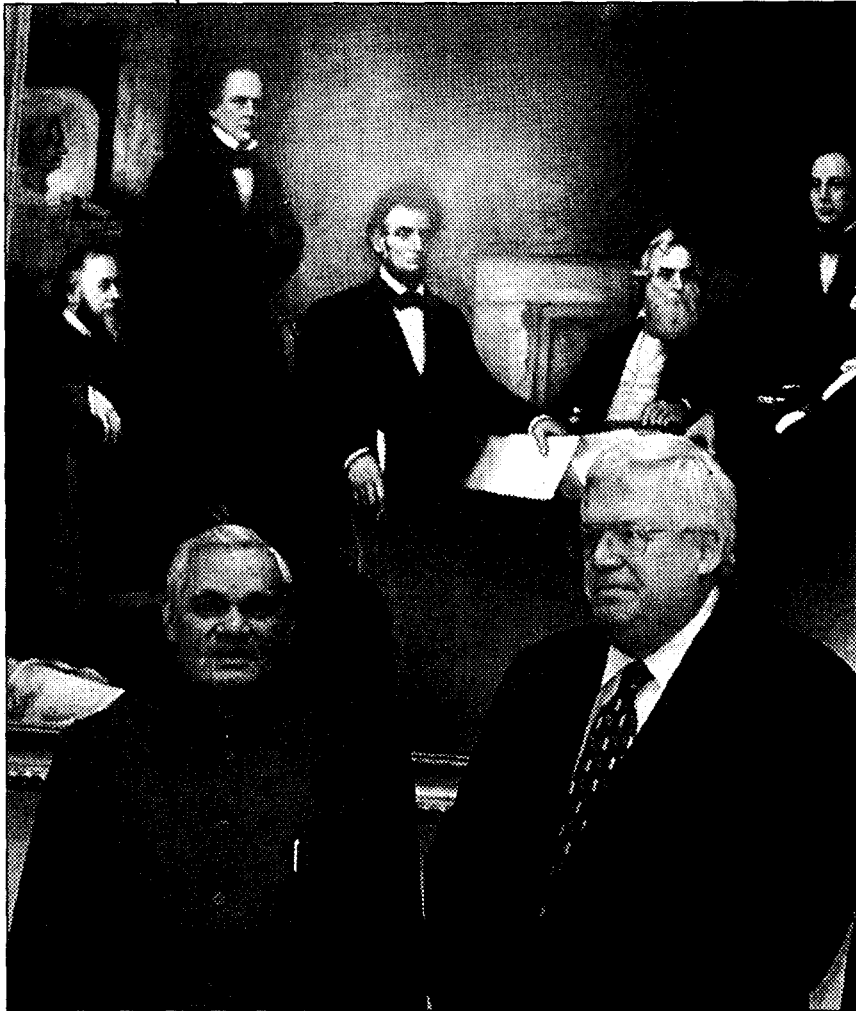
And yet, records of discussions in the house of representatives on the day Vajpayee met congressional leaders and members of the India Caucus suggest that Singh may have been attempting to mislead the public on the whole episode.

The impression that there can be no smoke without fire was reinforced when the defence minister, George Fernandes, more or less contradicted his interim replacement in the defence ministry until a few weeks ago and talked of the possibilities of greater military cooperation with the US in future.

The American congress came into the picture when Benjamin Gilman, the Republican congressman from New York spoke on a resolution in the house of representatives on November 8, welcoming Vajpayee to the US.

Six congressmen from both parties took part in the debate on the resolution which expressed the "sense of the Congress" on relations with India. Towards the end of his address, moving the resolution, Gilman spoke of the meeting be-

*Indo-US*  
**DIPLOMACY**  
**K.P. NAYAR**



tween the Russian president, Vladimir Putin, and his Chinese counterpart, Jiang Zemin, in summer this year when they signed a friendship treaty and followed it up with the creation of the Shanghai pact. The friendship treaty and the Shanghai pact of likeminded states in the former communist bloc were widely seen as a response to the Bush administration's pre-September 11 unilateralist policies and its planned expansion of military might. Obviously concerned about the growing closeness between Moscow and Beijing, Gilman said on record on November 8 that "we", that is, the US, "are now embarking on a similar friendship with India and prime minister Vajpayee".

Other congressmen picked up the theme, some spoke obliquely, others were more forthright and direct. Frank Pallone, the Democrat from New Jersey and one of the more active members of the India caucus, dissected Indo-US relations while speaking in support of the resolution.

Pallone argued that "more important right now, I think, is the importance of the defence relationship, and we understand that some of the conversations and talks that are taking place between the prime minister and president Bush relate to that defence relationship".

He continued: "I have been a long advocate of the need to increase our defence relationship, whether that means supplying military equipment or doing

**Congressman after congressman spoke of the long-term value of Indo-US ties**

more military exercises with India."

Ed Royce, the Republican from California, who is also co-chair of the India Caucus, spoke of the recent international fleet review in Mumbai, which he attended.

American naval ships took part in this fleet review although military sanctions against India were in force at the time the event was taking place.

Royce quoted the statements of the secretary of state, Colin Powell, on India's role in maintaining peace and stability in the Indian Ocean and its periphery. What all this demonstrates clearly is that the US proposal for a military alliance with India is not the fevered imagination of some overactive journalist. The discussion in the house of representatives shows that not only is there some two-way dialogue on the course of a military relationship between Washington and New Delhi, but also that American lawmakers have been briefed about it by the administration.

There is no other explanation for congressmen discussing the contours of an alliance which last weekend's media

scoop in New Delhi exposed. American lawmakers spoke about it, obviously unaware of its domestic fallout in India a day before the Indian media uncovered it. The discussion in the house on the resolution was far more important for New Delhi than was projected in public. Lawmakers said all the things the Indians wished to hear post-September 11.

And what they said made it clear that notwithstanding the reception which Pakistan's General Pervez Musharraf is now receiving worldwide, the interests of the US and India coincide in the long run in many areas.

Tom Lantos, the Democrat from California, pointed out while supporting the resolution that "it is important to realise that some members of this (anti-terrorist) coalition share our values. India is one of them".

Without naming Pakistan, Lantos said: "Not all members of the coalition are built on the same set of democratic values that our society is built on and India's society is built on. For many, this coalition is just a marriage of convenience. With respect to India, it is a marriage based on shared and common values of pluralism, respect for minorities, freedom of religion, political privileges of voting...and freedom of expression."

Jim McDermott of Washington, the Democratic co-chair of the India Caucus, obliquely referred to the defence relationship when he praised India's offer of military bases soon after September 11. It was "something that had never happened before", McDermott added.

Congressman after congressman spoke of the long-term value of Indo-US ties and many reminded Americans that post-September 11, these ties had only become stronger. India's rapidly developing ties with Israel have helped too in this country where the Jewish lobby has a virtual *carte-blanche* on policy.

Lantos said: "Our democratic friend India and our democratic friend, the State of Israel, have been subjected to terrorism for over half a century." In a way, the lesson to be learned from this one discussion on Capitol Hill is a repeat of what New Delhi learned after its nuclear tests in 1998 and the Kargil crisis a year later. On both those occasions, India's route to influencing the administration's policy was through the congress. It is no different now.

The US's politicians share none of the memories or the sentiment in the Pentagon or in the state department of the good old days of kinship with Pakistan.

As the statements by Lantos, Pallone and others showed, the congress is willing to go far, far beyond the administration in calling the Pakistani spade a spade even in these days when the US needs Musharraf much more than the other way round.

The best thing Vajpayee did was to spend a whole day on Capitol Hill, notwithstanding its rigours, a day before meeting the president in the White House. The meetings in the senate and in the house of representatives not only boosted India's self-confidence. It also reinforced New Delhi's belief since Vajpayee came to power that India and the US are "natural allies".

# Vajpayee rules out military alliance with U.S.

By P. S. Suryanarayana

**LONDON, NOV. 13.** The Prime Minister, Mr. Atal Behari Vajpayee, has categorically ruled out the possibility of India striking a "military alliance" with the U.S. in a calibrated fashion or even as a quick deal at the moment. The speculation gained currency in the context of some perceived absurdities in the evolving 'campaign' against international terrorism.

Mr. Vajpayee today completed his three-nation trip of anti-terror diplomacy on a note of some promise and much hope. He certainly won high-profile friends during his tour that commenced on November 4, but it remains debatable whether he has also been able to influence the thinking of his hard-headed interlocutors — the leaders of Russia, the U.S. and the U.K. — in line with the definitive adage of Dale Carnegie. Addressing the Indian journalists accompanying him, Mr. Vajpayee said in London on Monday night that he did engage the U.S. President, Mr. George Bush, and his administration in some intensive discussions on a wide-range of issues, including defence-related cooperation. However, there was no question of a military alliance with Washington, he asserted. The answers he gave in Hindi to questions on

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this subject reflected some diplomatic nuances as well. India would now seek to intensify its strategic partnership with Russia agreed upon only last year. The latest understanding with Russia on some unspecified security matters would synchronise with such strategic partnership.

With the U.S., though, India would seek to enhance defence-related cooperation in a manner that might be in harmony with the proposed bilateral dialogue on a new "strategic framework" as first enunciated by Mr. Bush. On a separate plane, Mr. Vajpayee expressed satisfaction that the U.S. did not mention either Pakistan or Kashmir by name.

The British Prime Minister, Mr. Tony Blair, also raised the issue of possible military sales to India, according to a top official in the Prime Minister's entourage. On the whole, however, it appeared that no strategic triangle, involving India, the U.S. and Russia, in one scenario, or the U.S. the U.K. and India, in a different case, was now on the cards in the fight against terrorism.

Yet, India is said to have initiated an anti-terror dialogue with France and China, the other two powerful nations with the wherewithal to combat the menace.

While India is officially portrayed as a rising power in the anti-terror coalition,

some aspects of this claim remain unexplained and therefore somewhat inexplicable. In particular, India is said to have hit the upward trajectory towards a "partnership" with the U.S. Yet, it is strange that the regional ramifications of this menace could have been discussed without any reference to Pakistan and Kashmir.

More significantly, a ranking American official told this correspondent in an informal conversation that India's offer of "everything" for the battle against terror might be seen as really "nothing" as long as some specifics of Indo-U.S. cooperation are not worked out. The new refrain in India's official echelons is that it is no longer concerned with the apprehensions of the Pakistan factor in dealing with the U.S. The reasoning is that there is credible evidence that the U.S. itself is moving away from its old tendency to play zero-sum games with regard to India and Pakistan.

The Pakistan President, Gen. Pervez Musharraf, has been playing his diplomatic cards deftly seeking to place his country firmly within the international anti-terror coalition. The derisive view of him as a Man Friday to Uncle Sam leaves India still with the question of a compatible co-existence with Pakistan within the emerging multi-lateral coalition against terror. For New

Delhi, these challenges are not altered by its apparent new decision, or at least desire, to rise above the Pakistan fixation.

It is perhaps in line with this new thinking that India has not formally reacted to Gen. Musharraf's latest strategic offer of nuclear test ban treaty with India and the related issues.

## PM returns

**NEW DELHI, NOV. 13.** The Prime Minister, Mr. Atal Behari Vajpayee, returned here tonight after a "deeply satisfying" tour of Russia, the U.S. and the U.K.

Mr. Vajpayee was received at the Indira Gandhi international airport by senior Cabinet colleagues including the Home Minister, Mr. L.K. Advani, the Finance Minister, Mr. Yashwant Sinha, the HRD Minister, Mr. Murli Manohar Joshi, the Planning Commission Deputy Chairman, Mr. K.C. Pant, the Information Minister, Ms. Sushma Swaraj, and the Labour Minister, Mr. Sharad Yadav, besides senior officials and diplomats.

Summing up his nine-day tour before returning home, Mr. Vajpayee told reporters in London that all three countries were unanimous that the Taliban has no place in a future Government in Afghanistan. — PTI

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# No mediation on Kashmir: USA

UNITED NEWS OF INDIA

NEW YORK, Nov. 11. — The USA today ruled out mediation in Indo-Pak differences even as General Musharraf said President Bush has "promised" to facilitate the dialogue process between New Delhi and Islamabad. Gen Musharraf, who was appearing on NBC-TV's "Meet-the-Press" said: "To that extent, he has promised he would like to facilitate a process, may be persuade the Indian leadership to initiate a process of dialogue." The US secretary of state, Mr Colin Powell, appearing on the same programme separately, said there were limits to such facilitation.

When asked whether the USA would like to get involved in a settlement on Kashmir, Mr Powell said "the two sides have to settle that. There needs to be a dialogue between Pakistan and India. To an extent, the USA can be helpful in fostering a dialogue but we cannot become a mediator or arbitrator or intermediary."

**PM hits back:** Mr Atal Behari Vajpayee has hit back strongly at Gen Musharraf for raising the Kashmir issue in the UN General Assembly, accusing him of pursuing a single-point agenda,

and reiterated that Kashmir was and would stay an integral part of India.

"Kashmir is the only issue on their mind. But they should not forget that they will never be able to get Kashmir as it is the core of our nationhood," Mr Vajpayee said at a reception here hosted in his honour by the Indian-American community.

**Invitation still stands, says Qazi:** Despite India ruling out early resumption of talks, Pakistan today said the invitation to Mr Vajpayee to visit that country still stands, adds a PTI report from New Delhi. "Our policy remains unchanged....we are ready to talk at any time, any place and at any level," Mr Ashraf Jehangir Qazi told *Star News*.

To a question on Pakistan's links with the Taliban in Afghanistan, he said Islamabad has never said the Taliban was a terrorist regime. The Taliban had put themselves in a position where they were seen to be protecting such elements, he said.

Mr Qazi said it was the "obligation" of the Taliban to hand over Osama in compliance with the UN Security Council resolution and a trial will determine whether he was guilty or not.

■ **India perpetrating state terrorism:  
Musharraf, page 8**

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# 'No proposal for military tie-up'

HT Correspondent  
New Delhi, November 10

NO PROPOSAL for a "major military alliance" with India was mooted by the Bush administration and there was no question therefore of it being discussed at the meeting of the Cabinet committee on security, highly placed sources here said.

While several other proposals regarding India's cooperation in the US war efforts in Afghanistan had been made from time to time, no request regarding any military alliance with Washington had been received by New Delhi, they stressed.

A top source said on condition of anonymity that any such proposal would go against all logic and "common-sense". He wanted to know "why Washington should need a military alliance with India and what purpose such an alliance would serve?"

Other sources said the issue was never discussed at any meeting of the Cabinet committee on security and "it appears somebody mixed up matters".

Asked to elaborate on the kind of requests received, they said the requests pertained essentially to refueling facilities and permission for US ships to dock in India and pick up certain non-military supplies.

Reports in the media saying

the Bush administration had proposed a major military alliance with New Delhi was denied earlier by US embassy officials here, who said they were not aware where such 'baseless' stories emanated from.

The reports said the proposal envisaged setting up US military bases in India to train defence personnel and establishing a naval firing range. Washington also wanted India to help protect US interests between the Arabian Sea and the Straits of Malacca, the reports claimed.

No such proposal was listed or discussed at the meeting of the Cabinet committee on security. There was no question, therefore, of New Delhi spurning Washington's offer, the sources said.

There were a number of issues on which Washington and New Delhi could cooperate, but a major military alliance was outside the realm of immediate possibility. The areas where cooperation could be achieved were sharing of intelligence inputs on terrorists operating out of Pakistan and Afghanistan as well as the overall coalition against terrorism, the sources said.

So far as the war in Afghanistan was concerned, Washington was completely capable handling the situation on its own, they added.

# India, U.S. for 'new strategic framework dialogue'

By P. S. Suryanarayana

**NEW YORK, NOV. 10.** The U.S. and India have agreed to establish a "new strategic framework dialogue", expand cooperation in the scientific sector by suitably extending it to space-related engagement and to resume links in the sphere of civilian nuclear safety. An unspecified "joint cyber-terrorism initiative" has also been agreed upon, raising visions of a functional network of bilateral strategic linkages. There is no dramatic flourish, though, of any masterly move by either side that could have given the summit a mystique of its own.

The outlines of the framework have not been spelt out, but the other generic issues have been identified as follows: the enhancement of consultations on the U.S. missile defence plans, the expansion of cooperation in regard to export controls, apparently with reference to India, and the discussions on stimulating bilateral high technology commerce.

Of more immediate relevance to the present volatile international situation is the decision of

the U.S. President, Mr. George W. Bush, and the Prime Minister, Mr. Atal Behari Vajpayee, to hold consultations on Afghanistan's future. Though the specifics of such consultations have not been spelt out, it is apparent that the objective is to create a terror-free zone in Afghanistan that lies within India's geostrategic neighbourhood.

A joint statement, issued on "the occasion of the official working visit" to the U.S. by Mr. Vajpayee, indicated that Mr. Bush expressed support for India's draft Comprehensive Convention on International Terrorism. "As the leaders of the two largest multi-cultural democracies," Mr. Bush and Mr. Vajpayee "emphasised that those who equate terrorism with any religion are as wrong as those who invoke its name to commit, support or justify terrorist acts." This formulation is the farthest that the two could agree upon in specific terms in regard to India's sense of unease over Pakistan's insistence that the "freedom struggle" in Kashmir should not be treated as terrorism.

The two leaders, who held their first summit at the Oval Office in the White House on Friday, agreed that "terrorism threatens not only the security of India and the United States but also (their) efforts to build freedom, democracy and international security and stability around the world." As for some dissonant voices within the emerging international coalition against terror, such as Mr. Vajpayee's own reported views on the course of the current U.S. military operations in Afghanistan, Mr. Bush had clarified, immediately after the summit, that he welcomed "candid" discussions such as those with the Prime Minister. However, the two leaders have not been stymied by the recent efforts by India to express alternative viewpoints on international strategic and terrorism issues in conjunction with Russia.

On the India-U.S. bilateral front, Mr. Vajpayee and Mr. Bush affirmed their "commitment to complete the process of qualitatively transforming India-U.S. relations in pursuit of their many common goals in Asia and be-

yond." The imperative of enhancing bilateral ties across a matrix of areas, including commerce and economic interactions, has also been variously underlined. If Mr. Bush had sought to gently nudge or arm-twist Mr. Vajpayee on issues concerning the World Trade Organisation, it has not been reflected in their post-summit statement.

On defence-related cooperation, the External Affairs Minister, Mr. Jaswant Singh, pooh-poohed non-official suggestions about a U.S.-India military "alliance" being on the cards. According to the official joint statement, Mr. Bush and Mr. Vajpayee "noted that India's interest in purchasing arms from the United States would be discussed at the Defence Policy Group meetings in December 2001."

A "fact sheet" on the outcome of the Bush-Vajpayee summit notes that the Union Home Minister, Mr. L.K. Advani, has been invited to visit Washington in the context of counter-terrorism cooperation. The U.S. State Department Coordinators for Afghanistan will also visit Delhi.

## 'U.S. defence supplies may now be released'

**WASHINGTON, NOV. 10.** Defence supplies held up under various pre-and-post 1998 U.S. nuclear non-proliferation laws may now be released as a result of the first face-to-face talks between the Prime Minister, Mr. Atal Behari Vajpayee, and the U.S. President, Mr. George W. Bush, the External Affairs Minister, Mr. Jaswant Singh, said today.

He expected this to happen at the Defence Policy Group meeting in Delhi in December. The way was also now clear for supply of additional defence items "which we believe are needed for defence preparedness of the armed forces of the country". He cited terrorism, Afghanistan and military and defence cooperation as three main components of the joint statement issued at the end of the first summit between the two leaders.

On Mr. Vajpayee's U.S. visit, Mr. Singh said "I will say without any hesitation it has been a total success". "The objectives we had set for ourselves — the U.S. and India — have been fully and adequately realised," he said and pointed out the Senate had welcomed the visit.

Asked about the 'chemistry' between Mr. Bush and Mr. Vajpayee, Mr. Singh said he could only give his subjective view but thought the meeting was "extremely warm, very candid, full of mutual regard, with the conversation marked by goodwill, candour and trust".

On the need for expanding the six-plus-two formula to include India for discussing Af-

ghanistan (group of countries around Kabul plus the U.S. and Russia), Mr. Singh said if the group had succeeded, there would not have been the present problem. India's experience with Afghanistan was not recent. Apart from its historical experience, India's national security had suffered for 20 years as a result of Afghan-origin narcotics production and terrorism. Therefore, in the future post-conflict dispensation, India's vital stake must be heeded, Mr. Singh said. The six-plus-two was not adequate to meet the requirements of the future.

Pakistan's cross-border terrorism was adequately addressed in the joint statement which referred to all manifestations of terrorism. Asked whether "the U.S. acknowledges the right of India to hit back or make retaliatory strikes" to counter Pakistani cross-border terrorism, he said: "please understand this is not a right or a dispensation or grant from anybody. If India exercises restraint, it is a restraint out of self-will. Nobody need grant India the right to retaliate because it is an inherent right of a sovereign country in the exercise of its sovereign will. It is not a hand-out or dispensation".

India's fight against terrorism did not begin on September 11, 2001 (when terrorists struck in New York and Washington). Its resolution did not depend on crutches, he said, adding the fight was based on values. In fighting terrorism, India made no distinction between acceptable and unacceptable terrorism, Mr.

Singh said. If Pakistan continued to pursue the path of terrorism, after terrorist activities from Afghanistan were stopped that was Islamabad's determination, he said. "That is for Pakistan to decide and India will certainly respond adequately and in proper fashion should that situation ever come about." — PTI

### Magazine stands by report

**NEW DELHI, NOV. 10.** Dismissing the denials by the External Affairs Minister, Mr. Jaswant Singh, the *India today* weekly today said it stood by its report on the U.S. having sought a 'military alliance' with India and that New Delhi had rejected the proposal.

Reacting to Mr. Singh's comments in Washington terming the report as "wonderful fiction", it said in a press release here that the Minister was falling back on 'diplomatic nuances' and his interpretation of 'military alliance'.

It said the "new strategic framework" and "expanded defence cooperation" that Mr. Singh "conceded" was evolving between India and the U.S. were "euphemisms" for what was stated in the report.

The magazine wondered how the terms of the "expanded defence cooperation" and "enhanced peacekeeping capabilities" mentioned by him did not add up to a "military alliance". — PTI

BILATERAL COOPERATION, SPACE PROGRAMME DISCUSSED

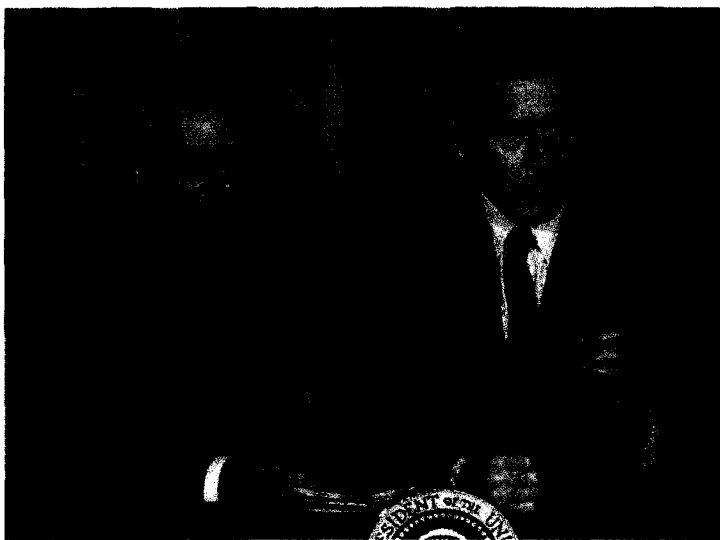
# India, U.S. oppose all variants of terrorism

By P. S. Suryanarayana

WASHINGTON, NOV. 9. The United States and India today made common cause in the fight against all forms of international terrorism, but there was no immediate indication about how and when the two big democracies might, if at all, harmonise their separate strategic compulsions for this purpose.

In a brief media event after their latest summit, both the U.S. President, Mr. George W. Bush, and the Prime Minister, Mr. Atal Behari Vajpayee, expressed their opposition to terrorism in all its political and other manifestations. Mr. Bush sought to mollify official India's concerns by declaring that there is but "one universal law" of anti-terror.

Characterising the politics of terrorism and murder as "evil", Mr. Bush said that Mr. Vajpayee fully "understands" the importance of combating all variants of terrorism. This was about the only indication immediately after the summit that the two countries were beginning to acknowledge the totality of the anti-terror fight. Yet, there were no hint of any common denominator in regard to India's concerns about Pakistan-encouraged cross-border terrorism.



The Prime Minister, Mr. Atal Behari Vajpayee, and the U.S. President, Mr. George W. Bush, addressing a press conference in Washington on Friday. — Reuters

While the two leaders discussed international terrorism in their one-on-one meeting, they discussed over lunch other issues such as a new joint cyber-terrorism initiative and bilateral cooperation, including a civilian space programme.

Mr. Bush's friendly gesture signalled the search for a sustainable new beginning in the U.S.-India relationship. With the ongoing

U.S.-led "campaign" against international terrorism serving as the evolving context, the task of the two leaders was not only cut out but also much broader in scope.

Mr. Vajpayee's style at the substantive summit with Mr. Bush, their first in interpersonal diplomacy, has been influenced, however marginally or otherwise, by a parallel diplomatic voyage that

the Pakistan President and Chief Executive, Gen. Pervez Musharraf, has presently undertaken. Gen. Musharraf appears to have made headway in his political efforts to checkmate India by portraying Pakistan as a necessary component of the solution to global terrorism and not really a part of the problem itself.

This nuanced aspect added a new twist to official India's own efforts to join the big league of the emerging international "coalition" against terror in the specific context of Mr. Bush's invitation to Mr. Vajpayee for these latest talks in Washington.

On the bilateral front itself, Mr. Bush had, while inviting Mr. Vajpayee, made clear his intentions of enlarging the scope of the relationship. Military and economic ties apart, cooperation on global issues, too, has come to be recognised by both sides as a desirable exercise.

The transition of Indo-U.S. ties from a state of estranged democracies to a mode of engaged democracies is now being addressed from other perspectives as well, including that of global partnership. But the issues at stake are complex, despite the new American effort in public diplomacy to project India as a strategic kin.

THE HINDU

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# We are with the U.S. in every step of the way: PM

By Sridhar Krishnaswami

WASHINGTON, NOV. 9. The meetings of the Prime Minister, Mr. Atal Behari Vajpayee, on Capitol Hill today were very friendly and "full of warmth" that was reflective of bilateral relations not only in the immediate perspective but also for the long term, the Minister for External Affairs, Mr. Jaswant Singh said.

Mr. Vajpayee spent the whole morning on Capitol Hill meeting key members of the Senate and the House of Representatives either individually or in Committees of the Senate and the House. He also met the Speaker of the House, Mr. Dennis Hastert, and the Minority Leader, Mr. Richard Gephardt.

For his part the general consensus is that Mr. Vajpayee spoke quite clearly and plainly on many issues, especially pertaining to Afghanistan and terrorism and on the kind of implications of this struggle. The Prime Minister also told the lawmakers that the struggle

against terrorism should be a comprehensive one.

According to Mr. Jaswant Singh, there was the clear recognition on Capitol Hill that there is no acceptable distinction between good terrorism and bad terrorism or between acceptable terrorism and unacceptable terrorism. Mr. Singh argued that there was increasing recognition that the menace would have to be fought globally.

Mr. Vajpayee's luncheon address to Members of the Congressional Caucus on India was also well received. "India has long known the horrors of terrorism. Since September 11, India has been with the U.S. every step of the way. Now it has joined the U.S. in this war against terrorism. It will be a difficult struggle. We will need all the friends we can get and India has demonstrated that it will be a key ally in this war," the Co-Chair of the Caucus, Mr. Ed Royce, said in a statement.

The House on Thursday also passed a reso-

lution under unanimous consent welcoming the Prime Minister to the U.S. and commending India for its support in the fight against terrorism.

Mr. Vajpayee's visit to Capitol Hill and his discussions with key lawmakers have to be seen in the context of the changed environment even within Congress towards Pakistan, now seen as a key ally in the "coalition" against Afghanistan and terrorism. But Indian officials and diplomats have maintained that it had not impacted India in any way.

By and large, Congress has fully sided with the administration on anything that has to do with the efforts to fight terror, domestic and international; and has been quite supportive of the alliance partners that the administration has taken on board. The call to "stand by" Pakistan in this hour for its backing of the U.S. aside Congress is putting together an economic assistance package to Islamabad in the neighbourhood of \$ 700 million.

## Vajpayee asserts India's right to act against terrorism

By Sridhar Krishnaswami

WASHINGTON, NOV. 9. The Prime Minister, Mr. A. B. Vajpayee, has reiterated that while there is no intention to complicate the current agenda of the U.S. in Afghanistan, India has a legitimate right to take whatever action it can to thwart and respond to terrorism. "This is what I have written to the President, Mr. Bush. Restraint, like dialogue, has to be a two-way process," he said.

Mr. Vajpayee disputed the view that India was sending a message to the U.S. by firing on the Pakistani positions on the eve of the recent visit of the Secretary of State, Gen. Colin Powell. "There is sufficient mutual confidence, openness and candour in India-U.S. relations today.

"There is no need for either of us to use means other than speech or written texts to send messages to each other. A large group of terrorists were making a bid to cross our border from the Pakistani side. We took action to stop them. We had to resort to this step from time to time to prevent large-scale infiltration into India by terrorists," he said in written response to questions posed by *The Washington Post* Editors.

Asked if the President of Pakistan was allowing greater latitude to the anti-India militants to compensate for his participation in the anti-Taliban effort, Mr. Vajpayee said Pakistan had not ended its sponsorship of cross-border terrorism in India and cited the October 1 attack on the State As-

sembly in Srinagar.

"Pakistan must realise that it cannot support the campaign against international terrorism on the one hand, while sponsoring terrorist groups in India on the other. India has the resolve, strength and stamina to resist this terrorism," Mr. Vajpayee said. He

ruled out any third party intervention or mediation to settle the dispute between India and Pakistan. "There can be no place whatsoever for any third party involvement in any aspect of our bilateral relations. When two people can speak the same language, why should either side suddenly seek an interpreter?" he remarked.

On the stability of the Musharraf Government against the backdrop of the unpopularity of military actions against Afghanistan, Mr. Vajpayee said, "As a neighbour of Pakistan we have always been concerned at the direction in which Pakistan's society has been moving.

This is a direct consequence of the short-sighted policies pursued by Pakistan's military establishment ever since its creation in 1947. Pakistan must realise that the sponsorship of groups practising terrorism and propagating extremist ideologies eventually poses a threat to its own long-term stability," Mr. Vajpayee said.

On the subject of security of Pakistan's nuclear weapons, Mr. Vajpayee said it should be addressed by Islamabad.

## PM explains Pokhran rationale

By P. S. Suryanarayana

WASHINGTON, NOV. 9. The Prime Minister, Mr. Atal Behari Vajpayee, has portrayed a robust picture of India as a politically stable nation, whose face had dynamically changed in recent years. Addressing a gathering of Indo-Americans at a reception hosted by India's Ambassador to the United States, Mr. Lalit Mansingh, Mr. Vajpayee said very few nations would be able to boast of such a scientific pool as India.

Speaking in Hindi, Mr. Vajpayee appeared relaxed on the eve of a crucial summit with the U.S. President, Mr. George Bush. He explained the "security" rationale of India's nuclear weapons testing in 1998. Priding himself on how India was able to do so without the international community getting wind of it, Mr. Vajpayee said his administration was also tackling the country's economic problems.

PTI reports:

The Prime Minister said that the former President, Mr. R. Venkataraman, who had come to meet him recently, told him that he and the then Prime Minister, Indira Gandhi, were in favour of conducting nuclear tests. Once he (Mr. Venkataraman) had even gone to the test site after all preparations were made but he was called back to New Delhi in the last minute because "those who should not have known about it came to know of it. But when we conducted the tests three years ago none in the world was aware of it. Even my Cabinet colleagues were surprised and they told me so," he added.

THE HINDU

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# Atal, Bush joint push on terror

HT Correspondent/PTI  
Washington, November 9

PRIME MINISTER Atal Bihari Vajpayee and US President George Bush addressed a joint press conference here today after a one-on-one meeting, their first summit-level talks. Bush said that he would soon visit India.

The two leaders agreed that the war against terrorism must be pursued wherever terrorists are found. They said that terrorism in all its forms must be rejected.

Vajpayee added that the current campaign was not against religion, but against terrorists who used religious slogans to further their activity.

There were other areas of agreement. The two leaders discussed post-Taliban scenarios in Kabul. Vajpayee reiterated that a new Kabul regime would have to be broad-based, representative and friendly to the two countries. Bush said that a post-Taliban regime would have to reconstruct the country and take it forward.

The leaders also talked about cooperation between the two countries in various fields. Vajpayee said that he had discussed defence cooperation with Bush. He added that the two countries would launch a joint initiative against cyber-terrorism.

Bush said that there was scope for cooperation in civilian space programmes too. He also spoke about the need to cooperate on energy issues.

Earlier, Vajpayee had expanded on some of these themes in an interview to the *Washington Post*. He told the *Post* that the US-led campaign seemed to be faltering and that greater deployment of ground troops was necessary. Vajpayee also said that a setback to the coalition campaign could strengthen Islamic radicals in Pakistan.

Vajpayee had also expressed the hope that the US would succeed in persuading Pakistan to stop sponsoring cross-border terrorism against India. "We also hope that, in the context of



US President George Bush with Prime Minister Vajpayee at a press conference in the White House on Friday.

our collective campaign against terrorism, the US will succeed in persuading Pakistan to stop sponsoring terrorism against India," he said.

In an obvious reference to Pakistan, the Prime Minister said, "(The) safe haven offered by some countries have helped terrorist groups to build a web of terror networks, with its hub in our neighbourhood," he said.

"There is a strong, almost seamless, link between the terrorist groups operating against India and the US. Therefore, the entire network will have to be destroyed," Vajpayee added.

Asked about the Bush administration's recent statements saying that Kashmir is central to Indo-Pakistani relations, a view constantly aired by Islamabad, Vajpayee said the US was aware of New Delhi's position on Jammu and Kashmir. "If there is a central issue in Indo-Pakistani relationship, concerning J&K, it is cross-border terrorism, which we have to counter," he said.

Vajpayee ruled out third-party involvement on the Kashmir issue. "The Simla agreement and the Lahore declaration are bilateral agreements that have been freely entered

into. These commit both countries to address all outstanding issues peacefully, through direct bilateral dialogue," he said.

Vajpayee said Pakistan had not ended its sponsorship of cross-border terrorism in India.

The US House of Representatives passed a resolution welcoming Vajpayee and commending India for its support to the war against terrorism. Congressman Tom Lantos and 43 others sponsored the resolution. The co-chairman of the India Caucus, Ed Royce and Jim McDermott, spoke in favour of the resolution on Thursday.

THE HINDUSTAN TIMES

NOV 2001



# India vitally affected: Vajpayee

PRESS TRUST OF INDIA

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WASHINGTON, Nov. 8. — Mr Atal Behari Vajpayee told American lawmakers today that India was "vitally affected" by developments in Afghanistan and would not "tamely accept terrorist acts from across the border".

At his meetings with the Senate Foreign Relations Committee and the House International Relations Committee, Mr Vajpayee said India had no desire to overload the agenda of international coalition against terrorism. "But at the same time we need to ensure that we do not tamely accept the terrorist acts against us", he said. India continues to face cross-border terrorism and "increased infiltrations" across the Line of Control.

In a veiled reference to Pakistan's aiding militancy in Kashmir, Mr Vajpayee said members of the coalition against Osama bin Laden and his Al-Qaida network cannot be permitted to indulge in terrorism elsewhere.

"As victims of terrorism over the last two decades, we are conscious of the fact that unless this menace is tackled in a global and

comprehensive manner, it will raise its head in various regions of the world."

"You would understand, as elected representatives of the people, that public opinion seeks action from its elected representatives when such incidents occur. That is what I wrote to President Bush on 1 October after the terrorist act against the Jammu and Kashmir Assembly", he said.

The Prime Minister said he had suggested to Mr Bush the formation of a group of countries which should engage in a focused manner on political reconciliation and economic reconstruction in Afghanistan.

"We hope Pakistan will play a constructive role in this," Mr Vajpayee said. "If indeed it has made the correct strategic choice to change (by cooperating with the US-led fight against terrorism in Afghanistan), it would be a major advance towards peace in the region."

Addressing the the 130-member Congressional India Caucus, Mr Vajpayee proposed "a more cooperative" Indo-US. partnership as recent events would have a long-term and unpredictable consequences for international relations.

THE STATESMAN

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ROLE IN COALITION / 'IT IS FOR DELHI TO DECIDE'

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## U.S. to push for long-term ties with India

By P. S. Suryanarayana

WASHINGTON, NOV. 8. India's status within the amorphous international coalition against terrorism can be determined only by New Delhi, according to a ranking American official conversant with the preparations for the summit here tomorrow between the Prime Minister, Mr. Atal Behari Vajpayee, and the U.S. President, Mr. George W. Bush.

