

Parliament in the Era of Globalization and Liberalization



Lok Sabha Secretariat
New Delhi
January 2003

**PARLIAMENT IN THE ERA OF GLOBALIZATION
AND LIBERALIZATION**

**LOK SABHA SECRETARIAT
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PREFACE

Globalization has brought about a sea change in the world economic scenario. It has helped in the integration of the world economies, especially through trade and financial flows. However, it poses major challenges to the policy makers and the national governments all over the world to ensure economic growth and development with equity and justice. It is imperative that the benefits of globalization are realized and equitably shared by all countries.

This background paper, based on published sources, focuses, *inter alia*, on the functioning of the World Trade Organization; role played by Parliaments and Governments in the formulation of policies and strategies to facilitate globalization and liberalization; and the impact of globalization on the Indian economy. The information contained in the background paper, however, may not be construed as the views of the Lok Sabha Secretariat or as the official position of the Government of India.

New Delhi
January 2003

G.C. MALHOTRA
Secretary-General
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ABBREVIATIONS

ADB	-	Asian Development Bank
ASEAN	-	Association of South East Asian Nations
ASSOCHAM	-	Associated Chambers of Commerce and Industry of India
CII	-	Confederation of Indian Industry
CTD	-	Committee on Trade and Development
CTE	-	Committee on Trade and Environment
CTG	-	Council for Trade in Goods
CTS	-	Council for Trade in Services
DRSCs	-	Departmentally-Related Standing Committees
DSU	-	Dispute Settlement Understanding
EMRs	-	Exclusive Marketing Rights (for Services)
ESM	-	Emergency Safeguard Measures (for Services)
FAO	-	Food and Agricultural Organisation
FDI	-	Foreign Direct Investment
FICCI	-	Federation of Indian Chambers of Commerce and Industries
GATS	-	General Agreement on Trade in Services
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
HIPC	-	Heavily Indebted Poor Countries Initiative
ICN	-	International Competition Network
ILO	-	International Labour Organisation
IOR-ARC	-	Indian Ocean Rim-Association for Regional Cooperation
IPU	-	Inter-Parliamentary Union
ITEC	-	Indian Technical and Economic Cooperation
LDCs	-	Least Developed Countries
MEAs	-	Multilateral Environment Agreements
MGC	-	Mekong-Ganga Cooperation
NBFCs	-	Non-Banking Financial Companies
NFDCs	-	Net-Food Importing Developing Countries
NG Rules	-	Negotiating Group on Rules
NGMA	-	Negotiating Group on Market Access

NGO	-	Non-Governmental Organisation
OECD	-	Organisation for Economic Cooperation and Development
RTAs	-	Regional Trade Agreements
S&D	-	Special and Differential Treatment
SAARC	-	South Asian Association for Regional Cooperation
SAFTA	-	South Asia Free Trade Area
SEBI	-	Security and Exchange Board of India
SPS	-	Sanitary and Phytosanitary
TRIMs	-	Trade-Related Investment Measures
TRIPS	-	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNEP	-	United Nations Environment Programme
WCO	-	World Customs Organisation
WTO	-	World Trade Organisation

PART - I
GLOBALIZATION : AN OVERVIEW

Parliaments, the world over, play an important role in the formulation of policies for economic development of their countries. They also assist and guide the governments in taking appropriate stand in various fora on issues concerning economic development of their respective countries. This role of Parliaments has become more important and crucial in the era of globalization and liberalization.

Concept of Globalization

The defining moment of "globalization" can be traced back to the Bretton Woods meeting of 1944, when the ideology of globalization—which accelerated growth through global free trade and deregulation—was institutionalized. As one looks back 58 years later, one can see that economic growth, international trade, and foreign direct investment have increased several times. Yet, the prosperity is still to reach the majority of the world's people.

"Globalization" has been interpreted differently by various quarters depending on their interests and perspectives. According to the International Monetary Fund, "Globalization is characterized by increases in flows of trade, capital and information, as well as mobility of individuals, across borders. It is not a new phenomenon—globalization has progressed throughout the course of recorded history although not in a steady or linear fashion."

David Held and Anthony McGrew write in their entry for Oxford Companion to Politics that globalization can be conceived as a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions, expressed in transcontinental or interregional flows and networks of activity, interaction and power.

In a true economic sense, globalization implies greater economic interaction with the world economy in trade, investment, flow of information, knowledge, technology, financial flows, travel, greater mobility of labour, etc. The increased interaction with the world economy is expected to be facilitated by an overall reduction in the cost of transactions and communication.

In the last two decades, the world has experienced marked changes in its political and economic milieu. Several emerging economies, following the centrally planned 'command' economic structures, have shifted to market-oriented economic policy regimes. Globalization has shrunk economic space, obliterated national barriers and has brought different markets, cultures, societies and religions, in close contact with each other.

Benefits of Globalization

The benefits of globalization lie in the growth of foreign trade resulting in improvements of productivity and competition and expansion of employment opportunities. Productivity expansion is also experienced through integration of markets, access to new technologies, migration of best-practice systems between borders, greater flow of information and increased access to capital. The improvements in growth, productivity and creation of new opportunities are expected to impact positively the chronic problems of poverty and unemployment.

Pitfalls of Globalization

The process of globalization has its pitfalls also. Till now, the experience with globalization has not been equally encouraging for all countries. The advanced richer nations appear to have utilized globalization better due to their inbuilt capabilities. Some of the relatively better-off developing countries have been able to improve their income and consumption levels. But most of the poorer nations are unable to utilize the advantages of globalization due to lack of quality physical infrastructure and adequate social and human development.

Globalization has thrown an enormous challenge to policy makers and governments world-wide. The challenge lies in ensuring that the benefits of globalization are fully realized and equitably shared both between countries at the global level and within countries at the national level.

Greater integration of economies has been accompanied by some unexpected volatilities in flow of capital and movement of exchange rates, which entail some macro economic difficulties for emerging economies. Developing economies, in particular are also vulnerable to the shocks of adjustment both in domestic and external spheres. The burden of adjustment to new policy regimes can often be heavy both socially and economically. It is in this context that the entire issue of equity emerges central to the success of the process of globalization.

Management of Globalization: A Developing Country's Perspective

Integrated management of macro-economic and social policies is not always easy in situations of change and fluctuations that might arise from efforts to globalize.

The political challenge of managing globalization is significant for low-income countries where the bulk of the population depend on agriculture for survival, and the problems of poverty and unemployment continue to be serious.



The experience of globalization has pointed out that at specific country levels, exogenous developments, beyond the control of national governments often affect their development efforts. Governments in emerging economies should emphasise upon social and human resource development by creating adequate safety nets for vulnerable sections and by spending more on social sectors. It is important for developing economies to restructure gradually and offer protection to their poor for lessening the burden of adjustment.

India acknowledges the benefits of globalization. Over the years, it has considerably liberalized its trade, investment and industrial policies. However, India has also carefully phased its process of economic liberalization so as to minimise hardships for the poor.

Role of Developed Countries in Ensuring Equity

In order to utilize the advantages of integrating markets and reduced transaction costs of doing business, the developing countries must have necessary resources.

In this regard, the declining volume of Overseas Development Assistance (ODA) in recent years is a worrying feature. Multilateral institutions like the World Bank should ensure disbursement of greater assistance in infrastructure and human resources. The issue of securing greater market access is important for developing countries. The farm sector in richer countries is more subsidized in comparison to the developing nations which is a major constraint for the latter in gaining access to overseas developed country markets. Besides, exports from developing countries continue to attract tariffs that are much higher than those imposed on products from developed countries.

The systemic constraints affecting free exchange of goods and services and global movement of capital and labour, should be removed for enabling developing countries to participate more effectively in globalization.

PART - II
WORLD TRADE ORGANIZATION (WTO)

Over the years, international economic integration has risen dramatically on the back of falling transport costs and flows of migration and capital to new lands. Today, this is being propelled not only by economic considerations but also by the revolution in information technology and electronics. Recent and ongoing changes in communication technology and the increasing spread of Internet have added many new dimensions to the existing modes of trade and commerce.

The international trading system had functioned under the aegis of the General Agreement on Tariffs and Trade (GATT) since its inception in 1947. The world trade system and its rules were developed through a series of trade negotiations or rounds held under the GATT. The first few rounds dealt mainly with tariff reductions but later negotiations included other aspects also such as anti-dumping and non-tariff measures. The latest and the most comprehensive round 1986-1994—the Uruguay Round—led to the formation of World Trade Organization (WTO) in 1995. While GATT covered trade in goods, the scope of the Uruguay Round was extended to cover a wide range of activities including trade in services—transport, banking, insurance, telecommunications, consultancy, etc., trade in ideas— inventions and designs, and trade in goods and services incorporating intellectual property and much more. Even the sectors of agriculture and textiles which were, for all practical purposes, outside the ambit of GATT, were brought into the fold of multilateral trade negotiations.

Preamble of WTO

The World Trade Organization has now 144 members, accounting for over 90 per cent of world trade. 25 others are negotiating membership of the WTO. The WTO recognizes in its preamble that relations among countries in the field of trade and economic endeavour "should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development".

Objectives of WTO

The WTO's overriding objective is to help trade flow smoothly, freely, fairly and predictably. It does this by:

- Administering trade agreements;
- Acting as a forum for trade negotiations;

- Settling trade disputes;
- Reviewing national trade policies;
- Assisting developing countries in trade policy issues, through technical assistance and training programmes; and
- Cooperating with other international organizations to achieve greater coherence in global economic policy-making.

