



# Trade News Bulletin

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Building the capacity of ACP Countries in Trade Policy Formulation, Negotiations and implementation ("Hub and Spokes") Project

### **S. Africa lifts duty on bed linen**

South Africa has withdrawn countervailing duty of 6.14 per cent imposed five years ago on bed linen imports from Pakistan. As the South Africa's textile industry did not apply for a review of the duty imposed on December 27, 2001, it was decided in principle to withdraw the same from December 28, 2006, says a message received from Trade Commission of Pakistan in Johannesburg.

The International Trade Administration Commission (ITAC) of South Africa informed the Pakistani authorities that the local industry, the Southern African Customs Union (SACU) and Textile Federation of South Africa (TFSA), did not file a review petition for the continuation of countervailing duty on bed linen imports from Pakistan. In a complaint from SACU and the ITAC South Africa imposed 6.14 per cent countervailing duty on printed and dyed bed linen carrying HS codes 6302.21, 6302.22, 6302.29, 6302.31, 6302.32 and 6302.39.

The decision to withdraw duty had been ratified by the minister of trade and industry of South Africa and a final notice will soon be published in the gazette by the South African Revenue Service (SARS). Pakistan has also decided to file a case with WTO Dispute Settlement Commission in Geneva against the European Union's (EU) Generalised System of Preferences (GSP) Plus scheme and the anti-dumping duty imposed in 2004, as disclosed by Commerce Minister Humayun Akhtar Khan last week.

The minister said that Pakistan had been subjected to a 'chain investigation' into dumping of bed linen in EU member states and this was totally wrong and stood against the free market norms. India had moved the WTO dispute forum in 1992-93 over the punitive duty on its bed linen imports to EU and won the case, which also benefited Pakistan who did not file a case at that time.

The discriminatory GSP Plus scheme, which has put Pakistan's imports to the EU at a disadvantageous position as they are subjected to 13 to 23 per cent customs duty whereas its competitors from Bangladesh and Sri Lanka enjoy duty free imports under the scheme. Pakistan has criticised the scheme under which similarly situated countries are treated differently in current GSP Plus criterion.

**Source: Reuters, Bangalore, 18 January 2007.**

**WTO chief asks India to make concessions on agriculture.**

The World Trade Organization director-general on Friday asked India to make concessions on the sensitive issue of agriculture for a successful conclusion of the Doha Round of multilateral trade negotiations, a news report said. The United States, the European Union and other trading blocs were considering new offers and India should also re-examine its stand, the Press Trust of India news agency quoted Pascal Lamy as saying. "My understanding is that the United States and EU have started testing new positions. Something is cooking but it is not at the point of being served. It also needs Indian spices," Lamy said after meeting with India's Commerce and Industry Minister Kamal Nath.

Opening up of the agriculture sector for imports would not make the lives of Indian farmers any tougher, he said. "Apart from India, Brazil, the United States and EU, other chefs like Japan and Australia have to contribute to it," PTI quoted him as saying. The deadlock on agriculture has so far thwarted the current trade round, launched more than five years ago in Doha, Qatar.

The talks have been suspended since last July, after the United States, the European Union and other commercial powers were unable to agree on sensitive topics such as cutting the amount of support rich countries provide to farmers. Lamy said both developed and developing countries would need to make tariff cuts, though a greater responsibility would be on the rich nations. He also met with Indian Prime Minister Manmohan Singh in New Delhi. "During the meeting with the prime minister, I got the feeling that the WTO is very much on his radar," Lamy said. Nath said trade ministers of 30 key trading nations are expected to meet in Davos next week to set out modalities for restarting the Doha round of talks. "I hope that the process gets started and timelines are set for completion of the round," PTI quoted Nath as saying.

**Source: Associated Press, New Delhi, Herald Tribune Business, 19 January 2007**

## **WTO talks approaching end game, says EU commissioner**

Global trade talks would end in "the next few months", with chances of a deal "on a knife's edge", EU trade commissioner Peter Mandelson predicted yesterday.

