

**ADDRESS BY SHRI ANAND SHARMA  
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ON 'WTO NEGOTIATIONS & INDIA: THE ROAD AHEAD'  
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Ladies and Gentlemen

It gives me great pleasure to be here today to speak on the WTO negotiations.

I understand that FICCI has taken a lot of initiative to regularly disseminate information to stakeholders on this complex subject as well as to support Government in its efforts to reinforce the views of developing countries at the WTO.

The Doha Round of multilateral trade discussions in the World Trade Organisation is now at a critical juncture. The choice of subject for this meeting is, therefore, apt as it allows me to update you on recent developments as well as to benefit from your views.

## THE GLOBAL ECONOMIC CRISIS

The world is facing truly daunting challenges. For the first time since 1945 the world economy is expected to shrink. Trade is projected to contract, also for the first time in the last 30 years.

We do not yet know how wide and deep the impact of the crisis will be. Some economies have been hit really hard; others seem to be weathering it somewhat better. But, there is no disputing the fact that in a rapidly globalising world no country can escape unscathed.

There are huge social implications. The World Bank estimates that there will be 53 million more people living in poverty in 2009. There will be a serious setback to the attainment of the Millennium Development Goals, an impact solely felt in developing countries. The least developed countries (LDCs) and the small vulnerable economies (SVEs) have been disproportionately affected because their growth is heavily dependent on trade.

Trade finance had all but collapsed towards the end of last year. There are some signs of revival. However, the situation is far from returning to normal. As in the area of finance, international trade too depends on trust – between parties trading with each other as well as banks, insurance and other institutions that sustain trade. This matter needs priority attention and reviving trade is essential.



The G-20 Summit of November 2008 exhorted countries not to take protectionist measures or stances, but before the ink had dried on those commitments, many countries resorted to overt protectionist measures at the behest of strong domestic agricultural and industrial interests.

According to a World Bank study, since the beginning of the financial crisis, roughly 78 trade measures have been proposed and/or implemented. Of these, 66 involved trade restrictions, and 47 trade-restricting measures eventually took effect.

The effects of these measures are likely to be minor relative to the size of unaffected markets but they have a significant negative effect on particular exporters shut out of markets.

Inevitably, globalisation will be blamed in a crisis of this magnitude. There will be pressures on governments to turn inwards. But yielding to such pressures can only lead us into a self-defeating spiral of protectionism. Protectionism simply does not work. We must learn from history so as to not repeat our mistakes.

India has amply demonstrated its commitment to open trade by refraining from resorting to protectionist measures despite a slowdown in exports.

## **THE DOHA ROUND**

Let me turn now to the Doha Round. Some are of the view that the economic crisis does not augur well for the successful completion of the Round. In my view, however, and I am sure you would agree, a fair and satisfactory outcome to the trade negotiations can actually be a catalyst for the combined international effort to break free of the economic crisis.

And what of developing countries?

Developing countries have the most at stake in this Development Round. Multilateralism best serves the needs of developing countries and must be strengthened, particularly in this time of crisis. An early conclusion of the Doha Round is necessary not only to give a stimulus to the global economy but also to support LDCs and SVEs.

## **INDIA'S POSITION**

India has always been an ardent proponent of a fair, equitable and rule-based multilateral trade regime.

India stands committed to bringing Doha to a successful and early conclusion and is keen to resume negotiations as quickly as possible. I have repeatedly signalled our commitment at recent international meetings including a meeting of the Cairns Group at Bali, Indonesia in June and at the OECD Ministerial in Paris to re-energise the negotiations.

India will also host a Ministerial meeting in September to impart the necessary impetus.

### **Development concerns**

On the whole, the climate is conducive for the WTO Members to return to the negotiating table. Having said that, however, I am of the view that substance and not timelines should be the main driver of the Round. **Development is at the core of the Doha Round and cannot be compromised.**

On this count, India's position is unequivocal.

Developing country concerns about the food and livelihood security of their poor and vulnerable farming community and adequate protection of their vulnerable industrial sectors, must be addressed in this Round.



In the agriculture negotiations, a substantial and effective reduction in domestic support and tariffs on agriculture products by developed countries and sufficient flexibilities for developing countries to protect and promote the interests of their low income and resource poor farmers is a priority for India. For years, international agricultural trade and production has been distorted by the large subsidies provided by the rich developed countries to their farmers.

Under the Non-Agricultural Market Access (NAMA) negotiations, India has been negotiating for flexibilities that are both appropriate and adequate to protect its cottage, micro, small and agro-based industries.

We also have major concerns in the area of Fisheries Subsidies, which form part of the Rules Negotiations. Another area on which negotiations are under way is Services. India is very keen to take the services negotiations forward as services contribute to more than 55% of our GDP and a substantial portion of our trade. Services are a major driver of India's economic growth and development and provide opportunities for gainful employment.

### **The Need for Continuity of Approach**

For those of you not familiar with the intricacies of the negotiating process, the approach followed thus far in the negotiations has been to get members to first agree on modalities. These include the formulae and methodology for cutting tariffs on agricultural and industrial goods, reducing domestic subsidies in agriculture, phasing out export subsidies, the contours of flexibilities/exemption from tariff cuts on both agricultural and industrial goods etc. To facilitate this, the Chairs of the respective Negotiating

Groups have been bringing out draft modalities which members then discuss further. Members have to agree on these first.

Of late there have been some demands for a new approach to the negotiations; that is, to skip the modalities stage and move straight to notifying individual member commitments.

These new approaches are all euphemisms for getting members to reveal where their sensitivities lie. This is not acceptable to India and the majority of other WTO members. **There must first be agreement on modalities.**

A huge amount of work has gone into preparing the draft texts of 6 December 2008 for Agriculture and NAMA and we have made it clear **these must be the basis on which further negotiations are held.**

## **CONCLUDING REMARKS**

Technical discussions will resume at the WTO this month. By the end of July, we can expect to have a roadmap for the negotiations.

Full fledged negotiations will most probably resume in September. However, a quick closure is unlikely, given the large number of issues remaining unresolved.

While a lot of momentum has been generated to re-start the Doha discussions, the road ahead is filled with challenges.

Contrary to the impression that gained ground after a ministerial meeting of the WTO in July last year, several negotiating gaps remain. It will take time and intensive dialogue to find solutions and to attain an overall balance in the final outcome. The Doha Round has seen 8 years of hard negotiating work. Selectively reopening issues can jeopardise this delicate balance.

The challenge that WTO members face in this Round is to reconcile the legitimate aspirations of developing countries with the expectations of the developed world.

In a truly integrated world, collective global economic health is a public good; the prosperity of developed countries is inextricably linked to the economic well being of developing countries.

Thank you.

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