WTO and Decision-Making Structure

Decisions are made by the entire membership of the WTO. This is generally by consensus. The WTO's top decision-making body is the *Ministerial Conference* which meets at least once every two years. Below this is the *General Council* (normally ambassadors and representatives of delegations in Geneva), which meets several times a year, as appropriate, in its headquarters in Geneva. The General Council has the authority to act on behalf of the Ministers. The General Council also convenes as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Council for Trade in Goods (CTG), the Council for Trade in Services (CTS) and the Council for TRIPS report to the General Council. Numerous *specialized committees, working groups* and *working parties* deal with individual agreements and other areas such as the environment, development, applications for accession to the WTO and regional trade agreements.

India is a founder member of both the GATT and the WTO. India has consistently supported the primacy and strengthening of the rule-based multilateral trading system, now represented by the WTO.

WTO's Agreements

At the heart of the system are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations, who are now its members and ratified by their Parliaments. These agreements provide the legal framework and the rules for international trade and commerce. Essentially, they are in the form of contracts guaranteeing member countries' important trading rights while also carrying with them certain obligations. They also bind Governments to keep their trade policies within the agreed framework to the mutual advantage of all members.

The WTO agreements consist of 16 Individual legal texts and an understanding on settlement of disputes. Added to these are several Ministerial Declarations, Decisions and Understandings which spell out further obligations and commitments for WTO members. A major contribution of WTO has been the evolution of an effective dispute settlement procedure so as to provide security and predictability to the multilateral trading system.

WTO and its Ministerial Conferences

The highest decision-making body of the WTO *i.e.* the Ministerial Conference, takes decisions on all matters under any of the multilateral trade agreements. It has so far met four times *i.e.* the First Ministerial Conference in Singapore, 1996; the Second in Geneva, 1998; the Third in Seattle, 1999; and the Fourth in Doha, 2001. The Fifth Ministerial Conference will be held in Cancun, Mexico from 10 to 14 September 2003.

The First Ministerial Conference added three new working groups to this structure. They deal with the relationship between trade and investment, the interaction between trade and competition policy and transparency in government procurement. The first Ministerial Conference also instructed the CTG to start exploratory and analytical work on "the simplification of trade procedures in order to assess the scope for WTO Rules in this area". This is known as "Trade Facilitation". It also adopted the Ministerial Declaration on Information Technology.

The Second Ministerial Conference decided that the WTO would also study the area of electronic commerce, a task to be shared among existing councils and committees.

At the Third Ministerial Conference at Seattle, efforts were made by a large number of member countries to seek an endorsement for the launch of a comprehensive round of negotiations, covering a wide range of subjects, including proposals to introduce regimes on investment, competition policy, transparency in government procurement, trade facilitation, trade and labour standards and trade and environment. But these were not successful and no decision could be adopted.

The Fourth Ministerial Conference

The development dimension has been clearly acknowledged in the Ministerial Declaration¹ adopted at the Fourth Ministerial Conference held at Doha (Qatar) from 9 to 14 November 2001. The work programme adopted by this Declaration has now been named as "Doha Development Agenda". The implementation related concerns² of the developing countries have been clearly acknowledged and a Decision thereon was adopted at this Ministerial Conference. A number of implementation issues have been addressed at Doha. The remaining are part of the work programme to be conducted post Doha. The Ministers at the Conference also decided to give primacy to the public health over patents by adopting a separate Declaration on Trade

¹For the Text of the Declaration, *See* Annexure-I

²The implementation issues are: Agreement on Agriculture; Agreement on the Application of Sanitary and Phytosanitary Measures; Agreement on Textiles and Clothing; Agreement on Technical Barriers to Trade; Agreement on TRIMs; Agreement on TRIPS, etc.

Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health. The Special and Differential³ treatment for developing countries has been mainstreamed into the Work Programme resolved upon by the Ministers at the Doha Conference.

Status of Negotiations at various Committees and India's Position

Agriculture

Negotiations on agriculture began in 2000 under the "built-in-agenda" of the Uruguay Round, based on the mandate in Article 20 of the Agreement on Agriculture with the long-term objective of establishing "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". These negotiations are now part of the Work Programme adopted at Doha.

During the year 2002 three special sessions have been held—on export competition, on market access and on domestic support. India also made initial negotiating proposal along with many other member countries. In the discussions there seems to be a clear divide between the protectionist group led by the European Communities (EC) (including Japan, Norway, Korea, etc.) and the pro-liberalization group led by the Cairns Group and the US on each of these three pillars of negotiations. The pro-liberalization group favours substantial reduction in tariffs and domestic support and elimination of export subsidies. The protectionist group favours the Uruguay Round-approach with gradual tariff reductions. However, the EC strongly supports incorporation of non-trade concerns, such as animal welfare and food safety, in the negotiations. Members of another group consisting of newly acceded countries, like China and Croatia, do not want any cuts for themselves, though they press for substantial market access commitments from others. Among other developing countries, the Net-Food Importing Developing Countries (NFIDCs) oppose substantial reductions in export subsidies, while small economies based on single commodity exports, such as Mauritius and the Caribbean, prefer maintenance of preferential market access into major markets.

Services

The area of services was a new subject that, along with rules for trade-related aspects of intellectual property rights, marked an important

³The WTO agreements contain special provisions which give developing countries special rights. These special provisions include, for example, longer time periods of implementing agreements and commitments or measures to increase trading opportunities for developing countries.

break in the changeover from the GATT to the WTO. Like agriculture, negotiations on services commenced in 2000 as per the mandate in Article XIX of the GATS. The services negotiations now form part of the Work Programme adopted at Doha. Because of the progress already made in the negotiations on services, this was a relatively non-controversial issue at Doha. Generally, the negotiating proposals demonstrate the position of WTO members; they aim at achieving extensive liberalization commitments in all sectors, except health (the only sector where there is no GATS negotiating proposal), by removing existing barriers to trade and expanding the scope of the commitments.

The Doha Declaration mandates that initial requests are filed by 30 June 2002 and initial offers by 31 March 2003. The process of filing requests has been initiated and India has forwarded its requests in respect of Medical, Dental and Health Services, Audio-Visual Services, Tourism Services, Architectural Services, Computer Related Services and Maritime Services. The formulation of requests in some other sectors of interest to India are currently underway. These are Accountancy, Auditing and Book Keeping Services, Urban Planning and Landscape Services, Construction and Engineering Services and Education. A series of bilateral meetings were held with important trading partners at Geneva from 28 October to 1 November 2002 wherein India's requests were clarified to them and an attempt was made to understand the requests made on India by other WTO Members and the priority attached to these requests by the trading partners.

Market Access for Non-agricultural Products

In respect of negotiations on market access for non-agricultural products, the WTO aims 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* exclusion. The negotiations shall take fully into account the special needs and interests of developing and Least-Developed Countries (LDCs) including through less than full reciprocity in reduction commitments. The modalities to be agreed will include appropriate studies and capacity building measures to assist LDCs to participate effectively in the negotiations.

An agreement on the timeframe for the modalities discussions has also been reached. Proposals submitted until 31 December 2002 will be fully taken into account in a consolidated overview of proposals to be submitted to participants at the first meeting of the Negotiating Group on Market Access (NGMA) in 2003. A common understanding on a possible outline of modalities is to be reached by the end of March 2003 with a view to reaching an agreement on the modalities by 31 May 2003. India has submitted its initial thinking on modalities on 18 October 2002.

Trade and Environment

With a view to enhancing the mutual supportiveness of trade and environment, the Committee on Trade and Environment (CTE) in the WTO has been examining, *inter-alia*, the scope of complementarities between trade liberalization, economic development and environment protection. On the issues of Market Access for environmental goods and services, it has been decided that these negotiations for environmental goods would be carried out in NGMA while those for environmental services in Special Sessions of the CTE. CTE has been discussing as to what products could be considered as environmental goods.

Three meetings of the CTE, regular and Special Sessions have been held in 2002. The CTE in its meeting in March 2002 placed special emphasis on the item in para 32 (j)⁴ of the Doha Declaration, 2001 'the effect of environmental measures on market access...' India submitted a paper on this issue. The CTE discussed the issue of the 'TRIPS Agreement', in June 2002 meeting, of 'eco-labelling' in September 2002 meeting. The CTE also discussed the issues of technical assistance, environmental reviews and procedure for discussing environmental aspects of negotiations in CTE. The CTE has to submit a report under para 32⁵ of the Doha Declaration, 2001 to the Fifth Ministerial Conference to be held in 2003 on the need for any clarification in WTO Rules, including on the desirability of negotiations.

Trade Related Aspects of Intellectual Property Rights

The Doha Ministerial Declaration stresses the importance of implementation 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.

The negotiations for establishing a multilateral system for notification and registration of geographical indications for wines and spirits began in the Special Session of the TRIPS Council. As per the mandate given by the Doha Declaration in para 17⁶, these negotiations should be completed by the Fifth Ministerial Conference to be held in Cancun in 2003. The EC and other European countries have proposed for a register wherein the products included would be deemed to have been registered in all member countries. India has proposed that the multilateral register should be extended for products other than wines and spirits also.

⁴For details of para 32 and para 32 (j) *see* Annexure I

⁵*Ibid.*

⁶*Ibid.*

The TRIPS Council is addressing the following issues in accordance with the mandate given by the Doha Ministerial Conference:

- The issue of exports to countries with limited or no manufacturing capacities in pharmaceutical sector;
- Additional protection to geographical indications of products other than wines and spirits;
- The relationship between the TRIPS Agreement and Convention on Biological Diversity (CBD) and protection of traditional knowledge and folklore.

