WORLD TRADE ORGANIZATION

RESTRICTED

WT/TPR/G/100
22 May 2002

(02-2680)

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

INDIA

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of India is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on India.

CONTENTS

Page

I. INTRODUCTION 5

(1) India's Economic Performance at a Glance 5

(2) Some Important Social Indicators 6

(3) India's Foreign Trade Performance During Last Four Years 6
(i) Exports 6
(ii) Imports 7

II. KEY DEVELOPMENTS IN TRADE AND ECONOMIC POLICY SINCE THE LAST REVIEW 7

(1) Removal Of Quantitative Restrictions For Imports 8

(2) Removal of Quantitative and Other Restrictions on Exports 8

(3) Trade Facilitation Measures 8

(4) Reform in Tax Administration 9

(5) Fiscal Consolidation 9

(6) Reforms In Foreign Investment Regime 10

(7) Reforms in Industrial Licensing Regime 11

(8) Exchange Market Reforms 11

(9) Deregulation of Interest Rates 11

(10) Other Banking Sector Reforms 12

(11) Liberalization in Insurance Sector 12

(12) Primary Market Reforms 12

(13) Corporate Governance 12

(14) Reform of Control Systems 13
(i) Petroleum sector 13
(ii) Sugar sector 13
(iii) Deregulation in Agriculture Sector 13

(15) Infrastructure Reforms 13
(i) Power 13
(ii) Roads 14
(iii) Ports and Airports 14

(16) Telecom 14

(17) Privatization of Public Sector Units 15

(18) Impediments to the Growth of India's International Trade 15

III. INDIA AND THE WTO 16

(1) Agriculture 16

(2) Steps for International Standards in Trade and Industry 17

(3) Intellectual Property 17

(4) Services 19

Page

(5) TRIMs 20

(6) WTO Dispute Settlement 20

(7) Trade Defence Measures 21

(8) Implementation Issues 21

IV. REGIONAL TRADING ARRANGEMENTS 21

V. CONCLUSION 22

I. INTRODUCTION

1. During the period following the last Trade Policy Review in 1998, the Indian economy has shown considerable resilience and has remained one of the fast growing major economies of the world. This is despite the fact that this period was characterized by several external shocks, including the East Asian crisis, oil price increase in 2000-01 and the most recent world economic slow down. Domestic disturbances in the shape of an adverse security environment, natural disasters like the Orissa cyclone and the Gujarat earthquake also posed additional challenges.

2. The focus of India's further economic reforms during this period has been on bringing about a closer integration of the domestic economy with the world market. Reforms, however, have a greater chance of success when they are perceived as pro-people and public opinion regarding them is favourable. A consensual approach therefore has to be evolved taking into account the democratic and federal structure of the country. The gradual, but continuous progress in reforms, in spite of successive changes in Government, should be looked at in this backdrop.

3. A key focus of the external sector reforms has been on trade liberalization and export promotion. Several steps have been taken to bring about transparency, remove controls, reduce tariff and other barriers and simplify procedures. Trade reforms have been introduced in the framework of a medium term perspective thereby reducing the scope for ad hocism and uncertainty. The Export-Import policy of the Government continues to be based on a five-year framework, with the EXIM policy for 2002-2007 just having been announced. The medium term export strategy also spells out the broad policy of the Government with regard to export promotion for the next five years.

(1) INDIA'S ECONOMIC PERFORMANCE AT A GLANCE

4. The average rate of growth of the economy was sustained at around 6% during the period of review making India one of the rapidly growing major economies of the world despite the global recession and industrial slow down in the domestic economy. However, it is recognized that the rate of growth in important sectors like industry and agriculture have fluctuated during the last four years. The growth of industrial production in 2001-02 has fallen to 2.3% compared to 4% in 1998-99, 6.4% in 1999-00 and 5.8% in 2000-01. The low growth rate in the current year is on account of several factors, the most important amongst them being slow down in domestic and global demand. In the agriculture sector, the estimated growth rate of 5.7% during 2001-02 is significantly higher than the negative growth rate of (-)0.2% during 2000-01 and 1.3% during 1999-00. However, it is lower than the growth of 6.2% recorded in 1998-99. The last year's poor performance was on account of drought like situation in some areas like Rajasthan, Gujarat, Madhya Pradesh, and Chattisgarh. The average inflation for the period 1996-97 to 2000-01 at 5% (in terms of the 52 week annual average) is the lowest since the mid 1950s.

5. In respect of balance of payments, the current account deficit declined from 1.1% of GDP in 1999-00 to about 0.5% in 2000-01. The exchange rate of the rupee in terms of the major currencies of the world remained reasonably stable despite occasional fluctuations caused by normal market forces of supply and demand. The foreign currency assets of the RBI have increased from US$29.5 billion in 1998-99 to US$49.1 billion as on 15 March 2002 amounting to about ten months of imports requirement. India's external debt situation also improved significantly as a result of effective external debt management by the Government. The external debt-GDP ratio decreased to 21% at the end of September 2001 making the country a "less indebted" country in terms of World Bank's classification.

(2) SOME IMPORTANT SOCIAL INDICATORS

6. The economic progress would also need to be seen in the context of the overall social development. The incidence of poverty expressed as a percentage of people living below the poverty line has declined from 36% in 1993-94 to 26% in 1999-00. The overall employment grew by about 1% per annum during 1993-94 to 1999-00. The employment in organized sector has however shown a declining trend due to slowing down in employment in the public sector, which has showed a negative growth of (-)0.03% per annum during 1994-00. So the major contribution in the overall growth of the organized sector employment has been made by the private sector after 1995 and the further growth in employment in this sector is also dependent on the employment growth in the private sector. The literacy rate increased from 52.21% in 1991 to 65.38% in 2001. The 93rd Amendment of the Constitution passed in the Lok Sabha on 28 November 2001, seeks to make the right to free and compulsory education for children between 6-14 years of age a Fundamental Right. The average annual growth rate of population has declined to 1.93% as compared to 2.14% in 1991. The per capita income at constant price (base year 1993-94=100) has increased from Rs 9,271 in 1997-98 to 10,207 in 1999-00.