Mr. Bush had taken the initiative of inviting Mr. Vajpayee for an official working visit in the midst of Washington's single-minded prosecution of its stated campaign against international terrorism. It is in this sense that this issue may come to define the spirit of his meeting with the Prime Minister at the White House tomorrow.

India was among the first to offer the U.S. plenary cooperation of the military-logistical kind for a war on international terror. However, the U.S. would like India to determine its exact role within the global anti-terror alliance.

India's offer of all help, except of course the combat services of its military forces, must be narrowed down to some specifics, the U.S. official said during an informal conversation. The idea, according to him, is that India should choose its own functional role within the spectrum of many possibilities.

The U.S., while seeking to lead the coalition, seems keen to avoid assigning roles to its willing partners.

The Bush-Vajpayee summit will not be unidimensional in its scope, given especially the Bush administration's inclination to extend the frontiers of the U.S.-India relationship.

### Themes of discussions

In the reckoning of a top Indian official associated with the summit countdown, three large themes might dominate the discussions. The substantive endeavour to shape the course of the anti-terror campaign as a multi-lateral venture may figure, it is said.

Closely linked to this is the American effort to ensure that the emerging but fragile anti-terror coalition on the international stage does not develop fractures.

It is in this context that Mr. Bush might seek to discuss with Mr. Vajpayee how best India and Pakistan could manage their qualitatively new estrangement that has been caused by Washington's recent decision to co-opt Islamabad in the ongoing military campaign against the Taliban-protected citadel of terrorism in Afghanistan.

The U.S. has begun to assess the latest India-Pakistan staredown with almost the same sense of care and urgency that has been reserved for the current flare-up on the Israel-

Palestine front. For the reasons of keeping international Islamic opinion on his side, Mr. Bush is said to be sensitive to the possible impact of both these regional crises on the course that the designated campaign against international terror might now take.

On the U.S.-India front itself, Mr. Bush is, therefore, looking for much more than a mere symphony of sound bytes on their shared commitment to fight international terror. It is in this perspective that tomorrow's summit is expected to turn the spotlight on the prospects for a more intensive U.S.-India relationship that could be sustained over the long term. This will lend the summit a three-dimensional effect, as seen from the Indian standpoint.

For the U.S., robust new linkages with India will not only place its ties on a long-term trajectory, but will also help the Bush administration to credibly encourage New Delhi to keep its new tension with Pakistan under control.

Official India continues to point out that the American call for restraint be addressed towards Pakistan rather than New Delhi. Whether or not Mr. Bush sees the issue in the same light, it appears that the U.S. has not taken a dim view of some debatable aspects of the latest Indo-Russian statement on strategic affairs.

# PM, Bush to firm up bilateral ties

By Sridhar Krishnaswami

WASHINGTON, NOV. 7. The Prime Minister, Mr. Atal Behari Vajpayee, and his delegation arrived here this afternoon from Moscow for two days of discussions on a range of issues with terrorism heading the list.

The Prime Minister, who is on an official visit to the U.S., will be staying at Blair House. On Thursday, he will be travelling to Capitol Hill to meet senior members of the Senate and House of Representatives. He will meet with the leaders of both the Republican and Democratic parties as also the members of the India caucus over lunch.

But the White House meeting on Friday with the President, Mr. George W. Bush, will be the highlight of his visit. Mr. Vajpayee is coming at a time when the domestic and political environments are totally different in the aftermath of the terrorist attacks in the U.S. of September 11.

Mr. Bush and Mr. Vajpayee will have a one-on-one meeting for 20 to 30 minutes and, following a brief session with the media, will be continuing the delegation level talks over a working lunch. From the U.S. side, the President is expected to be joined by his National Security Adviser, Dr. Condoleezza Rice, the Secretaries of Defence and State, Mr. Donald Rumsfeld and Gen. Colin Powell.

Senior administration officials such as the Assistant Secretary of State for South Asia, Ms. Christina Rocca, are saying that both the leaders can be expected to further move forward to strengthen bilateral relationship; and the emphasis is that this bilateral relationship is not confined to any one or two aspects, but will cover the full range.

That said, a good part of the discussions between the leaders by themselves and at the delegation level will revolve round terrorism and Afghanistan, both the current campaign and the post-Taliban phase. India cannot lose

track of what Mr. Bush has been trying to do since September 11: trying to build and sustain a coalition of America's war on terrorism. And Washington, while taking note of India's concerns, is not about to rock the boat which is already in troubled waters.

Mr. Bush, the argument goes, will listen carefully to what Mr. Vajpayee will say as far as terrorism in the subcontinent is concerned, especially in the context of Pakistan's role. Publicly at least, Mr. Bush is highly unlikely to endorse what Mr. Vajpayee may have to say; and, at this point of time for political reasons, domestic and international, Mr. Bush will not be inclined to criticise Gen. Pervez Musharraf.

In fact, for all the rumbblings in the media about the "dubious" role of Pakistan in this coalition, senior officials such as Ms. Rocca have been quite emphatic of the "absolutely" wholehearted support of Islamabad in this terrorism coalition. Gen. Musharraf, the argument goes, has made a 180-degree turn since

September 11, which the Bush administration has appreciated.

A lot of attention is also on New York — not exactly on Mr. Vajpayee's address to the United Nations General Assembly, but whether there will be a meeting between Mr. Vajpayee and Gen. Musharraf. Even if there is no formal meeting, there are occasions for the exchange of pleasantries on Saturday.

While almost everyone, including Mr. Vajpayee, has ruled out a formal meeting, there are still those who hold out a glimmer of a hope that the two South Asia leaders will meet on the sidelines of the United Nations gathering. The problem, however, is in an impression that Mr. Vajpayee "agreed" to this meeting as a result of some kind of pressure from Mr. Bush. For its part, the Bush administration has said that while it is not "pushing" the two leaders to meet, Washington has always supported a sustained dialogue at high levels.

## Ask U.S. about second phase of campaign: Congress

By Our Special Correspondent

NEW DELHI, NOV. 7. The Congress today urged the Prime Minister, Mr. Atal Behari Vajpayee, to ask the U.S. President, Mr. George W. Bush, when the second phase of the campaign against terrorism would commence. "We hope it begins soon, but the Prime Minister should ask them (the U.S.) when they propose to start the next phase of action against the terrorists functioning in Kashmir, the Philippines and Chechnya", the CWC member, Mr. Natwar Singh, said.

He was of the opinion that the U.S. should

direct Pakistan to stop aiding the Taliban in Kashmir "as there was a limit to India's patience". He was, however, quick to clarify that this did not amount to asking the Government to adopt a policy of hot pursuit.

Mr. Singh said that while his party, along with the opposition parties, had supported the Government on Afghanistan, there was now growing concern about the large number of civilian casualties. He expressed concern over the language used at Somnath by the BJP functionaries and expressed the hope that everybody would practise religious and social tolerance.

3 NOV 2002

# Vajpayee, Bush plan to put shine back in Indo-U.S. ties

By Chidanand Rajghatta  
Times News Network

WASHINGTON: When Prime Minister Atal Behari Vajpayee checks into Blair House, a historic brick house on Pennsylvania Avenue, on Wednesday evening (Thursday morning IST) for his second visit to this city in two years, it will be with a realisation that a lot more has changed than the occupant of the White House, located right across the street.

Mr Vajpayee's visit here in fall 1999, followed by a return visit in spring 2000 by President Clinton, was to have heralded a glorious summer of Indo-U.S. relationship. That summer has been all too short, momentarily circumscribed by a winter war brought about by the clouds of terrorism that suddenly broke over the U.S. some eight weeks ago.

How to get around the conflicting approaches to the war and put the sunshine back into the relationship will form a substantial part of the agenda when Mr Vajpayee meets Mr Bush on Friday.

U.S. and Indian officials say contrary to the initial impression that the war on terrorism had disturbed the roadmap the two sides had drawn, it may actually end up imparting greater momentum to the ties.

The two sides, they say, may differ in their approach to the problem. India believes Pakistan is the problem, not the solution to terrorism. The U.S. agrees privately that Pakistan is the problem but believes it also holds the solution. But the two sides share the end goal, which is to completely stamp out the use of terrorism to meet any objective.

New Delhi, which was initially peeved that the U.S. appeared to be coddling Pakistan, now appears reas-

sured that Washington is actually holding Islamabad's feet to the fire as it promised.

Despite carefully avoiding implicating Pakistan publicly for terrorist acts so as to not embarrass General Musharraf, the Bush administration had moved swiftly to force Pakistan to crack down on 'jihadi' elements. Steps taken by the Musharraf regime under U.S. pressure include public collection of funds for jihad to freezing their bank accounts.

But this visit will be much more than just Pakistan and terrorism. In fact, officials from both sides emphasised that the visit was more bilateral in nature, and would address furthering ties between the two



countries. With the lifting of proliferation sanctions, we anticipate moving rapidly in many areas of scientific, security and commercial cooperation, says U.S. assistant secretary of state Christina Rocca. The mention of scientific and security cooperation both in cold storage is significant. Although no agreements are expected to be signed during the visit, there may be a joint statement addressing enhancement of military-to-military ties, and further strengthening of cooperation on terrorism, including cyber-terrorism, between the two sides. It will also call for a revamped economic dialogue and cooperation in high-tech areas.

Mr Vajpayee has a packed Congressional programme on Thursday, including meetings with the Indian-American Caucus, the House minority leader Richard Gephardt, and several key congressional leaders. While there has been considerable interest among law-makers to attend Mr Vajpayee's meetings, the Congress has by and large been a big let-down for India in the present context.

WEDNESDAY, NOVEMBER 7, 2001

## BUILDING INDO-U.S. TRUST

AT THE END of another high profile visit to New Delhi by an American official, there is greater bilateral optimism. India will be more than satisfied with the Defence Secretary, Mr. Donald Rumsfeld's reiteration of the assurance that the U.S.-led campaign against terror will not be confined to Osama bin Laden and the Al-Qaeda network. It will be pleased also with Mr. Rumsfeld's endorsement, perhaps for the first time by a senior U.S. official, of a role for New Delhi in shaping post-Taliban Afghanistan. His remarks after talks with the Defence Minister, Mr. George Fernandes, that the U.S. will pursue terrorist networks wherever it finds them were clear cut. The atmosphere in official New Delhi was apparently much more congenial than during the visit of the Secretary of State, Gen. Colin Powell, with both sides in the interregnum taking steps for better understanding of each other's objectives and concerns in the aftermath of the September 11 terror attacks. The positive signals from Washington and the measures it has initiated in the last few days, including the effective banning of two Pakistan-based terrorist groups operating in Jammu and Kashmir, have apparently cleared the diplomatic air of distrust. New Delhi's concerns over terrorism and its overseas sponsorship are, it is clear, finally being addressed by the U.S.

India will welcome the promise of increased military cooperation held out by Mr. Rumsfeld, raising visions of a strategic partnership for the common good in the future. Invited to the U.S. by his counterpart, Mr. Fernandes was thus justified in expressing satisfaction over the outcome of his interaction with Mr. Rumsfeld. The two countries have an opportunity to discuss the specifics of military cooperation when the Defence Policy Group meets next month. Released from the shackles of pro-

liferation-related sanctions, a steadily expanding strategic relationship received a jolt on September 11. As the two countries are set to resume their interrupted strategic dialogue, it is clear that the shape of the long-term relationship must await the outcome of the current campaign against terrorism. For, in the jigsaw of global diplomacy in the aftermath of the terror attacks in New York and Washington, bilateral relations across the world remain in limbo as strategic visions remain blurred beyond recognition.

Of immediate relevance to India and its geostrategic interests is the declaration by Mr. Rumsfeld that New Delhi will not be denied its rightful say in the building of a post-Taliban political structure in Afghanistan. With its centuries-old cultural and other ties, India can offer help in a big way for implementing the massive rehabilitation and reconstruction plan that the U.S. has reportedly drawn up in conjunction with the European Union. The plan is said to cover all facets of life, including areas in which India has expertise to offer: education, health care and infrastructure. India found itself on the losing side in the war against the Soviet occupation of Afghanistan but played a quiet role in the following decade. Its support for the secular Rabbani Government in Kabul pitted it against the Taliban and Pakistan. It worked closely with the U.N. in trying to arrive at a power-sharing arrangement among the mujahideen factions in the wake of the civil war that followed the withdrawal of Soviet troops. Its vital stakes demand that it work actively in concert with Iran, Russia and the Central Asian republics, with which Delhi has maintained close relations, for the formation of a liberal, democratic, representative coalition to return Afghanistan to modern civilisation.

THE HINDU

7 NOV 2001

# US warship docks in Chennai

STATESMAN NEWS SERVICE

CHENNAI, Nov. 5. - The USS O'Brien of the Seventh Fleet of the US Navy, currently in the Arabian Sea, docked at Chennai Port this morning for refuelling. The berthing of the O'Brien coincided with the visit of Mr Donald Rumsfeld. This has triggered speculation, but all that the ship's commander had to say about the timing was, "It is only a coincidence".

"I cannot say where we came from or where we are going. I can only say that we are part of the Seventh Fleet patrolling the Arabian Sea in support of Operation Enduring Freedom," the ship's commander, Mr MB Yonehiro, said, adding that the ship had docked for "gas". This is the first US warship to dock in the city's port since 1996.

The 564-foot, 9,200-tonne Spruance Class destroyer with a crew of 340 is armed with Tomahawks and Cruise missiles. Commissioned in 1975, the warship started off as an anti-submarine platform and was

## WTC STRIKE DAMAGED CIA HUB

WASHINGTON, Nov. 5. - A secret CIA office was destroyed in the 11 September terrorist attacks on the World Trade Center, seriously disrupting the agency's operations, the New York Times revealed today. The undercover station in 7 World Trade Center was hidden behind a false front of another federal organisation. All the employees were evacuated from the site, the NYT quoted unnamed officials as saying.

The office was a base to spy on and recruit foreign diplomats stationed at the UN, and also to debrief select US businessmen willing to talk to the CIA after returning from abroad, it said.

The report also said a CIA team has scoured the debris of the towers for secret documents. The CIA's main New York office was unaffected by the attacks. The office is believed to be the largest and most important CIA domestic station outside Washington, the NY Times said. - PTI

gradually upgraded into a multi-capability destroyer with hi-tech electronic intelligence. The entire berth where the warship is docked has been cordoned off by armed US Navy officers and Central Industrial Security Force jawans.

Mr Yonehiro refused to reveal the duration of his stay and parried queries about the destination and any possible role in the war. "These are political

questions that we cannot reply. We are humble sailors," he said. **Air attacks claim 20 civilians:** American warplanes continued to pound Taliban positions near Kabul and the northern frontlines, reports from Islamabad add. The Taliban claimed at least 20 civilians were killed in raids today as the USA sent in more forces. US jets dropped bombs on Kandahar and near Mazar-e-Sharif.

A sortie by a US aircraft scored a direct hit on a Kabul hotel used by the militia but did not give any casualty figures.

US warplanes today carried out 103 bombing runs, with some sorties targeting caves which may shelter members of the Taliban and Al-Qaida, the Pentagon spokesman, Richard McGraw, said. Two cave tunnels used by Al-Qaida operatives were also targeted.

**Four held over church shoot-out:** The Pakistan police today arrested four people, including a key suspect, in connection with last month's massacre of 16 Christians at Bahawalpur, add reports from Multan.

**Musharraf-Blair meet:** Gen. Pervez Musharraf will meet Mr Tony Blair in London on Thursday. Gen. Musharraf will be in London on his way to New York. Mr Vajpayee will visit Britain on Monday.

■ Editorial: Lunch with Bush, page 6  
■ More reports, photograph on page 9

CHENNAI

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# U.S. set to isolate India at WTO

By Sushma Ramachandran 180-12

**NEW DELHI, NOV. 5.** The United States appears set to isolate India at the coming Doha ministerial conference of the World Trade Organisation (WTO) by convincing other developing country members to join hands with it on the convening of the meet. Since India has been vociferous in its objections to the new round and domestic anti-WTO pressures are mounting on the Government, the U.S. seems to feel it is futile to seek a reversal of India's stand.

Instead, U.S. officials here say it would be easier to deal with the issue of the new trade round "within the multilateral framework". They point out that there has been ample opportunity for extensive talks between the U.S. Trade Representative, Mr. Robert Zoellick, and the Commerce and Industry Minister, Mr. Murasoli Maran, on the agenda for Doha over the last two months. It has become abundantly clear that the Government is steadfast on not agreeing to a new round till implementation issues are addressed to the satisfaction of developing countries.

In such a scenario, the U.S. is keen on lobbying for its goal of a new trade round with a limited agenda within the multilateral framework with other WTO members. As for U.S. stance, the officials maintain that the Bush administration is not in favour of a comprehensive or wide-ranging trade round unless that is the broad consensus at the conference. It is interested, however, in including certain items in a new round especially agriculture, industrial tariffs and services.

The U.S., unlike the European Union, will not insist on inclusion of the "new items" such as invest-

ment, competition and government procurement. As for linkage of trade with labour or environment, the U.S. recognises the genuine concerns of the E.U. but would not press for their inclusion especially since most WTO members are not likely to support this measure.

In an informal briefing, U.S. officials sought to enunciate their government's point of view just four days before the commencement of the conference. On implementation issues, they felt that many of these have already been addressed and India's list of 93 items still to be dealt includes several issues where action has already been taken.

Besides, they pointed out that in case the conference was not able to agree on a new trade round, members would opt for either bilateral or regional trade agreements in a big way.

The USTR, Mr. Zoellick, had warned during his visit here in August that the adverse impact of such a scenario would not be on the U.S. which controls a large share of world trade, but on a country like India which may find it difficult to enter into such arrangements.

He had also declared that if India does not engage in diplomacy to fix the agenda, it may find itself isolated and have to come on board willy nilly in case the conference reaches a consensus on a new round.

U.S. officials, however, right now are not willing to predict whether the Doha conference will spell the launch of a new round or not. This will clearly depend largely on the success of the hectic lobbying carried out over the last few months by the U.S. and other developed countries to push for a consensus on this issue.

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6 NOV 2001



FERNANDES INVITED TO VISIT U.S.

# We will target terrorists wherever they are: Rumsfeld

By Atul Aneja and Sandeep Dikshit

NEW DELHI, NOV. 5. The United States said today that India also had been a victim of Taliban-induced terrorism and signalled endorsement of New Delhi's role in post-Taliban Afghanistan.

Indicating that Kashmir would not be excluded from the global campaign against terrorism, the visiting U.S. Defence Secretary, Mr. Donald Rumsfeld, said that it would be global in its sweep. At a joint press conference with the Defence Minister, Mr. George Fernandes, he pointed out that the U.S. President, Mr. George Bush, had clarified that the war against terrorism was not about Afghanistan alone.

Mr. Rumsfeld, who had a two-hour long meeting with Mr. Fernandes, said, "Afghanistan only happens to be the first problem... President Bush and I have been unambiguous that we will be pursuing terrorist networks wherever we find them."

Talks between Mr. Rumsfeld and Mr. Fernandes revolved around four points, highly-placed Government sources said. First, India and the U.S. were committed to a long-term strategic relationship, underpinned by an understanding of each other's political, military and economic concerns. It was in this context that Mr. Rumsfeld "appreciated" restraint by India in Kashmir during the ongoing war and talked about the long-term U.S. intent to make the anti-terrorism campaign comprehensive in scope.

Second, the U.S. conveyed the importance of the Pakistan President, Gen. Pervez Musharraf, in tackling the highly-fluid situation in Pakistan. The U.S. is worried about the weapons of mass destruction falling into the hands of terrorists, especially if a radical dispensation takes over in Pakistan.

Mr. Rumsfeld said he was "personally" confident about the ability of Pakistan's armed forces in exercising vigilance over its nuclear weapons. However, the increasing proliferation of the weapons had heightened the risk of some of them falling into the hands of terrorists.

Third, both sides looked at expanding their bilateral strategic cooperation in military affairs. India has cleared in principle the General Security of Military Information Agreement (GSOMIA), which entails a formal acknowledgement by both countries not to leak secret information to third countries, has opened the door for military hardware exchanges,

joint production of weapons and high-level sharing of military intelligence.

Mr. Fernandes said they also discussed some items that India wished to acquire or manufacture jointly. Adding a political dimension to the relationship, Mr. Fernandes has been invited to visit the U.S. next year. His visit is likely to regularise annual meetings between the two Defence Ministers.

India, the sources said, had conveyed its interest in expanding military contacts, beyond the Pacific command which currently oversees Indo-U.S. military ties. Besides, New Delhi is keen to be associated with the U.S. global surveillance grid, which covers its

neighbourhood. India and the U.S. will discuss the specifics of military cooperation during the meeting of the Defence Policy Group, expected in December. The U.S. is sending Admiral Dennis Blair, Commander-in-Chief of its Pacific Fleet, and Mr. Douglas Faith, Under-Secretary (Policy) in the Department of Defence.

Fourth, the U.S. side appeared well-disposed towards India acquiring a higher profile in post-Taliban Afghanistan. Prior to his arrival, Mr. Rumsfeld said that the United Nations should be involved in determining a broad-based "non-Taliban" government in Kabul.

## 10 civilians killed: Taliban

KABUL, NOV. 5. Twenty civilians were killed in new U.S. bombing raids over Afghanistan, Taliban officials and the Afghan Islamic Press (AIP) said today.

One raid targeted Keshendeh district, about 80 km south of Mazar-e-Sharif, which has become a battleground between the opposition Northern Alliance and the Taliban militia. Abdul Hanan Hemat, the chief of the Taliban's Bakhter news agency, said 10 civilians were killed and 15 injured in an attack "close to the front lines" overnight.

## Chopper wreck found

Qatar's al-Jazeera television showed pictures of debris from a helicopter the Taliban claimed to have shot down, but which the Pentagon said had crashed in bad weather.

## Bodies sent to Karachi

The bodies of 10 American commandos killed in a helicopter crash inside Taliban's position recently were sent to Karachi for onward flight to the U.S. today, eye witnesses said. — AFP, UNI, PTI



The U.S. Secretary of Defence, Mr. Donald Rumsfeld, calling on the Defence Minister, Mr. George Fernandes, at his South Block office in New Delhi on Monday. — Photo: Anu Pushkarna

Vajpayee on visit to Big Three

# Focus on terror, post-war Kabul

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 4. — The Prime Minister will discuss the global fight against terrorism and challenges in post-conflict Afghanistan during his tour to Russia, the USA and Britain. He left for Russia today.

"In my discussions in all three countries, I'll place particular emphasis on issues relating to international terrorism and the urgent need to address challenges of post-conflict Afghanistan", Mr Atal Behari Vajpayee said before leaving the country. Among those who came to see him off at the airport were Mr LK Advani, Mr Yashwant Sinha, planning commission deputy chairman Mr KC Pant, US ambassador to India Mr Robert Blackwill and the three services chiefs.

Mr Vajpayee said his talks with the Russian President, Mr Vladimir Putin, and other leaders would focus on boosting the already "vibrant" bilateral ties, deepening the understanding of each other's political problems and expanding the range of economic cooperations.

"We'll also discuss important regional and international developments," he said. Recalling Mr Putin's visit to New Delhi in October last year, Mr Vajpayee said the two countries had signed a Declaration on Strategic Partnership and agreed to hold annual summits. "Now, efforts will be made to further strengthen the time-tested ties between the two countries."

On 7 November, India and Russia will sign the Moscow Declaration on International Terrorism. This will follow one-to-one talks between Mr Vajpayee and Mr Putin and delegation-level discussions. The Moscow State University will confer an Honourary Doctorate on the Prime Minister.

The two sides will also sign a statement on bilateral, international and strategic issues. Several bilateral agreements are likely to be signed, including a Memorandum of Understand-

## PM IN PETERSBURG

ST PETERSBURG, Nov. 4. — Mr Atal Behari Vajpayee arrived here tonight and was received at the airport by Deputy Prime Minister Ilya Klebanov and the city Governor, Mr Vladimir Yakolev.

The flight made a detour because of the Afghan conflict and took an hour more than the normal schedule. Instead of flying over Pakistan, Afghanistan and Central Asian countries, the plane flew over Arabian Sea and Iran before entering Russia.

The Prime Minister will visit the Russian State Museum and meet intellectuals tomorrow, before leaving for Moscow. — PTI

ing on construction of Koodankulam nuclear power station in Tamil Nadu. An Indo-Russian Eminent Persons Group will be announced.

Orr Indo-US ties, Mr Vajpayee said that though there were some bilateral differences during the Cold War, "*ab mausam saaf hai, anukul hai* (now the climate is conducive)". The two countries are helping each other to fight global terrorism.

The Prime Minister expects the talks will lead to consolidation of the many positive trends in the bilateral ties. "We'll also exchange views on important international developments and current issues of concern." He is expected to meet a cross-section of US Congress members and representatives of the Indian-American community.

In his address to the UN General Assembly on 10 November, Mr Vajpayee will stress the need to eliminate global terrorism. He will meet Mr Bush in Washington the day before. After the 11 September strikes, there have been several high-level talks between the two sides.

In London, Mr Vajpayee will pick up the threads from his recent talks with Mr Tony Blair in New Delhi.

## USA may be asked to lift ban on hi-tech arms

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 4. — India is likely to ask the US defence secretary, who arrived here tonight, to take steps to lift the ban on sale of high-tech armaments and systems arms.

The defence minister said New Delhi would request Washington to lift the ban immediately. The two countries, he said, are poised to take the security and strategic talks to a "higher plane".

The Afghan issue too will figure during Mr George Fernandes's talks with Mr Donald Rumsfeld tomorrow.

Both the countries want the strategic partnership to be reflected in all spheres of bilateral ties, including military-to-military contact.

During his brief stay in Delhi, Mr Rumsfeld will have a two-hour talk with Mr Fernandes and appear on a Doordarshan live chat show.

The defence minister said the US ban on transfer of hi-tech systems to India was imposed in 1950s, not after the 1998 Pokhran tests. It's time, he said, the two countries ensured that development of strategic partnership led to the removal of such bans.

On defence preparedness, he said the Centre was committed to procuring hi-tech armaments and systems such as unmanned aerial reconnaissance vehicles, snow mobile sensors and anti-mine vehicles.

Declaring that India shouldn't be Pakistan-centric, Mr Fernandes said the aim of US-led campaign against terror,

■ See BAN: page 8

THE STATESMAN

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# Delhi stage for war & peace face-off

FROM SUJANDUTTA

**New Delhi, Nov. 2:** The face of the America that wants peace will be in the capital on Monday. US defence secretary Donald Rumsfeld and America's best-known dissident Noam Chomsky will address India on waging war and waging peace.

Rumsfeld, the 69-year-old son of Bush's war cabinet, former Princeton University wrestler, arch-militarist and the man Henry Kissinger once described as the most ruthless "despot" to deal with according to *Time* magazine, will meet defence minister George Fernandes on Monday morning. Shortly afterwards he will be on the steps of South Block, addressing television cameras and the world's media. He reaches Delhi after travelling through Central Asia and Pakistan.

Chomsky, professor of linguistics

tics at Massachusetts Institute of Technology, devastating critic of US foreign and military policies, one of the foremost leaders of the anti-Vietnam war campaign in the late 1960s, speaks on philosophy tomorrow in a lecture for the Institute of Social Sciences titled "Peering into the abyss of the future" and on Monday against militarism at a public meeting organised by economist Jean Dreze at the Delhi School of Economics.

Delhi's chatterati know what to expect from each. For a militarist, few can match Rumsfeld's credentials. For a peacenik, few can Chomsky's.

A former US naval aviator, Rumsfeld was the youngest US secretary of defence (1975-1977) when he took the office in the Ford administration. Before that, he had been US ambassador to Nato. Even after quitting government in 1985 and as a private businessman, he was on the President's ad-

visory committee on arms control, senior adviser to the Reagan administration on strategic systems and a member of the board of visitors of the National Defense University. Shortly before joining the George Bush Jr administration, he was chairman of the Commission on the Ballistic Missile Threat to the US. He is now heading a review of the world's largest military with a budget estimated at \$300 billion a year. If the American military industrial complex had to be given a name, it would be Donald Rumsfeld's.

Rumsfeld will be seeking to strengthen "the global coalition against terrorism" as US jets smart-bomb Afghanistan, bin Laden, Mullah Omar and also, unsmarterly, men, women and children.

Noam Chomsky, advocate of a philosophy that Jawaharlal Nehru University's linguistics professor Fransoon D'Manjali describes as "something close to an-

archo-syndicalism but not quite it", once explained to an interviewer why he continues to teach at MIT where much of American strategic and militaristic research is carried out.

"Karl Marx used to work in the British Museum where all the loot from the colonies used to come," he said.

Chomsky's political writing is enshrined in his book *For Reasons of State*, among other works.

Here is a sample of what Chomsky has had to say on American policy.

"...The US is, after all, the only country condemned by the World Court for terrorism -- for "the unlawful use of force" for political ends, as the Court put it, ordering the US to terminate these crimes and pay substantial reparations. The US, of course, dismissed the Court's judgment with contempt, reacting by escalating the terrorist war in Nicaragua ..."



Noam Chomsky



Donald Rumsfeld

# WTO for major agenda in new round

By C. Rammanohar Reddy

**CHENNAI, OCT. 28.** On the eve of the Doha ministerial conference, the World Trade Organisation has suggested a major negotiating agenda for a new round of trade liberalisation talks that India and most other developing countries will find difficult to digest, even as only marginal progress has been made in addressing their longstanding demands to correct the problems that have surfaced in implementation of past WTO/GATT agreements.

A draft ministerial declaration that was released on Saturday in Geneva put forward "a broad and balanced work programme" that could lead to more than a dozen new WTO agreements in areas ranging from import tariffs on industrial products to entirely new subjects such as foreign investment and national competition policies. Other issues include trade in agriculture, transparency in government procurement and a possible review of the agreement on anti-dumping duties. One WTO analyst speaking from Geneva said, "This is not a narrow agenda, it surpasses even the agenda of the controversial Uruguay Round of 1986-93."

Other draft texts released were two on proposed decisions on the "implementation issues" of the developing countries and a political declaration that is expected to clarify the issues in the agreement on Trade-related Aspects of Intellectual Rights (TRIPS) where they involve the prices and availability of medicines. After a meeting of the WTO's General Council later this week, these documents go to Doha for approval at the ministerial conference. The drafts were prepared on the basis of discussions by the General Council Chairman, Mr. Stuart Harbinson, who is Hong Kong's WTO Ambassador.

The agenda now includes a specific programme on agriculture trade liberalisation. And the contentious proposals on new WTO pacts on foreign investment and competition will be a two-stage process. The next two years will see talks on the framework for the new treaties and full-fledged negotiations will begin in 2003. "But there is no mistaking the launch of negotiations here. This is an agenda that the E.U. will love," said a developing country official, referring to the E.U.'s persistent demand that the WTO draw up global treaties that will,

for example, give foreign investors the same rights as domestic industrialists in all countries. However, in another controversial area - food safety - which the E.U. has previously called "a deal breaker," the proposed agenda is very modest and makes no reference to the European demand to frame rules that will allow countries to keep out agricultural imports if there is a slightest hint of danger to health, a demand that developing countries and the U.S. have called protectionism in disguise. Not listed explicitly in the agenda is one that India has long asked for - talks to provide protection to "geographic appellations" like Basmati rice or Alphonso mangoes; only its possibility is mentioned.

"The U.S. and the E.U. may ultimately find this over-arching agenda to be counter-productive because, for by overloading the WTO, negotiations could extend for years. Delays will work to the poor countries' advantage," said a senior trade diplomat in Geneva.

On the implementation issues, Doha will be asked to approve proposals to modify some 40 clauses in the existing agreements in order to benefit developing countries. One official said

that a particular decision on textiles could boost Indian exports moderately the next three years. But the more substantive implementation demands - numbering more than 50 and including, for example, a proposal to permit developing countries to impose export obligations on foreign industry - has been pushed back to talks in the next round.

A sharp division between Brazil (supported by India) and the U.S. has meant that the political statement on TRIPS goes to Doha without even an agreement on its title. The demand that countries be allowed to over-ride TRIPS where issues relating to public health are concerned is strongly opposed by the U.S., notwithstanding the ongoing controversy about the high prices initially charged by the multinational Bayer on the patented ciproflaxin, the drug recommended for treatment of anthrax.

A Geneva-based official, however, said, "I would not be surprised if the U.S. and E.U. sacrifice the pharmaceutical lobby in exchange for a developing country endorsement of the ambitious negotiating agenda in all the other areas."

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## Countdown to Doha

OFFICIALLY, the Cabinet has endorsed commerce and industry minister Murasoli Maran's tough stand on the forthcoming ministerial level talks of the WTO at Doha. That's the bad news. The good news is that the Cabinet has also asked Mr Maran to prepare a fall-back position. That is a substantial shift from the earlier rigid stance of no talks without first addressing 'implementation' issues. Both Pakistan and Malaysia, supporters till fairly recently, have deserted us; not that their support ever meant very much, given their measly combined weight in world trade. Even so, the fact is we are now well and truly isolated. A rigid stance could, perhaps, have been justified in the run up to the talks as part of a broader negotiating strategy, when we did not wish to appear as though we are ceding ground without getting anything in return. But not any longer; certainly not when a new round looks almost a certainty given the much greater agreement between the US and the EU. In the changed circumstances, India's opposition counts for nothing. It is good the government has recognised as much.

Unfortunately, the realisation has come too late in the day to do us much good. Our minimalist strategy to date has left the field open for negotiators of other countries to define the details of the new agreements. The result is that, as in the past, India may be forced to accept agreements that do not take care of its interests. It is far wiser for us to adopt a more flexible approach and see how best we can influence the talks to serve our own interests. That should not be too difficult since the draft documents recently released by the WTO are a marked improvement over earlier WTO documents. For one, they provide for retention of status quo in areas where substantial differences remain. The document on implementation, in particular, divides the issues between those that can be addressed immediately and those that can be addressed later. This should have sufficed to put at rest most of the commerce ministry's fears. On foreign investment and competition policies, two other contentious issues, the draft document retains the option of continuing with the existing study programmes. This is a significant change from the past. It is for India to take maximum advantage of these changes instead of sitting on its high horse.

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*The Economic Times*

29 OCT 2001

# At WTO's High Table

## For Once, Give Poor Nations A Break

By AMIT DASGUPTA

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**I**MPORTANT international meetings such as the UN General Assembly in New York and the annual IMF and World Bank get-togethers in Washington stand deferred on security grounds following the September 11 attacks in the US. Surprisingly, however, with less than three weeks left for the fourth WTO ministerial conference to be held in Doha, total confusion exists as to whether the meeting is to be deferred, has been deferred or will be held on schedule.

Mike Moore, DG, WTO, shuns all talk of deferment. He draws attention to the dismal global economic scenario and argues that it is imperative for Doha to go ahead for it is the magic wand that will boost global economic confidence. Please read: Accelerated trade liberalisation is the key to fighting terrorism. In a perverse sort of way, September 11 appears to have set the tone, yet again, for pressurising the developing and least developed countries to sign on the dotted line at Doha.

Prior to September 11, the global economy was already in the grip of a slowdown. September 11, and speculations of the form that US retaliatory strikes would take, ushered in further uncertainty with consumer confidence plunging to an all-time low. As *Asia Week* put it, distance is no buffer and when the World Trade Center was struck, it was felt just as sharply by every country that participates in the global economy. Simply put, all indications suggest that the US economy is plunging into recession and that the contagion will spread globally.

According to the *Far Eastern Economic Review*, a single day lost to business in the US and ensuing disruption could easily knock off 0.5 per cent from the country's GDP. This augurs ill for the global economy. As the crisis unfolds, there is fear — bordering on legitimate panic — that it could lead to global economic capitulation. Deflating US consumer demand would cripple exports from developing countries. Stepped-up security would add not only to transaction costs but impact on the movement of international goods. With more inspections and more security, the system would slow down.

In countries like Japan, for instance, there is every possibility of the financial system taking a severe beating. France's economy grew at the slowest pace in two and half years in the second quarter as

slower global growth weakened domestic demand and curbed exports. The German chancellor hinted recently that the government might have to consider measures to stimulate the weakening economy. Even countries, like India, which may be relatively insulated, at least in the short term from the severity of such contagion, are not likely to remain unaffected for long.

Unfortunately, the current atmospherics suggest that the negotiations at Doha will completely sidetrack and defer all discussion on what ails the WTO and why developing countries are reticent to open their markets further to developed country products. The negotiations at Doha would focus on coercing the poorer countries to play ball by opening up their markets further on the grounds that the need of the hour is the revitalisation of the global economy. The DG, WTO can argue that now is the time for the

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 ed norms of neutrality for a secretariat in the conduct of business.

Prior to September 11, the build-up to Doha suggested a re-enactment of Seattle. Clear battle lines were being drawn. The developing countries were arguing, as they did in Seattle, that they had lost out in the Uruguay Round agreements and the imbalances needed to be addressed in the first instance. They further argue that trade liberalisation does not by itself bring about economic upliftment and that the current regime has actually contributed to inequity in the distribution of gains.