Rules & Regional Trade Agreements

The WTO rules say that Regional Trade Agreements (RTAs) have to meet certain conditions. But interpreting the wording of these rules has proved controversial, and has been a central element in the work of the Committee on Regional Trade Agreements (CRTA). As a result, since its Constitution in February 1996, the Committee has failed to complete its assessments of whether individual trade agreements conform to the WTO provisions. This is now an important challenge, particularly since customs unions and free trade areas have greatly increased in number and importance since the establishment of the GATT in 1947 and today cover a significant proportion of world trade. In view of this, the Doha Declaration mandates negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to the RTAs. These negotiations shall take into account developmental aspects of RTAs.

These negotiations are currently being undertaken in the Negotiating Group on Rules (NG Rules). Besides RTAs, NG Rules is also the negotiating forum for anti-dumping and subsidies, including the fisheries subsidies. In respect of Anti-dumping and Subsidies Agreement the various proposals submitted to the NG Rules have generally sought strengthening of disciplines. India has made two submissions to the NG Rules. The first submission has sought Special and Differential (S&D) treatment for developing countries during anti-dumping and countervailing duty investigations. The second submission has identified specific provisions of the Anti-Dumping Agreement which require amendments. Two joint submissions have been made by Brazil, Chile, Colombia, Costa Rica, Hong Kong, China, Israel, Japan, Korea, Mexico, Norway, Singapore, Switzerland, Thailand and Turkey. The EC has proposed taking public interest into consideration before application of an anti-dumping measure and has suggested a swift dispute settlement mechanism for considering issues relating to initiation of investigations. While seeking to preserve trade remedy rules as a necessary response to the trade-distorting practices that continue to burden global trade, the US is also seeking enhanced disciplines on trade-distorting practices. So far only one substantial proposal has been submitted on the Subsidies Agreement. This proposal from Brazil addresses various issues relating to the countervailing duty investigation procedure.

Apart from negotiations on Anti-Dumping Agreement and the Subsidies Agreement, the NG Rules has also been discussing issues relating to RTAs and Fisheries Subsidies. In respect of RTAs, concern has been expressed by various countries at the increasing number of such agreements that could undermine the multilateral trading system as preferences are exchanged between parties to RTAs and are not extended to non-members.

In respect of Fisheries Subsidies, the proponents, including the US, New Zealand, Australia, Chile, etc. are seeking strengthened disciplines on subsidies given in this sector. It is their view that Fisheries Subsidies are leading to exploitation beyond sustainable capacity which has resulted in over-exploitation of fisheries resources. The proponents consider that the heterogenous nature of the products in this sector precludes a meaningful application of the existing provisions of the Subsidies Agreement and hence are seeking a possible sectoral agreement on such subsidies. The opponents, which include Japan and Korea, are of the view that heterogenous nature of products is not unique to the fisheries sector and it is a generic issue, and hence, there is no need for a separate sectoral agreement for fisheries.

Dispute Settlement Understanding (DSU):

The Doha Declaration agreed to negotiations on improvements and clarifications of the DSU. It mandates that negotiations should be based on work done until then (November 2001) as well as any additional proposals by members. Major issues and points for clarifications of the DSU are discussed in the Special Sessions of the Dispute Settlement Body (DSB) and this will be followed by focused discussion on specific proposals of member countries. The Doha Ministerial deadline for finalization of the DSU negotiations is May 2003. Comprehensive sets of proposals have been tabled by the EC, India along with certain other countries, Australia, LDCs, Africa Group, Costa Rica, Mexico, Japan, etc.

Development Issues

(i) Implementation Issues: Implementation Issue concerns fall broadly into three categories: first, imbalances inherent in some of the Uruguay Round Agreements like (Trade-Related Aspects of Intellectual Property Rights (TRIPS), Trade-Related Investment Measures (TRIMs) and Subsidies and Countervailing Agreements); second, lack of sincere implementation of provisions in favour of developing countries (e.g. Agreement on Textile & Clothing, General Agreement on Trade in Services (GATS); and third, the non-implementation of "special and differential treatment" clauses which have remained in the nature of "best endeavour clauses".

Developing countries have emphasized that it is necessary to address these issues satisfactorily in time as the context in which early resolution is sought now is totally different from the context prior to Doha.

(ii) Special & Differential (S&D) Treatment : The Doha Declaration reaffirmed that S&D provisions are an integral part of the WTO Agreements. The Ministers noted the concerns expressed regarding their operation in addressing specific constraints faced by developing countries. The Work Programme contained in the Ministerial Declaration and in the Decision on Implementation Issues suggests a desire to strengthen the relevance of S&D treatment in all topics for negotiation, and specific paragraphs in the Declaration reinforce the concept as such. The Doha Declaration agrees that S&D provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational.

As per the Doha mandate, the Committee on Trade and Development (CTD) in its Special Session was required to come up with its recommendations to the General Council (GC) by July 2002 on how to make S&D clauses precise, effective and operational. This deadline was extended up to 31 December 2002 by the General Council. India has submitted its specific proposal on a number of S&D clauses pertaining, *inter alia*, to Agreements on Agriculture, Import Licensing, Rules and Sanitary and Phytosanitary (SPS). India has also expressed concern in the GC on the lack of progress on S&D issues and the missing of the Ministerial deadline of July 2002. Developing countries are concerned with the perceptible reluctance of developed countries to engage in meaningful negotiations on S&D issues.

(iii) Technical Assistance : Activities to impart technical assistance to developing countries and LDCs are being carried out by the WTO as part of the WTO Secretariat's Annual Technical Assistance Plan. The developing countries have emphasized that the technical cooperation should ensure creation of hardware and trained human resources in order to ensure that the fruits of Doha are reaped by the developing countries.

Singapore Issues

The Singapore Ministerial Conference mandated study of four issues, commonly known as 'Singapore Issues'. As regards issues related to investment, competition policy, transparency in government procurement and trade facilitation, India has been emphasizing that discussions are in study mode and hence must proceed on the basis of the Doha Declaration read along with the understanding of the Chairman of the Doha Ministerial Conference before the adoption of the Ministerial Declaration. The Chairman, in his understanding, stated that at the 5th Ministerial Conference, each member had the right to take a position on modalities that would prevent negotiations on these issues from proceeding until that member was prepared to join in an explicit consensus. No attempt should be made to offer varying interpretations to the mandate agreed by the members at the Doha Ministerial Conference. However, proponents like the EC take the position that negotiations on Singapore Issues will commence after the 5th Ministerial

Conference at Cancun and results thereof would be part of the single undertaking under the Doha Work Programme.

(i) Relationship between Trade and Investment

The Ministers at Doha agreed that the Working Group on this issue would continue with its study process and focus on issues identified in the Declaration by working 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 the needs of developing and least developed countries.

While a number of developing countries indicated reservations on the elements of a possible multilateral framework on investment, nobody has come forward to object formally to the idea of an investment framework as such. However, the need for taking into account the development dimension in any possible framework has been emphasized by a large number of developing countries. India brought out the inherent difference between investment flows and trade flows and highlighted as to why the WTO platform is not suited for making investment rules. India also highlighted the need to examine implications of closer multilateral cooperation on investment as far as developing countries are concerned. It was also emphasized that rules on entry and establishment of foreign investment belonged to the sovereign domain of host countries and that, therefore, external dispute settlement mechanism could not be envisaged in this area.

(ii) Interaction between Trade and Competition Policy

The Doha Declaration mandated the Working Group on this issue to continue with its study process and do further work on issues identified therein.

While highlighting their strong reservations none of the countries strongly objected to a framework on Competition Policy emerging in the WTO. Unlike in the case of investment framework, in the case of competition policy what is envisaged by the Doha Mandate is 'Voluntary Cooperation'. This has been interpreted differently as non-binding rules as well as meaning voluntary cooperation in specific cases. India highlighted the need for focusing on trade related competition policy and not expanding the purview to non-trade issues like merger rules. Such mandate already exists in the TRIMs agreement. India also highlighted the inadequacy of voluntary cooperation which would harm the interests of developing countries in view of the asymmetry in power balance as between developed and developing countries.

India also pointed out that while non-discrimination is a fundamental principle in respect of trade, this may not be true in the case of Competition Policy. Non-discrimination among unequals would tantamount to discrimination against the less equal. On the other hand,

the proponents and the United States emphasised that non-discrimination based on the nationality of the form should be fundamental to any discussion on closer multilateral cooperation on competition policy. Strong reservation have been expressed by the South East Asian countries and Hong Kong, China who do not have any competition laws at present.

(iii) Trade Facilitation

The Doha Declaration mandates the CTG to review and as appropriate clarify and improve relevant aspects of Articles V, VII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members. India highlighted in the meetings its trade facilitation measures undertaken autonomously. It also indicated that the focus and pace of simplification and modernization of customs procedures were based on the perceived needs and available resources of different countries, which are at different stages of development. India also questioned the need to undertake binding commitments on trade facilitation in the WTO. The revised Kyoto Convention developed by the World Custom Organization incorporated an appropriate balance between Custom Felicitation and Control. It was also emphasized that developing countries like India faced several challenges like safeguarding custom revenue, reducing illegal import, poor infrastructure, and lack of resources, which made binding commitments on trade facilitation difficult. Opposition to binding commitment on trade facilitation in the WTO was also made by China, Brazil, Malaysia, Philippines, Indonesia, Uruguay, Jamaica and Pakistan.

(iv) Transparency in Government Procurement

The Doha Declaration mandated the Working Group on this issue to continue with its study process initiated at Singapore. In the meeting of the Working Group, India made it clear that its comments on the various elements under the discussion in the Working Group were on the condition that this would not prejudice its stand that India did not find the need for a transparency agreement on government procurement. Government procurement was excluded from the provisions of GATT and GATS because of the development dimension involved. Government, being the largest procurer in any country, could help regional development as well as provide necessary protection to socially weak sectors/sections like the small scale, tiny and village industries through its procurement policy. Besides, there was the question of practicability in federal set ups like that in India where the Government structure includes sub-central levels like State, Municipal, Panchayat, etc. levels where it would be impossible to have regulations based on international rules. Moreover, there was no consensus in the working group even on the definition of what was meant by government procurement. Similar reservations were also raised by other developing countries, especially against binding rules.

