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Statement by H.E. Mr Arun Jaitley Minister of Commerce and Industry and Law and Justice

1. I thank you, Mr Chairman, and your Government for hosting this 5th Ministerial Conference and for the excellent arrangements and hospitality.
2. India has very warm and friendly ties with both Nepal and Cambodia. Nepal is also our close neighbour. We applaud the accession of these two least developed countries to the WTO.
3. We welcome the recent decision of the General Council that would make it easier for poorer countries to import cheaper generic drugs if they are unable to manufacture the medicines themselves. But we have a responsibility to ensure that the system we have put in place works to meet legitimate humanitarian needs without being held hostage to procedures.
4. The developing countries participate in the multilateral trading system in the hope that this would lead to their economic development and not because trade liberalization is an end in itself. The system has to meet this expectation. Effective measures are needed to make trade work as an engine of growth and human development. Given the differences in levels of development and the ability of countries to assume obligations, it is imperative to ensure that equal rules do not apply to unequal players. With very few exceptions, today's developed countries in the past practised and benefited from the same protection they now seek to deny to developing countries. Anyone can dismantle all protection after growing wealthier and powerful. The multilateral trading system has to acknowledge that developing countries cannot afford to travel at the same speed as developed countries to achieve gains. Therefore, obligations to be undertaken by the developing countries should not arise out of coercion. Rather, they should have a feeling that these obligations are in their interest and that they are in a position to accept and implement them.
5. Over the years we have seen gradual increase in lack of internal transparency as well as reduced participation of developing countries in the decision-making process in the WTO. We should not let the developing countries perceive the decision-making process of the multilateral trading system to be discriminatory, opaque and unresponsive to their needs. We look forward to this Ministerial Conference moving towards more inclusive decision-making process. There is also a need for prescribing clear and fair guidelines for conducting the preparatory process for Ministerial Conferences. The practice followed before Doha – and now, again – of sending the Chairman's text to the Ministers on the Chairman's own responsibility is not a healthy one. We need to deliberate on these issues and take appropriate decisions so that specific guidelines can be finalized before the next session of the Ministerial Conference. The proposals made by a large number of Members including India could serve as the basis for such discussions.
6. Although the Doha Work Programme was heavily overloaded and included a few issues that are not trade related, we saw some elements in it for a new beginning towards addressing issues of

particular interest to developing countries. But as we see it now, we are engulfed in a sense of deep disappointment that the development dimension envisaged under the Doha Work Programme has been given short shrift. In our view the draft Cancún Ministerial Text is grossly inadequate on implementation issues and would severely affect the interests of developing countries in agriculture, industrial tariffs and Singapore issues. We cannot escape the conclusion that it does not accommodate the legitimate aspirations of developing countries and instead, seeks to project and advance the views of certain developed countries.

7. The progress achieved on implementation issues belies the understanding that Ministerial commitments once taken will be honoured. Negotiations on outstanding implementation issues were agreed to be "an integral part of the Work Programme" and were required to be addressed "as a matter of priority". Yet, all the time-lines set at Doha for their resolution have been breached. On certain issues even the mandate itself has been questioned. To make matters worse, the draft Ministerial text accords low priority to these issues. It does not envisage any time-frame for taking decisions for resolving outstanding issues. This is in sharp contrast to the issues of interest to developed countries for which time-lines have been provided for taking decisions. If we do not restore the priority accorded to the outstanding implementation issues, the developing countries would be forced to conclude that the "development" element in the Doha Development Agenda is only rhetoric. Let it not be said in respect of implementation issues that "often expectation fails and most often there, where most it promises". It is also a matter of disappointment that the draft decision on Special and Differential Treatment provisions before us has left many issues unresolved. This is despite a clear decision from the Ministers that all S&D provisions should be made precise, operational and effective and non-mandatory provisions converted into mandatory ones within a specified time-frame.

8. The commitment by the developed countries to eliminate distortions in world agriculture caused by their policies holds the key to resolving differences amongst us in this area. The "Global Economic Prospects 2004", a World Bank publication, mentions that the protection in the developed countries faced by developing country exporters in agriculture is four to seven times higher than in manufactures. The effect is to stimulate over-production in high cost rich countries and to shut out potentially more competitive products from developing countries. It is no surprise that over the past few years, agricultural exports from developing countries to developed countries grew at just half the rate they did to other developing countries. Agricultural subsidies in developed countries are not targeted to keeping small struggling family farms in business but to provide hefty rents to large farmers or corporates. In many developed countries, the average income of farmers is higher than the national average, reaching almost 200 per cent of the average in certain cases. Let us also remind ourselves that the agriculture subsidies provided by the OECD countries are more than six times what they spend on official development assistance for developing countries. OECD Governments support sugar producers at the rate of US\$6.4 billion annually – an amount nearly equal to all developing country exports. Subsidies to cotton growers in a developed country totalled US\$3.7 billion last year, which is three times that country's foreign aid to Africa. The net effect of subsidizing agriculture in developed countries at the expense of products of the relatively poor in developing countries is to aggravate global income inequalities. On the other hand, against equity, justice and fair play, developing countries are being asked to liberalize their agriculture. What the farmers in developing countries demand is protection from distortions in the trade of agricultural commodities, created through the high level of subsidies in the developed countries. The plight of these farmers are directly linked with the level and kind of subsidies in the farming sector in the developed world. Hence, it would be difficult for us to agree to negotiations, which could potentially place at high risk the very livelihood of 650 million people in India, who are solely dependent on agriculture. It is only when the developed countries agree to take five steps forward in the removal of trade-distorting subsidies that the developing countries can take one step forward in the area of market access. The legitimate concerns of billions of farmers in developing countries, for whom agriculture means survival and not commercial operation, cannot be sacrificed to sub-serve agri-business profits of a few millions elsewhere sustained through \$1 billion in the OECD countries.