(3) INDIA'S FOREIGN TRADE PERFORMANCE DURING LAST FOUR YEARS

(i) Exports

7. For the entire post-reform period i.e. 1991 to 2000 the compound annual growth rate (CAGR) of exports was 10.2%. Export growth during the past four years has been positive except in 1998-99 when it declined by about 5% in US dollar value primarily due to world wide economic recession. Exports in 1999-00 exhibited a sharp turn-around with a growth rate, in US dollar value, of about 11%, which increased to 21% in 2000-01. The export growth reflected buoyant global demand and improvements in world commodity prices. This was driven by factors like high growth in information technology sector, a rise in world energy demand, recovery in international oil prices and fading of contractionary forces linked to financial crisis. An important feature of this performance was the turn-around in exports of agriculture and allied products in 2000-01, which were declining since 1996-97. However, the upswing in exports has been sharply reversed in 2001-02. Exports during the period April-December 2001 increased by only 0.6%. Some of the reasons for this decline are a marked deceleration in the world output and trade, the slackening of global demand particularly following the tragic events of 11 September 2001, global down turn in information technology, softening of commodity prices and a slowdown of the domestic economy.

8. India's exports as a percentage of world exports which remained at around 0.5%, in the first half of 1990s has improved in the second half of 1990s to 0.61% during 1998 and further to 0.65% during 1999 and 0.7% in 2000-01. However, India's share in world exports is still very low. Growth rate of exports in respect of commodities/item groups like ores and minerals, leather and manufactures, chemical and related products, engineering goods, electronic goods, textiles and petroleum products etc., registered moderate to steep rise over the period 1997-98 to 2000-01. However, there has been a substantial decline in export growth rate of commodities relating to plantation crops, handicrafts, carpets, cereals and some other agricultural products. Apart from the dependence on the international economic situation, India's export basket is still confined to a limited range of products. Factors affecting the international demand for these products, or domestic supply constraints resulting in a deceleration in export growth in these sectors bring down the overall growth in exports.

9. The Government has unveiled a Medium Term Export Strategy whose main features, *inter alia* are: (i) Examination of the import basket of India's major trading partners and identifying

potential items of exports based on India's competitiveness; (ii) Examination of country and commodity specificities of India's major exports along with macro issues affecting country's exports; (iii) Reduction in transaction costs; (iv) Drawing up guidelines for State level export policies considering the key role of State Governments; (v) Sector specific strategies for exports of different items currently being exported. It is expected that implementation of such a strategy will help realize India's strong export potential, and enhance the overall competitiveness of Indian exports.

(ii) Imports

10. Imports registered a positive, but varying, growth rate during the last four years. The import growth, in US dollar value, was 2.2% in 1998-99, 17.2% in 1999-00 and 1.7% in 2000-01. The import growth in 2001-02 continued to be subdued and it grew, in US dollar value terms, by 0.3% in the first nine months (April-December 2001). The major items of the Indian import basket are petroleum crude and products, pearls, precious and semi-precious stones, machinery, organic and inorganic chemicals, electronic goods, gold, and silver. In the second half of 1990s, the proportion of imports of items that are related to export production has increased. The high growth rate of import in 1999-00 was on account of high international oil prices, a sharp increase in exports related imports like pearls, precious and semi-precious stones on account of increase in exports of gems and jewellery during this period. Other sectors of import growth during this period were electronic goods, wood and wood products, non-metallic mineral manufactures and chemicals, thus broadly reflecting the improvement in manufacturing output during the year. The import growth in 2000-01 was sluggish on account of a slowing down of domestic demand during the year. In the year 2001-02, on account of slump in crude oil price since September 2001 oil imports have contracted, and the rise in imports during April to December 2001 is accounted for by increased non-oil imports, thus hinting at some revival of the domestic demand.

11. A noteworthy feature of the import regime is the progressive removal of quantitative restrictions (QRs) maintained on BOP grounds. Out of 714 items, on which restrictions were removed on 31 March 2000, 92 items recorded imports worth more than Rs 50 million. Diamonds and semi-precious stones constituted 35% of the total imports of these 714 items and another 14% was contributed by imports of telephonic/telegraphic equipments, industrial vacuum cleaner and cathode ray picture tubes, which are items necessary for domestic industrial activity. Some growth was also seen in the import of prepared foodstuffs, beverages and tobacco, plastic and rubber, leather products, glassware, ceramic products, footwear, and umbrellas.

II. KEY DEVELOPMENTS IN TRADE AND ECONOMIC POLICY SINCE THE LAST REVIEW

12. During the last four years, various economic reform measures have been introduced in the Indian economy with the objectives of achieving greater integration with the world economy, facilitating more investments, enhancing the competitive edge of indigenous industries, reducing poverty through sustained high growth and allowing higher private initiative in industrial and technological development. This can be seen in various policy initiatives like removal of quantitative restrictions and doing away with dividend balancing requirements, reforms in tax administration and lowering of customs duties, a very liberal foreign direct investment regime, deregulation of important sectors like banking and insurance, repeal of Foreign Exchange Regulation Act (FERA) and its replacement by a more liberal Foreign Exchange Management Act (FEMA). These policy initiatives are sought to be complemented by undertaking domestic reforms in some key areas, like removal of administered price mechanism in the petroleum sector, agriculture diversification, rationalization of user charges for various services, monetary policy reforms including reduction of interest rates,

privatisation of public sector units, improvement and modernization of the infrastructure sector, introduction of laws for better corporate governance and efforts to reduce the fiscal deficit.