The developed countries, on the other hand, insisted that criticising them for being better prepared at the Uruguay Round negotiations was a non-argument and that developing countries ought to have done their homework before coming to the negotiating table. They further said that if there were any imbalances in the agreements, these could only be corrected through a comprehensive round which meant essentially that the trade agenda had to be expanded.

Today the WTO stands at a crossroads with its credibility at an all-time low. A global trading system cannot succeed unless it is truly global and yet, the WTO continues to function as an exclusive club where the poorer countries hang around on the fringes. The September 11 incidents provide, in fact, the right atmospherics to address what ails the WTO and to set it right.

What the next ministerial conference needs to do is to assess candidly what ails the system and why, more importantly, questions are being repeatedly raised by every poor country that they are receiving the short end of the stick in the WTO. Unless this is done and the developing countries made to feel that they are an integral part of the WTO system, WTO may well have outlived its legitimacy. Issues like the development dimension and poverty need to be addressed upfront along with the imbalances in the existing agreements. The system needs to be made equitable and fair. Liberalise trade by all means, but let us put a human face at the very heart of the multilateral trading system. Only then can win-win solutions be found.

(The author is director, SAARC secretariat, Kathmandu. The views expressed here do not necessarily reflect those of the SAARC secretariat or the member governments of SAARC)

### IN BRIEF

- The Doha WTO round will see more pressure on developing countries to open their markets
- This, it will be argued, is necessary to stimulate growth
- WTO's imbalances must be set right for poor countries to get a good deal

global community to join firmly in the endeavour to ensure that the terrorists did not succeed in plunging the world into a global recession.

The argument is not as convoluted as it may sound: The developing countries should agree to further trade liberalisation by opening up new sectors and areas through a new round of trade negotiations. What this argument essentially translates into is that the poorer countries need to help the richer economies to recover by stimulating growth, and once this happens, in the long run, the poorer countries would also reap the benefits of recovery in the richer countries.

Interestingly, however, the plea for a global effort to heal the ailing world economy couches a veiled threat: Dissension by the poorer countries would imply that they are not keen to join the global fight against terrorism. But then, for long it has been argued that the WTO is a rich man's club. This, of course, never mattered to anyone but the poorer countries. Even the DG, WTO refused to stick to the expect-

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**Fracas over venue of  
WTO ministerial meet** 2/10

By C. Rammanohar Reddy

Reports from Geneva indicate that the high-handedness of the U.S. and the EU in expressing their "security concerns" about meeting in Doha, Qatar, for the fourth ministerial conference of the World Trade Organisation, has created a fracas that threatens to wreck the very convening of the meeting, thereby unsettling their best laid plans to launch a new round of trade liberalisation talks next month.

Until ten days ago, officials of the WTO insisted that the meeting would be held as scheduled in Doha between November 9 and

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12. But now the response to queries about the venue is "No comment," meaning that they expect (hope) a change will take place. The reason for this shift in position is that at the 'informal' meeting of ministers from 21 countries that was held in Singapore on October 13 and 14, Japan raised concerns about security, a position subsequently joined by the U.S. and the EU.

In what appeared to be a pre-arranged decision taken without consulting Qatar, Singapore then offered to be a "replacement" venue with a scaled down ministerial meeting away from the presumed fallout of the U.S. bombing of Afghanistan. (In Singapore, Mr. Murasoli Maran, the Union Commerce Minister, said

India had no problems going to Doha.)

The expectation then was that the Qatar Emirate would offer to stand down and let Singapore be the new host. But upset at what is seen as manoeuvres between the U.S., EU, Singapore and the WTO Secretariat, the Government of Qatar has so far refused to give up its right to hold the meeting. After a cabinet meeting on October 17 it announced that all preparations were on schedule. Qatar has particular reason to feel aggrieved by the attempts to push it aside since not only has it spent a considerable amount of money (\$50 million) to organise the conference, it was the only one in late 2000 to offer to and bail out the WTO at a time when no country was willing to be the host — after the turmoil in Seattle in 1999. And while for weeks after September, the rumours in Geneva were that the conference would be shifted from Doha; the Qatari officials kept being reassured there no such possibility.

Complicating the situation is that the Arab countries and many developing countries — members of the Like-Minded Group at the WTO — have informally expressed their support to Qatar. They also have a self-interest in doing so since a logjam and a failure to hold the ministerial meeting next month means that the current momentum to launch a new round — to which many of them are opposed — could later fizzle out.

The WTO officials said that there was no plan for Mr. Mike Moore, the Director-General, to travel to Doha and plead for Qatar to drop out. Rubbing salt into the Qatari wound is that the October 18 communique at the APEC meeting in Shanghai called for a new round to be launched at next month's WTO conference — but made no mention of where the meet was to take place! And on the same day, Mr. Robert Zoellick, the U.S. Trade Representative, again raised security questions about Doha and his EU counterpart, Mr. Pascal Lamy, speaking in Paris said much the same, even as they insisted that the ministerial meet had to take place as scheduled. If Qatar does not give up its right to be the venue, one alternative that is being speculated is that there will be only a meeting in Geneva of the WTO's General Council — the administrative and decision-making body of the WTO where all countries are members — to discuss routine matters.

Another option is that Qatar, angry about Singapore stepping in as "a spare tyre" as a Singapore minister called itself, may agree to Geneva as the venue for a mini-ministerial. But the Canton of Geneva will then have to cope with street protests, as it did in May 1998 during the second ministerial. All in all, a major mess caused by insensitive actions by the major trade powers, their allies and senior officials of the WTO Secretariat.



# False premises

By C. Rammanohar Reddy

*It is the influential Indian advocates of a new round who are trapped in the mindset of the past and not the Government which this time has a better understanding of the games at the WTO.*

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**M**INISTERS FROM some 20 countries begin a two-day meeting in Singapore today in another attempt to launch a new round of negotiations at the World Trade Organisation. India will once again come under pressure to agree because it is the largest country still opposed to a new round unless certain pre-conditions such as a correction of the imbalances in existing WTO agreements are first met.

Unfortunately, the Government is not getting enough support at home. There is an influential body of opinion which argues that it is in India's interests to support fresh WTO talks. This lobby does not reflect any economic interests but is an assortment of economists, media commentators and trade experts whose influence arises solely from its access to the print and electronic media and to the seminar halls of New Delhi. The case for India supporting a new round is based on three arguments, none of which is valid.

The first argument is that as the rest of the world moves ahead, it is time we abandoned our old mindset of resisting liberalisation at the WTO. This variant of "keeping up with the Jones" argument betrays an inadequate understanding of the dynamics of the WTO. Yes, the world has changed. But at the WTO it has changed in the opposite direction since the Uruguay Round (UR) of 1986-93. It is the influential Indian advocates of a new round who are trapped in the mindset of the past and not the Government which this time has a better understanding of the games at the WTO.

The WTO is an inter-governmental organisation; but it is the business interests in each country which drive its agenda. The Uruguay Round had such a wide-ranging agenda primarily because the multinationals of the U.S. and E.U. wanted it so. For example, the drug companies lobbied hard to put intellectual property rights on the agenda. And the service industries built up a powerful coalition to bring this sector into the GATT. Compared to such lobbying in the 1980s, there is now little more than ritualistic campaigning by the global firms for a new round. There are many reasons for this. First, the backlash against TRIPS has meant that companies which got what they wanted during the Uruguay Round

are now worried that the issue may be reopened. Second, the General Agreement on Services that emerged from the Uruguay Round was a messy kind of liberalisation which satisfied few multinationals in banking or telecom. These companies are no longer enthusiastic about the WTO process. Third, the multinationals engaged in manufacturing were able to get average customs duties in the industrial countries reduced to nominal levels during the Uruguay Round. In the developing countries import tariffs remain high. But even these applied rates are substantially lower than the bound rates which were negotiated during the Uruguay Round, since the former were reduced unilaterally and outside the WTO process. A new round will also be about bound rates so the multinationals would prefer to wait for the fruits of unilateral tariff reduction. (A detailed discussion of the lack of business interests in a new round is provided in a paper, *The Multilateral Trading System: Quo Vadis* written by three economists, Aaditya Mattoo, Pierre Sauve and Arvind Subramanian, who earlier worked in GATT/WTO and who offer innovative arguments about what is holding back the launch of a new round.)

So if global business interests are not very enthused about a new round, what can India gain from such talks since reciprocity underlies the WTO process? This leads to the second argument of the Indian advocates which is that since the Government is committed to a medium-term reduction of import tariffs it is better to link this up to the WTO process so that Indian exporters can obtain something in exchange. A variant is that the principle of WTO reciprocity will create domestic constituencies for trade liberalisation. Neither argument is valid. As India has one of the highest bound tariffs at the WTO, the onus is on us to reduce these duties in any new

negotiations. Our trading partners also know that they need not make any reciprocal offers because unilateral tariff reduction is underway. And there is little likelihood of domestic support for a new round because there will be no gainers who could 'neutralise' the losers. There are really only two areas where Indian exporters could have an interest in faster WTO-driven liberalisation: textiles and movement of skilled workers. In both, zero success is a dead certainty.

Textile quotas in the U.S. and the E.U. are to go (if allowed to) in 2005. Given their political importance it is extremely unlikely that both powers will put faster quota elimination on the agenda. The political costs of allowing greater freedom for temporary migrants are even higher — which has only increased further with the racial profiling of Asians that has emerged in the U.S. after September 11. So the Indian advocates should be aware that domestic industry and services have little to look forward to in a new WTO round.

The third argument that is made is that if a new round is not launched at the WTO, the push towards regionalism will gain momentum which will be a disaster for India since it is not a member of any bloc of consequence. It is true that India has a larger stake than most in multilateralism, but this particular argument has little going for it. Regionalism will grow independent of what happens at the WTO since it reflects the failure of the system to deal with violation of the principle of non-discrimination. In the past, the biggest steps in regionalism have taken place in the middle of a GATT round. It was during the Uruguay Round that the formal decisions to convert the European Economic Community into the European Union were taken. Again, it was in that period that the North American Free Trade Agreement was drawn up. And it was also at that time

that the Asia Pacific Economic Cooperation forum was created. So round or no round, regionalism will march ahead.

In sum, it is simply not in India's economic interests to support a new WTO round. All this still leaves unanswered another question. If global businesses in manufacturing and services are not interested, who wants a new round of talks? The answer in brief is that the case for yet another round has been contrived by the bureaucracy of the E.U. Countries with an interest in agricultural exports are being compelled to support this agenda. And the U.S., which runs with the hare of agricultural subsidies and hunts with the hound of farm exports, is supportive for its own reasons. Before the ink had even dried on the Uruguay Round, the E.U. — the world's biggest provider of farm subsidies — began to lobby for a "comprehensive" round. It realised that this was one way in which it could extract something in return for a likely reduction in farm support that could result from the mandated talks on agriculture that were to begin in 2000. This was why the European Commission's bureaucracy in Brussels came up with the idea of WTO agreements on foreign investment and competition — which even the European multinational firms are not interested in because they have already got what they wanted through bilateral treaties and unilateral liberalisation in foreign markets. Farm exporters such as Australia, Thailand and Argentina want a new round because they have realised that the mandated talks on agriculture will go nowhere without a larger agenda. And some countries such as Brazil hope to deflect the pressures from a Free Trade Agreement of the Americas with a WTO round.

So the WTO round that is now being talked about essentially has to do with agriculture. And India should be interested in one only if it thinks it has a lot to gain from farm liberalisation. There are some who argue that India can become a major farm exporter if the subsidies in the developed countries are reduced. However, this argument has always been more a question of faith than a demonstration based on an analysis of Indian agriculture. And analysis has always been a scarce commodity in discussions on the WTO.



## FINAL STRETCH AT WTO

WITH JUST A month to go before the Doha ministerial conference of the World Trade Organisation, negotiations on the agenda for a fresh round of trade liberalisation negotiations have reached a critical stage. After the terrorist attacks in the U.S. there is, of course, some uncertainty now about the Doha meet taking place; though for the record the WTO and the Government of Qatar insist that there is no change in the schedule. But whether or not the Doha meeting takes place next month is immaterial to the tussle at the WTO which has been taking place since at least 1998, when the first serious calls for a new round of talks were made. Cancellation of the conference will only postpone a final resolution to a later date, though trade and commerce Ministers from some of the more important members of the WTO — including India — are to meet informally in Singapore in the middle of this month to draw up the contours of a possible agreement.

The final phase of negotiations has been entered with the preparation of two draft agreements to be adopted at Doha; neither of which is to the liking of India and a number of other developing countries for whom history looks to be repeating itself at the WTO. The final commitments that the leading trading nations — the U.S., the E.U., Canada and Japan — have been able to come up with on the “implementation issues” fall far short of expectations and show scant respect for the energy and good faith that have gone into more than two years of negotiations. The many imbalances and defects in the 1994 Uruguay Round agreements that were identified are to be either ignored or in the few instances where definite commitments have been made, they are more in the nature of recommendations and not mandatory in nature. It is possible that this is a negotiating tactic with the more important issues being held back until India and the others opposed to a new round agree

to a comprehensive negotiating agenda. But the draft ministerial programme on what has been tactfully called a new “work programme” is also disappointing since it reflects more the developed country interests than that of the admittedly myriad groups in the developing world. The contentious subjects of a global treaty on foreign investment and competition policy are still on the table while the developing country agenda for trade in agriculture has been given short shrift.

All this does not mean that an agreement to launch a new round is “a done deal”. There are other fault lines largely within the developed world that have not yet been cemented. First, the agenda on agriculture — the cornerstone of a new round — is yet to be agreed to though intelligent formulations have been made in recent days to satisfy both the proponents and opponents of liberalisation. Second, the E.U., citing consumer concerns, remains adamant on negotiating new rules on food safety while the rest of the world sees this as a ruse for controlling agricultural imports. Third, the U.S., under pressure from Congress, is vehemently opposed to re-negotiating the existing agreement on anti-dumping duties; though here Japan, the E.U. and many other countries would like more transparency in what is potentially another device for protectionism. However, all these firm positions could be more in the nature of posturing. Given the right negotiating language none of these chasms are unbridgeable. An additional source of momentum towards striking a deal has come from the U.S. taking the moral high ground after the terrorist attacks and claiming that open trade is closely connected to the fight against terrorism. Far-fetched as this argument may be, a galaxy of political personalities in the U.S. and the E.U. have been using the horror about the events of September 11 to push ahead at the WTO.

THE HINDU

9 OCT 2001

# Imposition of a new WTO round

(Dr. Vandana Shiva, of the Research Foundation for Science, Ecology and Technology, New Delhi writes:)

The Draft Decision on Implementation Related Issues and Concerns and the Draft Ministerial Declaration for the Doha meeting of WTO released at the recent General Council Meeting in Geneva once more prove that WTO continues to be an undemocratic, non-transparent, anti-South and anti-people organisation.

The Draft Declaration has assumed a new round at Doha and has included new issues such as investment, competition policy, Government procurement etc., even though most countries of the South have made it clear that they do not want a new round and first want to focus on implementation-related issues. While the language for new issues is "we agree to negotiate", the language for implementation is "we agree to examine", "we agree to take into account". The agenda of the North comes with binding commitments, the proposals from the South hang on vague lip service to "examine". This is one more attempt to marginalise the South and issues of concern to the poor, and impose the agenda of the rich and powerful.

The governments of India, Pakistan, and Malaysia have voiced concern about the proposed package for a new global trade regime under WTO. India's Commerce Secretary, Mr. Prabir Sengupta has said that "the draft package given for implementation falls short of our expectations and we have conveyed that".

While Northern countries continue to fail to keep the commitments made in the Uruguay Round, they continue to try to bully the Third World to make new commitments to create markets

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for their corporations. The drafts circulated at the recent General Council meeting in Geneva confirm once again that WTO is an asymmetric body, biased in favour of the North and against the South, with rules written to protect the interests of corporations and extinguish the rights of people.

This is also evident in the manner in which TRIPS has been addressed in the drafts. In the built-in review of TRIPS in the WTO agreement, people and governments have been calling for reform of TRIPS to stop biopiracy (the piracy and patenting of indigenous knowledge), to exclude the patenting of life-forms, or to ensure that countries can use measures such as compulsory licensing to ensure availability and access to affordable medicines and seeds.

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Instead of reforming TRIPS to protect the rights of the people, the Draft Decision on Implementation is pushing for the implementation of the TRIPS agreement.

Countries like India had also been negotiating for an enlargement of geographical indicators, beyond wines and spirits to cover products such as Darjeeling tea and basmati rice. However, the Draft Ministerial Declaration has the predictable reference to an agreement to "examine", not negotiate.

Conflicts between multilateral environment agreements (MEAs) and WTO have been a major concern for the South and for the environmental community. On the relationship between TRIPS and CBD, (Convention on Biological Diversity), while countries of the South have called for the CBD taking precedence over TRIPS in issues related to biodiversity and indigenous knowledge, the draft declarations blatantly state that the objectives and principles of the

TRIPs agreement shall guide the work on indigenous knowledge and biodiversity.

During the Review of the Agreement on Agriculture, countries like India had asked for a food security box. Instead of making a commitment in trade rules to uphold policies and measures for food and livelihood security, the draft merely states: The General Council urges members to exercise restraint in challenging measures notified under the green box by developing countries to promote rural development and adequately address food security concerns.

At a time when globalisation and trade liberalisation forced by WTO and the World Bank is pushing thousands of people to starvation and thousands of farmers to suicide, the WTO draft texts are commitments to continue the genocide. The Draft Ministerial Declaration states, "We stress our commitment to WTO." What is needed at Doha is not a commitment to WTO but a commitment to peoples' rights and democracy. The draft texts have failed on both counts.

At Doha we will witness whether democracy will win or lose. If democracy wins, the call from people across the world to assess the impact of WTO and reform trade rules to ensure they do not violate people's rights to food, health and livelihoods, will be heeded.

If democracy is defeated, unfair and unjust trade rules are preserved and discipline in new areas are once again forced on governments of the South and people of the world under the coercive power of military mobilisation, domestic economies and societies will disintegrate, and survival itself will be threatened. WTO rules are not just about global trade. They determine whether millions live or die.

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# Defining moment for WTO

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By Mike Moore *ym*

With the successful conclusion of negotiations on China's and Chinese Taipei's terms of entry to the World Trade Organisation, the way is clear for the WTO Ministerial Conference in Qatar in November to formally adopt the texts of the agreements. Thirty days after China and Chinese Taipei notify their acceptance of their respective agreements, they legally become members of the WTO.

It's difficult to overstate the importance of these developments. Taken together they constitute a defining moment for the WTO and for the international economic, political and security arrangements that will influence our world in this century and beyond. After the recent horrific events in New York and Washington, such cooperation is more important than ever before.

In joining an organisation which is based on binding rules, mutually agreed by consensus and enforceable through the dispute settlement system, China's leaders are locking in economic reforms that have been unilaterally put into place over more than 20 years. Moreover, in embracing WTO rules and our member-Governments' stated objective of ongoing trade liberalisation Beijing has accepted that openness not only to goods and services, but also to people and ideas, is the best way to ensure a prosperous future for her citizens.

Exposure to competition will ensure that Chinese enterprises become more efficient and productive. It is almost certain that this greater competition will lead to some dislocation and hardship for some. But with the surge in competition that will accompany increased trade and investment will come an influx of new technology and a tremendous boost to domestic innovation that will lead to greater opportunities for better paying jobs and a wider selection of goods of services for the vast majority of China's people. These positive changes are already clearly visible in the Chi-

nese economy as a result of the impetus provided by the process of China's accession to this organisation.

China's entry to the WTO will mean immense opportunities for entrepreneurs around the world. China was the world's fifth leading importer last year, buying some \$225.1 billion worth of foreign merchandise and \$34.8 billion worth of services from foreign providers. In 1999, China was the world's 11th largest importer of agricultural products, purchasing nearly \$14 billion worth. As China's people become richer through policies of greater openness and as China's market opens to foreign producers of goods and services those figures will rise substantially.

China's average bound tariff level for goods will fall to 8.9 per cent while the average tariff on agricultural products drops to 15 per cent. Foreign telecoms service providers will be able to own up to 25 per cent of companies oper-

## OPINION

ating in China immediately and up to 49 per cent within three years. Within five years foreign operators will be able to conduct business across the nation.

Foreign banks can provide foreign currency services to Chinese customers immediately, and within five years they will be able to provide domestic and foreign currency services to all Chinese customers.

As important as the specific commitments China has made to open her markets, is the fact that foreign entrepreneurs will now have a far greater degree of certainty as to the rules of the game of doing business in China. Chinese officials have also pledged to establish contact points within the Government where foreign business can go to register complaints or to learn more about new regulations and laws.

Critics of China's accession have charged that China's human rights record and its relations with Chinese Taipei are grounds for

keeping China out of the WTO. Thankfully, this has not been the view of our member-Governments. Even those Governments critical of China in those areas have made clear that China's membership to the WTO should be decided on the basis of trade considerations. Those who have advocated such a course of action, have failed to understand that bringing China more closely into the international community has heralded positive developments in the past 20 years. Membership in the WTO will unquestionably continue this trend.

The WTO is an instrument of peace insofar as it acts as a mechanism to facilitate greater understanding between China and her trading partners, including Chinese Taipei.

Senior Government officials in Chinese Taipei have said that Taipei will establish direct trade and transport links with China after each becomes a member of the WTO. The removal of these barriers could not help but foster closer cooperation and understanding between the two.

The WTO offers as well, a forum in which disputes can be brought, argued and settled in a measured and equitable manner. In the past, trade disputes have had, in all parts of the world, a nasty tendency to flare into armed conflict. This becomes unnecessary when both parties know they will have a fair hearing in court. Such an international forum will help nurture stable relations between China and Chinese Taipei.

For the WTO, the accession of China and Chinese Taipei is also a great step towards becoming a truly world organisation. Now that they will both become members, the rules by which the great majority of global trade operates have been extended. Moreover, all of us will benefit by having officials from both places participate in the process of shaping new rules for the 21st century.

*(The writer is Director, World Trade Organisation)*

## Developing countries score a major point

By Alok Mukherjee

**NEW DELHI, OCT. 2.** Developing countries have scored a major point at the international trade forum — the World Trade Organisation (WTO) has 'dropped' all labour-related issues from its agenda.

Top officials of the WTO told *The Hindu* in Geneva recently that labour issues had been passed on to the International Labour Organisation (ILO) which the developing countries feel would be the right forum.

The inclusion of labour and environmental issues had been a point of discord between developed and developing countries since 1995, when the Uruguay Round of the WTO formally came into operation. The developed world was pushing for their inclusion on the ground that developing countries had unfavourable

labour and environmental standards which provided them with an unfair competitive edge in international trade. On their part, the developing countries said that labour and environmental issues on a trade agenda amounted to erecting non-tariff barriers against exports from the developing countries.

The ILO will now look into all labour-related issues and prepare a report on the social impact of globalisation, to be presented to the United Nations Secretary-General, Mr. Kofi Annan.

WTO officials pointed out that this forward movement for the developing countries has come about because of the increased role they are playing within the organisation. The international perception that the developed countries manage to load the WTO agenda in their favour persists, but the developing countries

are now taking a coordinated stand on issues of concern to them and presenting their case with alternative scenarios to those presented by the developed countries.

"Earlier, the developing countries mostly stalled progress in negotiations and did not fully spell out their alternatives. This has changed now and well-argued cases are being presented by the developing countries which are difficult to ignore," the officials said and pointed to the difficulty the WTO is facing in preparing an acceptable agenda for launching a new trade round at Doha.

"The WTO has a total membership of 142 Governments, of which 122 are developing countries. It is nearly impossible to reach an agreement within WTO without the developing countries," the officials said. But developing countries succeed when

they have a coordinated position, as is being attempted at the various pre-Doha meetings of what is called "like-minded countries."

On the dropping of labour issues, the officials said that the change of guard in the U.S. also helped, in that, the Bush administration is not greatly focused on labour issues. Consequently, the European Union (EU) was left to fight a lone battle.

The E.U. is also pushing the environment issue on to the WTO agenda. A simplistic formulation of its position is that in case of a conflict between a trade issue and a multilateral environment agreement, the latter would prevail. The developing countries have taken the position that the WTO's main concern is with trade matters and in case of a conflict, the trade agreement should prevail. As of now, the WTO is stuck on this matter.

THE HINDU

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# Why blame the WTO all the time?

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EVER since it has come into existence, the World Trade Organisation (WTO) has been viewed with great suspicion in our country. As of now, our position on the forthcoming Ministerial in Doha is a hard-line position. We are against the launch of new round of trade negotiations. It is, however, time for a realistic view. WTO has, no doubt, many challenges, but it also means opportunities. While we must not be oblivious of the challenges, we should not ignore the opportunities that the WTO regime offers. We have never looked at the opportunities. This is unfortunate, because by not doing that we have really overlooked the imperative of taking such domestic initiatives, as would have enabled us to access opportunities in the global markets.

To clarify the point, let us consider the Agreement on Agriculture that, along with a few other Agreements (e.g. TRIPs), has fuelled large scale fear about its adverse impact on Indian farmers and agriculture. Anyone who has read and understood this Agreement will agree that from India's point of view this is one of the best Agreements. Many don't even know that, except on tariffs, India has made no commitments so far under this Agreement. There is really no question of India opening up its market. Further, India does not have to reduce subsidies either. Reality is that under the provisions of the present Agreement India should be able to penetrate global market without yielding an inch of access in her domestic market.

But to be able to access global market for agricultural commodities we need to prepare our agriculture for global competitiveness, through a host of reform measures. Instead of doing that we have been only telling our

farmers how they will be ruined by WTO. The same is true about industry, where admittedly there are challenges. But this is the time to unshackle the industry by expediting the reform process, and create a favourable and enabling environment by removing all bottlenecks in the way of development of infrastructure.

As far as I understand, there has been no harm done to the Indian industry on account of any WTO obligations. Removal of QRs has not resulted in any surge in imports. On the contrary, imports are shrinking.

## GUEST COLUMN T K BHAUMIK

Problem of the industrial sector is recession and dwindling growth of the domestic market, not competition from imports. Faced with recession at home, many Indian companies have made successful forays into the global markets, and India's exports have increased significantly since 1995. Having said this, it must be mentioned that if there is a turnaround in the economy tomorrow, and if it is not accompanied by speedier economic reforms, then it is possible that under a WTO regime of liberal trade, Indian companies and industry will be losing grounds.

Choice is ours. What should we do? Resign from WTO or opt for faster reform? By resigning from WTO, we will, no doubt, shut the domestic market to competition but we will also deny our industry the opportunities in the global market. By opting to speed up the reform process we may empower our companies and help them penetrate global markets.

I am placing these questions before the Indian industry. Industry will have

to decide how it wants to see itself, and decide honestly. If industry thinks that WTO is not the real devil and that their problem is due to internal constraints, then it should come forward and urge the government and the politician to (i) shun populism, (ii) hasten the reform process urgently and (iii) use WTO as a strategic platform for enhancing the opportunities for Indian industry. A serious and honest dialogue between industry and government on one hand, and industry-political leadership on the other hand, has to be pursued.

Assuming that there is some genuine (not motivated) ignorance about WTO, let me say a few words about WTO. What is WTO? It is like FIFA or Cricket Control Board (CCB), where members meet to decide on rules of the game. There are discussions, there are negotiations, and finally a set of mutually agreed rules is hammered out. It also lays down discipline, that the players are expected to observe. But neither FIFA, nor CCB, intervenes on the choice of winning strategies that individual teams will adopt. It is entirely upto a country or a team to decide whether it should take part in the league. But if it does decide to take part, it must followed the rules

Within a given set of rules and discipline it is free to orchestrate its strategy. If we understand this, then it is up to us to decide whether we should be in WTO or not. If we decide not to be, there is no problem - just apply to the General Council and in six months we will be out. But if we want to remain in WTO, let us then play the game that we are supposed to play, and play it well, so that we also win. It serves us no purpose if we remain in WTO only to curse it all the time!  
*(These are the personal views of the author who is senior adviser, CII)*

The Economic Times

The Economic Times

29 SEP 2001

**DOHA PREPARATIONS / DEVELOPING COUNTRIES SIDELINED**

# WTO releases controversial draft documents

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By Our Special Correspondent

**CHENNAI, SEPT. 27.** The World Trade Organisation yesterday circulated to country delegations in Geneva the first draft of a ministerial declaration for new trade liberalisation negotiations alongside another draft on the implementation issues raised by the developing countries. Both documents are the first steps in the final phase of negotiations for the Doha ministerial meeting in November and as controversial drafts both will not please India and other developing countries because there are few concrete commitments on implementation issues — the proposals to correct imbalances in the existing WTO agreements — even as the concise draft ministerial declaration has the ingredients of an ambitious negotiating agenda, while avoiding the emotive term “new WTO round of negotiations.”

The two documents were released by Mr. Stuart Harbinson, Chairman of the WTO General Council, on the basis of negotiations with delegates from the developed and developing countries and will form the basis of negotiation for the Doha meeting, about which there is some uncertainty in the aftermath of the terrorist attacks in the U.S. though the WTO insists that the conference will be held as scheduled.

The draft agreement on implementation, on

which negotiations have been going on for more than a year and have been the cornerstone of developing country concerns, divides the issues into three categories - those on which agreement is possible right away, subjects where agreement could be reached in Doha and finally those that have to be negotiated in future, possibly as part of a new round. While the draft covers all the implementation issues — quotas on textiles, anti-dumping, agriculture, subsidies, TRIPS and a number of other areas — the concrete commitments that the developed countries have been willing to make are no more than token.

The most important issues have been placed in the category of issues to be negotiated later, though the position of India and a number of developing countries has been that no new negotiations are possible unless the implementation issues are addressed up front.

The draft on new negotiations calls for fresh negotiations on industrial tariffs, government procurement and transparency but it reflects gaps on an agenda for new negotiations on a global investment treaty, on competition policies and most important on agriculture. Reflecting continued differences within the developed world, the text on agriculture merely lists the issues on which a consensus has to be reached on the negotiating agenda - the

extent of subsidy reduction, the special treatment for developing countries and the timeframe for talks.

On foreign investment and competition policies, also contentious issues, two alternatives are proposed. One is to take up negotiations on a fairly ambitious agenda and the other to continue with the study programmes that have been going on since 1996 at the WTO. The draft ministerial declaration has little controversial clauses on trade and labour. On environment, an issue on which the European Union has strong views especially on food safety and eco-labelling, the WTO document has quieter language.

The timeframe for negotiations on what is for all practical purposes a proposal for an ambitious new WTO round has been left unstated but what has been included is the controversial “single undertaking” clause — an “all or nothing” provision that makes it difficult for developing countries to choose elements of the larger package. Unlike the unwieldy draft prepared on the eve of the doomed Seattle ministerial meeting this particular text is a concise nine-page document that makes it easier to narrow differences. Countries now have another six weeks to reach an agreement on the agenda for the next round.

INDIA

we wave as proudly as our strife-torn national flags.

## 11-10 Long March Into WTO 2001

It's a measure of the extent to which the American agenda dominates the global media that an event as significant as China's joining the World Trade Organisation (WTO) has gone almost completely unnoticed. On September 17, WTO members cleared China's entry terms, in a move described by director-general Michael Moore as a "defining moment in the history of the multilateral trading system". The deal still has to be formalised at Doha, but barring some completely unforeseeable contingency, it now seems certain that China's 15-year wait to enter the WTO is all but over. Its presence will be felt almost immediately — China favours a fresh trade round, and will be a powerful ally for the western lobby in this regard. Interestingly, the final problem that threatened to hold up the deal was caused not by Chinese intransigence, but differences between the US and European Union over the insurance sector — specifically, over American firm AIG's right to expand its branch network on a wholly-owned basis. The dispute has been papered over for now, but is significant in revealing the importance western administrations and companies attach to the Chinese market. That's not surprising. The booming Chinese economy presents a prime market for exporters at a time when all other major markets are flagging. China, already the world's fifth largest trader, showed equal enthusiasm for the WTO, agreeing to end restrictions and slash tariffs in various sectors. It has also renounced the use of export subsidies for farm produce and agreed to limit support for domestic farmers to 8.5 per cent of the value of farm output, rather than the 10 per cent allowed to developing countries. 11-10 969 WJG

One particular clause should interest Indian industry: A special safeguard mechanism, applicable for 12 years, which will permit WTO members to impose curbs on Chinese exports if a surge harms domestic producers. This should come as a relief to Indian manufacturers who have often expressed fears of being swamped by cheap Chinese goods. It should also become easier to take up cases of dumping and other trade disputes, since China will officially be committed to playing by a transparent set of WTO rules. Several Indian businessmen have been looking beyond the Great Wall for business opportunities and ventures; hopefully, this trend will now gain impetus. The world will also be keenly watching how China copes with the socio-economic changes WTO membership will bring. The beneficiaries of globalisation may seek greater political freedom and civil rights, which is unlikely to go down well with the Communist leadership. Simultaneously, many people will also suffer dislocation as inefficient enterprises go out of business and inequality rises. So far, the country has managed to weather the loss of 35 million state sector jobs in the last four years, as a growing economy has opened up fresh employment avenues. But mounting hardship could trigger social unrest, tempting hardliners to try and reverse the course of reforms. The Chinese government has successfully walked the tightrope since Tiananmen, but its task could become even tougher now. Indian policymakers will surely be hoping it all works out for the best. After all, there are few things as worrying as having a restive dragon on your doorstep — even as your backyard threatens to become a perennial war zone.

## Movement against WTO launched

STATESMAN NEWS SERVICE

NEW DELHI, Sept. 19. — Many political parties, economists, agriculture experts and activists have joined hands to launch a broad platform — Indian People's movement against WTO.

This is to intensify resistance against the terms of the World Trade Organisation and also put pressure on the Centre to take a tough stand vis-a-vis the world body, especially at the scheduled WTO ministerial meeting at Doha from 9 to 13 November.

After a strategy session last Sunday, the leaders of the movement with former Prime Minister, Mr V P Singh, at the helm announced a protest rally in New Delhi on 7 November, on the eve of the scheduled Doha meeting with a threat of further 'action' if the government failed to fight back the WTO pressure.

INDIAN EXPRESS

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# Up in arms against WTO

FROM MONOBINA GUPTA

**New Delhi, Sept. 17:** Their initial horror having paled, anti-WTO forces, ranged against the US, are planning two of the biggest ever demonstrations in India against the WTO meeting in Qatar in November.

Few days ago, they had witnessed the power of US capitalism — their enemy number one — bite the dust, with horror and sympathy. But the anti-WTO show will go on, say trade union leaders, perhaps with more pomp than before. The WTO regime, now a hard reality, is pressing down on countries, hardly equipped to cope with slash in subsidies, full steam competition in industry manufacture and a half-baked social security system.

There will be not one but two demonstrations to protest against the WTO negotiations. The first, on November 6, three days before the WTO meeting takes off, and the second on the day the meeting begins. Former Prime Minister V.P. Singh, who has been speaking on behalf of the poor in Delhi and organising them, is now rallying political parties, non-government organisations and influential per-

sonalities to draw them under an anti-WTO umbrella.

Trade unions like the Citu, however, will not participate in this demonstration — not because they are rivals, stressed Citu general secretary M.K. Pandhe. "But our unity among trade unions is of a different character," he added.

He and his comrades within and outside the Left fold will hold a separate demonstration on November 9. The anti-WTO protesters in India will synchronise their actions with those the world over hoping to "teach one more lesson".

The last time the WTO meeting took place in Seattle, a rash of demonstrations had broken outside the closed doors of the building — at first a trickle, which later turned into protesters battling with the police the days the meeting lasted. This time, Pandhe said, the organisers are taking no chances.

"The Qatar embassy is making it difficult to get a visa. Otherwise we could have sent our activists to the demonstration there," says the Citu general secretary.

But underneath the solidarity of anti-WTO forces, there are differences on issues that are forcing them to hold separate demonstrations.

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THE TELEGRAPH

SEP 17 1997

# Thoughts on the least developed nations

<sup>989</sup>  
**W**e underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In the coordinated delivery of technical assistance, we instruct the Director-General to consult with the relevant agencies, bilateral donors and beneficiaries, to identify ways of enhancing and rationalizing the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries and the Joint Integrated Technical Assistance Programme (JITAP).

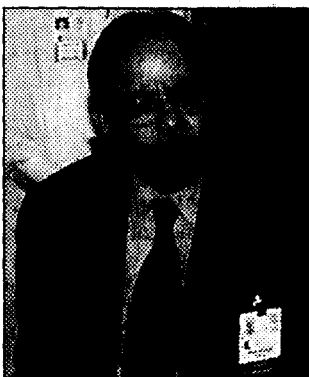
We agree that there is a need for technical assistance to benefit from secure and predictable funding. We therefore instruct the Committee on Budget, Finance and Administration to develop a plan for adoption by the General Council in December 2001 that will ensure long-term funding for WTO technical assistance at an overall level no lower than that of the current year and commensurate with the activities outlined above.