Coherent Global Architecture and WTO

The Marrakesh Ministerial Declaration mandated cooperation between the WTO, the IMF and the World Bank with a view to achieving "greater coherence in global policy making". Accordingly, agreements have been signed by the WTO with the IMF and the World Bank. Efforts are, however, being made to expand the mandate by trying to further cement the existing linkage among the IMF, the World Bank and the WTO and by developing similar linkages with other International Organizations like UNCTAD, UNEP, UNDP, WCO, ILO, FAO and WHO.

PART - III

PARLIAMENT, GLOBALIZATION AND LIBERALIZATION

Globalization and the pre-eminence of economic factors in the development of nations make it imperative to strengthen political processes and the link between citizens and their representatives. It is also crucial to reinforce the role of Parliaments and their members in international cooperation.

Parliament can play a particularly important role in relation to the work of the multilateral inter-governmental structures. There has been growing cooperation between the United Nations and National Parliaments, through the Inter-Parliamentary Union (IPU), and at the World Trade Organization.

While speaking on the 'Role of Legislators in the WTO', on 2 December 1999, Mike Moore, Director-General of the WTO said:

"The WTO is member driven, thus driven by Governments, Congresses and Parliaments. Every two years our Ministers meet to give us guidance. Our agreements must be agreed and ratified by members and Parliaments.... In the modern world we know that without co-operation and agreements sovereign governments cannot function and advance their national interests.... No Congress or Parliament alone can guarantee clean air or water, even run a tax system, an airline, combat AIDS and cancer without the cooperation of others.... We should this day pay our respects to our parents who in their wisdom gave birth, to institutions like the GATT, now the WTO, so it can do its job after instructions from Governments and Parliaments to bring order and the rule of law to our commercial, political, cultural and social differences."

In the "Conference of Presiding Officers of National Parliaments", organized by the IPU in cooperation with the United Nations from 30 August to 1 September 2000, the Declaration, adopted by consensus stated that to provide the parliamentary dimension, Parliaments and their members must assume increased responsibility in international relations, play a more active role at the national, regional and global levels, and generally reinforce parliamentary diplomacy.

The parliamentary dimension at the national level must be provided by Parliaments themselves in four distinct but interconnected ways by:

- Influencing their respective countries' policy on matters dealt with in the United Nations and other international negotiating forums;
- Keeping themselves informed of the progress and outcome of these negotiations;

- Deciding on ratification, where the Constitution so foresees, of texts and treaties signed by governments; and
- Contributing actively to the subsequent implementation process.

To achieve the objective, within the respective Parliaments, it should be reviewed how best to make use of current parliamentary procedures so that Parliament, with an active input by all parties and members, can make an appropriate contribution to governmental negotiations at the international level. Information-gathering should be reinforced to enable Parliament to keep abreast of developments on international issues. Parliament should also play a more proactive role in processes relating to the ratification of and compliance with international agreements. Throughout, Parliament has a particular responsibility to engage the public in a continuous dialogue and facilitate its input into the decision-making process.

At the regional level, Parliaments should make the best possible use of regional inter-parliamentary organizations and through them seek to influence the corresponding inter-governmental bodies. Parliaments should examine closely the work of such organizations in order to increase their efficiency and avoid duplication. They should also exchange experiences with a view to improving and simplifying national legislation.

At the international level, concurrently with the reinforcement of the political input of national Parliaments into the process of inter-State cooperation, the Inter-Parliamentary Union should be consolidated as a world organisation for inter-parliamentary cooperation and for relaying the vision and will of its members to intergovernmental organizations.

The IPU has been organizing parliamentary meetings to discuss issues relating to international trade. Speaking on the role of Parliaments in international cooperation, the President of the Council of the Inter-Parliamentary Union and Deputy Chairman, Rajya Sabha, Dr. (Smt.) Najma Heptulla at the parliamentary meeting organized by the Inter-Parliamentary Union in Geneva on 9 June 2001 on 'For a Free, Just and Equitable Multilateral Trading System: Providing a Parliamentary Dimension', said:

"National monitoring by Parliaments of international agreements negotiated by governments, especially in the area of trade, is of vital importance to the future of democracy. In every country, Parliament and its members have a constitutional responsibility to represent the people. It is their role to give voice to the concerns and aspirations of the people for a better life. In the area of international trade, Parliaments worldwide want to see a more open, equitable, predictable and non-discriminatory multilateral trading system...."

At the same Parliamentary meeting, IPU adopted a Final Declaration⁷ on 9 June 2001 which stated:

"we are committed to strengthening the rules-based world trading regime with the World Trade Organization (WTO) at its centre; access to WTO should be open to new members on a non-discriminatory basis in order to achieve universal membership. We hope to see the resolution of outstanding implementation issues from the Uruguay Round and greater focus on development in future trade negotiations."

Later, the 107th Inter-Parliamentary Conference held in Marrakesh, on 22 March 2002 on "The Role of Parliaments in Developing Public Policy in an Era of Globalization, Multilateral Institutions and International Trade Agreements" adopted a Resolution⁸ which calls upon Parliaments to play a much more active role in the area of international trade, finance and environmental negotiations and to participate in shaping related policies. Parliaments should contribute positively at all stages of trade negotiations, including follow-up so as to ensure that they reflect the concerns and aspirations of the people. The Resolution further urges the international community, particularly the WTO to create a more democratic, fair, transparent, equitable and non-discriminatory multilateral trading system.

Should There Be a Parliamentary Dimension to WTO?

There had been a proposal for adding a parliamentary dimension to the WTO. It is felt in some quarters that any forum of individual parliamentarians would be different from a multilateral forum of countries. The views and stands taken by parliamentarians from a particular country in such a forum on any issue would not be taken as the formal position of that country on that particular issue. Therefore, any forum that is conceived for this purpose would only be a forum for discussion and debate, without any formal mandate for providing input to the decision-making process of the WTO.

Those not in favour of this idea feel that the Ministerial Conferences of the WTO and multilateral trade negotiations are essentially inter-governmental in character and therefore, it would be difficult to envisage a direct parliamentary dimension to such conferences and negotiations. While discussion and debate amongst parliamentarians from different countries should be encouraged, it would also be advisable that the formal negotiations on trade matters be maintained at the inter-governmental level. Such an interface between the WTO and parliamentarians could be, if considered necessary, provided through the Inter-Parliamentary Union. The IPU is a standing body of parliamentarians with its own procedures and systems and could handle this responsibility quite adequately.

⁷For the Text of the Final Declaration See Annexure-II.

⁸For the Text of the Resolution See Annexure-III.

Parliamentary Dimension of Globalization and Liberalization in India

In the national context, the Government and the Parliament are primarily responsible for giving effect to the needs and aspirations of the people. The Government comes to know about the will of people through Parliament.

Parliament and Legislation

The Government undertakes negotiations to arrive at agreements under the Multilateral Trading System. The obligations undertaken under such agreements may need legislative action for their implementation. A fair balance between the policy direction given by the Parliament on the one hand and the flexibility to the Executive to negotiate effectively is very important for the successful conclusion of negotiations. The Government should effectively brief the Parliament about the negotiations so that there are no conflicts and delays in giving legislative effects to the agreements.

Insofar as the Constitutional provisions are concerned, article 51 of the Indian Constitution specifically directs the State to foster respect for international law and treaty obligations' in the dealings of organized peoples with one another. Article 253 gives an overriding power to Parliament to make any law for the whole or any part of the territory of India for implementing any treaty, agreement or convention with any other country or countries or any decision made at any international conference, association or other body.

Exercising its legislative powers under the Constitution, the Parliament of India has passed nine legislations⁹ till date concerning the WTO and its agreements. The mechanism of the Committee System in India has also played a crucial role as regards these matters, as and when the Bill(s) were referred to Parliamentary Committee(s) to discuss and report thereon before the passage of the Bill.

Here a mention may be made of a few such legislations. The Parliament of India has amended the *Copyright Act, 1957* extending its applicability to broadcasts and performances in other countries and providing for extension of the period of protection of performers' rights to fifty years. In order to protect geographical indications in the country of its origin and to exclude its misuse by unauthorized persons, the Parliament passed a legislation called the *Geographical Indications of Goods (Registration and Protection) Act, 1999*. To encourage continued investments in R&D resulting in technological advancements in the field of microelectronics and protections of intellectual property rights embedded in the layout designs, the Parliament of India passed a legislation called the *Semiconductor Integrated Circuits Layout-Design*

⁹For the list of Acts, see Annexure-IV.

Act, 2000 in accordance with the Trade-Related Intellectual Property Rights (TRIPS) Agreements. India's obligations regarding patents in TRIPS take place in three stages. First, by 1 January 1995, mailbox/EMRs (Exclusive Marketing Rights) were to be introduced. This was done in March 1999, under an Ordinance called the Patents (Amendments) Ordinance, 1999 which was replaced by the Patents (Amendment) Act, 1999. Second, the other TRIPS provisions were to be implemented by 1 January 2000. The Patents (Amendment) Bill, 2002 was passed by both the Houses of Parliament to further amend *the Patent Act, 1970*. Third, product patents have to be introduced by 1 January 2005 in areas of technology not so protected as on 1 January 1995. This includes food, medicine or drugs and certain chemicals.