World Trade Organisation (WTO) discussions, which collapsed six months ago, were "on a knife's edge, with the possibility of success as we enter the end game in these crucial talks, which will end either in success or failure in the next few months", Mandelson told a conference in London.

The Doha round of talks, named after the Qatari capital where they began in 2001, stalled last July as the US resisted pledging further cuts in its agricultural payments without steep reductions in the farm tariffs of India, the EU and Japan.

Trade officials from those countries will meet next week in Davos, Switzerland, to try to reanimate the negotiations. A trade deal will pump at least \$96 billion (R690 billion) into the world economy, the World Bank estimates. The talks might bog down for years unless the WTO's 150 governments clinched a deal before US President George W Bush's negotiating mandate from congress expired in July, Mandelson said. Without an accord this year, it "could be even later than 2009" until WTO talks resumed, he said.

The 27-nation EU has said it was willing to sweeten its offer by adding "substantially" to the 39 percent average reduction in farm duties it submitted a year ago. Mandelson is pressing the US to make "real cuts" to agricultural subsidies to levels near those demanded by developing countries. French trade minister Christine Lagarde said yesterday that Europe had made as many concessions as it could to revive the talks. "In the current state of things ... there is no point in Europe making another offer," she said. "There is little room for manoeuvre."

The position of the US and France was close, said Lagarde, who pointed to India and China as the main obstacles to a deal.

China is a sensitive sticking point for both the EU and the US, as both governments are trying to contend with a growing trade deficit with the Asian nation.

**Source: Bloomberg, Brussels, 19 January 2007**

### **WTO plans threaten sea life - Greenpeace**

Pirates and licenced trawlers are ravaging the world's oceans, while proposals for trade ministers meeting in Switzerland next week could prove the final blow to sea life, Greenpeace said on Friday. Three-quarters of global fish stocks are now classed by the United Nations as fully or over-exploited, and the conservation group said World Trade Organisation plans to slash or cancel fish and fish product tariffs would be a disaster. "Under trade liberalisation, only a few countries will benefit, and then only in the short term," Daniel Mittler, a political adviser on trade for Greenpeace, told reporters. "The reality is, all other countries will lose. There must be regulated trade and proper management...The last thing the world needs is a relaunch of the Doha global trade round."

The world's seas are already ravaged, with waters off developing nations most at risk from pirate trawlers flying cheaply purchased flags of convenience, Greenpeace said. At any one time, some 600 foreign vessels are fishing off the Kenyan coast, said Athman Seif of the Kenya Marine Forum, particularly targeting lucrative hauls of yellow fin tuna. Some of the boats are licenced, many are not, he said. "They are sophisticated and unscrupulous, and something must be done," he said at the launch of the report in Nairobi.

Greenpeace says illegal fishing will boom if tariffs are cut or dropped, as trawler crews hunt valuable export stocks while dumping tons of unwanted "bycatch" caught in their huge nets.

The tariff plans are included in the suspended Doha round of trade talks begun in 2001. But discussions have continued behind closed doors, Mittler said, and next week in Davos, Switzerland, ministers will try to rescue the round.

Greenpeace said studies in Mauritania, Senegal and Argentina showed that trade liberalisation in fisheries was a disaster for the marine environment as well as for local food security. "Not even the economic case for liberalisation is convincing," it said in its report. "Argentina, for example, is estimated to have lost at least \$3.5 million in future earnings by over-exploiting its fish resources after liberalisation."

**Source: Reuters, Nairobi, 19 January 2007**

## **US warns of more WTO cases against China**

The United States is likely to file more cases this year against China at the World Trade Organization, a top U.S. trade official said on Wednesday. "I expect we'll see more WTO complaints" against China, Deputy U.S. Trade Representative John Veroneau told reporters at a roundtable discussion on trade. Commerce Department data due out next month is expected to show the U.S. trade deficit with China hit a record \$230 billion to \$240 billion in 2006. The mammoth trade gap, along with concerns about Beijing's currency policy, has prompted many lawmakers to demand a tougher U.S. approach to China trade.

