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12.01 hrs.

STATEMENT BY MINISTER
Framework Agreement Adopted By
The World Trade Organisation

Title: Statement regarding the Framework Agreement adopted by the World Trade Organisation on 1.8.2004 and laid a copy of the same on the Table of the House.

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH): Mr. Speaker, Sir, I rise to make a statement on the proceedings of the General Council Meeting of the WTO held in Geneva last month where a Framework Agreement was adopted by the Members on 1st August, 2004...*(Interruptions)*

MR. SPEAKER: It is a very important matter. Let us listen to the hon. Minister.

SHRI KAMAL NATH *: A copy of the Framework Agreement is being placed on the Table of the House.

2. As the hon. Members are aware, the Cancun Ministerial Conference of the WTO held in September, 2003 ended in a stalemate since consensus could not emerge among Member countries on major issues under the Doha Work Programme. Since the multilateral process is important to India, we have been taking an active part in the revival of the Doha process by interacting with both the developing and the developed countries. As a result of these efforts, the Framework Agreement adopted has ensured that the negotiations are back on track. It provides necessary guidance and parameters for further negotiations. The next Ministerial Conference is scheduled to be held in Hong Kong in December, 2005.

3. The issues before the General Council were the same as those before the Cancun Ministerial Conference. Besides taking stock of the progress of negotiations on major issues like Agriculture, Non-Agricultural Market Access and Services, review of progress on the development related issues like Implementation Issues and Special and Differential Treatment provisions was also to be made. A decision on the launch of negotiations on the four Singapore Issues

of Trade and Investment, Trade and Competition Policy, Transparency in Government Procurement and Trade Facilitation was also required to be made.

4. Before participating in the General Council, we held wide-ranging consultations with stakeholders, political parties and trade unions. The inputs we received in these consultations helped us to shape our strategy in the negotiations.

5. Sir, I am happy to announce to the hon. Members that we have been able to achieve all our major objectives in this Framework Agreement. In the crucial area of Agriculture it has been agreed that:

(a) All forms of export subsidies would be eliminated by an end date. This was a major demand of ours since the developed countries are extending support of hundreds of billions of dollars every year to their farmers resulting in artificially low prices of their agricultural products. The commitment in the Agreement is, therefore, a positive achievement. At the same time, the flexibility available to the developing countries like India to provide certain subsidies for export of agricultural products would continue to be available for an even longer period, beyond the elimination of export subsidies by the developed countries."

(b) On trade distorting domestic support, it has been possible to ensure that an immediate commitment in the form of 20 per cent reduction in overall trade distorting support would be made in the very first year itself. Against this, during the entire implementation period of the Uruguay Round only 20 per cent cut was effected in domestic support. Besides, the permissible *de minimis* support in respect of developed countries would be reduced from the present level of five per cent, while developing countries like India that allocate almost all *de minimis* support to subsistence and resource-poor farmers will not have any obligation to reduce their existing level of *de minimis* support of 10 per cent. Thus, our concerns relating to protection of the support we extend to resource poor farmers have been adequately addressed.

(c) The Blue Box, hitherto uncapped, will be capped at five per cent from the first year of the implementation period itself. A modified Blue Box can be created only after agreement among Members on the criteria, which would be subject to negotiations.

(d) On market access, the Agreement envisages that higher rates of tariff will face higher levels of cuts. Since the

reduction required is from bound rates, which in the case of India are usually much higher than the applied rates, we have an adequate cushion of comfort. On the other hand, developed countries, which do not have this cushion, will have to effect real and deep cuts. Thus market access for our products would increase.

(e) Further more, the following elements in the Framework provide us the necessary comfort:

- i. the principle of proportionality will enable developing countries to make lower rates of reductions as compared to developed countries;
- ii. we would have greater flexibility in the number of sensitive products and their treatment than that permitted to developed countries;
- iii. we are also eligible to designate an appropriate number of products as Special Products – this is available only to developing countries – based on our food and livelihood security or rural development needs;
- iv. the Framework Agreement also provides for use of a Special Safeguard Mechanism triggered by prices or quantity, against surge in imports which would safeguard domestic producers in developing countries;
- v. the Framework Agreement clearly stipulates that the negotiations will have to take into account the concerns of developing countries relating to rural development, food security and livelihood security needs as regards tariff reduction formula, the number and treatment of sensitive products, expansion of the tariff quotas and the implementation period.

