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Statement by H.E. Mr. B.K. Zutshi Ambassador, Permanent Representative

The annual session of the CONTRACTING PARTIES has traditionally been the most important GATT event of the year. This year, the significance of the meeting is even greater because of the important developments that have taken place in the international trading system over the last year and also because this is the last annual session of the GATT CONTRACTING PARTIES prior to the conclusion of the Uruguay Round by around this time next year. This is thus our last opportunity to assess the magnitude of work and the challenges to be tackled by us during the next year.

Looking back over the past year, the most disturbing development has been the rise of unilateralism. Its most striking manifestation has been the identification by one contracting party of certain practices in certain countries as unfair and detrimental to its trading interests, with a view to seeking their elimination through bilateral negotiations. This, notwithstanding the fact that these very issues are the subject matter of substantive negotiations currently underway in the Uruguay Round. As of now, the identified practices are not covered by any international understanding or agreement. Certainly my country has not assumed any trade-related international obligations in these areas. Therefore, the attempt to establish a possible linkage between issues like investment, services and protection of intellectual property rights with trade flows covered by GATT is totally unjustified and obviously unacceptable to us. We see this as an attempt on the part of the contracting party concerned to influence the negotiating process in ways wholly inconsistent with the letter and spirit of such multilateral negotiations. This is a clear violation of the Standstill commitment assumed by all participants at Punta del Este. This is in fact the judgement rendered on the action of this contracting party by other contracting parties which is clearly reflected in the proceedings of the special Council meeting of 21 June 1989. We urged in several GATT fora earlier, and would once again like to urge contracting parties concerned, to refrain from this approach of contention and confrontation in order to help the Uruguay Round process to reach a fruitful and successful conclusion.

This brings me to our assessment of the progress of work in the Uruguay Round negotiations on goods. The Mid-Term Review at Montreal and the April process were indeed milestones. The early harvest was in the areas of Dispute Settlement and the Functioning of the GATT System (FOGS).

Although on a provisional basis, these are welcome developments. Since April 1989, particularly after the summer break, the pace of work has gained considerable momentum, but only selectively. In areas of interest to us in the developing world, we find that the progress has been poor and, in some cases, it is nil. In the area of market access, the prospects for actual negotiations to begin are not quite clear. Even the issues of modalities for actual negotiations, coverage and participation are far from settled.

We perceived the April Trade Negotiations Committee Decision as a breakthrough because of the commitment to phase out Multifibre Arrangement and thereby integrate the textiles and clothing sector into the GATT. This is of the greatest interest and relevance to us in the market access area in this Round. We, however, observe no progress in negotiations in this area. The truth is that we are practically where we were at the end of the April Decision. My delegation cannot contemplate a successful Uruguay Round without a definite and irrevocable plan for phasing out the MFA within a reasonable and foreseeable time-frame and a credible guarantee for its implementation. On the whole, the lack of progress in the negotiations in the area of market access is a matter of grave concern to us.

In the area of rule-making, the work has picked up speed. We are, however, concerned that these are attempts to fundamentally alter the balance of rights and obligations inherent in GATT. This is clear in several proposals on safeguards, subsidies, anti-dumping and GATT articles.

In the case of Trade in Intellectual Property Goods and Trade-related Investment Measures, the pace of work has been brisk and business-like. However, there has been a measure of reluctance on the part of some participants to come to grips with the development and public policy dimensions of the issues involved. In this area, the need is for the developmental, technological and public policy objectives of concern to developing countries being woven into the fabric of the negotiating results.

The shortcomings in the negotiating process pointed out above will have to be addressed on a priority basis if the results of the Round have to be balanced and meaningful to all participants.

I have briefly referred to the early harvest of results in the Uruguay Round. We attach considerable importance to the dispute settlement mechanism and consider it central to a healthy multilateral trading system. New procedures introduced in this area promised to eliminate delays in the dispute settlement process up to the stage of presentation of panel reports. This, of course, is not sufficient to make the dispute settlement process wholly credible. Delays at the subsequent stages of the process will now need to be addressed. Hopefully, solution to this will be found by the end of the Round.

It is our hope that the early harvest in the FOGS area -- namely the Trade Policy Review Mechanism (TPRM) -- will lend greater transparency to the trading policies of various contracting parties and help in achieving a degree of coherence in global policy making.

My delegation would like to draw particular attention to an important decision taken under the GATT by the Government of Korea to disinvoke its balance-of-payments cover under Article XVIII:B in view of significant improvements in its balance-of-payments position. This is a clear manifestation of the fact that Article XVIII:B is serving its purpose well and truly. We would like to take this opportunity to congratulate the Government of Korea on its decision in this regard.