Veroneau refused to give any additional details, including how quickly a new case might be filed. He said he did not want to "steal the thunder" of U.S. Trade Representative Susan Schwab or Deputy U.S. Trade Representative Karan Bhatia, whose responsibilities include China trade. For nearly a year, the United States has been mulling a possible WTO case against China for failing to stop widespread piracy and counterfeiting of American goods.

Bhatia has also raised the possibility of a WTO complaint against Chinese industrial subsidies. The United States joined Canada and the European Union last year in a complaint against China's tariffs on auto parts that they said were applied in a way that discriminated against foreign suppliers. There's been no decision in that case.

**Source: Reuters, Washington, 19 January 2007.**

### **China's courts see rise in IPR violation cases after WTO entry**

Cases of intellectual property rights (IPR) violations handled by China's courts rose rapidly after China's entry to World Trade Organization (WTO), a meeting of the Supreme People's Court (SPC) heard on Thursday. "After China's entry to the WTO in 2001, cases of IPR violations increased rapidly and China's judicial protection for IPR also improved," said Cao Jianming, vice president of the SPC. From 2002 to 2006, China's courts heard 54,321 civil cases of IPR violations, up 145.92 percent, and settled 52,437 cases at first instance trials, up 141.99 percent, over the five years from 1997 to 2001, SPC statistics showed.

During the same period, China's courts had heard 13,170 civil cases of IPR violation at second instance trials, up 8.93 percent, and settled 12,700 cases, up 9.55 percent, SPC statistics showed. "After entry to the WTO, China strengthened judicial protection for IPR and a preliminary judicial protection system for IPR had already formed," Cao said.

In 2006, China had 172 special courts, 140 collegial panels and 1,667 judges handling IPR violations. The range of IPR violations had expanded to cover network copyrights, domain names, trademarks, new plant varieties and folk arts, he said. "These new developments reflect strong demand for judicial protection for IPR," he said. In 2006 alone, China's courts heard 14,219 civil cases of IPR violation, up 5.92 percent from 2005, and settled 14,056 civil cases in preliminary hearings, up 4.95 percent. "Last year, judicial system of IPR violation cases has been further improved," he said.

**Source: Xinhua, Beijing 18 January 2007**

## **"Serious substantive gaps" remain in WTO talks: USTR**

Countries are still far apart on many key issues in world trade talks, but seem to share an urgent desire to reach a deal before that chance slips away, a top U.S. negotiator said on Wednesday. "There's still some serious substantive gaps, but I think what has changed most significantly is ... a renewed sense of urgency that time is short and if we want ... a successful conclusion of this round then people will need to be flexible," Deputy U.S. Trade Representative John Veroneau told reporters. The world trade talks were suspended almost exactly six months ago after a group of six key trading partners -- the United States, the EU, Brazil, India, Japan and Australia -- failed once again to agree on formulas for cutting farm subsidies and tariffs, the central issue in the talks.

Since then, the United States and other WTO members have been quietly "exploring ways to get to a position where we could have a breakthrough that ... would allow us to have confidence that an agreement could be reached in the following number of months," Veroneau said. That activity has increased in recent weeks as countries face the prospect the new Democratic-controlled Congress may not renew White House trade promotion authority that expires on July 1. Many experts believe the trade round will be dead for years without an extension.

About 30 top trade officials, including U.S. Trade Representative Susan Schwab, will meet next week in Davos, Switzerland, during the annual World Economic Forum. That meeting hopefully will help set the stage for the much-needed breakthrough in the months ahead, Veroneau said. The United States and its trading partners have been discussing what each side needs to do in the five-year-old Doha round of world trade talks to reach a deal, even though no new proposals have been made public, Veroneau said.