(1) REMOVAL OF QUANTITATIVE RESTRICTIONS FOR IMPORTS

13. The Government progressively liberalized imports by removing quantitative restrictions (QRs) maintained under the balance of payments cover. From a national perspective, the lifting of these restrictions has been of far-reaching significance and the domestic industry is still going through the process of adjusting to the new situation. QRs were removed on 488 items in 1996, on 391 items in 1997, 894 items in 1998, 714 items in 2000 and the balance QRs on 715 items on 31 March 2001. These items are classified according to ITC (HS) Classification at the 8-digit level. Action has thus been completed on removal of restrictions on tariff lines (2,714 items) notified to WTO under the BOP cover. The Special Import Licence (SIL) Scheme has also been discontinued. Restrictions still in force only relate to those items as permissible under Article XX and XXI of GATT on grounds such as security, health, safety, and moral conduct. India has reviewed these restricted items also and in 2002, it has removed QRs on about 60 items.

(2) REMOVAL OF QUANTITATIVE AND OTHER RESTRICTIONS ON EXPORTS

14. Export of commodities continues to be liberalised over a period of time. In the recent past quantitative restrictions/packing requirements/registration requirements/MEP have been removed for cotton yarn, butter, pulses, wheat and wheat products, non-Basmati rice, coarse grains, groundnut oil, several varieties of agricultural seeds, coir and coir products, hand knotted carpets, woollen carpets, stone boulders, raw hides and skins, aviation turbine fuel, high speed diesel and motor spirit. The condition of export of kerosene and LPG through State Trading Enterprise has also been removed.

(3) TRADE FACILITATION MEASURES

15. Several steps have been taken to simplify the rules and procedures and improve the speed of transaction in the Directorate General of Foreign Trade (DGFT) with the help of information technology. All 32 offices of the DGFT have been fully computerized and the exporters can transact all business with the DGFT on-line without having to visit these offices. All the rules and notifications are available real time on the DGFT website and 75% of the licence applications are being filed and processed on-line.

16. A new commodity classification for imports and exports has been adopted by DGFT and this classification shall be adopted by the Central Board of Excise and Customs (CBEC) and Directorate General of Commercial Intelligence and Statistics (DGCI&S). The common classification to be used by DGFT and CBEC will eliminate the classification disputes and hence reduce transaction cost and time.

17. The automated customs clearance system has been extended to 24 locations covering all major ports, airports, Inland Container Depots (ICDs), and Land Customs Stations. This system enables on-line assessment, duty payment, and clearance procedures and EDI connectivity with clearing agents. EDI implementation at the national level would be taken up after commissioning of the Customs Electronic Commerce Gateway, which would also provide for web enabled solutions for filing documents. This Gateway would handle all transactions centrally and route them over the customs network. It would also allow exchange of messages on international messaging standards such as UN/EDIFACT. Connectivity with Airport Authority of India, Port Trusts and Banks would be effected through message exchange servers between the respective LANs. Greater transparency for goods clearance has been imparted with the implementation of the Interactive Voice Response

System (IVRS) in some of the major ports/airports. The percentage of physical examination of export cargo has been reduced to less than 10% except for few sensitive destinations.

(4) REFORM IN TAX ADMINISTRATION

18. The Government has also taken major steps to introduce reforms in direct and indirect taxation, both in the rate structure and in procedures. A single rate of 16% has been adopted for the levy of central excise duty (CENVAT). Special excise duty over and above this rate applies only on eight items. As for customs duties, the rates have been progressively reduced from the peak rates of 45% in 1998 to 30% in 2002 with the stated goal to move towards a two basic rate duty regime of 20% and 10% by the year 2004-05 for non-agricultural products. On procedures, there has been significant liberalization and modernization. As under the customs law, the concept of transaction value has been adopted in central excise assessments with effect from 1 July 2000. Excise duty is now payable on the value of transaction (excluding taxes) instead of the earlier deemed wholesale price concept. The central excise rules have been rewritten to make them simpler. With effect from 1 July 2000, all statutory records for excise purposes have been abolished and the assessee's private records are accepted for determination of tax liability. The system of advance payment of excise duty has been done away with and a new system of payment of excise duty on fortnightly basis for non-SSI units and on monthly basis for SSI units has been introduced. In 24 major customs stations, the processing of import and export declaration has been automated. Computerization is also being carried out in central excise with a focus to capture profiles and monthly returns of all assessees so as to use this data for all requirements of revenue monitoring and audit based control.

19. The direct tax reforms include reduction of tax rates, broadening of tax base and modernization of tax administration. Income tax and corporate tax rates have been brought down to internationally comparable levels. There has also been a reduction accompanied by rationalization of fiscal incentives given in the shape of concessions, etc.

20. The tax base is also being expanded by bringing more and more services under the indirect tax net. Service tax had a modest beginning in 1994-95, but has since registered almost a nine-fold increase in collection (from Rs 4.07 billion in 1994-95 to estimated Rs 36 billion in 2001-02). From the initial levy on only three services, presently 41 services are subject to service tax, and ten more are proposed to be added after May 2002. The service tax as a proportion of GDP originating in the service sector (excluding public administration and defence) still remains a miniscule fraction. It is estimated to be 0.41% in 2001-02 and this obviously is an area, which holds promise for higher revenue generation in the times to come, as the share of industry in the GDP is decreasing while that of services is expanding.