6. In the area of industrial products, covered under Non-Agricultural Market Access Negotiations, our concerns were mainly focussed on the twin issues of protection to the sensitive items, and to the nature of the sectoral approach – whether voluntary or mandatory. The introduction of specific language in the Framework Agreement ensures that any decision that may be taken in the future will take care of our concerns. The negotiation on a formula in this sector could lead to more market access for us in developed countries by bringing down peak tariffs and reducing tariff escalations in products of export interest to India, such as textiles and leather. The Framework, while providing for less than full reciprocity in tariff reduction commitments, also envisages additional flexibility in the treatment of some of the tariff lines, through either no cuts or through reduced cuts.

7. In the negotiations on Services, we have an offensive agenda, and in the Framework Agreement, it was possible to incorporate specifically an area of major interest to us namely, Mode 4, that is, movement of natural persons, trans-national movement of persons. The Agreement envisages furnishing high quality offers in sectors and modes of supply of interest to developing countries to be made in a time-bound manner.

8. The Framework Agreement has also made a firm commitment to addressing the specifically development-related issues like Implementation Issues and operationalisation of Special and Differential Treatment provisions on a time-bound basis.

9. One of our significant achievements in the Framework Agreement is the removal of three of the four Singapore issues on which we had objections, namely, Investment, Procurement and Competition. The fourth issue, Trade Facilitation, which continues to be on the agenda, is an area of special interest to us since what may be expected from this negotiation would be a continuation of our autonomous reform process in this area. Trade facilitation essentially means simplification and transparency in customs procedures, cutting down on transaction costs, etc. Reforms in the customs procedures of other countries as well and an effective cooperation mechanism between customs administrations would greatly benefit our exporters.

The Framework Agreement is the first major stage towards conclusion of the Doha Work Programme since it lays down the principles and criteria. The next step would be finalisation of modalities, including formulae for reduction in tariffs and domestic support, setting the actual date for elimination of export subsidies for agricultural products and giving shape and meaning to the various special provisions we have managed to incorporate in the Agreement.

We have been helped to a large extent by our ability to develop and maintain issue-based alliances with like minded countries. The G-20 alliance on Agriculture stayed together and met frequently to decide on the strategy. On Singapore Issues a significant role was played by the G-16. On the issue of Special Products the Group of 33 was our firm ally. We also made special efforts to develop common grounds on a number of issues with the G-90 countries, consisting of ACP countries, *i.e.* Asian, Caribbean and Pacific countries and the Least-Developed countries. The Five Interested Parties (FIPs) consisting of India, US, EU, Australia and Brazil played perhaps the most pivotal role in evolving consensus on the Framework in Agriculture. We are committed to continuing to work in close cooperation with other WTO Members and groupings on issues of interest to us in the next stage of negotiations.

We attach due importance to the smooth functioning of the multilateral trading system. We are determined to ensure that, as negotiations proceed based on the Framework that has been recently agreed upon, our core concerns continue to be adequately addressed. Our approach to the negotiations will be dictated by our national interests,

especially our concerns for the millions of farmers who are dependent for their livelihood on agriculture, as also our objective of stimulating economic activity through export of our goods and services. We are determined to pursue our interest in this and other areas vigorously.

* (Also Placed in Library. See No. LT 484/04)

SHRI BASU DEB ACHARIA (BANKURA): Sir, there should be a full-fledged discussion on this.

श्री रघुनाथ झा (बेतिया) : अध्यक्ष महोदय, यह नीति विायक वक्तव्य है।

MR. SPEAKER: Let me speak.

श्री रघुनाथ झा : एक मिनट आप पहले हमारी बात तो सुन लें। यह नीति विायक वक्तव्य है। इसके लिए आप समय निर्धारित करें, क्योंकि हम लोग इस पर बहस करना चाहते हैं। (व्यवधान)

MR. SPEAKER: You cannot speak without my permission.

...(Interruptions)

श्री मोहन सिंह (देवरिया) : इस पर चर्चा की अनुमति दें।

MR. SPEAKER: This is an important subject. I shall allow a discussion on this. You give a notice. That is what I wanted to say.

श्री रघुनाथ झा : इसीलिए हमने आपसे कहा था कि पहले एक मिनट आप हमारी बात सुन लें।

अध्यक्ष महोदय : अब आप गुस्सा न करें, मैंने सहमति प्रकट कर दी है।