**Source: Reuters, Washington, 17 January 2007.**

## **India: 'Emergent India: New roles and new responsibilities' - WTO**

*Speeches by DG Pascal Lamy:*

I am very happy to join you all in Bangalore under the theme “Emergent India: New roles and new responsibilities”. And doing this in Bangalore is no coincidence. India's third largest city, accounting for 35% of India's software exports and home to prestigious college and research institutions in areas such as IT or biotech, Bangalore is today an example of how globalisation and openness can bring huge opportunities and benefits to our citizens.

But with success also comes challenges: air pollution, traffic congestion or infrastructure needs are just a few. These are also the results of globalisation and if we want it to be acceptable to all of us, we must also address those challenges head-on, as the title of this conference suggests.

Trade is one of the manifestations of globalisation, with its positive effects but also its downsides. Today it is clear that the sole work of market forces will not be enough to spread the benefits of globalisation to all and that we have to develop instruments to harness globalisation, ensuring that both developed and developing countries benefit alike from it and that those in our societies who suffer from the transformations that globalisation bring about are adequately taken care of.

One of the tools at our hands to harness globalisation is the multilateral trading system, the WTO, hence the Round of negotiations launched in 2001 in Doha under the banner “Doha development Agenda”. It is intended to rebalance the world trading system in favour of developing countries, through greater market opening and new trade rules adapted to the new changing trading realities of the XXI century.

**Source: Reuters, India 19 January 2007**

## **Nod for amendments in WTO TRIPS pact**

India on Thursday approved amendments in the WTO agreement on TRIPS permitting governments to break the monopoly of manufacturers of patented drugs by giving “compulsory licences” in emergency situations.

The decision to approve amendment in Article 31 of the TRIPS agreement was taken by the Cabinet Committee on WTO, external affairs Minister Pranab Mukherjee said after the meeting. World Trade Organisation members had at its Doha ministerial in 2001 decided to amend Article 31 of TRIPS to provide compulsory licences. Mukherjee said most of the least developed countries, the main beneficiaries of the TRIPS amendment, have already approved the new patent regime. “India has also approved it,” he added.

The Cabinet Committee on Economic Affairs (CCEA) also increased the target under the Scheme for Integrated Textile Parks to 30 during the 10th Plan. The enhanced target includes the 26 projects sanctioned so far, as against the 25 approved. It has been decided that there would be no changes in the existing funding pattern and other parameters, information and broadcasting Minister PR Dasmunsi told reporters here.

Development of additional parks will facilitate additional investment, employment generation and increase in textile production, he said. The minister said all the parks would be sanctioned by March 2007 and the projects would be completed by 2008-09. The CCEA also gave a go-ahead to foreign direct investment of up to Rs 3,000 crore by Independent Mobile Infrastructure Mauritius Ltd (IMIML) in India.

IMIML would be making the investment over a five-year period, Dasmunsi said after the meeting of the CCEA. “The approval is subject to licensing and security requirement of the Department of Telecom (DoT) and subject to the condition that the company would divest 26% equity in favour of Indian public in five years if it is listed in other parts of the world,” Dasmunsi said. The FDI inflow by the telecom infrastructure provider will begin by acquisition of 10,000 equity shares of Rs 10 each from promoters S Venkateswarlu and Chandra Padmasri, representing 100% shareholding of the company.

The balance would be invested by way of further issue of shares over a period of 1-5 years, depending on the capital requirement of the company, Dasmunsi said.

**Source: Times News Network, New Delhi, January 18 2007.**

## **WTO chief sees impetus in trade talks but time short**

World Trade Organisation (WTO) chief Pascal Lamy said today stalled global trade talks were getting a fresh push from key political leaders but warned that negotiators must start giving ground soon to maintain momentum.

Global trade talks known as the Doha round stalled last July on differences between the US, the European Union (EU) and developing nations, mainly on farming tariffs and subsidies.