21. A noteworthy feature of the taxation regime is that the share of the indirect tax revenue as a percentage of Gross Tax Revenue has declined from 66.7% in 1998-99 to 61.8% in 2001-02. Most of this decline is on account of decline in the custom revenue from 28.3% in 1998-99 to 24.2% in 2001-02. On the other hand, the share of direct tax revenue as a percentage of gross tax revenue has increased from 32.4% in 1998-99 to 37.6% in 2001-02. There is also earnest movement towards introduction of a comprehensive value-added system (VAT) in all the States by 2003. States have also implemented a uniform floor rate of sales tax and have since 2001 phased out sales tax based incentives.

(5) FISCAL CONSOLIDATION

22. Control of fiscal deficit is one of the priorities of the Government. The fiscal deficit in 2001-02 is expected to be 5.7% of GDP. The Fiscal Responsibility and Budget Management Bill is

likely to be passed as a law soon. This, *inter alia,* aims to reduce the central fiscal deficit annually by at least 0.5% of GDP with a view to achieving a deficit of not more than 2% of GDP by 31 March 2006. Another step taken in this direction is the replacement of the system of issue of *ad hoc* Treasury Bills by the Reserve Bank of India to meet temporary mismatches in government receipts and expenditure with a system of Ways and Means advances, which acts as an effective ceiling on the automatic monetization of the fiscal deficit. This has created a favourable macroeconomic condition for monetary management. Steps are also being taken for reduction of manpower in the government sector and to reduce the subsidies. The subsidy on LPG and Kerosene is proposed to be phased out in the next three to five years. Major subsidies as a proportion of GDP has declined from 1.7% in 1990-91 to 1.2% in 1999-00 and is estimated to be 1% during 2000-01. The administered interest rates have been brought down during the last few years and they are now proposed to be benchmarked to the annual average yields of government securities of equivalent maturities in the secondary market.

23. States are being encouraged to undertake reforms in the agricultural sector and the urban infrastructure sector. In agricultural sector, allocations from the Centre for centrally sponsored schemes have been linked to decontrol and deregulation carried out by the States in the agricultural sector. Similarly, in the urban infrastructure development, the Central Government has created an Urban Reform Incentive Fund with an initial allocation of Rs 5 billion to provide reform linked assistance to States in the areas such as reform of Rent Control Laws, repeal of Urban Land Ceiling Acts, rationalization of high stamp duty regimes, levy of realistic user charges and resource mobilization by urban local bodies and revision of municipal laws. State Governments have also undertaken some corrective measures to enforce greater financial accountability. Fiscal reforms in States include laying down limits on extending guarantees for borrowings through Public Sector Undertakings and Financial Corporations (Gujarat, Rajasthan, Karnataka, and Tamil Nadu) and creation of Guarantee Redemption Funds (Rajasthan and Tripura).

(6) REFORMS IN FOREIGN INVESTMENT REGIME

24. Reforms in this field have been extensive. Barring a few areas, foreign investment in India can be made in all sectors under the Automatic Route under which foreign investors only need to inform the Reserve Bank of India within 30 days of bringing in their investment and within 30 days of issuing any shares. In most sectors, foreign investment is permitted up to 100% of the paid up capital. Only in some areas, investment is subject to sectoral caps on account of security/strategic/sectoral considerations. FDI up to 100% has been permitted under the Automatic Route for manufacture of drugs and pharmaceuticals, in hotel and tourism sector, for Mass Rapid Transport Systems in all metropolitan cities including associated commercial development of real estates. A new Auto policy has been unveiled, which does away with indigenization requirements or trade balancing obligations and allow foreign equity investments up to 100% under automatic approval. Investment up to 100% is also permitted with government permission in airports, for development of integrated townships, city and regional level urban infrastructure facilities such as roads and bridges, mass rapid transit systems and manufacture of building materials, in courier services subject to exclusion of activity relating to distribution of letters. FDI up to 49% from all sources is permitted in the banking sector on the automatic route.

25. As a result of these initiatives, the FDI policy framework of India today is amongst the most liberal investment regime. The actual inflow of FDI into India increased from Rs 133.4 bn. in 1998 to Rs 161.3 bn. for the period January to October 2001. To some extent, the industrial slow down and certain structural factors have a bearing on the investment climate in the country. While structural issues are being addressed through various policy measures, it would also be important not to over-play such constraints for the overall investment scenario.

(7) REFORMS IN INDUSTRIAL LICENSING REGIME

26. The liberal FDI regime has been complemented by virtual abolition of industrial licensing regime except in the case of six industries on strategic, public health, safety and environmental considerations. Important industries like coal and lignite, petroleum (other than crude), bulk drugs and sugar were delicensed in 1998-99. Coal, lignite and mineral oils were dereserved from the purview of the public sector in the same year. Periodical review of items reserved for manufacture in SSI sector has also been undertaken in consultation with the stakeholders, and based on such reviews, 39 items have been dereserved since 1997. The Government has initiated steps to dereserve another about 50 items.

(8) EXCHANGE MARKET REFORMS

27. The Indian Rupee is now being managed according to market principles with the Reserve Bank of India intervening occasionally to curb excessive volatility whenever such circumstances arise. To consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India, the new Foreign Exchange Management Act (FEMA) came in force from 1 June 2000 replacing the more stringent Foreign Exchange Regulation Act (FERA). Full convertibility has been enshrined in the FEMA for current account transactions. A more recent development has been the move towards capital account convertibility. To begin with, it is proposed to bring in non-resident Indians' deposit schemes under full convertibility. The NRIs will now be permitted to freely repatriate their current earnings in India such as rent, dividend, pension, interest etc. in foreign currency. The existing Foreign Currency Non-Resident (FCNR) and Non-Resident External Rupee (NRE) schemes will continue to be repatriable. Schemes that do not offer full convertibility to NRIs will be discontinued from 1 April 2002. In addition, domestic mutual funds will be allowed to invest in securities within the existing limits in countries with fully convertible currencies. Earlier such investment was permitted only in the case of American Depository Receipts and Global Depository Receipts (ADRs and GDRs) issued by the Indian companies in overseas markets. It is also proposed to increase the limit of investment in overseas joint ventures through market purchases and to put the Foreign Currency Convertibility Bonds (FCCB) Scheme under the automatic route up to a limit of US$50 million. Investment up to 50% of the investing company's net worth will not need prior approval as against a limit of 25% earlier.