We have established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. We reaffirm these specific commitments contained in paragraphs 16, 21, 24, 26, 27, 33, 38-40, 42 and 43, and also reaffirm the understanding in paragraph 2 on the important role of sustainably financed technical assistance and capacity-building programmes. We instruct the Director-General to report to the Fifth Session of the Ministerial Conference, with an interim report to the General Council in December 2002 on the implementation and adequacy of these commitments.

We acknowledge the seriousness of the concerns expressed by the least-developed countries (LDCs) in the Zanzibar Declaration adopted by their ministers in July 2001. We recognize that the integration of the LDCs into

## Extracts from the ministerial declaration adopted at the 4th session of the World Trade Organization, 2001

the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building. We agree that the meaningful integration of LDCs into the trading system and the global economy will involve efforts by all WTO members. We commit ourselves to the objective of duty-free, quota-free market access for products originating from LDCs. In this re-



Not the least developed

gard, we welcome the significant market access improvements by WTO members at the third UN Conference on LDCs (LDC-III), in Brussels, May 2001. We further commit ourselves to consider additional measures for progressive improvements in market access for LDCs. Accession of LDCs remains a priority for the membership. We agree to work to facilitate and accelerate negotiations with acceding LDCs. We instruct the secretariat to reflect the priority we attach to LDCs' accessions in the annual plans for technical assistance. We reaffirm the commitments we undertook at LDC-III, and agree that the WTO should take into account, in designing its work programme for LDCs, the trade-related elements of the Brussels Declaration and

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Programme of Action, consistent with the WTO's mandate, adopted at LDC-III. We instruct the Sub-Committee for Least-Developed Countries to design such a work programme and to report on the agreed work programme to the General Council at its first meeting in 2002.

We endorse the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) as a viable model for LDCs' trade development. We urge development partners to significantly increase contributions to the IF Trust Fund and WTO extra-budgetary trust funds in favour of LDCs. We urge the core agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the model to all LDCs, following the review of the IF and the appraisal of the ongoing Pilot Scheme in selected LDCs. We request the Director-General, following coordination with heads of the other agencies, to provide an interim report to the General Council in December 2002 and a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.

We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries... we also note that some members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.

TO BE CONCLUDED

THE TELEGRAPH

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10 DEC 2001

# Implementation issues in the WTO

By Muchkund Dubey

*The stress should be on revising the existing rules, on their equitable application and on reaching agreements on the new rules of the game.*

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**M**OST OF the agreements and understandings reached during the Uruguay Round trade negotiations are unequal and unbalanced from the point of view of developing countries. This was mainly because of the weak bargaining position of these countries, their general state of unpreparedness for the negotiations, their dearth of skilled manpower and financial resources to participate effectively, and the lack of transparency in the negotiating process.

Some of the agreements are inherently unequal and unbalanced. The Agreement on TRIPS is in contradiction with the objective of liberalising international trade, as it is designed essentially to protect the monopoly rights of patent holders. It has also been apparent that the implementation of this agreement will result in manifold increases in the prices of life-saving drugs in developing countries. The agreements on TRIPS, TRIMS, agriculture and subsidies have the effect of irretrievably closing for the developing countries macro-economic policy options which developed countries enjoyed till recently. These include granting process patent only and adopting investment policies to promote the use of local resources and skills. Subsidies normally maintained by developed countries have been made non-actionable, while several of those given by developing countries in pursuit of an export-led development strategy have either been prohibited or put in the actionable category. Subsidies to farmers maintained by major developed countries have, instead of coming down, gone up primarily because these countries were able to switch over to subsidies permissible under the Agreement on Agriculture, before the commencement of its implementation. In the case of export subsidies on agricultural products, the countries which had not used them before the Uruguay Round are not allowed to resort to them while those using such subsidies are expected to decrease it by a small margin. Because of the back-loading provision of the Agreement on Textiles and Clothing (ATC), most of the textile exports from developing countries will remain under restriction until 2005.

Several of these instances of inherent asymmetries were brought out in the eval-

uations of the agreements carried out soon after the Uruguay Round. Others came to the surface during the implementation of the agreements. Some of the agreements are not being implemented in their true spirit. For example, developed importing countries have sought to comply with the targets of liberalisation set out in the ATC by taking credit for the items already outside restriction. Fresh obstacles are being raised to the implementation of the highly limited and conditional commitments taken by developed countries during the negotiations on the movement of natural persons.

Due to the TRIPS Agreement, several developing countries are finding it extremely difficult to provide drugs to HIV/AIDS-affected population at affordable prices. Besides, this Agreement has no provision for identifying the source of knowledge or bio-resources while applying for the grant of patents based thereon. Consequently, several patents based on the bio-resources and traditional knowledge in developing countries have been granted, thus resulting in the piracy of these resources. Patenting of neem and basmati are some of the striking examples.

These and similar other actions by developed countries have made the unequal Uruguay Round agreements even more inequitable. These have tilted the balance further away from developing countries and severely compromised their position under the WTO.

Provisions in the WTO Agreements on special and differential treatment for developing countries are of a non-binding nature and couched in best endeavour terms. In the implementation process, developed countries have totally ignored these provisions. To cite one example, Articles 7 and 8 (Objectives & Principles) of the TRIPS Agreement provide for taking into account the development needs of developing countries, transferring technologies to them, preventing monopolistic trends and safeguarding public interest and public health. As of now, there is no

understanding on how these provisions can be implemented.

A group of like-minded developing countries identified various instances of inequalities and imbalances in the Uruguay Round agreements and submitted some 93 formal proposals for rectifying them. These proposals, known as the implementation issues, were pursued during the preparatory process of and at the Third WTO Ministerial Conference held in Seattle in November-December, 1999. However, since the Conference ended in a fiasco, no decision could be taken.

After Seattle, developing countries have pursued the implementation issues in five special sessions of the WTO General Council. But the results so far have been only of a procedural nature. Even the European Union, which has a relatively more liberal position on the subject, thinks implementation issues calling for a renegotiation of the existing agreements could be considered only as a part of a new round of negotiations to be launched at the next WTO Ministerial Meeting in Doha. Developing countries are not prepared to enter into any fresh commitments in future trade negotiations until the implementation issues are resolved. They are opposed to establishing a link between these issues and a new round of trade negotiations. For, if such a link is established, they will be required to offer quid pro quo for something which needs to be rectified on its own merits and for which they have already paid a price.

In spite of the meagre results achieved so far, the pursuit by developing countries of the implementation issues for more than a year and a half now has been worthwhile. These issues have been put at the very centre of post-Seattle deliberations in WTO. Developed countries have recognised the concern of the developing countries regarding these issues as a serious matter. The debate has created an awareness among developing countries that they have to be better prepared, more conscious of their rights and more united in

future trade negotiations. In fact, in the very process of pursuing these issues, they have become more united than before.

The implementation issues are not a spanner thrown by a group of developing countries to escape a new round of trade negotiations. Their attempt to resolve them is designed to safeguard their most vital trading interests and to restore a modicum of balance in WTO agreements after an unfortunately belated realisation that developing countries were short-changed in the Uruguay Round negotiations. What is at stake is the very credibility of the international trading system in the eyes of the developing countries. Resolution of the implementation issues is the only way to restore credibility.

It is essential for the developing countries to adopt a selective approach in pursuing these issues. They should put lesser emphasis on measures of a discretionary nature, those seeking unilateral concessions and gestures of a non-trading nature, and once-for-all extensions of datelines providing interim reliefs. Instead, the stress should be on revising the existing rules, on their equitable application and on reaching agreements on the new rules of the game. Much higher priority should be attached to seeking greater access to the markets of the developed countries in the areas of interests to developing countries.

They should not accept solutions of a procedural nature except those designed to open up for review and negotiation, agreements which are inherently unfair and inequitable. These countries should keep on vigorously pursuing the implementation issues between now and the Doha Meeting. At Doha, serious negotiations should be carried out to resolve as many of these issues as possible. The outcome to be sought at the end of the meeting should be: (a) Insistence on the resolution of issues arising out of non-implementation per se; (b) An understanding that implementation issues of a structural nature will be addressed seriously during the course of the on-going reviews of the relevant agreements; (c) The continuance of the arrangement of pursuing these issues in special sessions of the WTO General Council.

THE HINDU

10 SEP 2001

# China a step closer to WTO membership

By Batuk Gathani . 969

**BRUSSELS, SEPT. 6.** The one-day Sino-European summit concluded on Wednesday night with China predicting that it would become member of the World Trade Organisation in November, provided the European Union was able to resolve an outstanding problem over the terms of entry for European life insurance companies into the Chinese market along with American companies.

European officials see this as a "litmus test" of China's *bona fides* in reforms and free trade in anticipation of WTO membership. The European Trade Commissioner, Mr. Pascal Lamy, would soon open negotiations with U.S. authorities to establish a 'Euro-U.S. policy consensus'.

The Europeans note that an American company AIG has already entered China, gaining favourable terms compared to European companies.

The importance China attached to its dialogue with the E.U. at the summit level is highlighted by the fact that it was attended by a high-power delegation of 135 members including 12 from the Government.

The team was led by the Prime Minister, Mr. Zhu Rongji. The Chinese made it "abundantly clear" to the E.U. officials that their country intend to "abide fully" by the terms of bilateral agreements with the E.U. and the U.S. The spade work for China's entry into the WTO will be finalised by Sept. 14.

The current perception is that in all probability, China's accession to the WTO will be concluded at the November meeting of the organisation in Doha, Qatar.

The Sino-European discussions also covered a wide range of topics which included bilateral relations, political dialogue, human rights, fight against illegal migration and trafficking in human beings.

Although currently illegal Chinese migrants do not rank among the biggest of such groups arriving in E.U. countries, their number are increasing.

Both China and the E.U. consider the issue a serious problem. Analysts point out that with prospects of some three to four million Chinese workers and farmers losing their livelihood due to WTO reforms and ensuing competition, illegal Chinese migration may increase with greater degree of freedom for

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movement within and outside China. Hence, the WTO membership for China has become a hotly debated issue among Chinese reformers and hardliners.

Europeans are fascinated by and enamoured of the prospects of operating in China's 1.3-billion market and on their part, the Chinese are hoping to benefit from the vast investment and trading opportunities. Since the eighties, European business — like its counterpart in the U.S. — has been overwhelmed by China's trade and investment prospects.

It is not often realised that China is still a developing country. Its current gross domestic product is roughly on par with that of Italy. Western investment in China is modest and even at its peak, the American investment there was less than that in Holland.

China has yet to make an impact on the global economy. Mr. Gerald Segal, former director of the Economic and Social Research Council's Pacific Asia programme wrote: "With a bankrupt banking system and state-owned industries producing three per cent of the GDP that rusts in warehouses, China's nominal growth rate of seven per cent is suspect and unimpressive".

THE HINDU

- 7 SEP 2001

# WTO negotiations: Identify interests not positions

**T**HE current Indian position on the forthcoming trade negotiations at Doha seems to be the politically correct one: implementation must be on the agenda whether as part of a new round or a continuation of the Uruguay round. Having said this, it is critical to understand that the final effect on India of the agreement (if any) at Doha will depend not on broad policy frameworks but on the fine print. This is where India (and other developing countries) came a cropper due to poor indigenous research on various aspects of the Uruguay agreement. Starting last month, a spate of seminars on the WTO in various parts of the country indicate that the awareness of the effects of trade agreements on the domestic economy is at last being recognised. What is even more heartening is the recognition by industrial houses and their representative organisations that there is a need to pressurise the government to get its act together at Doha.

Thus India has made its position very clear. Yet what must determine negotiating strategies which go into the fine print are Indian interests not positions. The other developing countries have also seemingly endorsed the Indian position. The ministerial statements of the Latin American and Caribbean countries (GRULAC) and the African countries (OAU), immediately after the fiasco at Seattle, strongly condemned the secrecy at the talks and threatened to break the consensus necessary for ratification of WTO agreements. Yet I am inclined to believe the US Trade Representative that these are probably public postures and in the nitty gritty of fine print at Doha India is likely to be isolated.

How then to determine one's interests? For a start, India needs to fig-

ure out if its interests lie in promoting exports or restricting imports. In a multilateral framework, you can't do both. Theoretically, trade agreements are supposed to promote exports of all countries. Yet, if one goes by India's proposals on agriculture submitted to the WTO ahead of the Doha round, the primary interest seems to be to restrict imports (exemption from the 3 per cent market access clause) and continuation of the present system of input subsidies and restricted internal free trade. But is this in our

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interests? To break the low productivity-low income cycle agricultural policy will need to be seriously reworked. Otherwise, even if the AOA is implemented honestly by the EU and the US, India will not be in a position of pre-commitment to minimum export quantities. This is crucial to any serious exporter. If, on the other hand, political interests lie in a restricted agricultural import regime, then we should be aligning with the EU-Japan group!

Second, a good way of determining India's commercial interests is to see where our revealed comparative advantage lies. Inspection of India's top 30 export items in the period 1995-1999 indicates only one agricultural item, rice, with a market share of about 6.5 per cent in 1999. The other items (tea, coffee, spices) are hardly affected by agricultural protection in the developed countries. The dominant export items are cotton textiles, carpets and leather apparel with market shares in the range of 12 to 30 per cent. In textiles

the dominant items are women's and children's garments and carpets with market shares of 25-30 per cent. So this defines our interests in both MFA and the social clause. While environmental and social clauses would hit carpet and leather exports (with a little help from PETA), it is in our interests to find out what phasing out of the MFA would do to industrial tariffs. What then will be the commitments of developed countries on reductions in industrial tariffs? How do we resolve our conflict with countries like Pakistan and Bangladesh which earn 65 and 85 per cent respectively of export earnings from textiles? Both currently gain from preferential access under MFA. Yet India has no position on industrial tariffs.

Or consider the other major export interest that has emerged in recent years: exports of IT services embodied in software or in call centres both of which are highly labour intensive (skilled and unskilled). Hence, it is necessary to watch the fine print in the GATS which is likely to come up for serious discussion for the first time in Doha. The main issues likely to come up at Doha on this are the issues of classification of such services. It is in India's interests that at least the intangible services (call centres) should be exempt from trade restrictions.

It is the study of such interests that will prepare India (and other developing countries) to be wary of, for example, safeguard clauses suggested by developed countries. The bottom line is a need to distinguish positions (a political imperative) from interests (an economic imperative). It's time to turn attention to the latter.

*(The author is Professor of Economics, School of International Studies, JNU)*

*The Economic Times*

31 AUG 2001

# Bumpy road to Doha

Developing countries are being asked to make a major 'leap of faith' to the new round, says **Veena Jha**

SO FAR there is no consensus on launching a new round of trade negotiations at the Doha Ministerial Conference. The principal discord between major trading nations and developing countries including the least developed countries (LDCs) is over the need to expand the work programme of the WTO. The like-minded group (LMG) comprising Cuba, Dominican Republic, Honduras, India, Indonesia, Jamaica, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe have come out against the new round. Most vociferous against the new round are Malaysia, Pakistan, India and Zimbabwe.

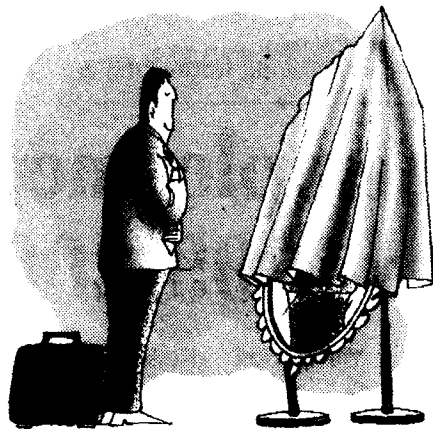
Although the European Union and the United States have come out in favour of a new round, there is some divergence of views between the two. Whether a comprehensive new round is launched or not at Doha is not clear at this point of time. The entire picture will emerge only in mid-October 2001.

It is clear from the statements emerging from the developing and developed countries alike that a new round will most likely not include labour issues. On environment the position is more ambivalent. The EU has proposed that trade restrictions in Multilateral Environmental Agreements be made compatible with WTO rules through an understanding or a clarification of the General Exceptions contained in Article XX. It is not proposing a change in the language of the rules. The EU has also sought the introduction of the Precautionary Principle, by which it can introduce trade restrictions in the absence of scientific certainty, in the framework of WTO. It is proposing to introduce this concept in the Ministerial Declaration. EU is also seeking to include eco-labelling, i.e., labelling of environmentally preferable products, including those based on non-product related process and production methods in the ambit of WTO. The US is ambivalent on account of its extensive trade in genetically modified organisms as was evidenced by the recent meeting of the Codex Alimentarius Committee where no agreement could be reached on the labelling of GMOs.

Right in the beginning of January it was decided that Doha Ministerial would have 4 or 5 items on its agenda. They are: (i) ministerial declaration; (ii) implementation concerns; (iii) built-in agenda of the mandated negotiation; (iv) other elements of the agen-

da that is open; (v) Singapore issues; and (vi) the future of the organisation.

Built in negotiations were mandated in various WTO agreements including in particular agriculture and services, as well as review of implementation of trade related intellectual property rights (TRIPs). Developing countries' top priorities are changes in anti-dumping rules, TRIPs and TRIMs, and removal of restrictions in textiles including tariff cuts. In TRIMs, the top priorities are extending the time of their current measures, enabling provisions for the use of some measures such as local content, and in TRIPs the top priority is improving the agreement to be supportive of development and other



important public policy issues.

Most controversial issues even among industrialised countries include new multilateral trade rules on electronic commerce, investment and competition policy. Still more controversial would be the clarification sought by EU on the relationship between trade and environmental regimes.

Many developing countries (India, Pakistan, Malaysia and Egypt and the entire group of African member countries of the WTO) insist that removing imbalances in existing agreements through the built in agenda, and not rule making in new areas or further liberalisation, should be the focus of future work at the WTO. The EU and Japan have so far firmly rejected major concessions or a "down payment" ahead of Doha. The EU has proposed a clear and early distinction on what is doable without modifying existing agreements and what could be addressed as part of wider negotiations. But, both have proposed negotiations on anti-dumping disciplines and trade remedies.

The concrete action proposed by

developed countries on the implementation issue was considered 'lower than the lowest expectations' by developing countries which circulated a new draft on implementation. This included changes in existing agreements and their implementation including TRIPs, anti-dumping and textiles. It is to be noted that 70 countries — undoubtedly a few are LDCs — have not as yet implemented the current obligations under the TRIPs agreement, because of the complexity of the Agreement and lack of resources.

The so-called Singapore issues include investment, competition policy, government procurement, and trade facilitation. On investment and competition policy the EU is the main proponent. It is exploring responses to the possibility of a Plurilateral approach to these issues, which would allow developing countries to stay out of the negotiations, and be unbound by any resulting commitments. France is opposed to this approach. The US is also likely to be opposed to a competition policy, as this would provide an avenue to address anti dumping. The US appears to support transparency in government procurement and is the main proponent of this issue.

Environment concerns will most likely be linked to agriculture negotiations. Developing countries are opposed to green protectionism. They feel that the Committee on Trade and Environment's five-year deliberations have not yielded any results and so it is premature to engage in negotiations on environment.

Mandated negotiations in agriculture and services have yet to begin in a serious way. No major concessions on either issues are likely before Doha.

Developing countries have clearly expressed the view that they cannot assume new obligations before they can fully implement the existing obligations. Dispute settlement procedures and its implications make it very difficult to accept new obligations. The like-minded group has strongly expressed the opinion that there is no need to link finding solutions to implementation issues with a new round. In the words of LMG ambassadors if the "courtship was so bitter would the marriage be any better?" Developing countries are being asked to make a major "leap of faith" to the new round.

(The author is an expert in international trade)

The Economic Times

30 AUG 2001

# IMF reviewing conditionalities

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By Our Special Correspondent

NEW DELHI, AUG. 29. On requests from member-countries, the International Monetary Fund (IMF) is currently engaged in a review of the conditionalities and the structured format that it proposes to borrowing countries while sanctioning a loan. The ultimate aim is to make the policy prescriptions more flexible and transparent.

The Fund is, however, firm in its view that some sort of conditionality has to be attached to the lending programme since all borrower-lender relationships have conditionalities attached in order to ensure that the borrower has the ability to pay back the loan.

According to Dr. Moshin Khan, Director of the IMF Institute, Washington, it is also important to have a 'country programme' while extending a loan since it is absolutely essential to have a firm commitment from the Government and other authorities that the difficult policy measures designed to correct economic prob-

lems would be implemented. What is now being attempted is to provide more flexibility in the conditionalities and the country programme to make it easier for the borrowing countries to achieve the objectives, Dr. Khan, who is in India on a lecture series, said here today.

According to Dr. Khan, the IMF has acknowledged that its structural conditionalities have expanded too much and a major effort is underway to streamline structural conditionality in programmes. This is because the proliferation of structural conditions in IMF-supported programmes during the past two decades probably resulted in leaving limited scope for domestic policy choices.

Consequently, some new initiatives have been thought up including the possibility of introducing flexibility in the timing of structural policy measures and to have conditionalities linked to outcomes rather than policies. Since performance criteria

and structural benchmarks in IMF-sponsored programmes have specific dates attached to them, countries often find the rigid time-tables for major structural reforms to be limiting their choices and straining their implementing capacities. Hence, the feeling is that programmes could be more flexible in the timing of structural reforms and one way of achieving this is to link loan disbursement not to any specific date but to make it available upon completion of agreed structural reforms.

The other important consideration is to link disbursements to the achievement of results, instead of putting conditions on policy measures which could bring about the desired results. Under this approach, the policy objectives would be negotiated with the IMF but the policy content of the programme would be left largely to the borrowing Governments.

Dr. Khan also said that the IMF is considering proposals for mak-

ing its loan conditions (technically called country programmes) more acceptable to the borrowing countries.

One proposal in this regard is to have 'home-grown programmes' under which the member country could produce its own policy programme which could be done in cooperation with the IMF. In order to address the problem of lack of expertise and capacity in some countries to draw up such home-grown programmes, the IMF could provide technical assistance and training, the proposal envisages.

On another front, to obviate the criticism that IMF forces pre-determined conditionalities, a proposal under consideration is to provide alternative options to the borrowing countries and the policy measures required to achieve the objectives. The advantage of this option is that it opens up a debate and requires the borrowing Government to get actively engaged in the design of the programme.

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## UNITY ON WTO ISSUES

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THE COMMON POSITION that the South Asian Association for Regional Co-operation has decided to take on the issues that will be deliberated at the Doha ministerial conference of the World Trade Organisation in November signals to the global community that a consensus on the agenda for future negotiations cannot be reached without taking into consideration the views of the countries in the region. In the face of mounting pressure to agree to the launch of a new round of trade liberalisation negotiations, SAARC has made it clear that its members' concerns on imbalances in the existing WTO agreements should be addressed up front before widening the agenda for negotiations, as demanded by a number of countries led by the U.S. and the European Union. The SAARC communique also emphasises the need to stick for now to the already mandated negotiations and reviews. The position taken by SAARC should be a source of encouragement to other developing countries that a larger united position is possible at the WTO. The SAARC bloc accounts for less than one per cent of world trade and there is therefore a tendency to dismiss its position as being of no real consequence at the WTO. But the influence that SAARC and the developing countries as a whole do not have by way of a large share in world trade they make up for in their number in the consensus-driven WTO. With less than three months to go for the Doha meeting, the developing countries still hold the key, for, while most of the advanced economies and a fair number of South American and East Asian countries have agreed to the launch of a new round they remain deeply divided about the agenda for negotiations. Endorsement from the Third World is therefore crucial for a consensus decision.

Much will ultimately depend on the steadfastness of the Indian position since it is India which has largely been responsible for crafting the agenda on "implementation issues", around

which an alliance of many developing countries in Asia, Africa and South America has been built. Any doubts on where India stands should finally be set at rest by the speech last week of the Prime Minister, Mr. Atal Behari Vajpayee, in which the Indian opposition to a new round in the present conditions was reiterated. This should end the voices from within the Government which have raised the bogey of isolation at the WTO and expressed the view that India should give up its opposition and agree to a compromise agenda that would be more accommodative of U.S. interests. The Prime Minister has at the same time indicated flexibility by stating that India has an open mind on all trade matters but not on non-trade issues such as labour and environment. This raises the possibility that if there is some movement forward on the implementation concerns, India could agree to the launch of a new round provided the agenda is restricted to additional issues such as industrial tariffs and trade facilitation. A concrete alternative formulation of this kind may be necessary in case the bloc of developing countries now opposed to a new round begins to break up on the eve of the Doha meeting. A failure to have a contingency plan carries with it the risk of true isolation at Doha.

In this critical period, turf battles within the Government can be disastrous since the major trading powers will be able to play on such divisions. Unfortunately, the past year has seen a tussle between the Commerce Ministry, the traditional administrative arm for trade policy, and the Ministry of External Affairs, first about the appointment of a new Ambassador to the Indian Mission at the WTO and then about the Indian stand on a new round. Now that Mr. Vajpayee has publicly made clear the Indian position on a new WTO round, a position which has been articulated by the Commerce Ministry, there can no longer be any ambiguity about where India stands at the WTO.



...to wait this way

# Doha meet should kick-off the downsizing of WTO

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ONE hundred and forty-two nations will be taking the bumpy road to Doha for the WTO ministerial conference in November. It may not be unreasonable to presume that the road to Doha is paved with confusing portents rather than great expectations. Doha itself is likely to witness street violence, following the precedents of Seattle, Davos and Genoa. The developing countries, nearly three-fourths in number, are determined to ask for the review of WTO agreements and their implementation, in order to correct the injustices meted out to them by the rich countries: subterfuges such as tariff escalation, peak-rates, agricultural support and export subsidies, various non-tariff barriers in the name of technical standards, environmental consideration, health and sanitation, etc. With equal vigour the West would try to extract more tariff concessions and removal of other barriers from the poor nations. All in the name of free trade.

The West has made WTO into a super monster, going way beyond trade. Every conceivable economic area has been invaded. Investments, IPRs, environment, government procurements and several other areas, are clubbed with trade, in 28 different WTO agreements, making WTO a monstrous super cop. Take for instance the work of the Trade Policy Review Body, just a small part of the WTO mechanism. It goes into the economy of each member nation in all aspects, not adhering only to trade. It comments on fiscal policies, monetary policies, state subsidies, revenue and fiscal deficits, exchange rate policy, monetisation, state run enterprises, privatisation, disinvestment, etc. Is it the function of WTO to oversee national economic policies? Is this not a kind of unwarranted interference

in national economic policies?

The prime culprit in all this is the western mantra of the total free market mechanism, the ill-founded pillars on which the WTO has been built (it is a different matter that when it comes to self-interest, the free market idea is given the go by). The development aspects of a developing nation are of little consideration. Actions of state intervention, such as establishing agrarian reforms, state enterprises, social justice, removal of imbalances of various kinds, cross subsidisation across consumer groups and

## GUEST COLUMN V S GOPALAKRISHNAN

across sectors, providing subventions wherever required — all these are to be done away with, as per these market economists who try to hold the reins of WTO.

It is amazing that such intricate classifications have been arrived at in the WTO agreement on subsidies and countervailing measures. There are prohibited subsidies, there are permissible subsidies, and there are non-permissible subsidies. So, a poor nation has no option to work out where a subsidy is much needed and should be given. It is a pity that WTO supports a mindless free market, which is certain to weaken the poor nations rather than strengthening them. It is no wonder that the expert panel of eleven appointed by the UN, last year, have stated in their report that "by far the main beneficiaries of trade liberalisation have been the industrial countries". It is no accident that the Secretary General, UNCTAD, has pointed out in Trade and Development Report, 2000: "...excessive reliance on foreign

resources and markets leaves growth prospects vulnerable to external shocks. Policy makers have rightly rejected a retreat into protectionism, but it would be just as wrong to allow global market forces to dictate future growth and development". The warning voice of UNCTAD sounds as refreshing realism in opposition to the practices of WTO, which is after free trade at any cost.

GATT, over nearly 50 years, did a quiet job of bringing about tariff reductions. Since the bulk of world trade is between rich nations, they were indeed the main beneficiaries. The poor nations could not afford to effect steep tariff reductions for obvious economic reasons. WTO, which has succeeded GATT from 1995, has been compelling poor nations to effect steep tariff reductions and bind themselves to low rates irrespective of various national factors. There is every reason to believe that if the past attitudes of the rich nations continue, WTO would sink under its own weight. Its super-authoritative jurisdiction permeating into every conceivable economic and even non-economic sphere, has already generated a worldwide hatred for it from various interest groups. Therefore Doha should also give an opportunity to WTO to introspect, and review its mandate. It will have to shed its self-imposed task of overseeing the world economy, world social order and world environmental order, and restrict itself to trade and nothing but trade, and there too the removal of export disadvantages suffered by the poor countries. The proposed new round of trade negotiations should therefore confine itself to reviewing the market access problems of poor nations.

(The author is Director General, MVIRDC, World Trade Centre, Mumbai. These are his personal views)

# PM reiterates WTO stand on 'no' to new round

■ Says India has an open mind however

ENS ECONOMIC BUREAU  
NEW DELHI, AUG 20

PRIME Minister Atal Behari Vajpayee today reiterated India's familiar stand on the possibility of a new round of global trade talks — fulfil the unfinished agenda of Uruguay first, and then move on to new areas. Vajpayee's statement, at the start of a two-day conference on WTO issues, comes just some days after the US Trade Representative visited India and categorically said there were very few 'unfinished' items, as all countries were fulfilling their promises to open up markets in areas like textiles, for instance. The USTR had said

that if India wanted fresh concessions such as a reduction of subsidies in agriculture, for instance, these would come about only from a new round of global trade talks.

Vajpayee, however, emphasised that New Delhi is 'prepared to engage constructively, and with an open mind, with the developed countries on all issues relating to global trade.'

Organised jointly by the Institute of Chartered Accountants of India, UNCTAD and the commerce ministry, the conference was attended by law minister Arun Jaitley, power minister Suresh Prabhu and minister of state for commerce Digvijay Singh, besides senior officials from the ministries of commerce, company affairs and other concerned ministries.

In his 30-minute address, the Prime Minister noted that the WTO was born into unequal world, into a world divided



among developed and developing countries and, therefore, its first mandate was and continued to be to help bridge this gap between these countries. The Prime Minister also expressed India's concern about inclusion of non-trade issues, such as labour and environment

standards, which might furnish scope for misuse as non-tariff barriers.

"We are also concerned about the high tariffs imposed by developed countries on those products in which the developing countries have a competitive advantage," he said adding that India faced unfair tariff and non-tariff barriers in steel, textiles, clothing and leather products. (This was in sharp contrast to what the USTR had said while in India — that half of India's exports to the US face zero import duties).

On intellectual property rights, the Prime Minister referred to two concerns. First, it was necessary to mandate that patent applications should reveal the country of origin of biological and genetic resources and traditional knowledge used in the product or process for which the Trade-Related Intellectual Property Rights (TRIPS) was sought and furnish a letter of informed

consent from the legitimate custodians.

Secondly, it must be recognised that affordable access to medicines, including the latest ones, for life-threatening diseases, for people in developing countries was a universal human right. The governments of these countries had a duty to ensure both availability and affordability for such medicines. The Trips agreement should thus enable every member country to take broad range of measures for protecting and promoting healthcare, both preventive and clinical.

Vajpayee said that India would not like its small and marginal farmers to be exposed by the WTO to unfair competition from subsidised exports and thereby undermine their livelihood security. At the same time they would like to see all unfair barriers to their own farm exports removed. The same also held good in the case of small-scale and cottage industries, he added.

# Trouble likely at World Bank,

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By Sridhar Krishnaswami

WASHINGTON, AUG. 18. The District of Columbia police here are gearing for the planned demonstrations at the time of the Annual Meeting of the World Bank and the International Monetary Fund. And the prediction is that the number of protesters could be as high as 100,000 and some real trouble expected in the process.

In a letter to the President, Mr. George W Bush, the Mayor of the District has warned of demonstrations "of an intensity, scope and magnitude that we have never seen in this city". The local police are estimating that the cost to the department — which would mean requisitioning services of law enforcement from neighbouring states — will be in the neighbourhood of \$40 millions. Hence, consultations with the Federal Government on who is going to pick up the tab and in what fashion.

Washington D.C. was witness to some demonstrations — mostly peaceful and with little damage to property — during the Spring Meetings in April 2000, but this time around, after what has been seen recently in Quebec City and Genoa, the impression is that the anti-globalisation protests are going to be large and intensive with possible extensive damage to property. The planning for this Annual Meeting is serious and intense; and authorities have doubled the estimate of demonstrators in the last month.

The Annual Meetings of the Bank and the Fund are normally a week-long affair. But this time around it has been pruned to just two days over the last weekend in September.

And with a view to causing least inconvenience to those who live and work in the City, the Bank/Fund Meetings will not be held at the usual Hotel in Woodley Park; rather the get-together of the Finance Ministers and Central Bank Governors will be in the facilities of the two international financial institutions.

Organisers of the planned protests and activists are saying that the authorities are deliberately using high figures and talking about violence so as to deny permits for demonstrations.

The 100,000 figure is as high as what the protests in Genoa, Italy, recently attracted in which one person was killed. Critics maintain that the D.C. police authorities are trying to paint a picture of civil war.

In April 2000, the strength of the protestors was put at around 20,000; and authorities had cordoned off large areas of the city in and around the World Bank/IMF.

The area is also a high security zone because of the location of The White House. This time too plans are under way to put up high metal barriers and close down a number of streets even while allowing for some demonstrations.

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# Why developing countries can't agree on a new Doha round

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IN MY last article (ET, 3 August) I had argued that non-implementation of the Uruguay round agenda (URA) was a legitimate grouse of the developing countries. Thus the Indian stand that a new round at Doha is not justified is a reasonably principled one. Yet, it would seem that very few developing countries are willing to side with India. As one reader asked me, if the URA was such a bad deal why can't the developing countries unite on this issue? In this article I will try to offer some answers.

A phenomenon unique to the URA is the rapid growth of Regional Trading Arrangements (RTAs) under GATT's article XXIV. Between 1992 and 2000 the number of RTAs notified to the WTO secretariat went up from around 40 to 140. These RTAs are the principal negotiators at the WTO. To name a few: NAFTA, EU, MERCOSUR (Latin America), ASEAN and SAARC. The first two are easily the most important in both political and economic terms. On the other hand, ASEAN functions only as a free trade area and not as a single negotiator. The other Asian RTA, SAARC is virtually non-existent. Two other negotiating parties need to be mentioned: the lobby of Transnational Corporations (TNCs) which was the principal force behind the TRIPS and TRIMS agreements and, second, is the vast body of NGOs particularly from the developed countries (Greenpeace, etc.). Incidentally, 647 of these NGOs are eligible to attend the Doha meet.

Consider first the most important RTAs, NAFTA and EU. Initially, these began as unions of developed countries which were already trading largely amongst themselves. But in the 'nineties, political considerations have led to inclusion of many former developing countries. This has

a divisive aspect. By bringing in some developing countries, the RTAs create trade for these countries but simultaneously divert trade from other developing countries. While EU has entered into preferential commodity agreements with many of their former colonies in Africa, NAFTA extends these privileges to some Latin American countries.

Take the case of the Multi Fibre Agreement which is slated to be disbanded by 2004. Being in operation for about 26 years, the system of quotas has, for some of the least

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developed countries, created assured markets which they are in danger of losing once the quotas are ended. To take one example, Bangladesh already gets duty free access to the EU for its textile exports. The end of the MFA will mean a rise in the duties on its exports to the EU.

Consider the Agreement on Agriculture (AOA). Once again the system of country quotas has created a veritable maze of import duties so that the original Most Favoured Nation (MFN) treatment (the cornerstone of GATT agreements) is virtually irrelevant. To take one example, the out of quota import duty on bananas in the EU is about 160 per cent! The removal of such quotas is thus bound to hurt some developing countries. In another vein, while export subsidies hurt agricultural exporting developing countries (for example Argentina, India) removal of these would hurt the least developed food importing countries particularly as food aid is now declining.

The lack of cohesiveness among developing countries is also due to the lack of in-house expertise. As Arvind Panagariya has so lucidly argued\*, developing countries have been content on being fed on a diet of developing country positions researched by multilateral institutions who have an obvious policy bias. It seems to me strange that, at the moment of writing, the only proposals submitted by the Indian government to WTO relate to agriculture. As I have argued elsewhere (ET, 22 January 2000) competitiveness of Indian agricultural production (in terms of prices) is meaningless if there is no exportable surplus. Does India have no proposals on trade in services (software exports) or on TRIPS?

The agenda for the Indian government seems to come from the multilateral agencies and foreign consultants. This is probably why India had no position on the GATS and will flounder at Doha when issues concerning trade in software (25 per cent of exports) comes up. Lack of in-house research probably explains why no one could notice the difference between simple and weighted average of tariffs which has led to heart-burning today on both AOA and MFA! The bottom line is the apathy towards domestic research shown by the bureaucracy of most developing countries. For instance, our ministry of commerce has been sitting on a request from some academics for funding a small study on factors determining India's commodity exports for over a year. Maybe, they should have applied "in triplicate"?