9. In order to secure sufficient gains from globalization for developing countries there is an urgent need to bring down the high tariffs and non-tariff barriers on products of export interest to developing countries. Also to effectively take account of their development needs, including rural development and food security and livelihood concerns, it remains our duty to ensure that special and differential treatment for developing countries and policy space to deal with sensitive products remain an integral part of all elements of negotiations. India reiterates that under no circumstances can it accept any form of harmonization of tariffs in agriculture or obligations to create and expand tariff rate quotas. India along with 20 other Members has put forward joint proposals on agriculture that we believe offer a constructive and meaningful alternative. We look forward to discussing it at the Conference.

10. On market access negotiations on non-agricultural products, the Chairman of the Negotiating Group has devised a formula that recognizes and incorporates certain elements for the developing countries as mandated by the Doha Declaration, while achieving significant reductions in the tariffs of all Members. We are of the view that amending any aspect of the formula or the formula itself would negate the entire work done so far. The suggestion for mandatory tariff harmonization and elimination would be most iniquitous to developing countries because substantial, if not the entire, contribution would then be made by developing countries. On sectoral proposal, we believe that not all the seven sectors are of export interest to all developing countries. Being at different stages of development, they do not have the capacity to undertake binding obligations in all the seven sectors. Consequently all Members cannot be expected to participate equally in the initiative. Nor are all Members agreeable to a sectoral approach.

11. We do believe that all the Singapore issues are trade related. Besides, the disciplines proposed in this area would require new policy actions to be taken only in developing countries. At Doha we agreed to join the consensus in favour of the Declaration only after it was made certain that these issues needed further clarification and that any decision on commencing negotiations on these would be dependent on an explicit consensus on the modalities of each of these issues in this Ministerial Conference. Our strongest arguments still remain that WTO is not the right forum, that the traditional WTO principles of non-discrimination particularly national treatment are not appropriate for a development policy-related issue like investment and that trade negotiators are not the right people to deal with movements of capital that have dynamics of their own.

12. We have been participating actively and with an open mind in the discussions on the elements of these issues with a view to clarifying them better so that there is convergence on these issues for taking a decision on modalities. It is our assessment – and that of many other countries as well – that there are significant and deep differences in views of Members on many elements of these issues. Hence we are not convinced of the appropriateness of taking a decision on modalities as it does not give us any idea of the substance and direction of obligations that agreements in this area may require us to undertake.

13. The need for a multilateral agreement on investment itself is not clear. It can neither promise additional investment flows nor reduce transaction costs for investors significantly. However, an agreement will certainly curtail the policy space of developing countries. An agreement in this area will not be advantageous to all Members as the benefits of such an agreement will accrue entirely to developed countries from which two thirds of all cross border investments originate. The process of clarification of issues has revealed the wide divergence in views on various elements including scope and definition, transparency, dispute settlement, performance requirement etc. While the *demandeurs* are seeking onerous obligations from host countries, they are reluctant to agree to binding rules on foreign investors and home governments. We remain determined to resist such inequitable obligations being thrust upon us.

14. Countries at different stages of development have viewed competition issues differently based on the effects they have on their economies. Convergence in views can arise only between countries at similar stages of development. The WTO membership is too diverse to admit a framework that suits all. Further work needs to be done on understanding elements in competition such as core principles, cooperation mechanisms and the coverage and prohibition of hardcore cartels through appropriate mechanisms before we can start comprehending the implications of any multilateral discipline.

15. Multilateral rules, binding in nature, in respect of trade facilitation and transparency in government procurement would entail high costs for developing countries.

16. As far as services negotiations are concerned, liberalization of certain sectors is essential to accelerate growth in developing countries. However there are certain sensitive sectors in which we need to tread with caution. I would like to emphasise that for developing countries including India the balance of benefit in the negotiations will accrue to the extent to which their service providers are allowed to supply services in important overseas markets either from remote locations or through temporary movement of natural persons. In case the resistance among developed countries for agreeing to the request of developing countries for enhanced market access under Modes 1 and 4 continues, this would substantially erode our flexibility to make commitments in sectors of interest to developed countries.

17. We feel that it is necessary to make significant progress in areas of great importance to developing countries such as transfer of technology and trade debt and finance. It is now up to the Ministerial Conference to provide decisive political guidance so that meaningful progress is made on these issues.

18. We strongly support the initiative taken by certain countries regarding cotton subsidies and commodity price stabilization which are areas of critical significance to the developing countries and look forward to addressing these issues.

19. Mr Chairman, we are hopeful that with you as Chairman of this Ministerial Conference, the development dimension of the work programme will occupy centre stage. We are confident that under your guidance we will collectively find solutions to the various contentious issues in such a manner that the final declaration reflects the needs and aspirations of developing countries.