(9) DEREGULATION OF INTEREST RATES

28. A number of monetary/interest rates easing measures have been undertaken by the Reserve Bank of India in recent times. First, the Bank Rate was reduced to 6.5% effective 23 October 2001, which is the lowest since May 1973. The nominal Prime Lending Rates (PLR) of public sector banks declined to a range of 10-12.5% by December 2001 from the level of 12-14% in March 1999 and continues to show a softening trend. With a view to stimulate growth and impart greater liquidity to banks for lending to the private sector, the Cash Reserve Ratio (CRR) has been lowered from 11% in 1998 to 5.5% in 2001. The incremental Reserve Ratio of 10% for banks have been removed and the Statutory Liquidity Ratio on incremental net domestic demands and times liability has also been removed. With progressive deregulation of interest rates, banks now have considerable flexibility to decide their deposit and lending rate structures and manage their assets and liabilities. On the deposit side, except for savings deposits, banks have been given the freedom to offer a fixed rate or a floating rate linked to an anchor rate. Interest rates on term deposits have been deregulated. On the lending side, banks are free to prescribe their own Prime Lending Rates (PLRs) across various tenors, and also to lend at sub-PLR rates.

(10) OTHER BANKING SECTOR REFORMS

29. Structural reforms have been undertaken to improve the efficiency of the banking sector. The specific areas where action is being taken includes re-capitalization of weak banks subject to a viable restructuring programme, setting up of Financial Restructuring Authority, implementation of Voluntary Retirement Scheme (VRS), rationalizing branch network, reduction of non-performing assets and increasing productivity and profitability. About 11.7% of the total staff strength of the banks at the end of March 2000 was relieved under VRS. Competition in the banking sector has been increased. Ten new private sector banks have started functioning.

(11) LIBERALIZATION IN INSURANCE SECTOR

30. With the passage of the Insurance Regulatory and Development Authority (IRDA) Act, 1999, the Insurance Regulatory and Development Authority was set up on 19 April 2000. Its objectives are to protect the interest of the holders of insurance policies and to regulate and promote growth of insurance industry. Insurance is now recognized as a permissible form of business, and banks are now permitted to enter into insurance business subject to certain guidelines. Under IRDA, the Indian insurance industry has also been opened to private Indian companies with a cap on foreign holding at 26%, thus ending the exclusive privilege of the public sector Life Insurance Corporation and General Insurance Corporation to transact in life and non-life insurance business respectively.

(12) PRIMARY MARKET REFORMS

31. In the primary market, major policy initiatives include relaxed norms relating to information technology, media, entertainment, telecom and infrastructure sector, 100% book building along with prescription of sub-limits for different categories of investors, issuance of guidelines for buy-back of shares of own companies to facilitate capital restructuring. Measures relating to trading and settlement practices include, progress of dematerialization of scrips and the consequent gradual switch over to rolling settlement, introduction of derivatives trading in equity based products, internet trading including trading on wireless media and opening of trading terminals abroad. The Securities Laws (Amendment) Bill, 1999, has been introduced for increasing the efficacy of primary and secondary markets in devolution of resources. On the institutional front, framing of regulations relating to Venture Capital Funds (VCFs) including Foreign Venture Capital Investors Regulations, 2000, allowing Mutual Funds (MFs) to invest in mortgage backed securities of investment grade and above, raising of the investment limit of the FIIs in the secondary market to the sectoral limit on FDI, creation of an Overseas Investors' Cell to facilitate investments by overseas investors and increase in the limit on purchase of shares in Indian Companies in the secondary market by the NRIs were the main highlights of the policy initiatives taken. FIIs have been permitted to invest in Stock Index Futures for the purpose of hedging.

(13) CORPORATE GOVERNANCE

32. Detailed norms for corporate governance have been laid down which, *inter alia,* include norms relating to composition of Board of Directors, appointment and structure of Audit Committee, shareholders' rights and disclosure of compliance on corporate governance. Certain codes of best practices have been made mandatory by the SEBI for ensuring transparent corporate governance. A national award for excellence in corporate governance has also been instituted from 1999. The Government has also taken a policy initiative to enact a Competition Law. The Bill was introduced in Parliament on 6 August 2001 and is presently under examination by a Parliamentary Standing Committee. The proposed law is expected to cover areas like prohibition of anti-competitive

agreements, prohibition of abuse of dominance, regulation of combinations (acquisition, mergers, etc.) and establishment of a Competition Commission of India (CCI).

(14) REFORM OF CONTROL SYSTEMS

(i) Petroleum sector

33. There has been considerable progress in reforming the existing control system governing the petroleum sector. The administered price mechanism stands dismantled from 1 April 2002. As a result, the pricing of petroleum products will become market determined, the Oil Pool Account would stand dismantled, and private companies would be allowed to participate in distribution of petroleum products subject to guidelines.

(ii) Sugar sector

34. The decontrol of sugar sector has been carried out in a phased manner. The levy obligation on sugar factories (i.e. requisitioning a fixed percentage of sugar production from sugar factories for distribution through the Public Distribution System at a uniform retail issue price) has been reduced from 40% before 2000 to 15% from February 2001. Futures/forward trading in sugar is being introduced as a step before full decontrol of sugar. The supply of Public Distribution System (PDS) sugar is now mostly restricted to the below poverty line families in the country. After full decontrol of sugar, there will be no levy obligation on sugar factories.

