

GENERAL AGREEMENT ON TARIFFS AND TRADE

MIN(86)/ST/33
17 September 1986
Special Distribution

Original: English

INDIA: STATEMENT BY MR. VISHWANATH PRATAP SINGH, FINANCE MINISTER,
AT THE MEETING OF THE GATT CONTRACTING PARTIES
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

I would like to congratulate you on your election to the Chair. We are confident that under your wise and experienced leadership the meeting will come to a successful conclusion. I would like also to express our thanks to President Sanguinetti for his inspiring address which has set the tone of this session.

We are meeting at a time when the multilateral trading system which has provided the foundation for the growth of international trade in the post-war world is facing a serious threat and has been greatly undermined. There has been an upsurge in the number of bilateral and sectoral agreements and a substantial volume of world trade is now covered by arrangements which circumvent GATT. A recent report has brought out the existence of as many as 120 export restraint arrangements, outside of the sector of textiles and clothing, which are inconsistent with the various provisions of GATT. The numbers keep growing. For more than twenty years a framework has been allowed to exist in regard to international trade in textiles and clothing, which not only constitutes a derogation from GATT, but also operates exclusively to the detriment of the interests of the developing countries. Only six weeks ago the multilateral trading system received a further setback when the Multifibre Arrangement was extended by another five years. The developed importing countries did not even commit to a phase-out of the Arrangement in a fixed-time frame. We find it difficult to reconcile this with the repeated profession of faith in an open and liberal trading system. Trade in agriculture continues effectively to be outside the mainstream of liberalization of international trade. A feature of the policies of many industrialized countries is that in the agricultural sector their actions affect not only access to their domestic markets but also influence the conditions of access in third country markets. Competitive subsidization of agricultural products has assumed unprecedented dimensions. The competition appears to be becoming one of the subsidies rather than of efficiency of production. The statements made yesterday by you and by the representatives of Argentina and Australia have dealt with this matter most eloquently.

There are some other areas in which the trade interests of developing countries have been damaged. The collapse of commodity prices has perhaps had the widest impact on the export earnings of the developing countries. The trade distortive effects of the restrictive business practices applied by the large transnational corporations have become increasingly apparent

in recent times. These corporations are now estimated to control as much as 40 per cent of world trade through their internal transactions. Lastly, there has been an increased tendency to seek to resolve through trade measures, the imbalances that have resulted from the failure of international monetary and financial systems. Such measures not only lower the welfare of the world as a whole, but accentuate the hardships of the more vulnerable and weaker trading partners.

A new round of multilateral trade negotiations will be appropriate for dealing with these problems and we therefore support its launching. The objective of such a round has to be mainly to take effective measures for preserving and strengthening the multilateral trading system. For this, it is necessary to ensure first that no new measures are introduced which are inconsistent with GATT rules or are not based on them. The second step is a phase-out of existing measures which are not compatible with GATT obligations or which circumvent them. From the point of view of the developing countries the most important sector where rollback is necessary is that of textiles and clothing. We seek agreement to make the present extension of MFA the last one. Measures based on waivers and Protocols of Provisional Application will also have to be rolled back. Firm commitments and not only declarations of intent are necessary on the standstill and rollback in order to ensure that they are adhered to effectively and for restoration of the confidence in the system. Above all, the most important requirement for strengthening the multilateral trading system is to have a comprehensive understanding on safeguards. Many of the ills of the present system can be traced back to the absence of such an understanding. If in future we have to avoid circumvention of GATT rules through grey area measures and to ensure that escape clause action is taken for short periods along with adjustment measures, we shall need a safeguards agreement with provisions which stipulate these requirements. In particular it would be necessary to provide for non-discriminatory treatment, for without it the trading system would be seriously impaired. Once selective safeguard action is allowed, it would mean farewell to multilateralism. In consideration of the importance of the subject, it is also necessary to give priority in time to the negotiations on safeguards understanding during the New Round. Such an understanding should be developed during the first phase of the negotiations and implemented without waiting for the results on other subjects of the negotiations. Similarly, the dispute settlement machinery will have to be improved and enforcement mechanisms made effective so that the rights of the smaller and weaker nations are protected.