Some discussion has resumed at a technical level and there have been a flurry of meetings between top negotiators in the past week, including between Lamy and US Trade Representative Susan Schwab. "A good deal of political energy has recently emerged from leaders in Europe, the US and Asean," Lamy told a meeting of the Confederation of Indian Industries in Bangalore. "This is why we must seize the moment to try and translate this political energy into changes in the negotiating positions." Some 30 trade ministers will meet in the Swiss resort of Davos next week to discuss how to take the talks forward and Lamy himself will hold talks with officials from India, which has been a key negotiator for developing nations along with Brazil. "The water is heating clearly more than last year," Lamy told journalists later. "We don't have much time ahead of us."

Launched in 2001, the Doha round aimed to ease poverty through trade and boost the global economy but experts fear delays of several years if a deal is not done soon. The WTO director general said the political will had to translate into "new numbers" in negotiations, but said that Davos was likely to be "an occasion of stock-taking" rather than firm decisions.

He declined to specify a new date for the talks to resume fully, saying the timing would be determined by what came out of the negotiations. India and Brazil are part of the Group of 20 developing nations and big agricultural producers seeking cuts in farm subsidies from the US. The impasse in agriculture has blocked progress in other areas including industrial goods.

India's Trade Minister Kamal Nath also spoke at the conference, reiterating New Delhi's position that it was willing to negotiate on commerce but would not compromise the future of 650-million Indians dependent on agriculture. "This round must see that the structural flaws in global trade must not be perpetuated," Nath told a news conference. "There is no question of any compromise in our agriculture market access - giving market access for subsidised products - or in any area which will impinge upon the livelihood and security of our farmers," he said. Nath sparred with Lamy on a panel at the conference as they debated the merits of regional versus global trade pacts. Lamy drew chuckles from the audience when he compared the WTO to curry and regional trade agreements to

pepper. "Pepper adds taste and can improve a curry sauce but pepper alone is not tasty and good pepper in a poor sauce will not do the trick," he told the business gathering.

But in a nod to the benefits of bilateral deals, which Nath described as "WTO plus", Lamy said, "I think India is trying to find the right mix."

**Source: Reuters, Bangalore, 19 January 2007.**

## **Experts push for WTO-sanctioned subsidies**

Trade experts have urged authorities and industry chiefs to ready subsidy policies accepted by the World Trade Organisation (WTO) for supporting the domestic industry during the post-WTO phase. Viet Nam has pledged to eliminate subsidies prohibited by the WTO, which local authorities and businesses consider a major challenge for the domestic industry.

Director of the Ministry of Trade's Multilateral Trade Department, Tran Quoc Khanh, said as per commitments, Viet Nam had to eliminate export-related subsidies such as bonuses or import tax preferences based on localisation rates. Regarding industrial subsidies, Khanh said Viet Nam had pledged to remove all export subsidies and import replacement subsidies paid directly by the state immediately after becoming a WTO member. Preferential investment subsidies for exports would be abolished five years after joining the WTO (for projects that have become operational).

These preferences would not be applicable for new projects licensed, including textile and garment projects, after WTO entry, he said. Therefore, export-oriented domestic and foreign invested enterprises receiving State support would become the most vulnerable, Khanh explained.

However, Khanh said Viet Nam could still make use of WTO-permitted subsidies to develop several domestic industries and sectors, including those supporting development and research, disadvantaged areas and for environmental protection.

Apart from these, Viet Nam could also retain certain types of subsidies to promote local production. However, since such subsidies result in losses for importing countries, they could make use of retaliatory measures under the WTO mechanism, he said. Pham Thi Tuoc, an expert from the Ministry of Agriculture and Rural Development, said the abolishment of subsidies would not negatively impact the agricultural sector as up to 96 per cent of Viet Nam's current subsidies for the sector would continue under the WTO. Tuoc said Viet Nam could support agricultural production through the financial assistance measure permitted by the WTO, which the country was yet to implement. Trade experts also said that businesses were not too worried about eliminating subsidies as only a few were important.

Science and Technology Ministry's Science Policies and Strategies Institute expert Tran Ngoc Ca said that though several forms of subsidies in the industrial sector had played a significant role in the survival and development of enterprises, they were not too essential as to make firms go bankrupt.