(The author is a professor at SIS, JNU)

\* Arvind Panagariya, "The Millennium Round and Developing Countries: Negotiating Strategies and Areas of Benefit", November, 1999.

The Economic Times

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## PREPARING FOR DOHA

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WITH PREPARATIONS FOR the Doha ministerial conference of the World Trade Organisation in November still deadlocked over the issues to be taken up for negotiation, the first warning about India's position has come from Mr. Robert Zoellick, the U.S. Trade Representative. During Mr. Zoellick's visit, the U.S. announced the restoration of zero-tariff access to 42 products though important products like pharmaceuticals will continue to be denied this benefit which was withdrawn some years ago; but the more significant event was the USTR's public warning to India that it will be left behind if it does not endorse the launch of a new round of trade liberalisation negotiations at Doha. More admonishments and entreaties can be expected over the next few months as countries engage in intense negotiations to reach a consensus decision at the WTO. However, Mr. Zoellick's visit should catalyse discussions on what India's negotiating position should be and how far it is willing to take its position, whatever the dire warnings about "isolation".

It is a fact that a growing number of developed and developing countries favour a new WTO round. But it is also a fact that most of them continue to strongly disagree about the agenda for such a round and countries have not budged very much from the positions that they had taken at the failed ministerial conference in Seattle in 1999. While there is much talk about beginning a new round, what is important is what the agenda for the round will be. The Indian position is that while it is against an enlarged and comprehensive round at the WTO, it will engage in talks on issues such as services and agriculture as well as a review of TRIPS, all of which had been identified earlier for negotiation. An additional factor is the Indian argument that the "implementation issues", the concerns about shortcomings in the existing WTO agreements, should be dealt with first before beginning a new round. There is considerable merit in this particular argument since all the WTO

members had decided in May 2000 that the implementation issues would be settled before the Doha ministerial meeting. But what complicates matters is the conflicting demands of many countries to balance the proposed liberalisation of agriculture trade with the addition of more issues to the agenda. India and a number of other developing countries are caught in the middle of this impasse, between the U.S. and the agricultural exporting nations on one side and the agricultural protectionists such as the European Union and Japan on the other. Both groups are more than willing to postpone a final resolution on the implementation issues to a future date.

India is therefore placed in an unenviable position even if its stand is morally defensible. To make matters more difficult, the domestic political opinion is so hostile to the WTO — at times on exaggerated grounds — that it will be political suicide for the Government to extend support for an ambitious round that includes talks on a foreign investment treaty. Some economists have suggested that India extend its support for a new round by suggesting an agenda that includes negotiations on lowering industrial tariffs and implementation issues, besides the existing built-in agenda. The problem with such a proposal is that it will satisfy no one at the WTO as it will be seen as too narrow and at the same time it postpones a decision on the implementation issues to a future indeterminate date. But, with time running out, India needs to put together an alternative set of proposals which, if the situation arises, could win the support of a substantially large number of countries and will counter the pressures of the U.S. and the E.U. The Government is continuing with its efforts to build and maintain a developing country alliance. But, as past events have shown, this can come apart at the last minute. The Government should not be caught in a position in Doha where it has to sign on the dotted line because in the end it finds itself alone.

# Lessons not learnt at the WTO

By C. Rammanohar Reddy

*It is not a new round of trade talks and its contents that will define the WTO in the years to come, but how the decision on the launch will be taken.*

IT IS not too much of an exaggeration to say that the next couple of months will decide the shape of the World Trade Organisation in the future and how far the institution is going to enjoy the confidence of a majority of the world's Governments. Between now and the Doha ministerial conference in November, an intense tussle will take place at the headquarters of the WTO in Geneva and in national capitals about whether or not a new round of trade liberalisation talks should be launched — the first since the wide-ranging and controversial Uruguay Round of 1986-93 — and, if so, what the agenda should be.

A WTO round of talks is expected to further open national markets to trade by lowering import duties, formulating new trade facilitating rules and expanding the domain of multilateral trade disciplines in national economies. It is no wonder then that the proposal for a new round is proving to be so controversial. But it is not a new round and its contents that will define the WTO in the years to come, but how the decision on its launch will be taken. As events in recent weeks have shown, feelings run strong in all countries on this issue. After more than 18 months of negotiations, countries are not very close to taking a final decision. If evolving a consensus on the agenda for negotiations is proving so difficult, one can visualise how difficult it will be to reach a final agreement.

Similar tensions bedevilled the preparatory process for the 1999 ministerial meeting in Seattle, which also was all about drawing up an agenda for a new round of trade talks. But two things make Doha different from and perhaps more important than Seattle. First, the protests in Seattle made the organisation and its members realise that they had to give answers to the people on the streets, whatever they may have felt about the questions. Second, the collapse of the Seattle talks demonstrated to the major trade powers that they could no longer push through a WTO agenda at their will and on their own. So the decisions that will be taken at Doha and how they are

taken will be the first major occasion when it will be known if the WTO and its members have learnt their lessons and come up with a broad-based, transparent and inclusive negotiating process. The signs, unfortunately, are that the WTO has not learnt too many lessons from Seattle.

Just two examples will illustrate why things have not changed. One is in dealing with the specific demands of a large group of developing countries. It became a mantra soon after the Seattle meetings that the "implementation concerns" of the developing countries, a set of demands to correct the shortcomings in the existing WTO agreements, would receive priority as a part of confidence building measures. As WTO officials never tire of saying, more time has been spent discussing implementation than anything else in the past 18 months and efforts have been made to consult all Governments. But the end result has been that the confidence-building measures have not delivered. Settlement of these issues, if at all they are to happen, is now going to be postponed beyond Doha and may even be made hostage to the launch of a new round. The situation confronting the world's poorest, the Least Developed Countries, is not very different. They have been offered duty-free access for many of their products as part of the confidence-building measures. But the price they are now being expected to pay is agreement on the launch of a new round of talks on a number of new issues about which most of them are clueless. Few LDCs have the institutional capacity to negotiate on complex subjects and fewer have the capacity to implement the WTO agreements which they have already signed.

The second example of things not hav-

ing changed is the way in which, in the words of a WTO Ambassador from a developed country, "the entire institution has been turned inside out to accommodate the interests of the European Union". It is the E.U. which wants a comprehensive round of trade negotiations and it is the E.U. which wants the WTO to expand its domain to newer areas such as foreign investment and national competition policies and is now talking of rules for environment and trade. Since 1996, when the E.U. first proposed a "millennium round" in 2000, all the other countries — including

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the U.S. — have had to scramble to respond to this agenda. The reason behind the E.U.'s agenda is simple. During the Uruguay Round (1986-93), the E.U. fought for and partially succeeded in continuing to protect its agriculture. But it had to agree then to new negotiations in 2000 on farm liberalisation.

To neutralise the effect of such an eventuality, the Europeans have kept coming back to the WTO with their huge agenda for a new round, for which few other countries have an appetite. If a growing number is having to agree, the only reason is that they think this is the only way talks on agriculture can move forward. The current impasse about what the WTO should do next can be broken only if either the E.U. climbs down or if the rest of the WTO membership moves closer to the E.U. So, much like before, the one or the other of the two major trading powers is deciding matters at the WTO. The question is not just one of negotiating a settlement. Because the Europeans have a problem with removing their protection of agriculture and because they are a major trading power, they can keep pushing their agenda on all the other members of the WTO.

Now that it is crunch time and a decision has to be taken soon on a new round, the confidence-building measures are being sidelined and the old tactics of cajoling, blandishments and inducements have begun. Snide remarks are occasionally made of countries representing 90 per cent of world trade wanting new trade talks. That is, insignificant trading powers such as India are holding up a grand vision. (Population and not the share in world trade counts only when the argument has to be made by the WTO that the members of the organisation are democratically-elected Governments of more than 4 billion people.) The WTO Director-General, Mr. Mike Moore, has made no secret of his desire to see a round launched during his tenure (which ends next year) and talks of the "irrelevance" of the WTO if this does not happen at Doha. As the price for speeding up its accession, China has been persuaded to make a statement, even before it has joined the WTO, that it wants a new round of negotiations.

This anxiety to launch a new round of trade negotiations and the manner in which the proposed agenda is being formulated will have their own consequences. At present, there is a more than 50 per cent chance that all the WTO members will agree in Doha — a considerable number resentfully — to begin new negotiations. The bigger question is how narrow or how broad the agenda should be. If the current impasse is not broken by the time of the ministerial conference, countries may well agree on a general political declaration announcing the launch of a new round without specifying the agenda. This will be a face-saving compromise because the WTO members have invested too much in the preparatory process and few would want to openly cause another Seattle. But the problem with such a 'solution' is that it will postpone the resolution of differences to later, tying up officials in months and even years of more negotiations. That may well prove fatal to the institution.

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# Impasse over environmental issues likely at WTO meet

By C. Rammanohar Reddy

**GENEVA, AUG. 2.** A looming controversy on proposals for introducing environmental rules in trade has the potential of having the same deal-wrecking impact on the Doha Ministerial meeting of the World Trade Organisation that labour standards had on the 1999 Seattle conference. But the difference this time is that it is not a rich-poor divide but mainly the European Union, Switzerland, Norway and Japan versus the rest of the world.

Disputes over the application of environmental norms in trade are not new to the WTO; but while the organisation has seen a few high-profile cases, including the shrimp-turtle dispute in which India was a co-complainant against the U.S., this time formal proposals are being made for negotiation in the proposed new round of trade negotiations.

The first proposal is for allowing countries to control imports when food safety is involved, by invoking the "precautionary principle" — where there is a threat of irreversible environmental harm even if the scientific evidence is not certain. With consumers in Europe having definite negative views on GMO food, this move is seen as an attempt to give Governments the power to monitor trade in such products. But it is strongly opposed by the U.S. and the Cairns group of agricultural exporting nations, who naturally see it as disguised protectionism and argue that the grounds for application of the precautionary

principle are already spelt out in the WTO agreement on sanitary and phytosanitary measures.

At this point, the E.U. is not talking of new negotiations only for a substantive interpretation of past rulings in WTO disputes; but everyone knows this is the first step towards negotiation of more liberal rules on the WTO books.

Eco-labelling — the certification that products are manufactured in an environmentally benign way — is the second area proposed by the E.U. for negotiations; though this one too is already covered in the WTO agreement on Technical Barriers to Trade. "There has been a proliferation of private initiatives in eco-labelling. What we need is a transparent and WTO-compatible process that will give a reliable process of certification," says Mr. Kare Bryn, Norwegian Ambassador to the WTO.

While some developing country officials acknowledge that there is an intellectual case for WTO disciplines in eco-labelling, they express concern that a rush to negotiate could result in more harm than good to the process. There is a preference instead for certification that is born out of co-operation between producer-exporters and distributor-importers, as suggested recently by Malaysia.

Many observers see the E.U. position at the WTO on these environment/food safety issues (supported by countries like Japan and Switzerland which are also opposed to liberalisa-

tion of trade in farm products) as meant to assure domestic opinion that the WTO will not permit trade in unsafe food or products made by destroying the environment. "There is a huge constituency out there for these proposals unlike for the E.U.'s demands on foreign investment and competition policies.

Besides, the European NGOs, already unhappy that labour standards are now on the backburner, are not going to allow the same thing to happen to environment. This makes the E.U. proposals a potentially explosive one," says Dr. Geoff Raby, Australia's Ambassador to the WTO.

While feelings run strong on both sides on these two proposals, there is another controversial suggestion, this time by the U.S., for the inclusion of a seemingly innocuous statement in the preamble to the Ministerial declaration in Doha which will refer to the freedom of countries to introduce the 'highest environmental standards possible.' The proposal, also meant to placate domestic environmental NGOs, would imply that Governments could depart from WTO rules when the situation demands. However, a trade official asks a question that will be at the heart of the controversy that is sure to develop: "How can such departure from multilateral disciplines be permitted when it is a question of protecting turtles, but not from TRIPS where the health of human beings is involved?"

THE WORLD

## SPARRING OVER A NEW ROUND

THE ELUSIVE CONSENSUS over the contents of Ministerial Conference of the World Trade Organisation (WTO) scheduled later this year at Doha, Qatar, points to a big fight in the making. The postures adopted by the member-states at Geneva recently, marked by continued differences of opinion on the content for Doha, do not provide much comfort. The insistence by the major economic players, especially the U.S. and the E.U., on taking the WTO along paths charted out with their respective interests in mind will only push the fledging organisation away from its objective of facilitating free and fair flow of trade. It is increasingly becoming evident that the WTO is being steered from the path of inclusiveness, towards an exclusive highway for select economies that influence the course of world trade. In putting together an agenda for Doha, it is imperative that the developing economies are assured beyond doubt that their interests will not be compromised and that the promises made at the Uruguay Round will be honoured. That there have been neither substantive nor even symbolic moves towards gaining the confidence of the developing countries is reflective of the continued apathy towards addressing the concerns of these economies. The tardy progress in resolving the implementation issues, for instance, is bound to come as a serious hurdle.

The future of the Organisation will not be done any good by the continued insistence by some economies on pushing forward their case even while issues raised by the poorer countries continue to remain unresolved. It is against this backdrop that calls for widening the agenda for Doha and for a new and enlarged round of negotiations are bound to be resisted. While there has been a visible shift in the approach of the

U.S. towards the E.U. — by way of the willingness by the former to consider limited negotiations on foreign investment and competition policies — such a flexibility has not been visible when it comes to addressing the issues raised by the developing economies. Given the post-Uruguay Round experience of these countries, it is necessary that the imbalances of the 1994 Uruguay Round agreements are corrected. For this to happen, it is imperative that developing countries evolve coordinated positions ahead of the November Ministerial Conference.

That the WTO continues to be haunted by the Seattle collapse is apparent from linking the launch of a fresh and enlarged round of negotiations at Doha to the success of the Ministerial Conference. The time from now to November, when the Doha Ministerial Conference is scheduled to take place, should be utilised to draw up an inclusive agenda that comprises a broad menu that does not run counter to the concept of the WTO. Commitments have to be made to assure developing economies that their concerns will not be compromised. As of now, no such indications are available. The future of the WTO will be well-served if success at Doha is measured by the progress made on the ability of the Organisation to win the confidence of its member-states that it will put in place a non-discriminatory mechanism that facilitates world trade. In its efforts to institutionalise the multi-lateral trading system and to infuse an amount of certainty in the way nations conduct their external trade, the WTO could serve as the largest collective bargaining forum. Or, it could become yet another organisation where the big dominate over the small. Any attempt to push an agenda for Doha that leaves some nations poorer will only result in a pyrrhic victory.



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## TRADING PLACES ✓

9/29 5/20 Preparing for Doha 1/7 ✓

THE Doha WTO meeting, slated for November, will in all probability start a new round of trade talks. India opposes this, arguing that unfinished business from previous rounds must be addressed first. Going by this bland official position, New Delhi's stand is more harebrained than heroic. All the major economic power blocs are in favour of a new round, even though, as in the case of the US and EU, there are sharp differences between them. India's allies currently are economically insignificant developing countries, including Pakistan. It is not only power equations that make a contrary position untenable. There are good reasons to agree to a new round of trade talks. It is the only, albeit imperfect, way to restart negotiations which broke down in Seattle. Taking up old, unfinished business will not generate the momentum required to bring all the stalled parties back to the table. Little wonder that even China, not yet a member of WTO but which hopes that the Doha meet will generate the sufficient conditions for its admission, has supported a new round. It will be an act of extraordinary folly for India to go to Doha as the eccentric yogi from South Asia, prepared to renounce tough bargaining for a "point of principle".

But perhaps, New Delhi's official posture is not so much a given stance as a bargaining tactic. That is, by saying it will not relent it is checking out how much parties in favour of a new round are willing to concede. If so, that is not necessarily a bad strategy, provided India is sure of its bargaining strength. Punching above our weight, as we did at countless international fora during the days of Nehruvian highmindedness, is likely to produce a knockout blow in trade negotiations where national interest is fought for with bare knuckle ferocity. India cannot sabotage Doha. So, we must be ready to concede at the right moment, having first made a realistic assessment of how much we can extract, and what we have to give up. In other words, good homework, the absence of which ruined Agra. Fortunately, the present commerce minister, Murasoli Maran, was in charge during Seattle, too, and that is one trade round where India was widely acknowledged to have gone well prepared. Much of the preparatory work done then, including by chambers of commerce, is relevant for Doha. Three months left for the exam — India had better start mugging up.

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# No consensus yet on new WTO round

By C. Rammanohar Reddy

**GENEVA, JULY 31.** A two-day review meeting of the World Trade Organisation, which concluded this evening, has confirmed the absence of a consensus among its member-countries on the launch of a new round of trade negotiations, though the U.S. and the European Union keep insisting that progress is being made on narrowing the gaps.

As time begins to run out, trade officials will meet again in September in an effort to reach an agreement before the fourth ministerial meeting that will be held in Doha, Qatar, in November.

Mr. Mike Moore, the WTO Director-General, who has lost no opportunity to champion the cause of a new round of negotiations, warned that failure to begin new negotiations would "condemn the organisation to a long period of irrelevance". However, in interventions made during the debate, delegates from rich and poor countries were less concerned about such hyperbole and paid more attention to identifying the problem issues.

Intensive discussions over the past 18 months have made only limited progress in forging an

agreement on the implementation problems of the developing countries, the agenda for liberalisation of trade in agriculture, fresh rules on environmental issues and on new proposals for global treaties on foreign investment and competition policies.

At the core of the differences at the WTO is the insistence of the EU that the WTO take up a comprehensive and wide-ranging agenda for talks, an enthusiasm that is not shared by too many countries.

The one shift that has been noticed in this week's meetings is that the U.S. has, for the first time at the WTO, spoken about its willingness to consider limited negotiations on foreign investment and competition.

The strongest statements during the "reality check" meetings were made by India, Pakistan, Malaysia and some agricultural exporting nations of South America.

India's WTO Ambassador, Mr. S. Narayanan, presented a five-fold assessment of the situation where he said, first, without meaningful results on implementation issues the Doha meet would not succeed. Second, there is a considerable resistance among the WTO members to a comprehensive agenda. Third, an "all or nothing approach" (i.e.

that espoused by the EU) is risky because it may result in "nothing" rather than "all". Fourth, it will be "a high-risk game" if the agenda for agriculture was left to be settled at the last minute in Doha. And lastly on environment, which is heading towards becoming the most controversial issue, governments should aim for only a focussed statement at Doha on the absence of a contradiction between the open multilateral trading system and the environment.

Ambassador, Mr. Munir Akram of Pakistan, giving his assessment of the discussions in the past two days outside the conference room, said that with such wide and deep differences between so many countries, it was difficult to see a draft ministerial declaration being prepared in September unless the WTO Director-General and the Chairman of the WTO Council came up with something that put "a gloss" on the situation.

A senior trade official using WTO language said: "One can say more countries are in favour of a round than before, more countries than before support a broad agenda but there is no consensus on any issue." This is as good a perception of the current impasse as any.

The perceptions of the state of

negotiations reflect what countries want from the WTO agenda. Mr. M.P. Carl, Director-General of Trade in the European Commission and Mr. Peter Allgeier, Deputy U.S. Trade Representative, both said today that considerable progress was being made in the negotiations which was quite the opposite of the contents of their

presentations. Norway said that there was not enough progress while a senior trade official from a non-E.U. country in Europe called the present position "a catastrophe". Most developing countries were, of course, unhappy with the present situation. Malaysia, for example, described it as a situation of 'four Ds': "disappointing, demoralising, discouraging, and at times depressing."

It also said that the "high-risk game" that is now going on has the potential of converting the Doha meeting into a failure or "Seattle-II". To complicate matters, Brazil, Argentina, Uruguay and other Latin American countries have said that their endorsement of a new round was linked to a clear commitment before Doha on an enlarged agenda for agriculture trade liberalisation.

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# Stop posturing, start negotiating: WTO chief

By **Batuk Gathani** <sup>ND-15</sup>

**BRUSSELS, JULY 30.** At a meeting today in Geneva, Mr. Mike Moore, Director-General of WTO, urged officials from 142 member-countries to "stop posturing and start negotiating" if they want to agree on a fresh agenda for global trade liberalisation at a meeting of the WTO Ministers which starts on November 8 in Doha. The debate is between the rich countries — mainly the U.S., the European Union and other OECD members who want "fair treatment" for their companies under laws that govern investment and competition.

The poorer countries want increased access to rich markets for their agricultural produce, manufactured goods and stricter monitoring of anti-dumping regime which is frequently used by rich countries to discriminate against cheaply produced goods in developing countries.

India is overtly hostile to a new WTO round on the premise that India has not benefited from previous WTO agreements to cut agricultural subsidies in richer countries and their inability to remove tariffs on India's crucial textile exports.

With a global economic slump on the horizon, the richer countries are displaying a newly-found urgency in trying to secure firm markets for their products and services. In a show of pragmatism the European Union and the U.S.

have even reached a broad agreement on the agenda for WTO trade talks.

These days companies on both sides of the Atlantic, almost monotonously report falling profits, more staff lay-offs and less investment in capital goods and expansion all this coupled with falling productivity levels, have raised the fear about an ensuing global economic slump. Such a scenario has also depressed investors and share prices. Analysts now call this a classic case of "synchronised global downturn" as the U.S. is seen experiencing its longest industrial slump in two decades, with the rest of the world, particularly the European Union, sliding with it. A prominent U.S. merchant bank — Morgan Stanley — declared last week that the world economy was officially in recession.

The latest forecasts of economic growth in the eurozone countries would indicate that yearly the economic growth rate may be below one and a half per cent. Britain could sink below two per cent, and all this is a far cry from the healthy economic growth of four to five per cent in the U.S. and Britain up to late 1990s. Today, consumers' demand for mobile phones, electronic goods, automobiles and even consumer goods has drastically slumped and an analysts notes that "one by one the sectors and businesses that were pulling the world economy along have fallen away."

It is argued that the fallout from over investment in technology and telecommunications in the western world has had a dire impact on economies round the world.

The U.S. — the world's largest economy — is experiencing deep crises and is "in recession". It is closely followed by Japan, the second largest economy. Germany, the third largest economy and the European Union's "locomotive economy" could be in recession by the end of the year.

Now it remains to be seen if the European Central Bank this Thursday reduces benchmark interest rates, as the U.S. and European industry calls for weaker dollar, amid the realisation that the yesterday's mighty U.S. dollar is suspected of losing its legendary clout and strength against the euro.

The markets are not surprised by the dollar's recent slide against the euro. The dollar reached a high in July and has since fallen 4.6 per cent against the euro. The European Central Bank can boost dollar's slide against the euro by lowering benchmark interest rates from 3.75 per cent. Such a move would further weaken the dollar.

The current debate in European financial capitals is about the slow down in the U.S. economy that began in the middle of this year. This has taken the annual growth rate of the U.S. economy down from 5 per cent last year to

about 2.5 per cent — or 50 per cent down in the second half of this year. This is still a little higher than the current economic growth rate in the European Union countries.

The spill-over effect of the U.S. economic slow-down, on the euro-zone economies could be both dramatic and cataclysmic.

Hence, investors on both sides of the Atlantic are understandably nervous about volatile stock markets.

Since the beginning of December the dollar has dropped nearly 9 per cent in value against the euro. A recent survey of euro-zone confidence data reveals that euro-zone economies past their peak performance in the middle of this year.

European Union governments and business leaders are again bracing themselves for a fresh turbulence on european investment and stock markets. The decline of the dollar coupled with a fall in stock prices on the U.S. market could be cataclysmic and trigger a european crises.

# গ্যাট থেকে ডব্লিউ টি ও তিনটি প্রশাখা, তিনটি নীতি

সংস্করণ-৪ ২৬/৭/২০০৯ ৭.৬.৭

বিবেক দেবরায়

পূর্ব প্রবন্ধে ('ডব্লিউ টি ও নিপাত যাক...', আ বা প, ১২/৭) জেনারেল এগ্রিমেন্ট অন ট্যারিফস আন্ড ট্রেড অর্থাৎ 'গ্যাট' ও ওয়ার্ল্ড ট্রেড অর্গানাইজেশন অর্থাৎ 'ডব্লিউ টি ও' বা বিশ্ব বাণিজ্য সংস্থার অবতারণা করেছে। গ্যাট ও ডব্লিউ টি ও'র বেশ কয়েকটা তফাত আছে। আগেই বলেছি, ১৯৪৭ সালে গ্যাট শুরু হয়েছিল সাময়িক চুক্তি হিসাবে, আশা করা হয়েছিল আই টি ও নামক স্থায়ী প্রতিষ্ঠান স্থাপিত হবে। তা আর হয়নি। ফলে পঞ্চাশ বছরের বেশি গ্যাট থেকে গেছে সাময়িক চুক্তি রূপে। ১৯৯৫ সালে স্থাপিত হয়েছে ডব্লিউ টি ও। ডব্লিউ টি ও কিন্তু স্থায়ী প্রতিষ্ঠান। এটাই প্রথম তফাত। ফলে ডব্লিউ টি ও'র ক্ষমতা গ্যাট-এর তুলনায় অনেক বেশি। তা ছাড়া 'গ্যাট-এর সদস্য' কথাটার আক্ষরিক অর্থে মানেই হয় না। গ্যাট তো চুক্তি, চুক্তিতে স্বাক্ষরকারী দেশের কথা ভাবতে পারি, সদস্য হওয়ার প্রশ্ন ডব্লিউ টি ও'র মতো প্রতিষ্ঠানের ক্ষেত্রেই প্রাসঙ্গিক। গ্যাট-এর যাবতীয় চুক্তি ছিল পণ্য সম্বন্ধে। পরিষেবার ক্ষেত্রে আপস নীমাংসা শুরু হয়ছ উরুগুয়ে আলোচনাচক্রের সময়। একই কথা বলা চলে 'ইন্টেলেকচুয়াল প্রপার্টি রাইটস' বা মস্তিষ্কজনিত সম্পত্তির স্বত্ব সম্পর্কে।

ডব্লিউ টি ও'র আওতাধীন তিনটি প্রশাখার কথা ভাবতে পারি: পণ্য, পরিষেবা ও মস্তিষ্কজনিত সম্পত্তির স্বত্ব। পণ্য সংক্রান্ত চুক্তিকে বলা হয় জেনারেল এগ্রিমেন্ট অন ট্রেড ইন গুডস। পণ্য সংক্রান্ত যাবতীয় চুক্তি মেনে চলা হচ্ছে কি না তা বিচার করার জন্য একটি 'গুডস কাউন্সিল' প্রতিষ্ঠিত হয়েছে। পরিষেবা সংক্রান্ত চুক্তিকে বলা হয় জেনারেল এগ্রিমেন্ট অন ট্রেড ইন সার্ভিসেস। এ ধরনের চুক্তি মেনে চলা হচ্ছে কি না তা বিচারের জন্য প্রতিষ্ঠিত হয়েছে 'সার্ভিসেস কাউন্সিল'। সবশেষে আছে মস্তিষ্কজনিত সম্পত্তির স্বত্ব। বাণিজ্যের সঙ্গে সম্পর্ক আছে বলে একে ট্রেড-রিলেটেড ইন্টেলেকচুয়াল প্রপার্টি রাইটস বা ট্রিপস-ও বলা হয়েছে। আছে ট্রিপস চুক্তি ও ট্রিপস কাউন্সিল।

চুক্তিতেই বলা আছে যে গ্যাট বা ডব্লিউ টি ও ব্যবস্থায় পারতপক্ষে ভোটাভুটি হবে না, সিদ্ধান্ত হবে ঐকমত্যের ভিত্তিতে। তা নিতান্তই অসম্ভব হলে ভোটের প্রশ্ন উঠবে। বিশ্বব্যাপক বা আন্তর্জাতিক মুদ্রা ভাণ্ডারের ক্ষেত্রে একটি দেশের ভোটের মূল্য নির্ধারিত হয় দেশটির প্রদত্ত চাঁদার ভিত্তিতে। ডব্লিউ টি ও'তে কিন্তু প্রত্যেক দেশের একটি ভোট। তুলনায় ডব্লিউ টি ও অনেক গণতান্ত্রিক।

গ্যাট বা ডব্লিউ টি ও ব্যবস্থার মূল কয়েকটি নীতি আছে। প্রথম নীতি, রেসিপ্রোসিটি বা পারস্পরিকতা। আগেই বলেছি আলোচনাচক্র অনুষ্ঠিত হয় উদারীকরণের উদ্দেশ্যে। আলোচনা

চলাকালীন ভারত হয়তো বলবে: আমরা বিমা ব্যবস্থার উদারীকরণ করব, যদি আমেরিকা বেশি পরিমাণে এইচ ওয়ান বি ভিসা দেয়। এই ধরনের শর্তকেই বলে পারস্পরিকতা। অবশ্য উন্নয়নশীল দেশ ও সর্বাধিক অনগ্রসর দেশের এক সংজ্ঞা আছে। এই সংজ্ঞা ডব্লিউ টি ও'র সৃষ্টি নয়। রাষ্ট্রপঞ্জের সংজ্ঞা ডব্লিউ টি ও মেনে নেয়, সেই অনুসারে বিভিন্ন দেশের বর্গীকরণও মেনে নেয়। উন্নয়নশীল বা সর্বাধিক অনগ্রসর দেশের ক্ষেত্রে সর্বদা পারস্পরিকতা দাবি করা হয় না। বিশেষ (স্পেশাল) ও অ-সামান্য (ডিফারেনশিয়াল) ব্যবহার নামক শর্ত অনুসারে অনেক সময় এই সব দেশকে উদারীকরণ থেকে অব্যাহতি দেওয়া হয়। বা উদারীকরণের জন্য বাড়তি সময় দেওয়া হয়।

গ্যাট বা ডব্লিউ টি ও'র দ্বিতীয় মূল নীতি:

ন্যাশনাল ট্রিটমেন্ট বা স্বজাতীয় ব্যবহার। অর্থাৎ বিজাতীয় বা বিদেশি উৎপাদক ও স্বদেশি উৎপাদক সরকারি নীতিতে একই ধরনের ব্যবহার পাবে। স্বদেশি উৎপাদকের

**বিশ্বব্যাপক বা আন্তর্জাতিক মুদ্রা  
ভাণ্ডারের ক্ষেত্রে একটি  
দেশের ভোটের মূল্য  
নির্ধারিত হয় দেশটির প্রদত্ত  
চাঁদার ভিত্তিতে। ডব্লিউ টি  
ও'তে কিন্তু প্রত্যেক দেশের  
একটি ভোট। ডব্লিউ টি ও  
অনেক গণতান্ত্রিক।**

প্রতি পক্ষপাত প্রদর্শন করা চলবে না। এটা মূল নীতি মাত্র। ক্ষেত্রবিশেষে এই নীতির ব্যতিক্রম অনুমোদিত। যথা, পরিষেবার ক্ষেত্রে এখনও বহু ব্যতিক্রম চলছে।

তৃতীয় মূল নীতি: মোস্ট ফেভারড নেশন (এম এফ এন) বা সমদৃষ্টি। অর্থাৎ, বিভিন্ন ডব্লিউ টি ও সদস্যের মধ্যে বৈষম্য করা চলবে না, প্রত্যেকের প্রতি একই ধরনের আচরণ করতে হবে। মোস্ট ফেভারড শব্দগুলো ব্যবহার না করলেই ভাল হত, তাতে মনে হয় বুঝি কোনও বিশেষ দেশের প্রতি পক্ষপাত প্রদর্শন করা হচ্ছে। আসলে এম এফ এন শব্দের তাৎপর্য ঠিক তার উল্টো। যে দেশটি সর্বাধিক পক্ষপাত (মোস্ট ফেভারড) পাচ্ছে, সেই দেশ যে ধরনের আচরণ পাচ্ছে, অনুরূপ আচরণ প্রত্যেক ডব্লিউ টি ও সদস্য দেশের প্রতি প্রদর্শন করতে হবে। লক্ষ্য করবেন, ডব্লিউ টি ও-র সদস্য নয় এমন দেশের প্রতি কিন্তু এম এফ এন নীতি প্রদর্শন না করলেও চলবে। এ ধরনের দেশকে স্বতন্ত্র ভাবে আপস মীমাংসা করে এম এফ এন নীতি পেতে হবে।

যেমন, চিন করে চলেছে ডব্লিউ টি ও-র সদস্য না-হওয়া পর্যন্ত। এই নীতির ব্যতিক্রম আছে। যেমন, পরিষেবা ক্ষেত্রে কিঞ্চিৎ ব্যতিক্রম অনুমোদিত। উন্নয়নশীল বা সর্বাধিক অনগ্রসর দেশের প্রতি বিশেষ ও অ-সামান্য ব্যবহার নীতি অনুসারে পক্ষপাত দেখালে সে আচরণ এম এফ এন অনুসারে সব সদস্য দেশের প্রতি করতে হবে না। আঞ্চলিক বাণিজ্য বন্দোবস্তকেও এম এফ এন মানতে হয় না।

প্রসঙ্গত, পাকিস্তান ভারতকে এম এফ এন-এর সুবিধা দেয়নি। যেহেতু দু'টি দেশই ডব্লিউ টি ও-র সদস্য, এটা গ্যাট বা ডব্লিউ টি ও-র উলঙ্ঘন বইকী। এই ধরনের উলঙ্ঘন কিন্তু আপনাআপনি বে-আইনি বলে ঘোষিত হয় না। কোনও দেশ চুক্তি মেনে চলেছে কি না, তা ডব্লিউ টি ও স্বতঃপ্রবৃত্ত হয়ে বিচার করে না। যে দেশ ক্ষতিগ্রস্ত হচ্ছে, তাকে অনুযোগ করতে হবে। এমন অনুযোগ জমা পড়ার পর, ডব্লিউ টি ও তার বিচার করবে। এই অর্থে ডব্লিউ টি ও আত্মপায়ার বা রেফরিও। বিবাদ নিষ্পত্তিও ডব্লিউ টি ও-র একটা কাজ। গ্যাট-এর তুলনায় ডব্লিউ টি ও-তে বিবাদ নিষ্পত্তির ব্যবস্থা অনেক পরিমার্জিত, অনেক বেশি কার্যকর।

ডব্লিউ টি ও-র সর্বোচ্চ অঙ্গ হল 'মিনিস্ট্রিয়াল কাউন্সিল'। সব সদস্য দেশের বাণিজ্যমন্ত্রীরা এই গোষ্ঠীর অংশীদার। অবশ্য মন্ত্রীরা তো আর সব সময় জেনিভায় বসে নেই। এ ধরনের সম্মেলন হয় মোটামুটি দু'বছরে এক বার। ডব্লিউ টি ও স্থাপিত হয়েছে ১৯৯৫'এর জানুয়ারি মাসে। তার পর প্রথম মন্ত্রিস্তরের সম্মেলন হয়েছিল ১৯৯৬ সালে, সিঙ্গাপুরে। দ্বিতীয় সম্মেলন ১৯৯৮ সালে, জেনিভায়। তৃতীয় সম্মেলন ১৯৯৯ সালে, সিয়াটল-এ। চতুর্থটি হতে চলেছে এই বছর, কাতার-এর দোহা শহরে।

মন্ত্রিস্তরের সম্মেলন না চলাকালীন, সর্বোচ্চ অঙ্গ হল 'জেনারেল বডি' অর্থাৎ সাধারণ পরিষদ। এই বডি-ই বিবাদ নিষ্পত্তির কাজ করে থাকে, বিবাদ নিষ্পত্তির সময় একে বলা হয় 'ডিসপিউট সেটলমেন্ট বডি' (ডি এস বি) অর্থাৎ বিবাদ নিরসন পরিষদ। বিবাদ বিষয়ে অনুযোগ কিন্তু করতে পারে শুধুমাত্র সদস্য দেশ। কোনও কোম্পানি বা কোনও ব্যক্তিবিশেষের পক্ষে ডব্লিউ টি ও-তে অনুযোগ করা সম্ভব নয়।

জেনারেল বডি আর একটি কাজও করে। প্রতিটি সদস্য দেশের বাণিজ্য নীতিকে পর্যালোচনা করা হয় ডব্লিউ টি ও-তে। একে বলা হয় ট্রেড পলিসি রিভিউ মেকানিজম বা টি পি আর এম। জেনারেল বডিকে এই পর্যালোচনার দায়িত্ব দেওয়া হয়েছে। কত ঘন ঘন টি পি আর এম করা হবে, তা নির্ভর করে বিশ্ব বাণিজ্যে দেশটির অংশের উপর। আমেরিকার ক্ষেত্রে দু'বছরে এক বার। ভারতের ক্ষেত্রে চার বছরে একবার।

লেখক দিল্লিতে রাজীব গান্ধী ইনস্টিটিউট ফর কন্স্টেম্পোরারি স্ট্যাডিজ-এর অধিকর্তা

# India joins EU, Japan to fight US at WTO

HT Correspondent  
New Delhi, July 16

INDIA HAS extended support to the European Union and Japan for requesting the WTO to set up a panel against an US legislation titled "continued dumping and subsidy offset Act of 2000."