(iii) Deregulation in Agriculture Sector

35. A series of initiatives have been launched in the agriculture sector to reduce the existing market distortions and at the same time to safeguard the interest of the farmers. Trade in agricultural commodities has been freed from controls under the Essential Commodities Act 1955. The Government has removed licensing and stocking requirements and movement restrictions enabling free and unrestricted stocking and trading in wheat, rice, coarse grains, edible oils, oil seeds, and sugar so as to have an integrated countrywide market for agricultural products. An amendment of the Milk and Milk Products Control Order is proposed to remove restrictions on new milk processing capacities while at the same time to continue to regulate health and safety conditions.

(15) INFRASTRUCTURE REFORMS

36. The general policy direction of the Government in this sector is to move towards imposition of appropriate user charges necessary to provide adequate returns on investment. This is already in place in telecom, road, and ports sectors. The Railways have carried out tariff rationalization in the Budget of 2002-03 with the same objective. This policy is being extended to other areas like power, urban infrastructure and other transportation.

(i) Power

37. Some of the major initiatives taken by the Government in this sector are: (i) Passing of Electricity Laws (Amendment) Act, in 1998, which recognizes transmission as a separate activity which would help attract private capital in the transmission sector; (ii) Setting up of a Central Electricity Regulatory Commission (CERC) in 1998 as a regulatory body, which would, *inter alia,* assist in rationalization of tariffs; (iii) Introduction of a new Bill called the Electricity Bill 2001 in Parliament, which would make power sector reforms mandatory in the States; (iv) Passing of an Energy Conservation Act in 2001, paving the way for creation of Bureau of Energy Efficiency which would be responsible for conduct of audits, labelling of electrical appliances, awareness campaigns

etc; (v) Introduction of a new scheme by the name of Accelerated Power Development Programme (APDP) in 2000-01 to assist in strengthening of sub-transmissions and distribution system, renovation and modernization and metering.

(ii) Roads

38. The Government has embarked upon an ambitious project to upgrade the existing national highways infrastructure. A programme for 4/6 laning of National Highways under National Highway Development Project (NHDP) comprising of Golden Quadrilateral connecting the four metros of Delhi, Mumbai, Chennai and Kolkata and the North-South, East-West corridors connecting Srinagar-Kanyakumari and Silchar-Porbandar respectively has been formulated. The Programme is targeted to be completed by 2007 involving an expenditure of Rs 540 billion. An ambitious project called Pradhan Mantri Gram Sadak Yojana has been launched in December 2000 with the annual allocation of Rs 25 billion to improve road transport links with rural areas.

(iii) Ports and Airports

39. The major ports are proposed to be corporatized in a phased manner. Private sector investment has been facilitated and 17 projects worth more than Rs 45 billion have been approved. A Tariff Authority for Major Ports has been established to introduce efficient regulatory practices. Corporatization is proceeding at a fast pace for Ennore, JNPT, Marmagao and Tuticorin ports. As a result of the continuing reforms, there have been considerable improvements at major ports in terms of average berthing waiting time, average turn around time etc. International airports at Delhi, Mumbai, Chennai, and Kolkata are proposed to be upgraded to the standards of world class airports by inducting private sector management and investment through long-term leasing systems.

(16) TELECOM

40. Under the GATS, India had undertaken to review in 1999, the opening up of the domestic long distance telephony to competition. The review was conducted in 1999 and the sector actually opened up to competition in August 2000. There is now no limit on the number of service providers in this sector. In the field of international telephony, India had agreed under the GATS to review its opening up in 2004. However, open competition in this sector has already been announced with effect from April 2002. With the opening up of International Long Distance Voice Communication, all the telecom services in the country have been opened up for private participation and competition. In preparation of competition from Private Sector Service Providers, the service-provider activities of the Department of Telecom was separated from its policy making functions and a new Department of Telecom Services was created on 15 October 1999. This has in turn been corporatized on 1 October 2000, and has now become Bharat Sanchar Nigam Limited (BSNL), the main Public Sector Service Provider. Similarly the public sector international telecommunication service provider, Videsh Sanchar Nigam Limited (VSNL) has been divested and management control has been transferred to a private company in February 2002.

41. In the backdrop of rapid convergence of telecom, computers, television and electronics, under the New Telecom Policy-99, a new comprehensive statute has been prepared to replace the Indian Telegraph Act 1885. The Communication Convergence Bill 2001 aims to promote, facilitate and develop in an orderly manner the carriage and content of communications (including broadcasting, telecommunications and multimedia), for the establishment of an autonomous commission (to be called the Communication Commission of India) to regulate carriage of all forms of communication and for establishment of an Appellate Tribunal. This will also replace the TRAI Act. The Bill has been introduced in the Parliament on 31 August 2001.

(17) PRIVATIZATION OF PUBLIC SECTOR UNITS

42. State-owned enterprises have historically played an important role in India's development by way of building infrastructure for economic development, creation of employment opportunities and self-reliance through the development of local industries. However, with the shortcomings of the public sector starting to manifest over a period of time, India has now embarked upon an ambitious programme of disinvestment and privatization of state-owned units. The rationale of such a step is to help in regeneration of economy, better utilization of national assets created during the five decades after independence, exposure of such industries to greater competition for their survival and growth and consequential expansion of employment opportunities. Disinvestment of public sector units between 1997-98 to 2001-02 (up to Feb. 2002) has yielded Rs 157.58 bn. It is expected that there will be a significant acceleration in the speed of privatization of public sector units on account of a recent judgment of the Supreme Court of India given on 10 December 2001 in BALCO disinvestment case. In this judgement, while validating the BALCO disinvestment, the Hon'ble Court observed as follows: "Thus, apart from the fact that the policy of disinvestment cannot be questioned as such, the facts herein show that fair, just and equitable procedure has been followed in carrying out this disinvestment."