Experts opined that elimination of subsidies could see domestic businesses adopt a wait-and-watch policy, result in sluggish growth, restructure their projects into smaller ones instead of expansion and technological modernisation in a move to enjoy preferential corporate tax.

**Source: Vietnam News Agency, 18 January 2007.**

## **WTO ruling on ‘zeroing’ to favour India’s shrimp case**

The WTO ruling last week against the US practice of ‘zeroing’ should favour India’s case as the process for the second administrative review on anti-dumping duty on shrimp is to be set in motion. With the preliminary determination on last year’s review expected before March, exporters are expected to request the Centre to take up the case at the WTO level and also with the US department of commerce.

Seafood Exporters Association of India (Seai) secretary-general Elias Sait told FE that though there was an earlier ruling against zeroing where US officials ignored cases of charging prices over fair value, rather than offsetting them against instances of undercharging and thereby imposing anti-dumping duties, the present ruling could be made applicable for reviews too.

The exporters are to meet later this month to decide the course of action to be taken when the US issues the notification for the second administrative review next month. Since the WTO upheld an appeal by Japan against a previous ruling on the US anti-dumping measures, deeming zeroing to be in contravention of its rules, India had to intervene and ensure that US did not adopt this methodology in the review now under process.

He said that already US officials were scrutinising the accounts of two mandatory respondent companies in the first review - Liberty Group and Falcon. An official of HLL, the third respondent firm, said that since the company was a respondent at the initiation of the duty three years ago of the review and its accounts had been scrutinised, it was unlikely that there would be another scrutiny.

Exporters said it was important that the Centre took up the issue with the WTO prior to the preliminary determination of duty by March, based on the first review which begun in 2006. The WTO ruling prohibited the practice of zeroing which could result in excessive dumping duties that would hurt US seafood consumers. Calculations are needed to be conducted fairly as this would not only spare India but also help the consumers there.

The industry is hopeful that the duties would be lowered after the review since India has a strong case. Exporters do not expect the Southern Shrimp Alliance (SSA), which petitioned the case for anti-dumping duties for India and six other countries to go in for an out-of-court settlement this time.

**Source: Times News Network, Kochi, 17 January 2007.**

### **WTO publishes first edition of 'WTO Dispute Settlement'**

The WTO published on 16th January the first edition of “WTO Dispute Settlement: One-Page Case Summaries”. Prepared by the Legal Affairs Division, the publication summarizes on a single page the core facts and findings of the panel and, where applicable, Appellate Body reports for each of the 103 cases that have been adopted by the Dispute Settlement Body during the period 1 September 2006.

This first edition of WTO Dispute Settlement: One-Page Case Summaries has been prepared by the Legal Affairs Division of the WTO with special assistance from the Rules Division and the Appellate Body Secretariat. This publication is in response to a continuous stream of requests from a broad cross-section of interests for a simple, straightforward explanation of the key points emanating from the ever-growing body of WTO jurisprudence.

Thus, the publication attempts to summarize on a single page the core facts and substantive findings contained in the adopted panel and, where applicable, Appellate Body reports for each decided case. Where relevant, the publication also summarizes key findings on significant procedural matters.

Other matters of particular significance raised during the proceedings are listed in the accompanying footnotes to each case. The index enables readers to search the disputes by articles and by WTO agreement. The material in the book reflects panel and Appellate Body reports adopted by the WTO Dispute Settlement Body as of 1 September 2006.

**Source: WTO, Geneva, 17 January 2007**

## **Cerberus's Snow Says Leaders, Not Ministers, Must Spur WTO Deal**

Former U.S. Treasury Secretary John Snow said heads of governments should take the lead in delivering a global trade agreement rather than leave it to their ministers.

In recent weeks, negotiators from the U.S., the European Union, Brazil and Japan have stepped up work to resuscitate World Trade Organization talks that collapsed in July. They want to conclude an accord within the next three months, before the Bush administration's negotiating mandate from Congress expires. "The outlook doesn't look real promising" for an accord, Snow, now chairman of Cerberus Capital Management LP, said in an interview in London yesterday. "We need the leaders, not the trade or finance ministers, to come to grips with the fact that unless they commit to getting a deal, nothing will get done."