This was stated in an official statement released today. Brazil, Indonesia, Korea and Thailand are the other countries which have backed this demand.

The legislation popularly called the Byrd Amendment proposes to distribute to the affected domestic producers in the US, the anti-dumping and countervailing duties collected from imports.

This legislation would result

in the US domestic industry getting a second layer of protection from the effects of dumped or subsidised imports over and above those provided for in WTO agreements.

The dispute settlement body of the WTO is scheduled to meet on July 24 to consider the request for establishment of a panel to examine the US legislation. WTO rules on disputes provide for the automatic establishment of a panel if there is a request. This cannot be delayed beyond the second time that the request comes up before the dispute settlement body. In February this year, India along with the other countries had held consultations with the United States on this legislation. However, the dispute could not be resolved.

HT Correspondent

# Patents and licensing

*It's the balance between the rights and obligations of the patent holder that is at the centre of the debate on the Agreement on TRIPs, says Biswajit Dhar*

THE much debated WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) has come into full public gaze once again in recent months as controversy has raged in South Africa over access to medicines at affordable prices. The issue at stake was the South Africa's Medicines and Related Substances Control Amendment Act, which allows the country to provide medicines at prices that its population can afford by resorting to imports from cheaper sources of supply. This provision was considered by the pharmaceutical majors in the global market as being violative of the TRIPs Agreement. In a law-suit that 39 pharmaceutical companies had filed against the South African law in 1998, these companies had challenged the authority of the government for maintaining on their statute books provisions that allowed supply of "more affordable medicines" was in contravention of the Agreement on TRIPs. The pharmaceutical companies contended that the rights enjoyed by the patentees in the patent regime introduced after the implementation of the

TRIPs Agreement would be severely truncated if the provisions of the South African law on affordable medicines were used by the government.

The South African case in fact marked the resurrection of the debate on the impact of the Agreement on TRIPs on prices of drugs, the beginnings of which was made in India more than a decade back when the Agreement was still on the negotiating table. One of the major issues that the analysts had tried to raise at that juncture was that the enhancing of the rights of the patent holders (read large corporations) in a disproportionate manner could lead to the emergence of oppressive monopolies, and this could manifest itself in high prices. It was argued that such a situation could not be tolerated in critical sectors like pharmaceuticals, particularly in developing countries like India where a vast majority of the poor do not have access to modern medicines.

In raising this aspect of the relationship between patent protection and affordability of drugs it was no one's case that patents or other forms of intellectual property rights did not have any role to play in the progress

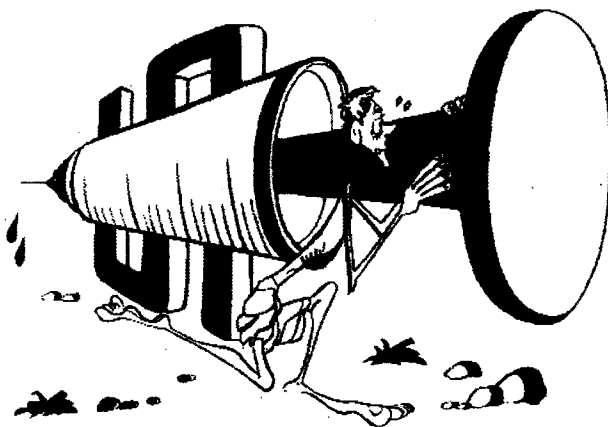
of nations. What was being attempted was to address the issue on the extent to which the patent holders should be allowed to exercise their rights. This is an issue that has remained as a part of the discourse on the patent system ever since it was accepted the world over in the 19th century.

The framers of the Paris Convention on the Protection of Industrial Property (in short Paris Convention), which in 1883, was the first step towards developing an internationally accepted patent regime. This convention had tried to reflect on a more fundamental issue pertaining to the balance of rights and obligations of the patent holder. It was recognised that as the patent system found glob-

contained in Article 5A, was intended to serve two purposes. One, it provided an opportunity to check abuses by the patent holder, and two, it granted the much needed balance between the rights and obligations of the patent holder.

It is this balance between the rights and obligations of the patent holder that is at the centre of the current debate on the Agreement on TRIPs. The argument presented in this regard is that while the Agreement enhances the rights of the patent holder in several ways, the only obligation that the Paris Convention had imposed in the form of "local working" has been diluted beyond recognition.

With the implications of the Agreement on TRIPs particularly in areas such as access to affordable medicines becoming clear from the manner in which the pharmaceutical companies have handled the South African case, there has been a greater sense of urgency in several developing countries to address these issues. As a result of these initiatives, that developing countries have taken to raise the issue of TRIPs



and public health in the WTO, a special discussion on TRIPs and public health was held under the aegis of the TRIPs Council on 20 June, 2001. The most significant aspect of this meeting was the joint paper which India, the African Group and 16 other countries jointly articulated their concerns. Two sets of issues were raised by these countries, one, the objectives and principles of the TRIPs Agreement provided for in Articles 7 and 8 respectively, which refer to several public policy objectives that the Agreement should fulfil, needs to be operationalised. And, two, the use of compulsory licences should not be considered as violation of the Agreement on TRIPs as the pharmaceutical companies had argued.

The efforts made by developing countries seem to have borne fruit almost immediately. A few months back, the United States had moved the dispute settlement body of the WTO against Brazil for including provisions for "local working" in its patent Act. On 25 June, the US withdrew the case raising hopes that the tide may have turned after all.

(The author is with RIS, Delhi. These are his personal views)

# Jiang sees brighter side of 'two-edged sword'

Beijing, July 3 (Reuters): Chinese President Jiang Zemin said today that globalisation was a "two-edged sword", but the country would continue to open to the outside world, state television reported.

Jiang's comments were reported on television before Beijing's top trade negotiator Long Yongtu told reporters in Geneva "all major issues" had been resolved for China's entry to the World Trade Organisation (WTO) after a 15-year quest.

"Globalisation is a two-edged sword," Jiang was quoted as telling delegates to a meeting on foreign investment. "To a developing country, it holds opportunity as well as risk."

Under its WTO commitments, China will throw open the doors to its tightly guarded markets.

China has fought to be treated as a developing country in WTO talks, negotiating to pay higher subsidies to its farmers than the levels for developed countries.

Jiang said China would try to attract more foreign investment to spur economic growth, saying it was a key part of Beijing's policy to open wider to the outside world.

Foreign investment would bring technology to China, provide training for workers and spur reforms to ailing state firms, he said.

China's actual foreign direct investment (FDI) rose 17.98 per cent year on year in the first five months to \$15.06 billion, official figures show.

Contracted foreign investment surged a year-on-year 42.29 per cent to \$25.97 billion in the period as investors committed funds ahead of China's entry to the WTO. Emerging from a meeting of the WTO working party negotiating the terms of entry into the 141-member state body, Long told reporters today: "All major issues have been resolved."

A US official also told reporters that "substantial progress" had been made during

the talks and the so-called "core issues" had been wrapped up.

China's ministry of foreign trade and foreign affairs ministry both declined immediate comment.

## Media shake-up

Chinese media authorities today told magazine editors from around the country that regional newspapers and periodicals face a "shake-up", one editor said.

The editor was one of up to 300 magazine chiefs summoned to Beijing for a meeting held by the State Press and Publications Administration (PPA), an arm of the State Council, China's Cabinet, which regulates the media.

He did not know the full agenda, but said the meeting was probably tied to recent troubles over newspaper stories on sensitive topics and was timed to coincide with Sunday's 80th anniversary of the founding of China's Communist Party.

THE TELEGRAPH

4 JUL 2001

429

# Protesters make their presence felt

**SALZBURG, AUSTRIA (AP)** Holed up in a fortified convention centre, the continent's political and business leaders pledged to continue European enlargement on Sunday as hooded anti-globalisation protesters showered riot police with bottles on the streets outside.

With helicopters circling overhead, hundreds of activists tried to break through walls of police clad in black, full-body armour as they marched on the meeting hall, where convention leaders opened the European Economic Summit.

At one point, they pelted police with bottles and sticks causing officers to charge the crowd.

Authorities had earlier sealed off the convention hall with rings of barricades that turned this ancient Alpine tourist destination into a fortified maze of checkpoints.

Waving communist hammer-and-sickle flags, the activists were repeatedly turned back. They continued chanting, "Our world is not for sale, put the bankers into jail!" Despite the scuffles, it was business as usual inside the gleaming convention hall built for the summit.

The event, hosted by the World Economic Forum and chaired by the billionaire financier, Mr. George Soros, plays host to more than 600 participants from 44 different countries, including 15 heads of State. It runs through Tuesday.

Topping the agenda on Sunday was the issue of European Union enlargement.

Nearly all panelists, mostly from central and eastern Europe, applauded the breakthrough agreement last month in Goteborg, Sweden, when the European Union agreed to admit new members from the formerly communist east by 2004.

"Nobody questioned the idea of enlargement," said Mr. Guenter Verheugen, the European commissioner overseeing the complex entry negotiations. "For the 15 member States, it's strategic objective number one. For candidate countries, it's a light at the end of the tunnel." Representatives from candidate countries remained upbeat that their membership bids would not be delayed by a June 7 Irish vote rejecting the treaty that prepares the way for expansion.

But they also warned that leaders in the EU and candidate countries need to try harder to sell the benefits of enlargement to their citizens.

"We shouldn't exaggerate this referendum," the Polish President, Mr. Aleksander Kwasniewski, said. "We have to show them that their interests are protected and that enlargement is good for all of Europe." He added that Poland was still pushing to wrap up negotia-



**Demonstrators clash with riot police during a protest against the World Economic Forum in Salzburg, Austria, on Sunday. — Reuters**

tions by 2002 and be among the first group of entrants.

Hungary, Poland, Slovenia, the Czech Republic, Cyprus and Estonia are expected to be the first to join the European Union. Slovakia, Malta, Latvia and Lithuania — which started talks later — are also making good progress.

Mr. Verheugen said on Sunday that all candidates except Romania and Bulgaria had a shot at joining the European Union as early as 2004.

Even countries not in the running championed European expansion on Sunday.

"The enlargement process is of special interest and importance in the Balkan countries," said Mr. Zoran Djindjic, Prime Minister of Serbia.

"We are the region that is under the highest danger of disintegration," Mr. Djindjic said, adding that the EU enlargement would allow the Balkans region to "focus on integration instead of disintegration." Anti-globalisation protesters and self-styled anarchists were less convinced of the summit's agenda.

Sunday's clashes injured at least two protesters and one police officer.

Local press reports estimated nearly 5,000 police were on duty to try and prevent similar mayhem from erupting in the hometown of Wolfgang Amadeus Mozart.

After boxing in about 300 protesters late Sunday evening, the police chief, Mr. Karl Schweiger, offered to let free any activist willing to be searched and provide identification.

"I just want to make sure this is done in a legal way," he said.

Minutes later, a hail of bottles and sticks rained down on his officers, who then charged at the crowd. Police said 11 activists were arrested for disorderly conduct.

The standoff ended peacefully late in the evening after police said they struck a deal to escort the crowd to the main rail station. A special train was waiting there to return the estimated hundreds who came from Vienna.

The Salzburg Mayor, Mr. Heinz Schaden, had earlier defended the bulked-up security saying to the Austrian television ORF that his city's tourist industry could not afford to be scarred by scenes of looting, street fighting and stone throwing. — AP



# Talks on for China's entry into WTO

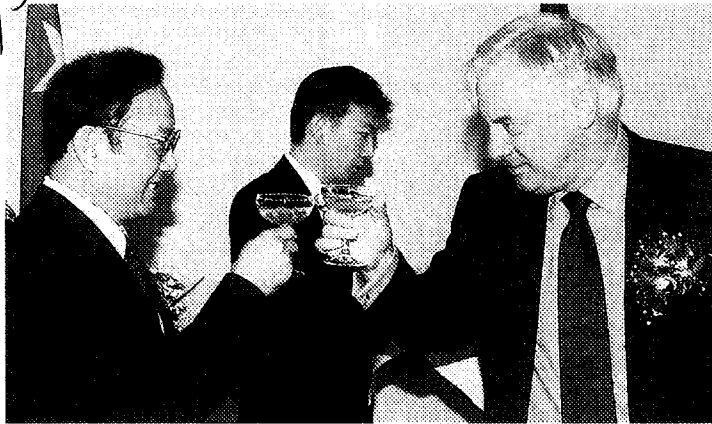
By Batuk Gathani

BRUSSELS, MAY 30. Mr. Chris Patten, European Union's External Affairs Commissioner, is in Beijing for talks on China's entry into the World Trade Organisation (WTO).

According to European observers closely monitoring Mr. Patten's talks with China's Minister of Foreign Trade and Economic Cooperation, Mr. Shi Guangsheng, China is keen to join the forum before a key WTO meeting in November and wants to help finalise the agenda for the next round of WTO's multilateral negotiations. Mr. Shi said it was "gross cynicism" to believe that China had "lost interest" in joining the WTO early.

The more optimistic forecast in the European circles here is that China may join the WTO before the end of this year, depending on the outcome of its negotiations with the U.S. and the emergence of a Sino-American bilateral deal.

In November 1999, China and



Mr. Chris Patten (right), European Union External Affairs Commissioner, toasts Mr. Wei Jianguo, China's Assistant Minister of Foreign Trade and Economic Cooperation after a signing ceremony for a E.U.-China Village Governance Project in Beijing last week. — Reuters

the U.S. for the first time agreed on a deal that could make Beijing a full-fledged member of the global economic community. It paved the way for China to pull out from its communist backwaters to

emerge as the world's formidable trading powerhouse. But the E.U. and several other China's trading partners had then to agree to China's application and the process continues.

Mr. Patten was quoted as saying that Mr. Shi had assured him that China remained committed to an early accession to the WTO. The Europeans are also concerned that the deficit in the Sino-European trade is ballooning in China's favour and rose from euro 30 billion (\$26 billions) in 1999 to euro 45 billions in 2000. Mr. Patten said the increase was unsustainable, and that China should lower its tariff and non-tariff barriers.

According to European observers, China is also passing through a phase of deep uncertainty over its relationship with the WTO which is highlighted by the strong stands taken by traditional conservatives and progressive radicals. Mr. Patten hence warned that the longer these talks in "their last gasp stage go on, the more danger there is in them becoming polluted by politics". But optimism about China's early entry is fuelled by Mr. Shi's remark that China wants to participate in the November round of talks.

THE FINISH

# US loses key WTO case to EU

PRESS TRUST OF INDIA  
WASHINGTON, JUNE 23

THE United States has lost a key multi-billion dollar export subsidies case brought before the World Trade Organisation by the European Union, officials said.

A confidential WTO report, drafted by an expert panel, determined that a new US law called Foreign Sales Corporation (FSC), fails to adhere to free-market principles and thus runs counter to WTO standing rules, they said.

The findings have been sent to the US and to the EU, and they will be able to add their comments before the documentation of the final draft in July. The report is to be made public in August.

A US appeal against the ruling is certain and the process could take months but such decisions are rarely overturned on appeal.

US Trade Representative Robert B Zoellick had unsuccessfully exhorted European officials last month to settle the dispute, warning them "it would be like using a nuclear weapon" on the global trading system if the EU were to win the case and fully exercise its right to impose sanctions.

In case the ruling stands and US fails to alter the FSC law, the EU could levy four billion dollar in taxes on US exports.

The tax break at present benefits key US companies like Microsoft, Boeing, General Electric, Caterpillar and others.

Congress rewrote the disputed

law last year when a previous version was ruled illegal by a WTO panel, and lawmakers are loath to change the current law.

Former chairman of Senate

**In case the ruling stands and US fails to alter the FSC law, the EU could levy four billion dollar in taxes on US exports**

Foreign Relations Committee Senator Jesse Helms and other key lawmakers had told the then Administration at the time of joining the WTO that if major rulings

go against the US, Congress would demand that Washington pull out of WTO.

Such an action by the European trading bloc would follow the lead set by America when it imposed sanctions on European exports after the EU refused to import US-produced hormone-fed beef products.

Those sanctions however, only grazed the \$117 million mark - a mere fraction of the sum in question in the current proposed sanctions. Until now, the two trading giants, whose trans-Atlantic sales total some \$1.5 trillion each year, had enjoyed a detente on the issue of trade disputes as President George W Bush's administration embarked on its first months in office.

INDIAN EXPRESS

## SUMMIT PROTESTS

“SUMMIT PROTESTS”, THE massive street demonstrations at global economic summits, which just two years ago were a new form of democratic expression in the developed countries, now appear to have become as common as the summits themselves. But the recent protests in Gothenburg, during the annual summit of the European Union when the police opened fire on the demonstrators, threaten to herald the beginning of a less tolerant attitude towards these demonstrations. The authorities in Genoa, the site of next month's meeting of the G-8 summit, have spoken of throwing “a ring of steel” around the venue of the conference in order to keep out every possible demonstrator.

The summit protests, which have brought on to the streets of the Northern countries the largest number of demonstrators since the anti-nuclear weapon marches of the 1980s, defy description and analysis. There is no single organisation behind these protests. They are entirely spontaneous and usually organised by a coalition that has been formed only for the occasion. The participant groups are rarely mainstream political parties and are largely citizens' groups working in very disparate areas from environment protection to radical feminism, or from child labour to the debt burden of the least developed countries. If there is a single slogan — in many cases there is none — it is a campaign against “global capitalism”. In spite of the fact that all the protests have been organised by coalitions formed just for the occasion, they have demonstrated a very high degree of organisational skill by drawing on the power of the internet. These protests have had an impact on both the summits themselves and the underlying processes. The heightened awareness in the rich countries of global trade issues can to a large extent be attributed to the stunning demonstrations during the 1999 Seattle meeting of the World Trade Organisation. Marches in Prague in September 2000 forced the curtailment of the annual meet-

ing of the IMF and the World Bank. And worried about the demands on the police, a World Bank meeting in Barcelona scheduled for next week has been switched to an electronic conference.

But successful as these street demonstrations have been in making the headlines and crowding the air-waves, they run the risk of focussing on the method — organising a successful summit protest — rather than on a larger objective. Even groups sympathetic to the cause have begun speaking of the phenomenon of “summit hopping” — the energies of the citizens' groups are so focussed on making the protests a success, that there is little time left for campaigns in their areas of concern. Two years is long enough time for drawing up a common agenda that brings together organisations on a continuing basis. A bigger shortcoming is that they are yet to broaden their constituencies. Trade unions have been largely absent from the marches — Seattle 1999 was one exception. So too have been the victims of globalisation — the elderly and de-skilled of the North and the marginalised groups of the South. However, it must be said that since these protests have so far been held mainly in the North it is natural that protesters from the developing countries will be very few in number. The third and biggest problem that the summit protests face is that even as the overwhelming majority of the demonstrators strongly believe in non-violence, the amorphous coalition and loose organisation opens the door to violent elements, who even if they are just a handful (as they have been in all marches), do sufficient damage and cause enough injury to enable the law-enforcing agencies to tar everybody with the same brush. This is what is likely to have happened in Gothenburg and what has prompted the Italian authorities to seal off Genoa. The summit protest movement has made its statement. If it wants to do more than that it has to look afresh at both its strategy and objectives.

THE HINDU

# Disputes and the WTO

*The WTO Dispute Settlement system contains many loopholes, highlighted in the banana dispute, which undermine the WTO itself, says Parth J Shah*

ON JULY 1, 2001 the European Union will implement a new banana import policy, ending charges brought in April 1996 by the U.S., Ecuador, Guatemala, Honduras, and Mexico (the G5) against EU about discriminatory import policy for bananas. This battle highlights serious problems with the WTO Dispute Settlement Mechanism which weaken the case for the existence of WTO.

A brief history of the banana battle: In July 1993, the EU implemented a single EU-wide regime on banana imports. This gave preferential entry to bananas from the EU's overseas territories and former colonies in the African, Caribbean, and Pacific (ACP) countries. A GATT panel in 1993 and 1994 found the EU policy inconsistent but EU successfully blocked further action. In September 1994, under the new WTO, Chiquita Brands International, a US company operating in Latin America, requested an investigation from the office of the U.S. Trade Representative (USTR). In April 1996, USTR asked for consultations with EU; the

G5 entered as third parties. The failure of consultations led to the request for a Dispute Resolution Panel. The panel, formed in May 1996, issued its ruling in April 1997, which upheld the charge of discrimination against growers and marketing companies in G5. The Appellate Body supported the initial panel ruling and gave EU until January 1, 1999 to comply. In case of non-compliance, WTO's Dispute Settlement Understanding allows for two options: One, compensation to the affected country, and two, punitive retaliation by the affected country. The US claimed damages of \$520 million because of EU's restrictive import policy, but was permitted retaliation of \$192 million. In April 1999, US imposed tariffs on imports from EU, mainly non-agricultural products.

Ecuador, the world's largest banana producer, was allowed retaliation of \$202 million. Ecuador found an ingenious method of retaliation: It decided to suspend agreements on "intellectual property". It began marketing duplicate CDs of European musicians!

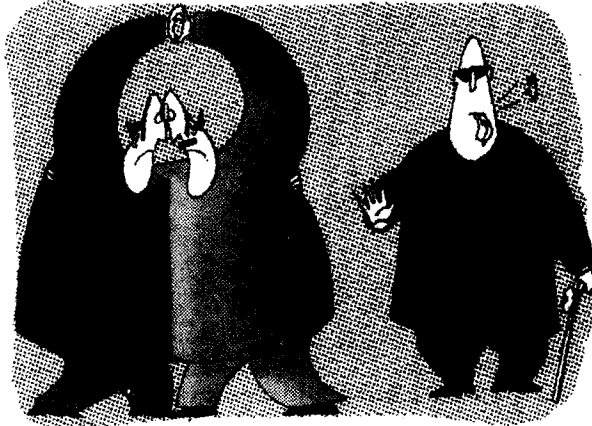
The great soap opera came to an end with the agreement of April 2001 that is supported by all the parties to the dispute, G5, EU, and also the ACP countries who would slowly lose the preferential treatment. The EU plans to move to a "tariff-only" system for the import of bananas by 2006.

Several themes and lessons emerge from the banana saga. A country's preferential policies hurt firms and industries in other countries. But the firms are not members of WTO: they cannot bring complaints; only governments can. The firms have to "convince" their governments to initiate consultations at WTO. Presentations to the panel require the level of expertise that

tion—produce rather perverse and unjust impact. A firm or industry benefits while some completely unconnected and innocent firm or industry suffers. In the EU's banana regime, for example, domestic and ACP country producers of bananas gained, but the US retaliatory tariffs were imposed on non-agricultural imports from EU. Ecuador's retaliation caused royalty losses to European musicians. Thus EU's banana producers earned higher profits but EU's producers of other goods and music got caught in the fire. The musicians of EU received great public sympathy when they complained to the EC about the basic injustice of the dispute settlement. Such injustice is inherent to

the WTO Dispute Settlement Mechanism.

If the aggrieved country were to pay compensation, instead of the infliction of retaliation which would harm its innocent citizens, the compensation money would likely come from the general tax and tariff revenues. Natural justice requires that compensation be paid by revenues raised through tariff or tax on the beneficiaries. What would then be the point



of preferential treatment? What government gives with one hand only to take from the other? Collecting revenue for compensation payment is only one side of the problem. Who would receive the compensation? The country or the firms that are harmed due to discriminatory policy? It would be problematic for any government to decide how to divide the amount of the compensation among aggrieved firms. If the aggrieved firms do not receive compensation, then the injustice is compounded. Unless one thinks two wrongs make a right.

Renato Ruggiero, former Director-General proclaimed, "No review of the WTO would be complete without mentioning the Dispute Settlement system, in many ways the central pillar of the multilateral trading system and the WTO's most individual contribution to the stability of the global economy." Does it uphold or undermine natural justice and the rule of law? Is it the "most individual contribution" or the most singular consternation?

(The author is President, Centre for Civil Society.)

Given the volume of international trade, some firm or the other is always affected by a rule from some country or the other. How does the government decide which firm to lend its ears to? It is largely a matter of the number of votes or the number of Gandhis (thousand rupee notes). A body allegedly established to promote free trade depends on demagoguery, populism, and corruption to enforce the agreements of its members. Moreover, trade fundamentally occurs among firms, not among governments, but the real trading entities have no representation or voice in WTO, only governments do. After the spectacular Seattle circus, NGOs are now formally part of WTO deliberations. Their inclusion stacks the deck further against actual trading entities.

In case of non-compliance with the ruling of the Dispute Settlement Panel, use of any of the two options—compensation and retaliation—

The Economic Times

# China in a WTO shop

India is opposed to a new round of trade negotiations, but China has indicated support. If China enters the WTO, lots will happen, says **Narender Pani**

WITH China working out the fine print of its agreement with the US and Europe, it is likely that the communist giant will join the WTO before the Doha ministerial in November. The entry of one of the world's largest economies cannot but influence equations within the WTO. It has been convenient to believe that since China also sees itself as a developing country, it will lend its considerable weight to India's positions in the WTO. But this is increasingly looking like wishful thinking. India is still hoping to rally developing countries against the launch of a new round of trade negotiations at Doha. China, on the other hand, has indicated its support for a new round.

These diverse attitudes to a new round could, of course, be no more than the result of varying perceptions of where exactly the interests of developing countries as a whole lie. India's position that a new round would not be in the interests of the developing world is based on a gradualist view of trade negotiations. It believes that what is already agreed upon must first be implemented before new items are put on the plate. But in a fast changing world new issues keep emerging, requiring urgent attention. Global warming, for instance, threatens to raise sea levels to a point where it can submerge large parts of WTO member countries like Maldives or Bangladesh. These countries may well like to use any instrument, including trade, to draw the world's attention to these critical issues. It is thus no surprise that a large number of developing countries have disassociated themselves from India's minimalist position. China's support for a new round may be more in tune with what most developing countries perceive as their interests. It is then tempting to interpret China's actions as an attempt to offer a more pragmatic leadership for developing countries within the WTO. But this interpretation assumes that China sees an alliance of developing countries as the best way to protect its trade interests. And there are at least two reasons why this may not be the case. First, it is now widely acknowledged that the alliance of developing countries in world trade negotiations is much less cohesive than it was a

decade ago. Several developing countries have chosen to give precedence to the their regional blocs. In addition, the Least Developed Countries have been increasingly operating as if they are a separate bloc, rather than a group within the larger developing country alliance. To get these countries to develop a common approach to the entire gamut of issues in a new round of trade negotiations would be difficult, if not impossible.

Second, the special and differential treatment the WTO offers developing countries may not always benefit the relatively better off among them, like China. The WTO, strictly speaking, does not define developing countries as a single bloc. It

China this far. And this strategy, at the risk of oversimplification, has been to get as much capital as it could into the country and export as much of the final product as it could. In this task China has not been too eager to draw ideological lines, such as the one between the North and the South. It has been targeting the better-off developing countries, even as it tries to increase its presence in the developed world. The Indian market has been provided some indication of what imports from China can do to domestic producers. And China has been quite eager to attract Indian investors in a wide range of economic activities, from diamonds to information technology.

It will thus be no surprise if China uses the WTO to promote its aggressive globalisation. Having spent so many years working to get into the WTO, China will be acutely aware of the advantages of being in a multilateral trading system, instead of one dominated by regional blocs. Its demand for a new round may well be a prelude to a push towards expanding the multilateral system. In particular, it would be keen to prise open markets, not just in the developed world, but also in countries like India. China could then position itself as a major supporter of globalisation, but with a very different perspective from the developed world. The carving of this niche for China somewhere between the developed world and the Least Developed Countries, may, in fact, be reflected in the agreement it has reached with the US on farm subsidies. China has reportedly agreed to a limit of 8 percent on its subsidies, compared to 5 percent for developed countries and 10 percent for developing countries.

If China does carve out this niche for itself, it will further divide the already crumbling developing country alliance within the WTO. Other relatively better-off developing countries, who are keen on aggressive globalisation, may even find common ground with China. Such changes will necessarily affect India's influence within the WTO. But with the commerce ministry continuing to push for an alliance of all developing countries, there are few signs of the much needed changes in strategic thinking.



BONNY THOMAS

provides special concessions to members on the UN list of Least Developed Countries. Other developing countries can be further divided in specific agreements. The agreement on subsidies lays down different rules for countries like India, before and after their per capita income crosses \$1000. China is also likely to be particularly sensitive to the changing role of the Least Developed Countries. These countries are being assiduously wooed within the WTO by the developed world, particularly the European Union. If tariff barriers in the developed world are lowered for LDCs, it would become difficult for exports from the relatively better-off developing countries to compete in these markets. Rather than building alliances that strengthen potential competitors, China may well choose to focus entirely on its own interests. The interests of a country as large as China are bound to be diverse. This makes it difficult to predict the precise positions the communist giant will adopt in Doha and beyond. But its positions can be expected to be consistent with the economic strategy that has brought

# Fresh WTO round uncertain

By V.S. Sambandan

**GENEVA, JUNE 15.** There is cheer in the air here in Geneva, but not for the 500-odd strong secretariat of the World Trade Organisation. The coming months till November, when the next ministerial conference is scheduled to take place at Doha, Qatar, will be hard times for the organisation.

Considerable effort is being made to present a picture of preparedness and optimism to show that there will not be a repeat of 1999 Seattle when the ministerial meeting collapsed amidst serious differences of opinion among the developed nations as well as between the rich and the poor countries.

The official picture, described

by the Director-General of the Organisation, Mr. Mike Moore, to a group of journalists at a pre-Doha workshop here, calls for "the need to balance up" the issues confronting the global trading order. Officials have it that the chances of next round are only "50-50".

There is consensus among the developing countries, especially the 'like-minded group' including India, Pakistan, Egypt and other countries, that an expanded round of negotiations is not required now as many of the issues from the Uruguay Round are still pending.

The resistance from the developing countries to the expansion of negotiations is largely a consequence of the experience of the

non-working of the agreements already reached. Termed as "implementation issues" these are seen as the most important. Faced with unmet expectations, there is reluctance on the part of the developing nations to expand the issues.

## New protectionism

The pressure to expand the ambit of negotiations comes from the impending phase-out of agricultural subsidies by the E.U. and Japan and the need to balance them out by including other areas. This is seen by the developing countries as an attempt to "induct new protectionism".

The Canadian Ambassador to the WTO, Mr. Sergio Marchi, said though "perspectives vary be-

tween and among" the 141 members of the WTO, "no single issue is more important than the sum of all others". He said, for Doha it would have to be a "varied and balanced menu of interests".

Pakistan's Ambassador to the WTO, Mr. Akram, the only other Government representative to address journalists at the workshop, emphasised the need to address the implementation issues.

The ability of the political leadership of the developing countries to stand up to the pressures of the rich nations is crucial. There is no sign of giving in to the pressures yet. But when they are applied, they could be hard to resist. As Mr. Akram put it, "we have the numbers, we don't have the trading strength".

THE HINDU

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# Drug patents in TRIPS: Two alternatives

Next week the World Trade Organisation will convene a special session of its general council to discuss one particular issue — the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This meeting, convened at the instance of a number of African countries, is not one that will result in any changes to the agreement. But it is yet another expression of global sentiment that TRIPS comes in the way of affordable drugs. Over the past year a number of public campaigns have considerably embarrassed multinationals for the prices they charge for HIV/AIDS medicines. As Dr. James Orbinski of the Nobel Peace Prize-winning organisation, Medecins Sans Frontieres (MSF), describes

## **ECONOMIC OUTLOOK**

it, a global coalition of citizens' groups has been successful in making a morally compelling argument about how the patent regime stands in the way of affordable health treatment.

But what options do the developing countries have to make institutional changes in TRIPS? A symposium on "TRIPS and Access to Medicines," jointly organised by the National Working Group on Patents and MSF in New Delhi last week saw doctors, scientists, lawyers, industry representatives and activists from India and abroad articulate two broad sets of arguments: one was to demand a fundamental review and renegotiation of TRIPS while the other suggested that the existing agreement provided sufficient flexibility to prevent abuse of the monopoly rights contained in patents and it is that governments must make use of.

To take the second argument first an influential body of opinion has been making the point that there are a sufficient number of provisions in TRIPS which the developing countries can use to permit domestic

industry to produce medicines at affordable prices. Foremost among these is Article 31 that covers compulsory licensing (CLs) of patents — the provision for governments to license patents to a third party for production with or without payment to the patent holder. In the TRIPS agreement, CLs can be issued on a number of grounds the more important of which are public health emergencies and anti-competitive practices of the patent holder.

Mr. James Love of the Washington-based Consumer Project on Technology who participated in the seminar has consistently argued that (i) The advanced countries freely use compulsory licensing to prevent abuse of patent rights in a number of areas. For example, in the U.S. such licences were even issued last year for tow truck technologies. But the developing countries are yet to utilise the potential of compulsory licences because they have not put in place the necessary institutions. (ii) What are needed are good state practice models that governments can adopt for issue of CLs. These should have strong provisions with little ambiguity about when CLs can be issued, the rules would be easy to administer, explicit about royalty rates to be paid to the patent holders and not easily litigated or manipulated by large pharmaceutical companies that are "masters of IPR litigation and routinely misuse regulatory and IPR laws, exploit loopholes and harass competitors in the courts."

While this is an attractive argument for governments which feel cornered by the TRIPS agreement, the point is that no developing country has to date really used the TRIPS provisions on CLs, so one can only guess how the global pharma industry will react and how the WTO dispute panels and the Appellate Body will interpret the existing provisions. The multinationals have shown — in South Africa and Brazil — that they will not go along with attempts to arrange parallel imports. They may have

retreated in South Africa but the Brazilian case is now going through the WTO dispute process. Compulsory licences are also surely to be fought tooth and nail by the multinationals.

At the Delhi workshop the case for renegotiation of TRIPS was articulated by Dr. Amit Sengupta of the Delhi Science Forum, who among other things pointed to the "rent incomes" conferred by the patent regime on the multinational drug companies. The monopoly rights that stemmed from patents made the profitability in this industry the highest in the world. Second, outlays on research and development in the global companies were less than on promotional activities. Third, R and D in the global pharma industry was concentrated on the development of "blockbuster" drugs — not medicines needed to treat the diseases affecting the larger population but drugs which would have the widest and most profitable sales in the West (the so-called "lifestyle" drugs). A telling statistic in this regard is that only seven of the 2,257 new drugs introduced between 1981 and 2000 involved major therapeutic innovation where previously no treatment was available.

However, even if the advanced countries agree to renegotiate TRIPS the eventual outcome is unknown even if today the multinational drug firms are on the defensive. There is the possibility that the end of the negotiations will not result in a weaker pact but a stronger one like the so-called "TRIPS-plus" model favoured by the U.S., one in which the freedom to issue CLs will be plugged and the existing flexibility excised from the agreement. An awareness of this risk perhaps prompted Mr. Dilip Shah of the Indian Pharmaceutical Alliance to argue in the symposium that unfair as TRIPS is, the Indian industry would prefer to stay with the agreement and make the best of it.

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# Sino-American 'consensus' on WTO poses challenge to India

By HARVEY STOCKWIN  
The Times of India News Service

**HONG KONG:** While the latest Sino-American "agreement" on China's entry to the World Trade Organisation can be seen in either a positive or a negative light, one conclusion is inescapable: the understanding poses a challenge to India to radically improve its ability to attract foreign direct investment before another China boom takes off.

The agreement—the two sides preferred to talk vaguely about "reaching consensus"—which was attained while a ministerial meeting was proceeding in Shanghai last week followed what has by now become a ritual pattern.

Initial desultory talks led to late-night negotiations between China's Shi Guangsheng and the U.S. trade negotiator Robert Zoellick. After a prolonged five-hour session lasting until 3 a.m. on June 8, a last-minute consensus on some of the vexed is-

ssues holding up China's WTO entry was attained. This was quickly overblown in the media as a prelude to China's hastened membership of the world trade body.

We have been here before. Exactly the same pattern was followed in November 1999 when the U.S. and China signed their initial agreement on Chinese WTO membership. That too was supposed to quickly hasten China's entry. It did not do so.

On the one hand, the less than precise agreements failed to measure up when major trading nations got down to the task of putting them into a precise WTO accession document. So the process became far more protracted and the expectation that China would join the WTO in 2000 fell by the wayside.

On the other hand, China itself seemed to lose interest and since January the accession negotiations at the WTO headquarters in Geneva has been in limbo. This gave rise

to the widespread speculation that the anti-reform camp was gaining political ground within China, or that China's reformists were shying away from making the many politically difficult changes required of China if accession was to take place.

These latest negotiations in Shanghai aimed at resolving the impasse. Two crucial issues had to be solved. First, was China joining as a developed country or a developing country? This linked to the vexed issue of agricultural subsidies.

If China joined as a developing nation then it could spend up to 10 per cent of the value of agricultural production on subsidies. But if China joined as a developed nation it would be limited to only five per cent of value. The U.S. has long objected to China being classified as a developing nation, while China has been as adamantly opposed to being considered developed.

due to be launched.

A negative perspective is that there is still a long way to go. China has to now reach another consensus with the European Union. It has yet to reach a specific initial agreement with Mexico. The accession protocol could easily take six months or more to draft.