Another Act, the *Protection of Plant varieties and Farmers' Rights Act, 2001* was passed to provide for the establishment of an effective system for protection of plant varieties and the rights of farmers and plant breeders to encourage the development of new varieties. The issue of enacting such a law has become important particularly on India's signing of the Agreement on TRIPS.

In India, the Monopolies and Restrictive Trade Practices Act, 1969 has become obsolete in certain respects in the light of international economic developments relating more particularly to competition laws and there is a need to shift focus from curbing monopolies to promoting competition. The Central Government constituted a High Level Committee on Competition Policy and Law. The Committee submitted its report on 22 May 2000 to the Central Government. The Central Government after considering the suggestions of the trade and industry and the general public decided to enact a law on Competition. Accordingly, *the Competition Bill, 2001*¹⁰ was passed in the Lok Sabha on 16 December 2002. The Bill sought to ensure fair competition in India by prohibiting trade practices which cause appreciable adverse effect on competition in markets within India and, for this purpose, provides for the establishment of a quasi-judicial body to be called the Competition Commission of India which shall also undertake competition advocacy for creating awareness and imparting training on competition issues.

Parliament's role in policy making

In fact, with regard to multilateral trading system, the policy formulation in the Government takes place on the basis of policy direction given by the Parliament. Parliamentary Committees also play an effective role in overseeing the Government policies. They make recommendations on various issues. The three Financial Committees *i.e.* the Committee on Estimates, Public Accounts Committee and Committee on Public Undertakings and various Departmentally-Related Standing Committees (DRSCs) deliberate on issues related to economic

¹⁰The Bill is under consideration in the Rajya Sabha.

matters which affect the masses. The Government strategies and policies may be influenced by the Reports presented by these Committees.

One of the functions of the DRSCs is the examination of the long-term national policies of the Government in various spheres. The DRSCs have analysed these policies and have made several far-reaching recommendations which were carefully considered by the Government for carrying out appropriate modifications in the policies.

The Departmentally-Related Parliamentary Standing *Committee on Commerce*, in its *35th Report on 'India and the WTO'*, made wide-ranging recommendations which, *inter-alia*, include strengthening Governments' administrative infrastructure, Intellectual Property Rights issues, greater coordination with developing countries, protection of biodiversity, etc. On 17 November 2000, the Department of Commerce made a detailed presentation before the Core Group of the Committee on WTO regarding updated Action Taken Note on the *35th Report of the Committee on Commerce on 'India and WTO'*. There is also an informal arrangement in the form of Parliamentary Consultative Committee comprising members of Parliament, headed by the Minister of Commerce and Industry, where WTO issues are discussed.

The DRSC on Petroleum and Chemicals, after its constitution, had an occasion to report on the proposed National Drug Policy. The Committee made several recommendations with respect to many aspects, such as industrial licensing, reservation of items for the public sector, pricing mechanism, impact of the Trade-related Intellectual Property Rights as envisaged under the WTO arrangements, the Indian Patent Act and quality control. In response to a specific recommendation of the Committee, the Government decided to reserve five bulk drugs, namely, Folic Acid, Vitamin B1, Vitamin B2, Tetracycline and Oxy-tetracycline, for production in the public sector. In response to the recommendations of the Committee to enable the growth of indigenous industry, the Government decided that any foreign investment for equity in drug industry would be allowed only in cases of introduction of newer and more efficient technologies.

Parliamentary Procedures

Members of Parliament bring before the House the views and demands of different interest groups which are reflected in Debates, Discussions, Questions, etc. and also in the working of Parliamentary Committees. In the formulation of policies, directions are provided to the Government by Parliament.

Parliament has discussed the issues of globalization, liberalization and trade from the perspective of national interests. Through Debates, Short Duration Discussions, Questions, members have also been able to elicit information about Government's position on and response to trade related matters under the WTO parameters. Through discussions,

Government is able to know the viewpoint of members belonging to various political parties which may also influence Government's policy on issues concerning the WTO.

For example in response to comments and views expressed by members on the Third Ministerial Conference of the WTO, on 1 December 1999, the Prime Minister, Shri Atal Bihari Vajpayee made a Statement in the Lok Sabha. While clarifying the Government position in this regard, he stated that India was opposed to relating trade with (a) Core Labour Standards; (b) Environmental Issues; (c) Coherent Global Architecture; (d) Investment Issues; (e) NGOs' involvement in WTO negotiation; and (f) Competition Policy. The Prime Minister further stated that India was prepared for a few new items being taken up for negotiations provided implementation issues arising from the Uruguay Round are also resolved to our satisfaction.

A discussion regarding the Fourth Ministerial Conference of the WTO held at Doha took place in the Lok Sabha on 10 December 2001 in which members expressed their opinions on trade related issues. Replying to the discussion, the Minister of Commerce and Industry, Shri Murasoli Maran stated that the Doha outcome is in conformity with the shared stakeholders interests—the interests of agriculture, industry and most importantly, our development.

Role of Parliamentarians: The Emerging Dimensions

The unique role of parliamentarians in communicating to the people the thoughts and ideas that go into the formulation of policies and their implementation assumes a significant dimension in the context of far-reaching changes taking place in the wake of globalization and liberalization.

The combination of economic and political democracy, and the astute management of that combination by parliamentarians, acquires greater significance in the light of the on-going process of globalization. The process is gathering momentum through the adoption of policies that intend to stimulate expansion of trade and investment across borders. Unfortunately, globalization, and the accompanying policies, have often been wrongly interpreted by various quarters. It is here that the parliamentarians have a crucial role to play. The rationale behind the far-reaching economic changes effected by nation states might not always be comprehensible for their domestic constituencies. It is upto the parliamentarians to bridge the chasm in this regard by conveying the logic and sense behind the actions to the common people.

The economic restructuring currently going on in the developing countries requires active involvement of the parliamentarians. In recent times, staging of demonstrations and protests by different groups at various international fora has captured the attention of the international

community. There is definitely a difficult side to economic transformation, which requires considerable policy attention. But what is not often clear is whether the protestors do actually represent the grievances of the larger section of the common people or not. Ideally, parliamentarians, being the true democratic representatives of the people, should be the most competent authorities for bringing to light any dissatisfaction of the common people. A more proactive role by parliamentarians in interpreting and analyzing the process of economic restructuring is, therefore, desirable.

Parliamentarians can also play an important role in encouraging more investment in social sectors like health, education, women's empowerment, environment, etc. This would help the national effort towards the removal of poverty and attaining the goal of sustainable development. Investments in education and health are important in tackling the problem of illiteracy and improving the health standards of the people. Besides, parliamentarians with their wide accessibility and rich experience can suggest ways and means to attain a better human development index for the country.

PART - IV
LIBERALIZATION PROCESS IN INDIA

India's Economic Scene in the Era of Globalization and Liberalization

The post Cold War world is characterized by globalization, including especially an unprecedented growth in global trade and capital flows, within a predominantly market driven international economic framework. Since the launch of the economic reforms in 1991, the Indian economy has been no exception to these trends. Trade, investment, and economic issues have assumed centre stage in global affairs, and have emerged as extremely important foreign policy objectives. Many key issues for human survival and development like water, energy, food, environment, etc. need to be addressed in a regional, if not global, perspective.

In the post-1991 era, India has sought to achieve a sustained high rate of economic growth. The country experienced a robust GDP growth of over 6 per cent during the nineties decade and despite a slow down in past two years to just about 5.5 per cent. The Tenth Five Year plan (2002- 2007) document aims at 8 per cent GDP growth over the next 5 years. Economic reforms have enabled the Indian economy to tap into global capital and technology resources, as well as to avail of opportunities arising from growth in international trade. In this context, Government's endeavour has *inter alia* aimed at achieving of the following objectives:

- Achieving a sustained high rate of economic growth, through strengthening India's global economic linkages;
- Expanding and diversifying India's exports, both of goods and services, in overseas markets and realizing a higher per unit export return by continuously improving the value addition and quality assurance;
- Seeking FDI inflows in areas of interest to us to augment the domestic resources of capital, technology and managerial expertise;
- Promoting cooperation with developing countries on international economic issues, including North-South issues, and South-South developmental cooperation; and
- Contributing to the emergence of a fair, predictable, and rule-based system of international trade through negotiating effort at the WTO.

Bilateral/Multilateral Economic Forums

The above objectives are sought to be promoted through a wide variety of interactions, both through direct efforts in the global

marketplace, as well as through bilateral and multilateral official interactions. The institutional structure for this effort includes a large number of bilateral Joint Commissions with foreign governments. At the multilateral level, India participates in forums such as the United Nations, IMF and its agencies, the Non-aligned Movement, the Group of 77, the G-15, the G-20, EU, ASEAN, SAARC, etc.

With the growing integration of the Indian economy with the global mainstream, we have also stepped up our interaction with the developed economies, India is a member of the G-20 which brings together major economies of the world, both developed and developing, for an exchange of views on major international economic and financial issues. India has also been participating in a large number of seminars, workshops, etc. sponsored by the Organisation for Economic Cooperation and Development (OECD) and became a member of the OECD Development Centre in 1991.

Regional, Sub-Regional Economic Cooperation

India has been an active participant in several regional and sub-regional cooperation frameworks. These include, *inter alia*, the South Asian Association for Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN) with whom India is a full dialogue partner, the Indian Ocean Rim—Association for Regional Cooperation (IOR-ARC), Bangladesh, India, Myanmar, Sri Lanka, Thailand—Economic Cooperation (BIMST-EC) and the Mekong-Ganga Cooperation (MGC) initiative. India's effort in these Associations is to promote mutually beneficial trade and investment flows, which *inter alia* contribute to an atmosphere of goodwill and cooperation. In addition to the South Asia Free Trade Area (SAFTA), preferential free trading arrangements are now under discussion in BIMST-EC and IOR-ARC.