Completing the so-called Doha trade round would require support from leaders in industrial and developing nations, Snow said. "Ministers can't bind their governments or get it done," he said. "Current leaders can leave a legacy by resuscitating Doha, but it won't happen without them." Snow also said it would become "harder and harder" for President George W. Bush's administration to stop U.S. lawmakers from trying to erect trade barriers against China if it fails to make its exchange rate more flexible. "If there's one issue that could disrupt the global economy, it's protectionism," he said. "If the U.S. moves away from open markets, that will serve as invitation to other countries to do the same. That would be a disturbing thing for the global economy."

**Source: Bloomberg, Brussels, 17 January 2007.**

## **Kamal Nath defends India's bilateral trade agreements**

Commerce and Industries Minister Kamal Nath staunchly defended India's ongoing negotiations towards bilateral trade agreements with a number of countries in Asia and Europe on Wednesday, saying they were perfectly compatible with the norms mandated by the World Trade Organisation (WTO). "Regional trade agreements (RTAs) are a fact of life. In no way do they replace, displace or contradict a rule based multilateral trading system. RTAs and comprehensive economic cooperation agreements (CECAs) are all WTO compatible and WTO provides for bilateral trade agreements," he stated at the Partnership Summit organised by the Confederation of Indian Industry (CII).

India has signed CECA with Singapore and is discussing a free trade agreement (FTA) with the Association of South East Asian Nations (ASEAN). A framework agreement between Bangladesh, India, Myanmar, Sri Lanka and Thailand (BIMSTEC) is being pursued as a link between the two major regional groupings – ASEAN and South Asian Association of Regional Cooperation (SAARC). India also has a functioning FTA with Sri Lanka. An "early harvest programme" was signed with Thailand as a precursor towards free trade, while joint study groups for drafting roadmaps to free trade have been established with Pakistan, Israel and Gulf countries.

Nath, however, made it clear that India's commitment to the Doha round and the WTO remained unchanged. "In India's view, the bilateral route that we have chosen is complementary to the multilateral process and will not derail the Doha round of multi-lateral trade negotiations", said Nath. WTO Director General Pascal Lamy, however, said that these trade agreements contradict the non-discrimination principle of the WTO. "If so, why are so many countries ready to accept rules and disciplines at the bilateral level that they are not prepared to accept at the multilateral level", asked Lamy.

By 2010, about 400 preferential trade agreements are expected to be active among WTO member nations. Lamy said that while WTO authorises regional trade agreements, "the operations of these should not lead to a situation where the non-party would pay-the-price of internal preferences. In order to ensure coherence, regional agreements are to be promptly notified to the WTO and reviewed by peers before the RTA is implemented."

The WTO Director General also said that many of the recent FTAs contain political or geopolitical considerations. "For developing countries negotiating with more powerful developed countries, there is usually the expectation of exclusive preferential benefits, as well as expectations of development assistance and other non-trade rewards. They are also viewed as an instrument to get 'brownie points' and gain an advantage over other WTO members", said Lamy.

Nath underlined the need for working out a strong long-term economic rationale before getting into the nitty-gritty of any FTA between two countries. "It is critical to ensure that

the RTAs and FTAs do not lead to diversion of investment or trade and there is a need to have a strong economic justification for the bilateral trade treaty", said the minister.

Eminent trade economist, Professor Jagdish Bhagwati, who is credited with offering the first theoretical conceptualisation of WTO, cautioned that countries such as India would have to tread carefully before entering into bilateral trade treaties with "hegemonic powers" such as the United States of America and the European Union (EU).

Bhagawati, who teaches at the University of Columbia, USA, said that FTAs lead to diversion of trade and consequently might result in distortions and loss of income for any of the trading partners.

**Source: Reuters, Bangalore, 17 January 2007.**