Above all, there remains the intriguing question of whether the time is ripe for consensus within China itself on the greater openness which the WTO will require of it.

Last week Prime Minister Zhu Rongji announced that some rural reforms were to be slowed down. He also indirectly hinted that he might be staying on as prime minister when next year's leadership changes take place.

This could mean that there are still internal battles to be won before China becomes a fully paid up member of the international trading community.

So far there has been no disclosure of what compromise has been attained. Several months ago, there were leaks that the U.S. was offering to split the difference at eight per cent with China being classified as neither developing nor developed but as a special case. China's current level of subsidies run at roughly two per cent of value.

Other difficult issues, which one must presume the new "consensus" now covers, concern the details of how China would open its insurance, distribution and retail markets to foreign, not just American, penetration.

So one positive way of viewing this development is that China's WTO accession protocol will now be quickly drafted and China will try hard to be inducted into the trade body by the time it meets in Qatar in November. It is said that Beijing is particularly anxious to be at that meeting when a new round of multilateral trade negotiations is



Plan to work with Beijing to complete accession in Geneva

# China-USA consensus

REUTERS

SHANGHAI, June 9. — China and the USA have reached a “full common understanding” on issues regarding Beijing’s entry to the WTO *Xinhua* reported today, even as USA pledged to work with Beijing to complete its accession in Geneva, the US embassy said today.

China’s trade minister, Mr Shi Guangsheng, and the US trade representative, Mr Robert Zoellick, met for talks on the sidelines of an Asia-Pacific trade ministers meeting in Shanghai last week, but neither side had admitted any breakthrough on key sticking points holding up the bid.

“After the negotiation, the two sides have reached a ‘full common understanding’ on the remaining issues concerning the multilateral talks on China’s accession to the WTO,” Mr Shi was quoted as saying. “It created important conditions for the 16th meeting of the WTO-China working team, which is going to be held in Geneva at the end of this month, and for accelerating the process of ending the substantive talks on China’s accession to the WTO,” it said. The phrasing of the

official news agency’s report on Saturday did not indicate that any agreement had been reached, nor did it specify the issues on which there was common understanding.

Mr Shi and Mr Zoellick had met for bilateral talks on Tuesday, but there were no signs that any breakthrough agreement had been reached on issues that have stalled Beijing’s 14-year bid to join the global trade group.

## ENTRY INTO WTO

The key dispute has been over the level of subsidies Beijing pays its farmers. China has insisted it enter the World Trade Organisation as a developing country, which would allow it to set subsidies of up to 10 per cent.

Washington wants China in the WTO as a developed nation, which would cap agricultural subsidies at five per cent.

The Asia Pacific Economic Cooperation (Apec) forum trade ministers closed a meeting in Shanghai on Thursday, with an urgent call for completion of negotiations to get China into the WTO this year. Trade officials and analysts

have warned that Beijing could shelve sweeping economic reforms linked to WTO pledges if it did not enter the trade body soon. Analysts said there was still a chance that China could enter the WTO this year — but next year was more likely. The next round of high-level multilateral talks in Geneva from 28 June to 4 July will signal whether a deal was within reach.

Meanwhile, the US embassy in Beijing said in a statement today, “We are pleased to report that the USA and China have reached consensus on major issues that we discussed.” It however gave no specific details on the issues.

“China and the US agree that we should now work together in Geneva to complete China’s WTO accession. We will work closely with other WTO members to build on the consensus we have reached this week in Shanghai,” it said.

The US statement, which followed a similar one by the Chinese trade minister, Mr Guangsheng on *Xinhua* earlier on Saturday, quoted Mr Zoellick as saying the understanding should help in the effort to bring Beijing into the global trade body this year.

# Preparing for Doha

By C. Rammanohar Reddy

*There are not many signs that India is prepared with alliances, negotiating strategies and compromises for dealing with pressures for a new round of trade negotiations at the WTO.*

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**T**HE FOURTH ministerial meeting of the World Trade Organisation — the first since the Seattle conference of 1999 — will take place in Doha, Qatar, in November. However, the shape of the agenda and more crucially whether or not a new round of trade negotiations are to be launched at the WTO will not be decided at Doha but before that. The decision is almost surely to be taken over the course of the next two months in Geneva and in the capitals of the more powerful members of the WTO.

For the Indian political establishment, the timing of the Doha meeting could not have come at a more difficult time. Agriculture is reeling under the impact of falling prices, rightly or wrongly attributed to the WTO. The fears in agriculture and industry about what will follow the removal of the quantitative restrictions (QRs) are still there even if there has been no immediate flood of imports in the two months since they were removed. And the continuing sluggishness in the demand for locally manufactured industrial products — in small, medium and large industry — is perceived as the direct outcome of years of import liberalisation now capped by cheap Chinese imports, a process that is again seen as WTO-driven.

Yet, there are not many signs that India is prepared with alliances, negotiating strategies and compromises for dealing with the pressures for a new round of trade negotiations at the WTO which on paper at least could be as wide-ranging as the Uruguay Round of Multilateral Trade Negotiations between 1986 and 1993. India's approach so far has been that the WTO already has on its table a large and packed negotiating agenda. There is the developing country agenda for a more meaningful implementation of the Uruguay Round agreement and redress of imbalances in that agreement. There is the "built-in" agenda of further negotiations on services and agriculture which has already been taken up. And there is the ongoing review of the agreement on the Trade-related aspects of Intellectual Property Rights (TRIPS) and the work programme of studying the links between investment and trade and between competition policies and trade. This approach

has worked so far. Indeed, India can take most of the credit for placing the "implementation" issues on the table and for building an alliance of many of the developing countries that has been able to successfully ward off pressures over the past three years to launch a new round. But will this work in 2001 as well?

In a sense, many of the divisions among the members of the WTO remain as wide as they were two years ago at Seattle. For instance, the differences with-

in the advanced country bloc about farm subsidies have not been narrowed. The developing countries on their part are as opposed as they were in the past to bringing labour (the "social clause") and environment into the WTO. Similarly, whether it is in implementation issues or proposals for new talks on investment and competition policies the gaps have not been bridged. However, while such divisions were the cause of the collapse of the Seattle ministerial conference, what was missing then but is beginning to surface now is a political commitment among the leading trade powers for a new round.

In recent weeks, one after another, a number of groupings have asserted their commitment to a new round and want it to be launched at Doha. The ministerial meeting last month of the Organisation for Economic Cooperation and Development witnessed the issue of a communique that called for the launch of a new round of trade talks at the WTO. A similar communique was issued at the meeting in Shanghai earlier this week of the Asia Pacific Economic Cooperation group where even China, which is yet to become a member of the WTO, has joined the chorus on a new round. In addition to the E.U. which ever since the 1996 Singapore ministerial meeting of the WTO has been

lobbying for a new round, Japan too has now become an enthusiastic campaigner. The most important difference between 1999 and 2001 is, however, that while Mr. Bill Clinton tried then to ride the two horses of trade liberalisation and protectionism, Mr. George Bush is a far more aggressive proponent of liberalisation and unwilling to listen to either the U.S. trade unions or NGOs on slowing down the WTO or trade bloc process. The major

## MACROSCOPE

trade powers do not fully agree on what should and should not be on the nego-

tiating agenda. But what they do agree on is the need for a new round, which spells trouble for India and a few other developing countries which remain opposed to further liberalisation even before the outcome of the Uruguay Round has been "digested". The danger now is that with the "elephants" in the multilateral trading system coming together the "ants" are likely to scatter. There are already signs of that happening. A number of South American countries are becoming restless about the developing country focus on the implementation issue. The Least Developed Countries on their part are being wooed with promises of a preferential and zero tariff regime if they sign up for fresh WTO negotiations. That leaves India and Pakistan, with Malaysia, Egypt and Cuba, as the only consistent demanders of a correction in the existing regime before the launch of a new round.

If this is the scenario that is now unfolding, it is possible that India and a few of the large developing countries could find themselves in a corner and forced to agree to the agenda for a new trade round — with some sops as sweeteners. This in essence will not be very different from Punta del Este in 1986 when the Uruguay Round was launched. But the difference between Punta del Este and Doha is that


after the experience of the past six years the Indian public is far more agitated and sceptical about the benefits of WTO-driven trade liberalisation. The Indian officials and negotiators have so far been able to hold the line, but what is needed now is intervention at the highest political level, at home and abroad. Without informed debate about the options that India has and a measure of consensus about what the country wants from the WTO and what it is willing to give up in exchange, the officials will negotiate with their hands tied behind their back and without any brief other than to say "no". Last month's conference of the Chief Ministers can only have been a beginning.

There are many in agriculture, industry and citizen's groups who need to be informed and consulted about what lies ahead. Unfortunately, even within the Government there is at times no unanimity. For instance, the Ministry of External Affairs (and earlier sections in the Prime Minister's Office as well) in its anxiety to move ever closer to the U.S. on all matters has been and will be more than willing to go along with whatever the U.S. wants at the WTO. Internationally too, a political commitment by India to building lasting alliances at the WTO has been absent.

A valuable opportunity was lost at the recent G-15 summit in Jakarta to articulate a common and workable position on behalf of the developing countries. The summit has come and gone but that does not mean that India and like-minded developing countries cannot in the weeks ahead engage in the same high-level political activity that the advanced countries have been indulging in over the past few months on a new WTO round.

There is a different kind of scenario that may well unfold between now and Doha. The differences among the advanced countries will not be narrowed in the ongoing negotiations in Geneva. The developing countries will hold firm and pressure from the non-governmental organisations in the South and North will once again prevent the launch of a new round. That may happen but only may. India and other developing countries cannot bank on such an outcome.

## Talks impossible without China, says WTO chief

By Amit Baruah 

**SINGAPORE, JUNE 6.** A new round of trade talks would be "inconceivable" without China joining the World Trade Organisation, the WTO chief, Mr. Mike Moore, was quoted as saying in Shanghai on Wednesday. *10-17*

Addressing a press conference in Shanghai, on the sidelines of an Asia-Pacific Economic Cooperation (APEC) Trade Ministers meeting, Mr. Moore was quoted as saying: "It's inconceivable that a new round (should take place) and China not be part of the WTO inside that negotiation."

A WTO Ministerial meeting is set to take place in Doha, Qatar, this November, where the developed world will push for a new round of trade talks. *9/6*

China entered into bilateral agreements with the United States and the European Union, to facilitate its entry into the WTO. However, so far, no timetable for its joining the WTO has been agreed to.

The delay is apparently linked to China's interest in being accepted in the WTO as a "developing country" as opposed to "developed", among other things. "I don't think we should even use those words," Mr. Moore said, referring to the "developed" and "developing" phraseology.

China, he said, should enter on conditions negotiated and acceptable to all parties.

On WTO deliberations themselves, Mr. Moore said: "We've got to move beyond ritual consultations to turning cards over and explaining what we mean. If we go to Doha... with the same agenda and the same differences that we went to Seattle with we'll have the same result."

"The Seattle Ministerial (meeting) did not succeed because the differences, trans-Atlantic, North and South, were too great," Mr. Moore said.

# WTO, global governance and new trade round

*Any new round should correct the current trend under which the dispute settlement process appears to be pre-empting the authority of the General Council and the Ministerial Conference with respect to the "interpretation" of the multilateral trade agreements.*

The World Trade Organisation was not created to govern the globe. It was created for trade liberalisation, and the way forward lies in going back to the basics. It was fashionable after the Uruguay Round to say that the time for traditional 'border measures' that ensured protectionist trade policies was finally over and that 'deeper integration', fuelled by globalisation, had replaced them. There may be some truth in this, but it would be naive to think that the trading system had completed its task of getting rid of 'border measures' and should turn to other new priorities.

Six years after the Uruguay Round, there is still unfinished business such as measures to protect key commercial interests of advanced industrial countries and measures that continue to impact on participation of developing countries in international trade. The issue of traditional 'border' measures is still alive on the trade agenda. It is these measures, not the so-called new issues only indirectly related to trade, that are really preventing the system from realising its full potential.

Giving priority to non-trade issues would have some cumulative and disastrous consequences: it would overburden the system, upset the natural order of priorities, alienate those in need of trade liberalisation and make them seek solutions in bilateral and regional deals, and dangerously increase public hostility to the system that stems almost exclusively from non-traditional trade issues. In the context of the current pre-Doha debate, it is useful to remind ourselves of the fate of a previous grand design for global governance, the still-born ITO and the Havana Charter.

Mr. Michael Hart (now Professor at Carleton University in Ottawa), in his book 'Also Present at the Creation', for example, does not share the conventional wisdom about the failure of the ITO, and says that the GATT negotiations succeeded "because they were built on successful experience, and ideas thoroughly discussed and widely shared," and negotiators "were not looking for a supra-national code and organisation within which countries would work together for a common good... The GATT was possible because there was sufficient coincidence among original signatories to make it work. The ITO tried to rise above this, required too many compromises to have broad appeal, and ended up satisfying no one." The lessons learnt in the negotiations of the immediate post-war years inspired major participants to pursue "their interests conservatively... wary of schemes to expand international obligations too broadly

and universally. This conservatism and caution allowed the more limited GATT to mature gradually and gain the momentum to make it work." The GATT resulted in permitting trade policy, previously a politically sensitive issue, to "recede from high to low politics", trade became an issue preoccupying bureaucrats, and Geneva a place where "officials solved international trade problems... incrementally and cautiously.... Not until the 1980s, when new trade frictions flowing from globalisation of the economy exposed new problems, did trade again begin to assume a high profile." As a consequence, GATT members decided to shed conservatism and try once again to develop a more comprehensive code on commercial policy... the Uruguay Round and the WTO... "We will see over the next few years the extent to which the world has changed to make possible today what was impossible nearly five decades ago."

It required a good deal of foresight and wisdom to write these words in late 1994 or early 1995, when some degree of triumphalism was fashionable in regard to globalisation, the honeymoon with the recently born WTO was at its peak, and the succession of crises and disillusion of the late 1990s were still to come. The OECD issued a new report recently that showed the Uruguay Round had an extremely limited impact on agriculture trade liberalisation in the advanced countries... The world still badly needs a lasting solution to the discriminatory exclusion of entire traditional sectors from the benefits of freer trade. This should be achieved for its own merits, because it is long overdue, not as a quid pro quo for concessions in investment, competition, intellectual property and other subjects that were not part of the trade agenda.

Contrary to these late-comers to the trade system, agriculture and textiles and clothing (and tariff peaks and escalations) had every right of participating in the progressive liberalisation that characterised the history of the GATT. They were only excluded from this solution because of the formal waivers granted to the U.S. on agriculture and cotton textiles in the 1950s, roughly half a century ago.

Admittedly, new problems, new needs also deserve new solutions that can only gradually evolve from a cautious and patient process of confidence and consensus-building. Service is a good example of a gradual approach to liberalisation that has met the test of time, allowing for additional and significant advances in telecommunications and financial services without any important negative reaction.



Mr. Rubens Ricupero, General of the UN Conference on Trade and Development. — AP

This approach has proved that the road taken by the TR which is now facing a widespread indicative of the dangers of imp consensus. At the international national levels, codification only take place when time, e persuasion are able to general consensus.

I am (Mr. Rubens Ricupero new multilateral trade negotia be assured that such negotiatio not termed "round", effectivel concerns of developing countr set, as the desired outcome, trading system which reflects t gree than at present their nee tions.... In my view it is crucial Round not simply be seen as a of the Uruguay Round after a sib a new Round sets out to contin towards imposing even deep obligations it will fail, and th even be launched. Specifically seem to be no logic in seeking t ther constraints on the develo options of developing countri troduce alien elements into th ance of multilateral rights and o expanding the "frontiers" of th difficulty of the system in "d TRIPs Agreement, for example vide us with a lesson in this re

A new round should rather need to make every member f able" within the system. It mu the conventional wisdom whi during the Uruguay Round — by ognising that countries at diffe

development and in peculiar geographical situations require that the multilateral obligations be more tailored to their specific needs. In this context, the validity of the S&D principle should be endorsed, to the extent that it recognises that developing countries may have problems in deriving benefits from the Multilateral Trade Agreements (MTAs) or meeting their obligations due to the inherent characteristics of underdevelopment. The negotiations should ensure that S&D provisions in favour of developing countries can be effectively applied, and address their specific needs. Many of the proposals submitted in the current negotiations on agriculture and services are consistent with this objective, and hopefully progress will continue in this direction.

This should not be interpreted as advocating an unravelling of the Uruguay Round results or the endorsement of measures inconsistent with the continuation of the process of trade liberalisation. In fact, trade liberalisation should be the central theme of any new round. Many traditional barriers and distortions to international trade, particularly that of the developing countries remain and must be addressed as a matter of priority. These obviously include peak tariffs, abusive anti-dumping actions, and export subsidies on agricultural products to name a few. Many of these barriers have been addressed as "implementation" issues, and included in the proposals contained in paragraphs 21 and 22 of the October 19, 1999 draft "Seattle Declaration" which provides the basis for the current work in the WTO on implementation. These include measures which importers consistently identify as the main impediments to

expanding their imports from developing countries, example, textile quotas, various aspects of anti-dumping actions, rules of origin, subsidies, sanitary regulations, stringent and non-transparent restrictions on the movement of persons supplying services and allocation of tariff quotas.

Thus, for many of the implementation issues, action could provide meaningful access for developing country exports, in addition to generating a climate of greater confidence that the necessary political will exists to address their interests in a future round. It should be possible for such action to be taken in many of these areas, in a manner similar to the commitments accepted by developing countries in the post-Uruguay Round negotiations on basic telecommunications and financial services, the results of which were greatly increased market opportunities for developed country suppliers of these services.

Given the peculiarity of the "end game" of the Uruguay Round, developing countries are justified in seeking improvements, not only in the implementation of the Agreements, but

alone the results of future negotiations. There is the need for the WTO to set up a financial window to assist developing countries to meet the most onerous burdens of their own implementation of the MTAs, (example: customs valuation, TRIPs) as well as to derive benefits from the opportunities presented (example: sanitary and phyto-sanitary regulations).

The differences of opinion as to whether a future negotiation should aim at a further extension of the "frontiers" of the system would seem to reflect different perceptions as to the role of the WTO in global governance. The TRIPs agreement arose from the concern that the responsible UN body, the World Intellectual Property Organisation did not have enough "teeth" to enforce its own instruments and that the link with the dispute settlement mechanisms of the GATT were required. A continuation of this logic into other areas could overburden the system and upset its order of priorities. Global governance is the joint responsibility of the whole UN system and efforts should be made to strengthen

*Any new negotiations will have to formally recognise that the least developed countries and many other developing countries simply do not have the financial or human resources to implement their existing obligations.*

also in their provisions, in cases, where such provisions penalise developing countries by not taking their inherent characteristics into account. It is clear to all that there are imbalances in the rights and obligations that require correction.

Any new round should correct the current trend under which the dispute settlement process appears to be pre-empting the authority of the General Council and the Ministerial Conference with respect to the "interpretation" of the MTAs. Members could submit proposals for improved interpretations of the Agreements, this could be the solution to many of the implementation issues.

Furthermore, there should be recognition that developing countries should not be required to negotiate under duress. This would imply a standstill on actions that could restrict the market access of developing countries during the negotiations, example, a freezing of the GSP and other preferential access, as well as a "peace clause," under which developed countries would exercise due restraint in initiating disputes against developing countries during the negotiations. A new round could also serve to provide contractual status to duty free entry for the least developed countries.

Any new negotiations will have to formally recognise that the least developed countries and many other developing countries simply do not have the financial or human resources to implement their existing obligations, let

the ability of the organs responsible for the protection of the environment, furthering the rights of workers and human rights in general.

A new round that aims at the consolidation of the WTO and its refinement and improvement to reflect to a greater extent the interests of the developing countries, and facilitate the accession of those many developing countries, including least developed countries, and economies in transition, would result in a truly universal system.

SUNS

(Mr. Rubens Ricupero is the Secretary-General of the UN Conference on Trade and Development. The above is based on two recent presentations and remarks by Mr. Ricupero, one at a seminar early in May in Geneva on Global Governance and Trade and the Way Forward and the other in a note to the Ministerial Conference of the OECD (May 16-17) in Paris. Copies of these had been made available at the recent Jakarta meeting of Trade and Economy Ministers of the Group of 15 developing countries)

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## MILLENNIUM ROUND

A ministerial meeting of the World Trade Organization is scheduled in Doha, Qatar, in November 2001. Since the WTO was set up in January 1995, the agreement stipulates that there should be a ministerial meeting once every two years. The first such meeting was held in Singapore in 1996, the second in Geneva in 1998 and the third in Seattle in 1999. Doha will be the fourth. The Seattle meeting assumed significance because it was expected to announce the launch of a new round of WTO negotiations, the so-called Millennium Round. The Seattle meeting ended in a fiasco, not because of the protesters on the streets, but because the three major trading entities (United States, European Union and Japan) could not agree on the agenda for the new round. There were too many square brackets (signifying non-consensus) in the draft declaration for Seattle and there was simply not enough time for the ministers to sort these out. Hopefully, member countries will have learned and will generate more consensus before the Doha meet. No government wishes to go back and announce that the ministerial meeting was a failure. Thus, preliminary negotiations will hot up in July and if the three major entities agree on the agenda for a new round, no amount of opposition on the part of the developing countries will stall the round.

As of now, the EU and Japan seem keen on the round, with varying degrees of support from other developed and developing countries. The Bush administration's position remains at best, ambivalent. Labour standards are not as important an issue for Mr George W. Bush as they were for Mr Bill Clinton, and after reneging on Kyoto, it is anyone's guess what President Bush thinks of the environment. With bilateral free trade agreements being negotiated with Chile and other countries, the United States' interest in multilateralism is somewhat suspect, despite the US trade representative's protestations to the contrary. However, assuming problems over agriculture can be sorted out (other countries want American subsidies disciplined), the US will probably come around to the idea of a Millennium Round, now that the agenda is not likely to be over-burdened through inclusion of labour and the environment.

With a Millennium Round around the corner, India's negotiating stance remains perplexing. In Seattle, the stance was that a new round was fine, as long as labour, environment and competition policy were not discussed. From that, India has retreated to a position of resisting a new round and in this, there is little support among other countries. There is indeed support in arguing that the market access provisions (agriculture, textiles and garments and even industrial tariffs) of the Uruguay Round have been circumvented and a recent study by WTO secretariat confirms this. However, circumvention and non-implementation relate to the spirit rather than the law and no Uruguay Round agreements have been violated by developed countries. If market access is the issue, agreements need re-negotiation and this implies a new round. The Indian stance of negotiating implementation separately from a new round is thus illogical and artificial. India is likely to do what it has always done: adopt the position of an outsider who resists everything. The Millennium Round will occur, whether India likes it or not, and thanks to resistance, India will not be in a position to determine or influence the agenda. The negotiating stance was more sensible in Seattle. Rather paradoxically, the commerce minister remains unchanged since 1999.

THE TELEGRAPH

# WTO chief claims Vajpayee supports new round

By C. Rammanohar Reddy

More than 18 months ago the Seattle ministerial meeting of the World Trade Organisation collapsed, in part because of unbridgeable differences on the agenda for a new round of negotiations for further trade liberalisation. These differences have not been narrowed very much in spite of a flurry of activity at the WTO headquarters in Geneva and in the capitals of some countries. But that has not prevented those interested in a new round to claim that there is more

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support for the proposal than is the case.

The latest example of the "creation" of such reports is the statement of Mr. Mike Moore, Director-General of WTO, who in an interview in Paris to the AFP news agency said, "...the ASEAN ministers, the G7, the Prime Minister of India, the Chinese want a round." Mr. Atal Behari Vajpayee will be surprised to hear of his supposed support for a new round for he has never said anything on those lines. And the response of government officials is that there is no change in India's position of first wanting the imbalances in the Uruguay Round agreement corrected before discussing the proposals for a fresh round of negotiations. In the present context of widespread fears and hostility towards the WTO in India, Mr. Vajpayee and his

Government are hardly likely to change their stand.

The European Union has been consistent in campaigning for a new broad-based round of WTO negotiations that will include new items on the agenda such as a global pact on the rules for foreign investment. The EU hopes that this round — potentially as ambitious and therefore as controversial as the Uruguay Round of 1986-93 — will be launched at the WTO ministerial meeting to be held in Doha this November. The U.S. under Mr. George Bush views a new round with more favour than the Clinton administration. However, Mr. Bush is yet to submit a request to U.S. Congress to give him the "fast-track" authorisation that is essential for the U.S. to meaningfully negotiate such a round at the WTO. And at the OECD ministerial meeting earlier this week, the ministers of this rich country club issued a call for a new round of multilateral trade talks at the WTO.

But at Geneva itself, after more than a year of discussions, member-countries are no closer to narrowing their differences that resulted in the collapse at Seattle in November 1999. Although much noise has been made about the need to address developing countries' concerns about what are called the "implementation problems" in the Uruguay Round deal, there has been no progress after two years of talks. With close to 85 per cent of the WTO membership — the developing countries — either strongly

opposed to a new round or at best ambivalent towards the proposal, the support that the WTO chief sees for the idea is not yet founded in fact. It is indeed possible that tiredness and pressure tactics will work in Doha as they did during the Uruguay Round and a new set of trade talks will be launched there. But for now the differences remain. Hence the need for Mr. Moore, who has been travelling from country to country whipping up support for a fresh WTO round with an ambitious agenda, to proclaim that a fresh momentum for the launch of fresh negotiations was being generated.

It is possible that the WTO chief in his interview confused Mr. Vajpayee with his Finance Minister, Mr. Yashwant Sinha. A reporter from an Indian daily had reported from Washington during last month's spring meetings of the International Monetary Fund and the World Bank that Mr. Sinha said that the developing countries were now in favour of a new round at the WTO.

That was a major turnaround but Mr. Sinha later denied having said anything on those lines. And since no other media had attributed such a statement to Mr. Sinha, the denial is more likely to be the truth. But neither Mr. Vajpayee nor Mr. Sinha is going to take kindly to Mr. Moore citing their alleged support for this controversial proposal.

THE HINDU

## FALSE SPRING

A MOOD OF unwarranted optimism prevailed in Washington D.C. during this year's Spring Meetings of the World Bank and the International Monetary Fund. This conference, which is usually not as important as the Annual Meetings, were significant this year because they were held in the shadow of a slowdown in the global economy and were the first after the new administration took office in the U.S., the largest shareholder and therefore the country with the most influence in the two institutions. But the finance ministers who gathered in Washington were content to express their faith in a quick recovery in the world's industrialised economies, and the U.S., despite earlier expressing its intentions to re-focus the approach of the IMF, did not in the end have any major re-structuring plans to offer.

There has been a marked change in fortunes of the world economy since the governors of the IMF and World Bank last met in Prague in September 2000. Where the prospects for the global economy were then described as the best in a decade, the outlook now is of a substantial deceleration in almost all the economies — developed and developing — in the world. One possible option to prevent this turning into a full-fledged recession is for the European Union to take the place of the slowing U.S. as the engine of the world economy. However, the European Central Bank has once again firmly refused to consider a call to lower interest rates, this time made by the IMF staff report, the World Economic Outlook. The International Monetary and Finance Committee, the main policy-making committee of the IMF, did not see this a cause for concern. It instead premised its "forward-looking" approach on the assumption that a turnaround would take place in 2001 itself. The new mantra at the IMF is crisis prevention, which is as it should be because while the IMF has poured billions of dollars into rescue pack-

ages in the past decade there is no evidence that it has ever prevented the eruption of a financial or liquidity crisis in any country. Yet even as the IMF considers making crisis prevention a central component of its surveillance activities, it is engaged in formulating two (new) multi-billion dollar rescue packages for Argentina and Turkey, countries which even late last year were not on any list of fragile economies.

India and China received special mention at the meetings for being centres of stability during the current slowdown, but that did not prevent the IMF from marking down the 2001 growth projections for both economies. More ominously, the World Bank tried to draw the attention of the global community by announcing that unless urgent international action was taken it was unlikely that the world would meet the United Nations development goals of halving global poverty and sending all children to school by 2015. The population living on less than a dollar a day — the World Bank benchmark of poverty — has declined imperceptibly from 1.3 billion in 1990 to 1.2 billion in 1998 and 113 million children still do not go to primary school. The one concrete step that was taken during the Spring Meetings was that the World Bank said it was ready to administer a global health fund to fight AIDS, malaria and tuberculosis and also make a contribution of up to \$1 billion to such a fund. The proposal which has been talked about for months now received a push recently when the U.N. Secretary-General, Mr. Kofi Annan, put a figure of \$7 billion to \$10 billion on such a fund. The idea is to finance it with a mixture of contributions from governments, multilateral organisations and private trusts. While there is widespread support for such a fund to fight the three scourges blighting a number of countries in Africa and Asia, the U.S. as usual has expressed some reservations about the proposal.



# 5-10 'Developed nations should hike capital help'

STATESMAN NEWS SERVICE

WASHINGTON, May 1. — Developed countries should increase capital assistance to ward off global economic crisis, the finance minister, Mr Yashwant Sinha, told the international financial community here.

Addressing the Development Committee of the World Bank and International Monetary Fund Board of Governors on Monday, he said the financial crisis faced by some countries, "along with the cyclical slowdown of the global economy," shows that developing countries as a whole "are still exposed to an uncertain and challenging economic and social future."

Mr Sinha is the current chairman of the committee.

Later, speaking to reporters, Mr Sinha, who is here to attend the annual meetings of the two international financial institutions, said the global financial community is satisfied with the rate of growth of the Indian economy and the progress of the reforms.

He conceded that his budget proposals, especially the ones on labour and insurance, faced an uphill battle in the Rajya Sabha where the BJP doesn't hold a majority. He said the successful implementation of his budget proposals would be essential to increase foreign investment in the country.

The finance minister, who met the US Treasury Secretary, Mr Paul O'Neill on Friday, said the new Bush administration

is committed to improving economic and trade relations with India.

Mr Sinha said Washington is keen on continuing the Cabinet-level exchange between the two countries and added that Mr O'Neill will visit India for the next meeting of the joint economic forum between the two countries established under the mission statement signed last year by President Clinton and the Prime Minister, Mr Atal Behari Vajpayee.

During his three-day visit, Mr Sinha also met his counterparts from Saudi Arabia, Germany, Canada, South Africa and Britain.

During his meeting with Mr O'Neill, he said, the US official raised the issue of economic sanctions against India. In response, Mr Sinha repeated the well-known Indian position that the sanctions do not serve to improve relations between the two countries and they need to be removed. "Sanctions will hurt the US interests more than they will affect India's interests," he said.

The ongoing controversy over the Enron power project in Maharashtra, where the US company has threatened to pull out of the project, also came up for discussion at the meeting. Mr Sinha said he told Mr O'Neill that the parties to the contract should await a renegotiation of the terms before taking any hasty step. The dispute will not affect US participation in Indian power projects, he said.

2 MAY 2001



## Global progress uneven: World Bank

By Sridhar Krishnaswami

WASHINGTON, APRIL 29. The World Bank has called for urgent global action to help more countries reach international development goals saying that while there has been significant improvement in development data, many nations will still fall short of targets for reducing poverty, achieving primary education and other development projects.

The World Development Indicators for 2001 show that while some developing countries in the Asia Pacific region may be on the road to achieving global welfare targets, there are others, notably in Africa, who will not succeed.

The World Bank has warned that progress is "dramatically uneven" and that barring a sudden improvement in conditions, hundreds of millions will remain destitute as many nations will not be able to meet international development goals.

"If China and India continue their economic reforms and achieve sustained high rates of economic growth, the goal of reducing poverty can be attained at a

global level. But at a national level, given current rates of progress, many countries will fall short of this target. The picture is similarly mixed for other development targets," the World Bank chief economist, Mr. Nicolas Stern, said in a release. It has been said that the first part of the 21st Century offers a rare window of opportunity and that while the emerging picture may be sobering, it is not without hope. "If developing countries, donor countries and international organisations can work together with urgency, hundreds of millions of people will then have the opportunities to escape severe deprivation," Mr. Stern said.

The compilations of the World Development Indicators for 2001 indicate the kind of challenges ahead, says the World Bank. For example, of the world's six billion people, 1.2 billion live on less than \$1 a day; about 10 million children die under the age of five, most from preventable diseases; more than 113 million children do not attend school; and about half a million women die each year during pregnancy and childbirth from

complications that can be treated or prevented.

There has also been improvement since 1990 in both absolute and percentage terms. According to statistics, the number of people living on \$1 a day fell by 6 percentage points between 1990 and 1998; and the number of people in extreme poverty fell by about 100 millions during the same period.

"In recent decades, East Asia has moved more rapidly than other developing regions on several fronts. According to the WDI, the region is well on its way to achieving universal primary enrollment and eliminating the gender gap in primary and secondary school enrollments by 2005," says the World Bank.

But the picture is something different for Africa or sub-Saharan Africa, lagging in areas such as school enrollments, infant and child mortality. Seventy per cent of the world's HIV- AIDS infected people live in this part of the world which also has the lowest level of contraceptive use. But even here, there are "signs of hope", says the Bank.

## 200 kiosks gutted in Kanpur

KANPUR, APRIL 29. More than 200 kiosks belonging to members of a minority community were gutted in a devastating fire, destroying goods worth lakhs of rupees, that broke out in Parade Ground on the Mall Road here, fire brigade sources said.

The fire began around 8 p.m. and was brought under control by 10.30 p.m. More than a dozen fire-tenders were pressed into service to bring the raging flames under control.

The cause of fire was not immediately known.

The shops, situated in a row, selling clothes, shoes, plastic goods, readymade garments and books, were razed to the ground.

Being a Sunday, the market was closed and there was no electricity supply to the kiosks. Senior police and district officials including the District Magistrate were personally monitoring the fire-extinguishing operations.

— PTI

V L

# IMF predicts slower global growth

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By Sridhar Krishnaswami

WASHINGTON, APRIL 26. Although some slowdown in the global growth rates was desirable and expected, the slide is more than earlier expected though it may be shortlived. The International Monetary Fund in its World Economic Outlook timed for the Spring Meetings has made it clear that the outlook remained subject to considerable uncertainty and that a deeper and a more prolonged downturn was clearly possible.

"Against this background, macro-economic policies — particularly on the monetary side — will need to be proactive to guard against the possibility of a steeper than expected downturn," the IMF has cautioned. The Spring Meetings of the World Bank and the Fund gets off the ground this morning with the substantive discussions of the Finance and Trade Ministers due for later this weekend.

According to the World Economic Outlook, economic activity in 2001 will slow down markedly with global growth now being projected at 3.2 per cent or a full one per cent point lower than previously anticipated. Though growth has been marked down substantially in Asia and Latin America, activity in China and India are expected to remain relatively well sustained and in the process, proving an important source of stability. The IMF notes that by the end of 2000, economic activity, especially in the United States clearly weakened and a series of shocks — including higher energy prices, reassessment of corporate earnings and prospects, fall in equity markets and technology stocks — had generated a marked slowdown in domestic demand growth and a sharp weakening in consumer and business confidence. The IMF said

the further setback to the "already fragile" recovery in Japan "is an additional source of concern".

In the context of the Emerging Asia, the IMF's Economic Outlook makes the point that confidence has been weakened by a number of factors, domestic and foreign, and these could be further compounded by a "larger-than-expected deterioration" in Japan. But over all for the remainder of 2001, the prognosis is that much will depend on how long or how deep the slowdown in the U.S. turns out to be.

Optimism that the slowdown may turn out to be moderate and shortlived is pegged to a number of factors. In the first place, long-term interest rates in the U.S. fell in 2000 and more recently, there were short-term interest rate cuts which had a direct effect on activity in the U.S. in the second half of the year. This, in turn, would impact on the global economy. Secondly, IMF has noted that with inflationary risks receding, policy makers in the most advanced economies have begun to use the room to manoeuvre and Japan has begun to ease monetary policy in the context of its new monetary framework. Thirdly, the IMF pointed out that while a number of countries continued to face serious difficulties, the external and financial vulnerabilities in emerging markets had been generally reduced since the crisis of 1997-98 "and the shift away from soft exchange rate pegs has improved their ability to manage external shocks".

The thread through the IMF's World Economic Outlook is a projection that activity in the U.S. will pick up during the second half of this year; growth in Europe will remain reasonably robust; Japan's recovery will resume in 2002; external financing conditions improve for emerging markets and will be consistent with a modest pickup in private capital flows.

What if the slowdown in the U.S. is deeper and more prolonged? The IMF points out three things: first, there will be the greater risk of a spillover not just through the financial markets but on confidence as well. "The global economy would also become more vulnerable to adverse shocks, such as a sharper-than-expected weakening of activity in Japan".

Secondly, the WEO says that there will be a greater risk that the current account imbalances in the major currency areas and the apparent misalignments among the major currencies could unwind in a disorderly fashion. And thirdly, lower growth could expose fragility in the financial markets.