(18) IMPEDIMENTS TO THE GROWTH OF INDIA'S INTERNATIONAL TRADE

43. New tariff barriers faced by Indian products in various overseas markets are severely constraining our exports. These barriers may broadly be enumerated as: (i) restrictive import policy regimes (import charges other than customs tariff, quantitative restrictions, import licensing, custom barriers); (ii) standards, testing, labelling and certification (including phytosanitary standards), which are set at unrealistic high levels for developing countries or are scientifically unjustified; (iii) export subsidies (including agricultural export subsidies, preferential export financing schemes etc.); (iv) barriers on services (visible and invisible barriers restricting movements of service providers, etc.); (v) government procurement regimes; and (vi) other barriers including anti-dumping and countervailing measures.

44. Quantitative restrictions, especially in the textiles area, are one of the most important of the non-tariff barriers affecting India's trade. The major trading partners of India have not made any industrial adjustment nor have accorded any meaningful access to developing countries like India. The integration programme implemented by the importing countries has not been in line with the spirit of the Agreement on Textiles and Clothing (ATC), though it may have conformed to the narrow technical and legal requirements of the Agreement. In the first stage starting from 1 January 1995, major restraining countries integrated no product under restraint for India; and in the second and third stages, integration of restraint products has been negligible. The result is that even in the tenth year of the transition period, more than 95% of India's apparel and yarn trade would remain un-integrated with some of its major trading partners. Further, the integration schedules have a greater concentration of low value added products. It is, thus obvious that the major importing countries have continued to back load the integration process and the bulk of integration would take place only at the conclusion of the transition period.

45. Another problem in the area of textiles exports is unilateral changes introduced by certain trading partners in their rules of origin. These changes have adversely affected exports of textiles and India's rights under the ATC including the full utilization of quota. Repeated anti-dumping investigations on the textile products like cotton fabrics and cotton bedlinen, in which India enjoys a measure of comparative advantage, had a debilitating effect on the Indian textile industry and exports. The export of textile products has also been affected because of ban on use of Azo dyes.

46. Another area of concern regarding market access for textile trade is an increasing tendency to enter into bilateral pacts for conferring selective liberalization of quotas. The tariff preferences have also been extended bilaterally, which are otherwise meant to be provided to all developing countries on a non-reciprocal basis. There is also a growing regionalization of textile trade on account of formation of Free Trade Areas and Preferential Trading Arrangements. It is estimated that 59% of world trade in textiles is presently taking place under RTAs. Such localization of world textile trade is adversely affecting India's textile trade.

47. In a number of other product sectors of export interest to India, market access has been affected by several non-tariff measures (NTMs). In the agricultural product sector, there are barriers to export of mangoes and other fruit on account of insistence of some of our major trading partners to use only the Vapour Heat Treatment (VHT) procedure. In the floriculture sector, there are certain plant quarantine procedures in some importing countries including zero tolerance for some insects and pests, which affect our market access. The export of Indian milk product is affected on account of certain conditions like proof of absence of TSE/Scrapie in India insisted upon by some trading partners. There is continuing ban on import of Indian meat by some countries even though India has been free from rinderpest for the last three years and the same has been published in the OIE bulletin released from Paris. There are different regulations on use of pesticides and pesticides residues by various importing countries, which has affected market access of Indian products like grapes, egg products, gherkins, honey, meat products, milk products, tea, and spices. Non-harmonization of regulations for approval of exporting units of Indian egg products and non-approval of Indian egg processing establishments by one of our major trading partner is another market access barrier. In the leather products sector, Indian exporters face NTMs like chemical and dye content of leather, other standards (like different shoe size standards, more than appropriate stringent standards for flex testing, tearing strength, colour fastness and flammability testing), packaging and labelling requirements (like insistence on use of recyclable card boxes for packing footwear, at times insistence on reshipping the packaging material back to the point of origin), violation of MFN and national treatment (for instance testing, double certification and standards compliance may not be mandatory or as strict for local manufacturers or for some other exporting countries), visa restrictions and other import bans (like ban on use of Nickel in footwear, ban on use of colour pigments with additive base). Unreasonable social security requirements and visa restrictions enforced by some of our major trading partners have affected the growth of our software exports. The requirement of assembly of bicycles according to the security and safety norms of a trading partner in a discriminatory manner and need for a certificate of compliance by an authorized organization has severely affected market access of Indian bicycles to that country. The illustrative examples of NTMs given in this paragraph indicate the significant financial and time costs, which have adversely impacted on the market access for Indian goods and services.

III. INDIA AND THE WTO

(1) AGRICULTURE

48. Agriculture continues to remain one of the most significant sectors of the Indian economy as it provides employment to approximately 65% of the population and contributes about 25% to the GDP of the country. Yet India's share in the world market remains at less than 2%. The post-Uruguay Round experience has been a mixed one for agricultural trade in India. Thus, in the ongoing negotiations on the Agreement on Agriculture India has submitted detailed proposals with a view to safeguarding the food and livelihood security of the large subsistence level farming community in India and maximizing export opportunities for Indian agricultural products by seeking a reduction in the high tariffs and subsidies prevalent in developed countries.

(2) Steps for International Standards in Trade and Industry

49. India is a signatory to the Agreement on Technical Barriers to Trade and the Agreement on Sanitary and Phytosanitary measures and there is greater emphasis on bringing Indian standards to international levels. Most standards in India are voluntary although health and safety regulations are mandatory for several products. 133 products are under compulsory BIS certification for domestic goods through various Quality Control Orders issued by various Ministries/Departments.