Technical and Economic Cooperation with Developing Countries

India has an active technical and economic cooperation programme with a large number of developing countries, designed to strengthen South-South cooperation and enhance mutual goodwill. Under the ITEC (Indian Technical and Economic Cooperation) programme, a large number of senior officials from developing countries are provided training in India in a variety of disciplines. Indian experts are also deputed on overseas assignments to provide a range of advisory and ground support services to recipient Governments, including training of their human resource in site.

Trade Promotion

Expansion and diversification of India's exports, both in goods and services, is a major objective of government policy. This is sought to be achieved *inter alia* by:

- providing advice and assistance to Indian companies/exporters/investors desirous of doing business with overseas companies; and

- carrying out market promotion activities for Indian goods and services abroad and encouraging FDI and technology transfer to India.

Investment Promotion

The Ministry of External Affairs (MEA) plays a major role in promoting FDI inflows in the economy. Indian Missions abroad help familiarize potential investors with the business environment and FDI policy regime in India. They facilitate visits to India by such investors. Missions have also played an important role in transmitting investor feedback on our evolving FDI policies. The Investment and Technology Promotion Division of the Ministry has also been bringing out a major annual publication "India Business Opportunities" targeted at the overseas investor community, which is also available on the Internet and in CD-ROM form. In an effort to make this publication user friendly steps are under way to include inputs from State Governments, provide information on websites and cover success stories. A separate trade, investment and technology related website is also under consideration which would provide extensive linkages to Central and State Government websites and apex Chambers of Commerce, Export Promotion Councils and relevant NGOs.

Initiatives During the Year 2001-2002

Economic policies in India began to change in the 1980s and a much bolder programme of economic reforms was introduced in 1991 which has been continued by successive governments since then. These reforms embarked on liberalization and economic reforms with a view to bringing about rapid and substantial economic growth and move towards globalization of the economy. As a part of the reforms process, the Government under its New Industrial Policy, revamped its foreign investment policy recognizing the growing importance of FDI as an instrument of technology transfer, augmentation of foreign exchange reserves and globalization of the Indian economy. Simultaneously, the Government, for the first time, permitted portfolio investment from abroad by foreign institutional investors in the Indian capital market.

The past ten years have given some indication of what is possible. The growth rate of the economy in the post-reforms period is higher than in the previous decade putting India among the top ten fastest growing developing economies. The rate of inflation has also been modest. In some sectors, such as software and information technology, the economy has performed exceptionally well, earning a name for Indian technical skills and entrepreneurial capability in the industrial arena. The latest estimates of poverty also show a significant decline in the percentage of the population in poverty in 1999-2000 as compared with 1993-94.

The process of reforms has been strengthened with passage of every year. ~~During the year 2001-2002,~~ Major fiscal reforms have been undertaken for broadening the income tax base and streamlining the excise and customs duty structures. There have also been enabling reforms in the spheres of trade and foreign investment. Reforms in public sector enterprises are underway to reduce pressures on public finances, increase the efficiency of public sector and reduce the incremental capital output ratio (ICOR). Legal, institutional and regulatory frameworks in insurance, banking, capital markets, power, ports and telecommunications are also being strengthened to induce private investment in infrastructure. Government Budgets for 2000-01 and 2001-02 announced various measures for further deepening of the capital markets and the financial sector and allowing private entry in insurance. The major reforms undertaken during 2001-02 are expected to enhance both the savings and investment rates for the economy.

Several measures were also announced during the year as part of the on-going reform process in the External Sector:

Trade

Removal of Quantitative Restrictions (QRs)

The EXIM Policy announced in March 2001 has completed the process of removal of QRs on BOP grounds by dismantling restrictions on the remaining 715 items. Out of these 715 items, 342 are textile products, 147 are agricultural products including alcoholic beverages and 226 are other manufactured products including automobiles. The Policy has, however, put in place necessary mechanisms to provide a level playing field to domestic players *vis-a-vis* imports. These mechanisms include shifting of imports of certain products under the state trading category, making imports subject to various existing domestic regulations on health and hygiene and environment, and need for bio-security and sanitary & phytosanitary permit for imports of primary products of plant and animal origin. The policy has also established a monitoring mechanism to monitor imports of 300 sensitive items on a regular basis.

Capital account

A host of measures were undertaken for further liberalizing the FDI regime. The defence industry has been permitted FDI up to 26 per cent, subject to licensing. The dividend balancing condition for 22 consumer items was withdrawn, as was the cap on foreign investment in the power sector. International Financial Institutions like ADB, IFC, etc. were allowed to invest in domestic companies through the automatic route, subject to SEBI/RBI guidelines and sector specific caps on FDI.

The Non-Banking Financial Companies (NBFCs) have been permitted to hold foreign equity up to 100 per cent in holding companies. Foreign investors have been allowed to set up 100 per cent operating

subsidiaries (without any restriction on number of subsidiaries) without the condition of disinvesting a minimum of 25 per cent equity to Indian entities, subject to specified investment obligations. Joint venture NBFCs having 75 per cent, or less than 75 per cent foreign investment, have also been permitted to set up subsidiaries for undertaking other NBFC activities. The automatic route has been made available to the information technology sector, even when the applicant company has a previous joint venture or technology transfer agreement in the same field. Offshore venture capital funds/companies have been allowed to invest in domestic venture capital undertakings as well as other companies through the automatic route, subject to SEBI regulations and sector specific caps on FDI. Payment of royalty upto 2 per cent on exports and 1 per cent on domestic sales have been allowed under the automatic route on use of trademarks and brand name of the foreign collaborator without technology transfer.

Mid-Year Review of the Indian Economy

The Union Finance Minister, Shri Jaswant Singh presented the Mid-year Review of the Economy in Parliament on 3 December 2002. This is the first time that such an exercise has been undertaken, as part of the attempt to demystify the budget-making process. Following are the highlights of the mid-year review of the economy:

- Need to pursue fiscal consolidation, accelerating infrastructure and employment-oriented investment
- Disinvestment—Integral part of the reforms
- Acceleration of FDI—high priority
- Two-pronged fiscal consolidation strategy—restructuring the tax system and restraining expenditure including containing growth of wages, salaries and pensions
- Efforts to improve non-tax revenue
- GDP for current fiscal to be within 5-5.5 per cent
- Inflation restricted to 3 per cent, prices contained
- Better fiscal management—fiscal deficit for the first half of current fiscal (April-September 2002) at Rs. 57,746 crore, marginally higher than for the corresponding period last year
- Labour market reforms related to structural reforms, flexible labour markets aimed
- Transportation, power problems impediments to development
- Electricity Bill to be introduced to accelerate power reform
- Telecom sector major success story. More reforms through enactment of the Communication Convergence Bill, 2001
- Improved corporate governance needed for capital market revival. Effective regulation by SEBI needed.

In terms of policy initiatives, the review suggested accelerating the structural reforms, rapid improvement in infrastructure, continuous progress in fiscal consolidation and accelerating investment for sustained growth and enhanced employment. In this context, the Finance Ministry has committed itself to public sector disinvestments and increased foreign direct investment and conceded that most of these initiatives required a political consensus and a sense of commitment towards reforms.

While speaking on Indian economic situation, the Prime Minister of India, Shri Atal Bihari Vajpayee in a National Forum, Federation of Indian Chamber of Commerce and Industries (FICCI) on 13 December 2002, said:

"...Not only India's democracy, but India's economy too has become more resilient. In spite of several adverse developments—both internal and external—our economy has demonstrated its inherent strength by emerging as one of the fastest growing economies in the world. In fact, over the past two decades, India's GDP growth rate has been higher than that of any democracy over a similar time period, Japan excepted....

...Inflation has been low, balance of payments strong, the country has abundant food stocks, the manufacturing sector has strongly revived, export growth has been heartening, and our forex reserves of more than 13 months import cover are matched by very few countries, developed or developing....

...You have seen how we are trying to carry everyone along—through dialogue and consultations, through depoliticising developmental issues, and through a constant effort to expand the area of consensus on economic reforms. In a democracy, this process cannot be bypassed....

...Friends, my vision, and my mission, is to make our democratic system more and more development-oriented. This is the basic purpose of economic and governance reforms. At the same time we also have to further democratize our development. The fruits of development must reach the poor and the underprivileged. The gap between the haves and have-nots, as also the gap between the developed and under-developed regions, must be bridged. The economy must produce more, create more productive employment opportunities and help our people lead better lives. This is the basic expectation from economic reforms. The more this expectation is met, the more enthusiastically will our people support the agenda of reforms. And the more vigorously we implement this agenda, the more surely will we be able to meet our people's expectations. Let this Virtuous Cycle of Reforms-Driven Development guide the activities of both the Government and Indian Business."

CONCLUSION

The process of globalization has brought forth opportunities and challenges for the world community which have to be effectively utilised and managed by all concerned and in this task the role of Parliaments cannot be over emphasized. Given the fact that there is a severe paucity of capital resources and that state-of-the-art technology is needed in priority areas in developing countries, intervention by Parliaments and Governments in the process should be enlightened and in keeping with their long-term economic development objectives. They need to ensure that the ongoing economic liberalization and globalization process takes place in accordance with their priorities. An effective articulation and management of these priorities should be the prime objective of government and parliamentary mechanisms in all developing countries. The objective of effective management of international trade, monetary, financial and information systems by national Governments should be to create a common and equal stake for all. In their ongoing dialogue with the developed countries of the world, developing countries' Governmental and parliamentary representatives should do well to ensure that the industrialized nations fully contribute their part of the share in the world economy in order to optimize the fruits of globalization. Particular attention needs to be accorded to ensure that developed countries do not impose unilateral restrictions on movement of goods and services of developing countries by paying token allegiance to the regulations and objectives of institutions like the World Trade Organization. Such efforts, made by Government and parliamentary representatives of developing countries, will help in enabling free expression of the genuine and legitimate aspirations of their constituents.