THE HINDU

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THE HINDU

# Agenda for Qatar meet

*The position taken by the major trading partners runs the risk of pushing the multilateral trading system to the brink, says Biswajit Dhar*

WITH the countdown to the Fourth WTO Ministerial Conference in Qatar getting well under way, the question that is uppermost in the minds of all concerned is whether this conference will see the launching of a new round of trade negotiations. This issue has assumed far greater importance at the present juncture given that the WTO Secretariat has begun playing an increasingly active role in promoting the cause for a new round. The single handed efforts that the EU has been making thus far to sell the new round to the more influential members of the WTO, both in the developed and the developing world have been given some credibility.

The Secretariat's case for initiating a new round of multi-lateral trade negotiations has been put forward in the most forthright manner by the Director General of the WTO, Mike Moore. During the past several months, Mike Moore has spoken time and again in formal meetings about his preference for a new round. Although the platforms chosen by the WTO Director General to make his pronouncements have been mostly in the developed world, where

some support for the so-called millennium round already exists, the developing country forums have interestingly been in Africa and India, which have not shown much enthusiasm to get into a comprehensive round. It is quite apparent, that Mr Moore has been looking to trump up support for his position in the otherwise unresponsive regions.

The main issue that arises at this point is the justification of the head of the WTO Secretariat to push for a position that most of the members of the organisation do not support. A vast majority of the developing countries are not yet in favour of plunging into a new round of trade negotiations. These countries have continued to hold the view that unless their problems of implementation of the Uruguay Round package are satisfactorily settled there cannot be any movement towards widening the negotiating agenda of the WTO. In fact the problems of implementation faced by the developing countries were recognised by the General Council of the WTO in course of the special session held in the year 2000. However, in the period since, little

has been done towards redressing their concerns. Thus, given this critical importance of the implementation issues for the developing countries it seems completely out of sorts for the Secretariat to hold a different brief. The Secretariat has always maintained that the WTO is a member-driven organisation and that the occupation that it has is to reflect the views of the majority. Ironically, Mike Moore himself has argued in one of his most recent speeches that the WTO is a democratic organisation which the "agreements are reached by a consensus of ... 140 member governments". How then does he lend support to a view that has the explicit support of only one member and tacit support of some

at the end of the Uruguay Round are being carried out, in case of services (General Agreement on Trade in Services or GATS), an attempt is being made to increase the coverage of areas under the agreement. In each of these areas, developing countries have been trying to get some of their more critical concerns addressed and thereby reduce the stark imbalances that have come to the fore. But even as they have raised these issues of concern, some of the more dominant trading countries have insisted that such issues can only be addressed within the framework of a new round and not otherwise. This is a position that runs completely contrary to the basic structure of the WTO agreements, which included

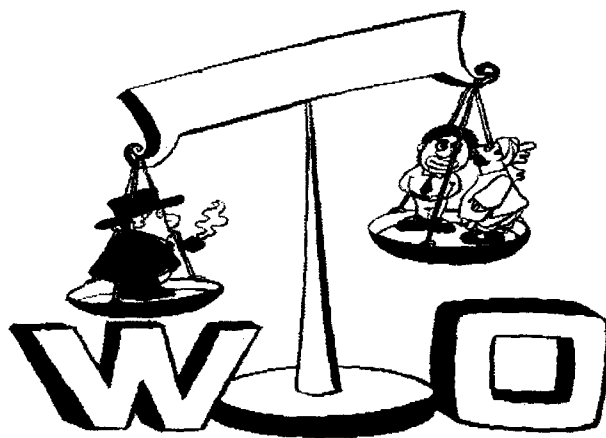
provisions for re-visiting them after definite time frames in order that the major concerns raised by the members can be addressed. Such reviews, as has been provided in the Agreements, can take place in the light of the experience of the countries in their implementation of the Agreements.

In all the three agreements that are currently under review, there have been attempts to link the process of review initiated

by the developing countries to the new round. The industrialised countries have maintained that any change in the existing provisions in any of the agreements would tantamount to altering the fine balance that was reached in the Uruguay Round package in terms of the rights and obligations that the WTO member countries had taken. These countries have argued that any change should therefore be considered after re-balancing the entire package of agreements.

This position taken by the major trading partners runs the risk of pushing the multilateral trading system to the brink. For most developing countries, the package of obligations they have taken has been far too onerous for their domestic constituencies. These countries have argued in no uncertain terms during the past few years that several of the key agreements are not in harmony with their development priorities and hence need to be given a fresh look. This, above all, should be the bottom line for the deliberations in the Qatar Ministerial Conference.

*(The author is with RIS, Delhi. These are his personal views)*



BONNY THOMAS

others?

This position taken by the WTO Director General can have far reaching consequences for the developing countries for two reasons. In the first place, the run up to the Qatar Ministerial Conference has not yet witnessed the kind of build-up that the failed Seattle Ministerial Conference had seen. As a consequence, the clear articulation of developing countries against the launching of a new round that was in evidence in 1999 has been missing thus far. Under such circumstances it is the voice of the Secretariat that might rise above that of the majority of the members of the organisation.

The second factor that could push the developing countries towards a new round is the nature of their engagement with the WTO. They are currently in the negotiating mode in three of the more significant covered agreements of the WTO, viz. agriculture, services and intellectual property rights. While in the case of agriculture and intellectual property rights (the Agreement on TRIPs) the review of the agreements concluded

# TRIPs and AIDS

By Arvind Subramanian

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**F**OLLOWING THE flurry of frenetic activity over the last few months as western pharmaceutical companies have tumbled over each other to reduce prices of AIDS drugs to Africa, a calm has descended. This calm, even smugness, seems to reflect a shared recognition amongst companies, donors, and NGOs that the task of securing the lowest possible price for AIDS drugs for African countries has been achieved, and that the international community should now move on to tackling other problems related to the AIDS crisis in that continent: mobilising extra aid and ensuring effective delivery of drugs.

A victim of this widely-shared recognition is likely to be the debate on whether the World Trade Organisation's TRIPs agreement needs to be changed to facilitate affordable access to such drugs. And although the crisis seems far away, India has a major interest in this. It was CIPLA's offer that triggered the veritable price war amongst pharmaceutical companies.

If it is admitted that some reduction in the monopoly power of pharmaceutical companies is necessary to ensure better access for African countries that are in the grip of a terrible humanitarian catastrophe, does it follow that current international rules, namely the TRIPs agreement, come in the way? The answer is yes, but not in the manner implied by critics of the agreement. To see why, consider the consequences of acting on the implicit NGO view that the poorest countries in Africa should be allowed to opt out of the agreement altogether. What would be the impact on the availability of drugs? Probably not very much, at least not in the foreseeable future, because many of these countries simply do not have the technological capability to produce these drugs.

If, for example, Zimbabwe required an AIDS cocktail, it should be able to turn to say India (or indeed any other Government) for help. In turn, these Governments should be allowed to authorise their pharmaceutical companies to supply Zimbabwe with the required drug. It is this enlightened cooperation of the industrial

and larger developing countries, making equitable access to drugs a market reality for the poorest, that must be enshrined in international trading rules.

As it stands, the TRIPs agreement would probably not allow, or would at least make it very difficult for an Indian company to produce patented AIDS drugs and sell it to countries in Africa. Current rules allow countries the right to import drugs in the event of a public health need but circumscribe the right of partner countries to fulfil this demand. Accordingly, the TRIPs agreement will need modification to allow third country Governments to authorise production of the patented product under so-called "compulsory licences" for ex-

the world. But in a year or two, when new AIDS drugs are covered by the agreement, Indian companies will not be able to make such an offer. To do so, they will have to obtain a compulsory licence to service the Indian market; only after such a licence is obtained can they export some of their total production to Africa.

But several hurdles will need to be cleared to obtain a compulsory licence to service the Indian market. These include: potential compulsory licencees must have attempted to obtain a voluntary licence from the patentee on reasonable commercial terms and been refused such a licence within a reasonable period of time; the patentee should be paid reasonable com-

*Effective patent protection fosters research and development, but safeguarding the poorest countries' access to medicines need not undermine it.*

port, even exclusive export, to markets in the poorest countries.

The key point here is that African countries cannot import from other WTO countries unless the latter also have invoked a similar compulsory licensing exception. A country such as India cannot issue compulsory licences to its firms just to export AIDS drugs to African countries. Article 31 (f) of the TRIPs agreement rules out this possibility because it requires compulsory licensing to serve "predominantly" the local market (i.e. in the country where the licence is issued). Because IP laws are territorial, Africa's right to import does not become India's right to export unless laws in India (i.e. the country where production for export takes place) authorise such production.

The consequences of this restriction are not theoretical. Take the case of CIPLA, which offered to sell AIDS drugs to Kenya at \$650 per dose. This offer was legal in India because the drugs in question were not covered by the TRIPs agreement. They were inventions made prior to 1994, which is the cut-off date for protection around

compensation for the compulsory licence; and decisions by a Government to grant compulsory licences must be subject to judicial review.

Even if these hurdles could be cleared, the delays involved could be enormous and militate against swift responses to what is a serious crisis. What is needed is a legal situation that clearly allows and legitimises third country Governments such as India to grant compulsory licences for export so that firms such as CIPLA can sell AIDS drugs to African countries in crisis. This would require a change in TRIPs rules.

Some have argued that the TRIPs agreement requires no changes because it allows countries to grant sweeping exceptions to patent laws in the event of an emergency. But for the reasons spelt out above, this exception will not help African countries because even if they suspended their IP laws, they would still have to obtain the drugs from partner countries. These partner countries cannot invoke similar emergency exceptions unless the emergency is a domestic one; that is, India

cannot suspend its patent laws because of an AIDS crisis in Africa. Recent voluntary efforts by pharmaceutical companies to substantially lower prices of AIDS drugs should be applauded, but they attest to the role that alternative sources of supply play in rendering markets "contestable".

Thus, the proposal to change TRIPs rules would run along the following lines: In the event of a WHO-certified public health crisis in a least developed country, Governments in other countries should be free to grant compulsory licences to their pharmaceutical companies to export the necessary drugs to the country in crisis. The international community, under the aegis of the WHO, should make concerted and expeditious efforts to ensure that drugs produced under such licences satisfy the regulatory criteria for marketing approval.

Of course, any change in IP rules should not become or be seen as a licence for widespread infringement of patent rights. Appropriate safeguards can be designed to prevent this. First, third country production of drugs under "compulsory licences" for export can be restricted both to countries in real need and to multilaterally certified instances of public health problems. Second, patent holders should be provided reasonable compensation for third party use of the patent. And finally, countries should be assigned the responsibility of preventing drugs produced under compulsory licences from leaking into other markets, and undermining legitimate patent protection.

Effective patent protection fosters research and development, but safeguarding the poorest countries' access to medicines, at a time of a truly devastating epidemic, need not undermine it. Indeed, the proposal outlined above would result in a distinct improvement in global welfare — better affordability of drugs for the poorest of the poor without weakening the global innovation climate for medicines.

*(The writer is non-resident Fellow, Centre for Business and Government, Kennedy School of Government, Harvard University.)*

# WTO: Institutionalising double standards

65-6 19/9  
THE history of international economic policy making is replete with instances of double standards. The Bretton Woods institutions are a prime example. It now appears the World Trade Organisation (WTO) might soon overtake the Bretton Woods institutions in institutionalising double standards.

The WTO was supposed to be established with the objective of promoting free and fair trade and fostering competition. However, one of its agreements, namely, Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement, which provides monopoly rights to the patent holder for a period of 20 years, is diametrically the opposite of what WTO envisaged as its objective. Yet this agreement is very much a part of the WTO and the member countries — whether rich or poor, capable or incapable — are obliged to comply with its requirements.

Another example of anti-competitive practice permitted (or not banned) by the WTO is that of export cartels. As a matter of fact all the major trading countries have statutes that provide some form of competition law protection or immunity to export cartels. Essentially, these laws authorise firms to collaborate to engage in anti-competitive behaviour in foreign markets, at the expense of other countries' consumers and producers, in a manner that would be unlawful if undertaken at home.

The WTO is about opening up markets for goods and services across the world. It does not envisage a system wherein market opening would be a one-way street, i.e., one side fully opening its market and the other side creating barriers to entry for goods and services from the other end. However, this is precisely what is happening.

Whereas the South has opened up its market to the extent possible, the North has made use of various 'legal loopholes' within the WTO to create further barriers for the entry of the goods and services from the South.

The tariff distortionary practices being followed by the developed countries including dirty tariffication and maintaining of tariff peaks. Tariff escalation and tariff dispersion are becoming hurdles for the industrial development of the South. As if this was not enough, developing countries trying to

## GUEST COLUMN RATNAKAR ADHIKARI

industrialise are facing increasing barriers to their exportable products as they fail to satisfy the technical regulations considered mandatory by the importing country. Further, developed countries are trying to bring in a host of non-trade issues within the WTO. Some of the major ones include labour standards and environmental standards. Applying labour standards to developing countries and applying environmental standards for the developing countries and dumping of domestically prohibited goods and toxic substances in their market by developed countries with absolute impunity are likely to become some of the features of so called 'global system of equity and justice' in the days to come.

In the context of double standards, the Agreement on Textile and clothing is an agreement deserving particular mention. Developed countries, which authored the WTO Agreement have utilised a technical loophole in this Agreement to delay the integration of items under the quota system.

Under the Agreement, importing countries are free to decide which products to integrate at each of the four stages of integration. As the Agreement defines the percentage of integration in volume terms, importing (developed) countries have 'fulfilled' their obligation by first integrating those products into the Agreement which are of least export significance for the developed countries. This phenomenon has robbed the developing countries of market access opportunities. The weaker members of the WTO are not capable of implementing their commitments under the WTO not because they are not willing to fulfil them, but because they lack resources and capacity for the same. However, developed countries are not implementing their parts of the commitments or are implementing the commitments in a dishonest manner despite the fact that they have both the capacity and resources to fully and faithfully implement them.

The examples highlighted above are testimony to the fact that developed countries have been using and will continue to use the WTO as a platform for legalising their double standards. Prior to establishment of the WTO, double standards were enforced through unilateral measures. Now these practices have not only been legalised but also been institutionalised! If this tendency continues unabated, the faith of developing countries in the multilateral system will fall further. This does not augur well for the multilateral trading system — once lost, it might be impossible to restore faith of the developing countries.

(The author is the General Secretary of South Asia Watch on Trade, Economics and Environment (SAWTEE) based in Kathmandu)

# Why China is in no hurry to join the WTO

6/16 2/4  
THERE was a time, when in its bid to join the World Trade Organisation (WTO), China was at the receiving end. To ensure her entry in the WTO, China has indeed offered many significant concessions. Today, China has cleared all the tests, and now there are no barriers to China's entry into WTO. And yet the process seems to have got stuck somewhere.

The reason is of China's own creation. It wants to be recognised as a developing country in the WTO. In WTO, there are three types of developing countries: the least developed countries, those with a per capita income of less than \$1000 and 'others'. The third category of countries hardly qualify for any kind of special and differential treatment and are treated almost at par with the advanced economies. China's current per capita GDP has just crossed \$1000. It was less than the benchmark figure a year ago. Logically, China cannot claim the distinction of the second category. The Chinese leadership knows it very well. If they stick to their demand for recognition as a developing country other than 'others' category they will never be able to join WTO.

Why then China is insisting on 'developing country' status? Are the Chinese having a re-think on joining WTO? Certainly not. China is very much keen to join WTO, but at an appropriate time. Having cleared all the hurdles to its entry, China, it seems, is now not in a hurry. It is not difficult to understand this last minute change in China's approach to WTO. Long years of negotiations have fully exposed China to the implications and obligations of WTO. No other developing country perhaps has as much understanding of WTO as China.

Among other things, membership of WTO will mean a total change in

their existing paradigm which is a paradigm of socialist market economy. They can no longer manage their economy in their present style. In a system of free market economy, there is really no place for socialist market economy. There are plenty of hidden and unhidden inefficiencies in the Chinese economy. If free market economic systems and principles are imposed on the Chinese economy, it will be soon exposed as a grossly uncompetitive economy. Not only that, or worse still, its fiscal and financial architecture is not at all equipped to cope

## GUEST COLUMN T K BHAUMIK

with the free market system. In a situation of free market economy, the basic foundations of the existing economy of China are weak and fragile.

Nobody understands this better than the Chinese. Without full preparations, China's entry into WTO is fraught with risks. It may mean giving more market access and losing quite a bit of competitiveness. It is good and nice on the part of the Chinese leaders that they have assured total compliance with the WTO rules, once they join it, and that they will play their part in enhancing the objectives of WTO. At the same time, they seem to have realised the implications of the obligations that they have to meet. In this context, it is quite natural for them to go slow on the issue of entry. And what is more important is that now they can really relax and move with ease.

A section within China is very much in favour of a slow and cautious move. According to them, China is not likely to lose anything by delaying its accession, since in

any case it is enjoying observer status. As an observer, China's position is that of a member-in-waiting outside the WTO gate, with the looking glass on its side. If necessary, such an intruder can ever make noise if it wants to. Those inside, cannot really ignore such an outsider anymore. Thus, there should be no great hurry!

The leadership seems to have found some merit in this view and is likely to delay the accession as long as it can. In the meantime, it is accelerating the re-structuring process in some of the vital sectors and deepening the presence of Chinese goods in the international markets. Besides building competitiveness of its industries in a free market environment, China is also required to undertake several institutional reforms, as also capacity building especially in the area of dispute settlement, where they see major problems in the aftermath entry into WTO. This also explains China's diminished enthusiasm.

Whatever it is, for the developing countries like India, there are lessons to learn from the Chinese approach. What it highlights is how a country should prepare itself for WTO. It is a remarkable homework that the Chinese are doing. This has not been the case with most developing countries. China's current approach is like having a last look at WTO before they finally take the leap. In fact, China is taking full advantage of the benefits they have before them, namely (i) long years of experience in bilateral negotiations and (ii) experience of functioning of the WTO over the last six years. It is leaving behind it many valuable experiences for others to emulate, especially those that are still waiting to join WTO.

(The author is Senior Advisor, Policy, Confederation of Indian Industry)

*The Economic Times*

2 APR 2001

## IMF agrees to \$133 m Pak loan

Washington, March 31 (PTI): The executive board of the IMF has approved the release of credit worth \$133 million to cash-strapped Pakistan with the hope that the country's real GDP would grow at 3.8 per cent a year.

The board said its action would bring total disbursements for Pakistan under its current arrangement with the Fund to \$324 million. "A key challenge will be to achieve the targets for foreign exchange reserves, which will require a tightening of monetary policy and coordination of monetary and exchange rate policies," an IMF release said.

Pakistan expects to receive large sums as loans and grants from gulf countries and Islamic Development Bank. Grants from the gulf countries in the fiscal year are expected to total 116 billion Pakistani rupees.

Angry about a joke that included a reference to God, Islamic cleric took out a protest march in Peshawar demanding the military regime punish the newspaper that carried the material.

THE TELEGRAPH

1 APR 2001

# Polarisation marks WTO farm talks

1-21  
28/3  
Geneva, March 27 (Bridge News): As a second year of negotiations on farm liberalisation kicked off at the World Trade Organisation (WTO) today, positions were rapidly polarising between developed and developing countries.

With all proposals for reforms now in, it is clear that countries such as India want to see cuts to European Union, the US and others' subsidies before they engage in talks. Nevertheless, negotiators are set to agree a new 2001-02 work programme for 'Phase two'.

Many developing nations are resisting plans by the US, European Union and Cairns group of 18 liberal trade nations to further liberalise farm trade.

Developing countries such as India and Asean members insist that talks should rebalance inequalities in the existing 1993 agriculture agreement with concessions from the US and European Union.

The EU believes that its interests are converging with those of the US and other developed countries against those developing governments that do not want any liberalisation at all.

"The problem is not between them (the US, Cairns group) and us, but between us and developing countries, those that don't want to liberalise," said EU's chief negotiator David Roberts.

Many developing countries are now insisting that they should not open their markets further until the EU and US abolish export subsidies. India is calling

for export subsidies to be cut by 50 per cent by the end of 2001, as 'downpayment'.

The US, EU, Japan and Cairns group of 18 liberal-trade nations (including Australia, Argentina and Brazil), are looking to continue the WTO's mandate for the "ongoing process" of "progressive reductions in support and protection".

Compared to the 1993 Uruguay Round, an 'unprecedented' number of WTO governments have made proposals for agriculture reforms over the past year, said Jorge Voto-Bernales, chairman of the farm talks and Peru's ambassador. "The basic positions of participants are now on the table," he said.

David Spencer, deputy trade secretary for Australia said yesterday that he hoped the negotiations could be "put on the same footing in the WTO" as commercial services and manufactured goods.

The group's position calls for an eventual elimination of all export subsidies.

A slowdown in the globe's economies must not lead to increasing protectionism, said Spencer. "The fact that we have negotiations in preparation prohibits democratic governments from taking protectionist measures and acts as a constraint."

Despite the broad parallels between EU, the US and Cairns group, traditional conflicts remain.

The Cairns group is targeting the EU and US equally, said Spencer.

THE  
10 MARCH



# Global diktat; local loopholes

As the deadline for member countries to meet its WTO commitments draws close, there is a fear that ingenious methods to circumvent them will be employed. Bhavna Doshi and Nirav Shah discuss



With the date of removal of quantitative restrictions on the remaining 714 items drawing near, the World Trade Organisation (WTO) and related issues are, once again, in focus. The World Trade Organisation was established in 1994 and it replaced the General Agreement on Tariffs and Trade (GATT). WTO has the responsibility of administering the global trade commitments that were agreed to by signatories to the various rounds of trade negotiations such as the Uruguay Round, Marakkesh Round, Tokyo Round. These include the GATT, the General Agreement on Trade in Services (GATS), Trade related Intellectual Property Rights (TRIPS), Trade related Investment Measures (TRIMS), Dispute Settlement Understanding (DSU), et al. The principal objective of the WTO is to facilitate management and implementation of the various trade agreements, and thereby to facilitate multilateral trade.

The basic principles underlying the various multilateral trade agreements are that of treating imported goods from all member nations on par with each other (Most Favoured Nation status), treating imports from other member countries on par with domestically produced goods (National Treatment), elimination of Quantitative Restrictions in a phased manner and binding tariff rates at specific levels. WTO requires members to open up various sectors of their economy to global competition in a phased manner. Special provisions are made for developing countries. **Circumvention:** While the WTO regime has been a great improvement over the erstwhile GATT regime, there are still instances of nations seeking to go around or circumvent WTO agreements. This occurs when certain WTO requirements are seen as not being beneficial to the national interest.

Circumvention has been defined by the 'informal guide to WTO speak' on the WTO website as "measures taken by exporters to evade anti-dumping or countervailing duties." This definition

restricts itself to anti-dumping and countervailing. However, circumvention may occur to avoid tariff and tariff quota limits and even to avoid the very applicability of WTO itself.

**Methods:** The behaviour of nations provides instances of the methods that may be adopted to circumvent the applicability of provisions of the WTO. In addition, complaints under the DSU and ongoing negotiations under the aegis of the WTO also give an indication.



**Trans-shipment:** In order to avoid quota limits and antidumping (AD) and countervailing (CV) duties, exporters have devised the method of shipping products manufactured in one country to another country, and subsequently re-exporting the products from there to the nation seeking to apply the limits or duties. The place of origin of the product is thus sought to be altered, thereby, attempting to avoid attraction of the provisions relating to quota limits and AD and CV duties. The Agreement on Textiles and Clothing (ATC) recognises that circumvention may be attempted by producers. Under Article 5 of the ATC, Members are required to establish necessary legal provisions and administrative procedures to address circumvention and to take adequate action. Members are required to consult and cooperate fully, under the domestic laws so

framed and take appropriate action where there is sufficient evidence.

**'Screwdriver assembly':** Another method to avoid tariff quota limits and AD and CV duties is to shift the final stages of assembly of the product, or "screwdriver assembly" to the country seeking to impose the duty. In this way, it can be contended that the product is being manufactured in the domestic country itself, thus eliminating the possibility of invocation of AD and safeguard measures.

Recognising this possibility, the European Commission (EC) had introduced anti-circumvention duties. This was in response to a majority of Japanese exporters either producing like products in the EC or in third countries and exporting them to the EC. However, this anti-circumvention duty was declared inconsistent with GATT by the Dispute Settlement Body.

**Absorption of duty:** The purpose of AD and CV duties is to bring the dumped products on par with the locally produced or imported products on which duty is levied. However, an exporter may absorb any anti-dumping duty to be paid by the importer, and thereby ensure that the resale price in the importing country is not increased by an amount corresponding to the duty imposed. The EC introduced an anti-absorption duty.

**Reclassification:** All goods meant for imports or exports are classified under various tariff headings. These tariff headings are to be harmonized under the WTO regime, and tariff rates for all these headings are to be fixed. Some countries have used the method of reclassifying a product from one tariff heading to another as a means to avoid commitments. For example, the European Union (EU) in '94 agreed to cut tariff rates

on Automatic Data Processing Machines (ADPs) that included all types of computer equipment. But soon afterwards, UK and Irish customs authorities reclassified imports of computer networking equipment as telecommunication equipment, and one type of multimedia PC as a TV receiver. In '95, EU reclassified LAN adapter cards as telecommunication products, thus applying lower tariff rates. The Dispute Settlement Panel has, however, in a complaint initiated by USA, found that ADP tariff concessions should apply to networking equipment also.

**Export credit schemes:** Export subsidies are covered by the WTO regime, but export credit schemes are not. Most nations guarantee commercial credit for sales of agricultural products. Export credit guarantees expand importers' demand when importers have difficulty in obtaining foreign exchange. Export credit guarantees act as grounds of competition for exporters. Nations that are able to offer better credit schemes to their exporters obtain a benefit in the world market that has not arisen from regular market forces.

**Regional Trading Agreements:** While the basic principle of the WTO is multilateralism, bilateral trade agreements and trading blocs are not prohibited. There is no clarity on whether the provisions of such RTAs have to be in consonance with the principles of WTO. Thus, such RTAs may be used to incorporate terms on labour standards and environmental standards issues that have otherwise faced considerable opposition when sought to be linked to trade under the WTO regime.

No regime can be absolutely fool-proof, and the WTO regime is no exception. The WTO, too, is aware of the possibilities of circumventing commitments, and the matter has been referred to the Committee on Anti-dumping practices. However, no concrete solution has emerged as yet. At the same time, nations and parties will continue to locate means of circumvention to enhance their benefits. India as a member of the WTO would need to be alive to such methodologies to safeguard its own interests.

Courtesy: KPMG

## WEF stresses 'divides'

DAVOS (SWITZERLAND), JAN. 26. Participants at the 31st World Economic Forum (WEF), annual meetings were formally welcomed on Thursday evening in Davos for six days of debates about global economic, political and environmental issues and a brewing anti-globalisation backlash.

The Swiss Confederation President, Mr. Moritz Leuenberger and the WEF President, Mr. Klaus Schwab, greeted visitors in the run-up to the formal opening of the proceedings titled "sustaining growth and bridging the divides: a framework for our global future".

Some 3,000 top-level representatives from politics, business and finance, international bodies, and non-governmental organisations

are estimated to be in attendance at this year's meetings. Mr. Leuenberger, while praising a world in which "ever more boundaries are falling", admonished the participants to keep in mind that there remained deep divides.

"Globalisation produces shining winners who revel in the spotlight and despairing losers who fight for mere survival and are forced to migrate," he said. "The risks of globalisation lie in the deepening of these divides, the opportunities lie in our being able to overcome these divides."

Tight security precautions were in effect both at the Davos Congress Centre as well as in the Alpine ski resort town's main streets. — DPA

THE HINDU

27 JAN 2001

Growth forecast for 2001 lowered to 3.5% from previous 4.2%

# IMF issues warning

AGENCE FRANCE-PRESSE

DAVOS, Jan. 27. — The International Monetary Fund today warned that it was going to slash its 2001 world growth forecast, sounding a note of gloom at the World Economic Forum as police braced for illegal protests.

The IMF will lower its 2001 forecast to around 3.5 per cent, from its previous 4.2 per cent announced in September at Prague, Mr Stanley Fischer, IMF's first deputy managing director, told at a seminar at the annual summit of the WEF.

Mr Fischer explained that a downward revision of the 4.2 per cent rate forecasted in September was needed because of a swift, deeper than expected slowdown of the US economy.

However, he added that despite the current slowdown in the USA, a recession of the kind that was experienced in the late 1980s and 1990s, was an improbable scenario.

**Fiscal Deficit:** Finance minister, Mr Yashwant Sinha is hopeful that the fiscal deficit for 2000-2001 will not overshoot the targeted 5.1 per cent of the GDP, even as foreign investors called for revamping India's labour laws to make them flexible and establishing bigger special economic zones (SEZ), adds PTI

At a meeting on India's economic reforms during the ongoing meet of the World Economic Forum (WEF) here last evening, Mr Sinha said the Centre has been "cautious

and "scareful" on the expenditure front to help keep fiscal deficit under control.

Entitled "Betting on India", the meeting, which was attended by nearly 80 top executives from various sectors, heard the familiar concerns of foreign investors while making investment strategies relating to India.

The participants said the slow implementation of economic policies was a hurdle for investors, who also had to face bureaucratic delays.

"India is of great interest for investors, but the problem in India is that it is not yet facilitating enough," one businessman said.

Mr Sinha quickly intervened to point out that the strategic management group

in the Prime Ministers office (PMO) was vigorously monitoring the implementation of reforms already initiated.

A suggestion was made that the pace of taking decisions on new or what is called second generation economic reforms has to be speeded up.

Lot of interest was also generated on the demands of foreign investors to rationalise the labour laws in India to match the requirements of modern economy.

The Indian foreign minister said the Centre was conscious of the calls to overhaul the labour and industrial laws and that it was looking into the matter.

Several questions focussed on the need to liberalise the labour laws to accord the necessary flexibility to both corporates and labour.

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THE STATESMAN

28 JAN 2001

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WEF MEET / PROTESTERS VOW TO DEFY BAN

## Focus on steadying economies

DAVOS (SWITZERLAND), JAN. 27. Activists pledged to defy a ban on demonstrations on Saturday to take their anti-globalisation message to the rich and powerful attending the World Economic Forum, while authorities tightened their seal around Europe's highest city to try to prevent a repeat of last year's violence.

Rail services to Davos and nearby Klosters, another ski town favoured by Britain's Prince Charles and his sons, was being shut down for 10 hours to try to keep any last-minute stragglers away. Checks were set up on roads and rail lines days ago, with police turning suspected troublemakers away. Police also said they were considering spraying cow manure as a last resort on any anti-globalisation protesters who get out of control. Last year's protesters broke a window at a McDonald's, vandalised several cars and burned an American flag.

While demonstrators outside protest "globaloney," business and political leaders inside were to focus on steadying the global economy, with advice from the Finance Ministers of Germany, France, the former U.S. Treasury Secretary, Mr. Lawrence Summers, and the International Monetary Fund Deputy Director, Mr. Stanley Fischer. Other topics ranged from stability in the Andes with the Colombian President, Mr. Andres Pastrana, to inspiring young people to reach their potential with Oprah Winfrey, Quincy

Jones and the AOL Time Warner President, Mr. Richard Parsons.

969  
On the first full day of the six-day conference, Mr. Vicente Fox, Mexico's President, captured the mood at this Alpine resort with a mix of bravado and concern. "Mexico will be the next success story of our time!" he said, while conceding that his country could be battered if exports to its northern neighbour dry up. "But we are not going to stay sitting at our desk waiting to see what happens," he said. "That's why we're here." The United States accounts for four-fifths of Mexico's total trade, largely due to NAFTA — the North American Free Trade Agreement.

Mr. Fox said he wants a trade agreement Mexico signed last year with the European Union to be as "successful and fruitful," and is also working on a trade pact with South America's biggest countries. Not that U.S.-Mexican ties are becoming less important. The U.S. President, Mr. George W. Bush's decision to make his first foreign trip since taking office to Mexico will send an "important message," Mr. Fox said, adding that he expects to get along with the former Texas Governor. "We both wear cowboy boots," Mr. Fox said. "We both come from farming. We both believe in the future through hard work, discipline and teamwork." — AP

THE HINDU

28 JAN 2001

## A Stern message to rich countries

DAVOS, JAN. 28. Rich countries should unilaterally open their markets to duty-free imports from the 48 identified least developed countries (LDCs) as a "strong expression of moral imperative" to share the benefits of globalisation with the world's poor, the World Bank's chief economist, Mr. Nicolas Stern, has said.

Mr. Stern, who is also the Bank's senior vice-president, said yesterday at the ongoing annual meeting of the World Economic Forum (WEF) that the U.S., European Union and Japan should vie with one another to carry out this "simple" and landmark initiative.

Measures to enable the poor to share the benefits of rapid integration of the global economy are among the subjects being discussed by Government and corporate leaders at the WEF meeting.

"Offering poor nations duty-free access to markets of rich countries would be a good first step but only a start," stern said, adding that high-income economies should also remove existing non-tariff barriers and

avoid imposing new ones. Changes in product standards was cited as one example. A Zero-duty regime for all products from ldc's will appeal to many people in rich countries as fair thing to do.

Though a small number of people in high-income countries would face adjustment costs, stern said a vast majority of people in the poor countries would benefit from wider choices and lower prices.

Stern said by scrapping all tariff barriers to imports from the poorest countries, rich economies would signal their determination to dismantle other barriers like quota, spurious anti-dumping measures, subsidies to domestic producers and imposition of capricious product standards.

The remaining barriers in rich economies to imports from developing nations meant that the gains that poor countries experienced when they liberalised their trade regimes were smaller than would otherwise be the case, Mr. Stern said.

He said the recent World Bank research found that tariff and non-tariff barriers imposed by high income countries, together with agricultural subsidies, cost developing countries much more in lost export opportunities than the approximately \$ 50 billions that they receive in foreign aid each year.

Mr. Stern regretted that too often industrialised economies discouraged imports of precisely those products that developing nations can produce more competitively. Tariffs on labour-intensive manufactured goods such as textiles, clothing and footwear ranged from 15 to 30 per cent, he said.

He said tariff and non-tariff barriers hit potential exporters in the poorest nations especially hard. Hindered by costly and unreliable transportation and communications, and by limited capacity of their Governments to negotiate preferential market access, producers in small, low-income countries find it extremely difficult to compete. — PTI

28 JAN 2001

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# WTO chief seeks new round of trade talks

By Sushma Ramachandran

**NEW DELHI, JAN. 9.** While the visiting Director-General of the World Trade Organisation, Mr. Mike Moore, is keen to hold the new round of trade negotiations along with the next ministerial conference in November, the Commerce and Industry Minister, Mr. Murasoli Maran, today bluntly said implementation issues must first be resolved upfront.

During a 50-minute meeting marked by a candid exchange of views, the Minister made it clear that non-trade issues must be kept out of the multilateral trade agenda even as he stressed that there would be no compromise on the issue of labour standards. He also emphasised the importance of confidence-building measures to restore the credibility of the multilateral trading system among developing countries as a just and fair regime.

WTO sources said that due to the Seattle experience and the concerns of developing countries, launch of a new round at the ministerial meeting would only be attempted if there was complete agreement among members. "It has to be sealed, signed and delivered, otherwise there can be no launch at the conference." Unlike at Seattle, agreement had to be reached on most issues, leaving only one or two to be resolved at the conference, the sources added.

A review meeting of member countries is proposed to be held in April to examine the progress made in various areas and to decide on the conference. This



**Mr. Mike Moore,  
Director-General of  
World Trade Organisation.**

would coincide with the stock-taking review scheduled on the agriculture and services negotiations.

At a media briefing, Mr. Moore sought to emphasise that long hours were being spent at Geneva on resolving issues of implementation of existing agreements — an area of concern for developing countries like India. He was also critical of the growth of regional and bilateral trade pacts arguing that these took away the political will and energy of officials from the multilateral system.

In contrast to Mr. Moore's insistence that much time had been spent on implementation issues, Mr. Maran described the WTO efforts as "disappointing." He said it would be "unfair" to impose fresh burdens without implementing existing commitments and a new round should be launched only after arriving at a

broad consensus on the acceptability of the agenda.

At the same time, India was fully committed to the ongoing mandated negotiations in agriculture and services and the mandated reviews.

"In agriculture, sufficient flexibility for our domestic policies to take care of the country's food security and rural employment concerns should be ensured," Mr. Maran said.

On the new round, he said, "we want the next ministerial meeting of the WTO to succeed and do not want another Seattle. But for the success of the ministerial meeting, confidence-building measures have to be undertaken by the WTO to restore the credibility of the multilateral trading system among developing countries."

Mr. Moore who held a meeting with Indian industry under the auspices of the FICCI agreed with their assessment that there was an explosion of non-trade barriers by developed countries. Denying that the WTO was a "club of wealthy countries," he said NTBs and regional trade pacts could be dealt with by promoting multilateralism through launch of the next trade round.

According to the FICCI vice president, Mr. R.S. Lodha, the meeting focussed on the impact of globalisation on small scale industry and agriculture which had a social dimension. Echoing the Government's concerns, industry also pointed to the need for dealing with implementation before rushing into a new round.

10 JAN 2001