In agricultural products we would support measures for curbing the use of export subsidies on a priority basis. Additionally, solutions should be sought for bringing down the level of protection in developed countries. Considering the gravity of the problem of falling commodity prices, the CONTRACTING PARTIES should deliberate on the ways and means of taking joint action to stabilize their markets at remunerative levels. We have to consider also in the New Round of negotiations the measures to curtail restrictive business practices of transnational corporations. Further my

delegation is strongly of the view that parallel action needs to be taken in appropriate forums in the field of money and finance.

The General Agreement was based on concepts applicable largely to market economies. One of the challenges which GATT has to deal with ... economic systems. It needs to be examined as to how this challenge should be met.

This brings me to the non-GATT issues being advocated for inclusion in the agenda for the New Round. We are firmly of the view that the issues of investment, intellectual property and services do not belong to GATT. Services cover a wide range of heterogenous economic activities, some of which involve establishment in the country where service is to be provided. Others involve movement of people across national borders. Organization of many service sectors is determined by the socio-economic system of a country. International fora already exist for dealing with specific services. The exchange of information on services carried out so far has not established the need for or feasibility of multilateral action across-the-board for services. The Heads of State or Government of the Non-Aligned Movement who met at Harare only about a week ago recognized that GATT did not have jurisdiction in the areas of investment, intellectual property and services. They have declared emphatically that no linkage should be established between trade in goods and action in the area of services as this would further accentuate the existing asymmetry in the international economic order.

I would like to remind that we are meeting here as CONTRACTING PARTIES and our mandate is circumscribed by the provisions of the General Agreement. GATT is designed to deal with only trade in merchandise. It cannot be stretched or extended to areas alien to it. GATT is only an agreement and not an organization under the auspices of which disciplines can be developed in such areas. The approaches and disciplines of GATT cannot be transposed to the services sector. The proposal to hold negotiations on services in GATT is, therefore, untenable.

When I say so I express the will of 700 million people of my country who constitute one of the largest potential markets of the world economy. They rightfully ask that after their long struggle against colonial rule towards freedom, after having built bit-by-bit, a strong and sound economy on the strength of their own toil and talent whether their national aspirations are now to be condemned as "obstacles" to trade? They ask whether once linkage between goods and services is established will we not be confronted with fierce retaliation in the goods sector because we in our national perceptions are unable to retaylor our policies in the services sector. Will our vital policies of socio-economic transformation be henceforth subjected to the vagaries of the market place? Will we not be giving legitimacy to all the protectionist measures in the goods sector which will crop up on the alibi of the insufficient opening up in the services sector? Will not the failure of some industrialized countries to

handle protectionist forces in the goods sector in their countries be transformed into fresh demands to liberalize in the services sector? As to the relative power of retaliation of industrialized and developing countries the fulcrum is misplaced. The industrial powers are at the end of the longer arm while we are labouring at the end of the shorter one.

It is our belief that the developing countries in putting their signature to linkages between goods and services will be putting their signature to crippling economic retaliation which they can hope to ward off only by compromising their national policies to the dictates of mightier economic powers. Are we to forge this destiny for ourselves? Do we present these shackles when we go back home to our countrymen?

Before I conclude I would like to say a few words on the question of participation in the New Round. We are of the view that we should allow any interested government to participate in the negotiations as was the case in the Tokyo Round. Such participation has often facilitated or encouraged governments to become members of the GATT. The more universal the membership the stronger the trading system would become.

Finally, I must emphasize that it would be of utmost importance to ensure full transparency at all times during the negotiations. Also any rules or elaborations that may be evolved in the course of negotiations should be incorporated in the General Agreement through the normal process of amendment and not through collateral agreements.

We have gathered at Punta del Este this week to begin a process which would lead to reaffirmation and strengthening of the basic principles of the multilateral trading system. Continued adherence to the multilateral trading system or commencement of the New Round cannot be made contingent upon ...