ANNEXURES

**MINISTERIAL DECLARATION, ADOPTED ON 14 NOVEMBER
2001 AT THE MINISTERIAL CONFERENCE, FOURTH SESSION,
WTO, 9—14 NOVEMBER 2001, DOHA**

1. The multilateral trading system embodied in the World Trade Organization has contributed significantly to economic growth, development and employment throughout the past fifty years. We are determined, particularly in the light of the global economic slowdown, to maintain the process of reform and liberalization of trade policies, thus ensuring that the system plays its full part in promoting recovery, growth and development. We therefore strongly reaffirm the principles and objectives set out in the Marrakesh Agreement Establishing the World Trade Organization, and pledge to reject the use of protectionism.

2. International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that ~~developing~~ ~~secure~~ ~~a~~ ~~share~~ ~~in~~ ~~the~~ ~~growth~~ ~~of~~ ~~world~~ ~~trade~~ ~~commensurate~~ ~~with~~ ~~the~~ ~~needs~~ ~~of~~ ~~their~~ ~~economic~~ ~~development~~. In this context, enhanced market ~~access~~, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.

3. We recognize the particular vulnerability of the least-developed countries and the special structural difficulties they face in the global economy. We are committed to addressing the marginalization of least-developed countries in international trade and to improving their effective participation in the multilateral trading system. We recall the commitments made by ministers at our meetings in Marrakesh, Singapore and Geneva, and by the international community at the Third UN Conference on Least-Developed Countries in Brussels, to help least-developed countries secure beneficial and meaningful integration into the multilateral trading system and the global economy. We are determined that the WTO will play its part in building effectively on these commitments under the Work Programme we are establishing.

4. We stress our commitment to the WTO as the unique forum for global trade rule-making and liberalization, while also recognizing that regional trade agreements can play an important role in promoting the liberalization and expansion of trade and in fostering development.

5. We are aware that the challenges members face in a rapidly changing international environment cannot be addressed through measures taken in the trade field alone. We shall continue to work with the Bretton Woods institutions for greater coherence in global economic policy-making.

6. We strongly reaffirm our commitment to the objective of sustainable development, as stated in the Preamble to the Marrakesh Agreement. We are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive. We take note of the efforts by members to conduct national environmental assessments of trade policies on a voluntary basis. We recognize that under WTO rules no country should be prevented from taking measures for the protection of human, animal or plant life or health, or of the environment at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, and are otherwise in accordance with the provisions of the WTO Agreements. We welcome the WTO's continued cooperation with UNEP and other inter-governmental environmental organizations. We encourage efforts to promote cooperation between the WTO and relevant international environmental and developmental organizations, especially in the lead-up to the World Summit on Sustainable Development to be held in Johannesburg, South Africa, in September 2002.

7. We 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.

8. 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 (ILO) on the social dimension of globalization.

9. We note with particular satisfaction that this conference has completed the WTO 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.

10. 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 inter-governmental 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.

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

WORK PROGRAMME

IMPLEMENTATION-RELATED ISSUES AND CONCERNS

12. We attach the utmost importance to the implementation-related issues and concerns raised by members and are determined to find appropriate solutions to them. In this connection, and having regard to the General Council Decisions of 3 May and 15 December 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, and that agreements reached at an early stage in these negotiations shall be treated in accordance with the provisions of paragraph 47 below. In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this declaration, 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, established under paragraph 46 below, by the end of 2002 for appropriate action.

AGRICULTURE

13. 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.

14. Modalities 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.

SERVICES

15. 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 of that Agreement. Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

16. 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 accordance 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.

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

17. We stress the importance we attach to implementation 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.

18. 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 addressed in the Council for TRIPS pursuant to paragraph 12 of this declaration.

19. 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.

RELATIONSHIP BETWEEN TRADE AND INVESTMENT

20. 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.

21. 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 organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

22. In the period until the Fifth Session, further work in the Working Group on the Relationship Between Trade and Investment will focus on the clarification of: scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and the settlement of disputes between members. Any framework should reflect in a balanced manner the interests of home and host countries, and take due account of the development policies and objectives of host governments as well as their right to regulate in the public interest. The special development, trade and financial needs of developing and least-developed countries should be taken into account as an integral part of any framework, which should enable members to undertake obligations and commitments commensurate with their individual needs and circumstances. Due regard should be paid to other relevant WTO provisions. Account should be taken, as appropriate, of existing bilateral and regional arrangements on investment.

INTERACTION BETWEEN TRADE AND COMPETITION POLICY

23. Recognizing the case for a multilateral framework to enhance the contribution of competition policy to International trade and development, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 24, 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.

24. 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 organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

25. In the period until the Fifth Session, further work in the Working Group on the Interaction between Trade and Competition Policy will focus on the clarification of: core principles, including transparency, non-discrimination and procedural fairness, and provisions on hardcore cartels; modalities for voluntary cooperation; and support for progressive reinforcement of competition institutions in developing countries through capacity-building. Full account shall be taken of the needs of developing and least-developed country participants and appropriate flexibility provided to address them.

TRANSPARENCY IN GOVERNMENT PROCUREMENT

26. Recognizing the case for a multilateral agreement on transparency in government procurement and the need for enhanced technical assistance and capacity-building in this area, 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. These negotiations will build on the progress made in the Working Group on Transparency in Government Procurement by that time and take into account participants' development priorities, especially those of least-developed country participants. Negotiations shall be limited to the transparency aspects and therefore will not restrict the scope for countries to give preferences to domestic supplies and suppliers. We commit ourselves to ensuring adequate technical assistance and support for capacity-building both during the negotiations and after their conclusion.

TRADE FACILITATION

27. Recognizing the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity-building in this area, 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. In the period until the Fifth Session, the Council for Trade In Goods shall review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed countries. We commit ourselves to ensuring adequate technical assistance and support for capacity-building in this area.

WTO RULES

28. In the light of experience and of the increasing application of these instruments by members, we agree to negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these Agreements and their instruments and objectives, and taking into account the needs of developing and least-developed participants. In the initial phase of the negotiations, participants will indicate the provisions, including disciplines on trade distorting practices, that they seek to clarify and improve in the subsequent phase. In the context of these negotiations, participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries. We note that fisheries subsidies are also referred to in paragraph 31.

29. We also agree to negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements.

DISPUTE SETTLEMENT UNDERSTANDING

30. We agree to negotiations on improvements and clarifications of the Dispute Settlement Understanding. The negotiations should be based on the work done thus far as well as any additional proposals by members, and aim to agree on improvements and clarifications not later than May 2003, at which time we will take steps to ensure that the results enter into force as soon as possible thereafter.

TRADE AND ENVIRONMENT

31. With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

- (i) the relationship between existing WTO rules and specific trade obligations set out in Multilateral Environmental Agreements (MEAs). The negotiations shall be limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question. The negotiations shall not prejudice the WTO rights of any Member that is not a party to the MEA in question;
- (ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;
- (iii) the reduction or, as appropriate, elimination, of tariff and non-tariff barriers to environmental goods and services.

We note that fisheries subsidies form part of the negotiations provided for in paragraph 28.

32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

- (i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;
- (ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; and
- (iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations. The outcome of this work as well as the negotiations carried out under paragraph 31(i) and (ii) shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries.

33. We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with members wishing to perform environmental reviews at the national level. A report shall be prepared on these activities for the Fifth Session.

ELECTRONIC COMMERCE

34. We take note of the work which has been done in the General Council and other relevant bodies since the Ministerial Declaration of 20 May 1998 and agree to continue the Work Programme on Electronic Commerce. The work to date demonstrates that electronic commerce creates new challenges and opportunities for trade for members at all stages of development, and we recognize the importance of creating and maintaining an environment which is favourable to the future development of electronic commerce. We instruct the General Council to consider the most appropriate institutional arrangements for handling the Work Programme, and to report on further progress to the Fifth Session of the Ministerial Conference. We declare that members will

maintain their current practice of not imposing customs duties on electronic transmissions until the Fifth Session.

SMALL ECONOMIES

35. We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.

TRADE, DEBT AND FINANCE

36. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

TRADE AND TRANSFER OF TECHNOLOGY

37. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

TECHNICAL COOPERATION AND CAPACITY BUILDING

38. We confirm that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system, and we welcome and endorse the New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. We instruct the Secretariat, in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing

on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to members and observers without representation in Geneva. We reaffirm our support for the valuable work of the International Trade Centre, which should be enhanced.

39. We 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).

40. 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.

41. 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 in the identified paragraphs.

LEAST-DEVELOPED COUNTRIES

42. 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 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 regard, we welcome the significant market access improvements by WTO members in advance of 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 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.

43. 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.

SPECIAL AND DIFFERENTIAL TREATMENT

44. 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. In that connection, 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.

ORGANIZATION AND MANAGEMENT OF THE WORK PROGRAMME

45. The negotiations to be pursued under the terms of this declaration shall be concluded not later than 1 January 2005. The Fifth Session of the Ministerial Conference will take stock of progress in the negotiations, provide any necessary political guidance, and take

decisions as necessary. When the results of the negotiations in all areas have been established, a Special Session of the Ministerial Conference will be held to take decisions regarding the adoption and implementation of those results.

46. The overall conduct of the negotiations shall be supervised by a Trade Negotiations Committee under the authority of the General Council. The Trade Negotiations Committee shall hold its first meeting not later than 31 January 2002. It shall establish appropriate negotiating mechanisms as required and supervise the progress of the negotiations.

47. With the exception of the improvements and clarifications of the Dispute Settlement Understanding, the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

48. Negotiations shall be open to:

- (i) all members of the WTO; and
- (ii) States and separate customs territories currently in the process of accession and those that inform members, at a regular meeting of the General Council, of their intention to negotiate the terms of their membership and for whom an accession working party is established.

Decisions on the outcomes of the negotiations shall be taken only by WTO Members.

49. The negotiations shall be conducted in a transparent manner among participants, in order to facilitate the effective participation of all. They shall be conducted with a view to ensuring benefits to all participants and to achieving an overall balance in the outcome of the negotiations.

50. The negotiations and the other aspects of the Work Programme shall take fully into account the principle of special and differential treatment for developing and least-developed countries embodied in: Part IV of the GATT 1994; the Decision of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries; the Uruguay Round Decision on Measures in Favour of Least-Developed Countries; and all other relevant WTO provisions.

51. The Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected.

52. Those elements of the Work Programme which do not involve negotiations are also accorded a high priority. They shall be pursued under the overall supervision of the General Council, which shall report on progress to the Fifth Session of the Ministerial Conference.

**FINAL DECLARATION ADOPTED ON 9 JUNE 2001 AT THE
IPU PARLIAMENTARY MEETING, GENEVA, 2001 'FOR A
FREE, JUST AND EQUITABLE MULTILATERAL TRADING
SYSTEM: PROVIDING A PARLIAMENTARY DIMENSION'**

We believe that globalisation brings both opportunities and challenges to all countries and peoples. To attain benefits for countries and regions of different levels of development, however, international trade—like international financial and economic arrangements—must be designed to promote human welfare everywhere and preserve cultural diversity.

The focus must be on people-centred development. This concept includes increased market access for the exports of developing countries, and greater scope for debt reduction allied with increased development assistance and better access to technology; it must be built upon an equitable world trading regime and sound international financial institutions. There is also a need to ensure that trade rules and practices do not undermine sustainable development goals.

From these perspectives, we are committed to strengthening the rules-based world trading regime with the World Trade Organisation (WTO) at its centre; access to WTO should be open to new members on a non-discriminatory basis in order to achieve universal membership. We hope to see the resolution of outstanding implementation issues from the Uruguay Round and greater focus on development in future trade negotiations.

This task falls to governments. It is they who negotiate international trade rules and arrangements on behalf of States. Concurrently, it is the duty of Parliaments to scrutinise government action in this as in other fields and to enact appropriate legislation. As the legitimate representatives of the people who have been elected to protect their interests and represent their views and aspirations, we are entirely committed to carrying out these responsibilities to the full.

To this end, we need to intensify our activities in national parliaments to oversee and influence government policy in relation to trade negotiations. At the international level, we need to complement these activities by meeting to obtain and share information, exchange views and experiences and discuss the structure, working methods and issues facing governments at the WTO.

We call on the Inter-Parliamentary Union (IPU) to work with other parliamentary assemblies and organisations in assisting us to meet these challenges. We invite the IPU to hold a parliamentary meeting on the occasion of the Fourth WTO Ministerial Conference and to present plans for a programme of activities which, on the above basis, seeks to build a parliamentary dimension to International trade negotiations and arrangements.

**RESOLUTION ADOPTED ON 22 MARCH 2002 BY THE
107TH IPU CONFERENCE, MARRAKESH—ON 'THE ROLE
OF PARLIAMENTS IN DEVELOPING PUBLIC POLICY
IN AN ERA OF GLOBALIZATION, MULTILATERAL
INSTITUTIONS AND INTERNATIONAL
TRADE AGREEMENTS'**

Believing that globalization brings both opportunities and challenges to all countries and affects peoples' daily lives,

Observing that in many countries, particularly the poorest, debt is a major constraint and a real impediment to development within the context of globalization,

Noting the growing importance of international trade and its direct influence on the development and well-being of nations everywhere, and concerned that the current international trading system appears to be biased in favour of developed countries and creates problems for many developing countries,

Pointing out that, as a consequence of globalization, many countries require enhanced protection in the areas of human rights, sustainable development and social needs,

Considering the importance of parliamentary participation and interaction in international trade issues in ensuring better representation of the people and creating a democratic multilateral trading system based on equality and transparency,

Recognising the vital role of parliaments and parliamentarians as the legitimate representatives of the people and as the link between citizens' needs, including those related to human rights and social, economic and environmental concerns, and related government policy, at national and international level,

Considering the constitutional duty of parliaments, where applicable, to ratify international agreements, enact legislation and oversee its implementation,

Considering also the importance of parliamentary inputs in multilateral institutions, particularly in the areas of trade, finance, sustainable development, human rights and the environment,

Convinced that globalization makes women's participation in multilateral negotiations all the more essential.

The 107th Inter-Parliamentary Conference therefore:

1. *Emphasises* the need for parliaments and their members to take steps to ensure that globalization also benefits developing

countries so that their peoples attain greater social and economic prosperity;

2. *Calls* on parliaments to play a much more active role in the area of international trade, finance and environmental negotiations and to participate in shaping related policies;
3. *Points* out the urgent need for parliaments to contribute positively at all stages of trade negotiations, including follow-up, so as to ensure that they reflect the concerns and aspirations of all citizens;
4. *Urges* the international community, particularly the World Trade Organization (WTO), to create a more democratic, fair, transparent, equitable, and non-discriminatory multilateral trading system;
5. *Stresses* the need for:
 - (a) The international community, including the WTO, to take into account the different levels of development, particularly of developing countries, in the negotiation process by providing the special and differential treatment prescribed in various WTO agreements and assisting with capacity-building;
 - (b) The International Monetary Fund (IMF) and the World Bank and other multilateral development banks to do likewise;
6. *Emphasises* that international trade should target people-centred development which includes greater market access for the exports of developing countries, increased development assistance and better access to technology;
7. *Urges* the international community to reduce substantially the debt of the poorest countries and to cancel the public debt of the heavily indebted poor countries, while not neglecting opportunities to recover funds illegally sequestered by some rulers of those countries for their own personal gain;
8. *Stresses* the need to include parliamentarians in delegations to multilateral negotiations and to see to it that such delegations comprise both men and women;
9. *Calls* on parliaments to play an active role in monitoring decisions taken and activities carried out by the multilateral institutions, in particular those affecting the development of nations; in bringing trade and finance-related multilateral institutions closer to the peoples they are meant to serve; and in making multilateral institutions more democratic, transparent and equitable;
10. *Calls* on the IPU to undertake a general study on how parliaments address globalization and its impact on their constituents;
11. *Also calls* on the IPU to continue its efforts to provide a parliamentary dimension to the WTO and the Bretton Woods institutions.

**LIST OF BILLS PASSED BY THE INDIAN PARLIAMENT ON SUBJECTS
RELATING TO WTO AGREEMENTS**

Sl. No.	Name of the Bill	Date of introduction in Lok Sabha/ Rajya Sabha	Date of reference to Select Committee/ Joint Committee/ D.R.S.C.	Date of passing in Lok Sabha	Date of passing in Rajya Sabha	Date of assent	Act No.
1	2	3	4	5	6	7	8
1.	The Patents (Amendment) Bill, 1998	16.12.1998 R.S.	—	10.3.1999	22.12.1998 @13.3.1999	26.3.1999	17 of 1999
2.	The Trade Marks Bill, 1999	1.12.1999 R.S.	—	22.12.1999	16.12.1999	30.12.1999	47 of 1999
3.	The Geographical Indications of Goods (Registration and Protection) Bill, 1999	3.12.1999 R.S.	—	22.12.1999	16.12.1999	30.12.1999	48 of 1999
4.	The Copyright (Amendment) Bill, 1999	14.12.1999 R.S.	—	22.12.1999	16.12.1999	30.12.1999	49 of 1999

e Amendments made by Lok Sabha on 10.3.1999 were considered and agreed to by Rajya Sabha on 13.3.1999.

1	2	3	4	5	6	7	8
5.	The Designs Bill, 1999	13.12.1999 R.S.	—	28.4.2000	20.12.1999 *15.5.2000	25.5.2000	16 of 2000
6.	The Information Technology Bill, 1999	16.12.1999 L.S.	17.1.2000 Standing Committee on Science and Technology, Environment & Forests	16.5.2000	17.5.2000	9.6.2000	21 of 2000
7.	The Semiconductor Integrated Circuits Layout-Design Bill, 1999	20.12.1999 R.S.	21.1.2000 Standing Committee on Science and Technology, Environment & Forests	16.8.2000	15.5.2000 *18.8.2000	4.9.2000	37 of 2000
8.	The Protection of Plant Varieties and Farmers' Rights Act, 2001	14.12.1999 L.S.	—	—	—	30.12.2001	53 of 2001
9.	The Patents (Amendment) Bill, 2002	—	—	14.5.2002	9.5.2002	25.6.2002	38 of 2002

§ Amendments made by Lok Sabha on 28.4.2000 were considered and agreed to by Rajya Sabha on 15.5.2000.

* Amendments made by Lok Sabha on 16.8.2000 were considered and agreed to by Rajya Sabha on 18.8.2000.

LIST OF BILLS PENDING IN THE LOK SABHA/RAJYA SABHA RELATING TO WTO AGREEMENTS

Sl. No.	Name of the Bill	Date of introduction in Lok Sabha/ Rajya Sabha	Date of reference to Select Committee/ Joint Committee/ D.R.S.C.	Report of the Committee Presented on	Date of passing in Lok Sabha	Passing in Rajya Sabha	Remarks
1	2	3	4	5	6	7	8
1.	The Competition Bill, 2001	--	--	--	16.12.2002		Pending in Rajya Sabha

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