50. The Bureau of Indian Standards (BIS) is responsible for formulating national standards and has so far formulated 17,428 Indian standards for the various sectors. It has also been harmonizing these Indian standards with international standards since beginning. So far, nearly 3,000 Indian standards have been harmonized with ISO/IEC/EN/CODEX/Others standards. The pace of harmonization of Indian standards with international standards has increased in the last few years. Between 1998-99 to 2000-01, out of 1,026 standards formulated by BIS, 428 standards (about 42%) were harmonized with international standards.

51. India is concerned that although the Ministry of Health and other Ministries, BIS and expert bodies involved in the field of sanitary standards participate in the policy making committees of international bodies such as the ISO, the Codex Alimentarius etc. the developing countries are grossly outnumbered by the developed countries in these deliberations, at times resulting in international standards development not conducive to their implementation by the developing countries. Simultaneous and rapid development of standards has made it even more difficult for developing countries to suitably respond to the proposals. There is a strong sentiment that development of newer technology is leading to newer and higher standards in developed countries, which are sought to be justified on the ground that it is necessary to have the highest level of protection for consumers rather than appropriate level of protection thereby making it even more difficult for developing countries to achieve these levels. Another area of concern is lack of use of adequate data from developing countries and from different regions in the process of standard setting. It is also strongly felt that in view of our lack of access to technologies developed abroad for achieving standards acceptable to importing countries, specific measures need to be taken by developed country Members to give effect to the clauses extending "Special and Differential treatment" to developing countries in the implementation of these WTO Agreements.

(3) Intellectual Property

52. Consequent to India's obligations under the TRIPS Agreement, appropriate and necessary changes have been identified and enacted in almost all cases in legislations relating to protection of intellectual property rights (IPRs). In addition India has enacted *sui generis* legislations in some TRIPS related areas.

53. India has repealed and replaced the Trade and Merchandise Marks Act, 1958 with the Trade Marks Act, 1999. The Act provides for the registration of distinctive marks for goods and services and for the prevention of the use of fraudulent marks. It provides the procedure for and duration of registration, assignment and transmission of marks, for the protection of collective marks, certification trademarks and well-known marks. An appellate board to hear appeals against orders of the Registrar has also been provided, which will be a fast track appellate mechanism. Penalties for offences under the Act have also been strengthened.

54. For the protection of Geographical Indications of Goods, a *sui generis* legislation viz. the Geographical Indications of Goods (Registration & Protection) Act, 1999 has been enacted in order to comply with the requirements under the TRIPS Agreement and to protect products of Indian origin as

well. The Act provides for the registration of a geographical good, which owes its distinctiveness, essential characteristics or reputation and quality to its geographical origin and would include agricultural, natural or manufactured goods. Significant characteristics of this legislation include registration of geographical indications of goods, provision for higher level of protection for notified goods and provision for procedures relating to offences and penalties.

55. The Designs Act, 2000 repeals and replaces the earlier Act of 1911 and seeks to provide a much broader scope of protection to registered designs. It meets the requirements under the TRIPS Agreement in respect of Designs. Salient features of this legislation include provision for identification of non-registrable designs, replacement of Indian classification by the internationally followed Locarno system of classification and provision for restoration of lapsed designs.

56. The Indian Parliament has recently passed the Protection of Plant Varieties and Farmers' Rights Act. The objective of this legislation is to give a significant thrust to agricultural growth by providing an effective system for the protection of plant varieties and farmers' rights, which will stimulate investments for research and development both in the public and the private sectors for the development of new plant varieties by ensuring appropriate returns on such investment. This legislation recognizes the role of farmers as cultivators and conservers of plant varieties and the contribution of traditional, rural and tribal communities to the country's agro biodiversity by rewarding them for their contribution through benefit sharing and protecting the traditional rights of the farmers. This Act will also fulfil India's obligation under Article 27.3(b) of TRIPS Agreement of WTO by providing an effective *sui generis* system for protection of Plant Varieties. Under this Act, new plant varieties shall be registered for Plant Breeder Rights based on the international criteria of newness, distinctiveness, uniformity, and stability. The essentially derived varieties shall also be registered under this legislation based on internationally accepted criteria. This legislation also has some unique features like Benefit Sharing, Community Rights, Gene Funds, Compulsory Licensing etc. Penal provisions have also been provided in this legislation on infringement of Plant Breeder Rights.

57. Following the long tradition for the protection of copyrights in India, the Indian Copyright Act, 1957 was enacted to protect and foster creativity. The Copyright Act 1957 was revised periodically to address the challenges posed by technological developments. That the Indian law required only a minor amendment to extend the period of protection of performers from 25 to 50 years to fulfil India's TRIPS obligations in 1999 shows the contemporariness of the Indian copyright laws.

58. The Patent (Second Amendment) Bill, 1999 to modify the existing Patent Act of 1970 was introduced in the Parliament in 1999. The Bill was referred to a Joint Committee of Parliament for consideration. The Joint Committee has now submitted its report to the Parliament. The Bill aims at installing a TRIPS compliant patent regime.

59. The Semiconductor Integrated Circuits Layout-Design Act was enacted in the year 2000 to provide for the protection of semiconductor integrated circuits layout-designs. The Act provides for exclusive rights to the registered proprietor of a layout design and also to the registered users. The Act also provides for criminal remedies for infringement of layout-design so as to act as effective deterrent. The Act also provides for establishment of an Appellate Board to hear appeals against the orders of the Registrar.

60. India provides for the protection and enforcement of different fields of intellectual property through both specific national legislation as well as the Code of Civil Procedure and the Code of Criminal Procedure by way of civil remedies and criminal penalties. These provide effective

deterrent to infringement of IPRs. The criminal cases and civil suits for infringement of IPRs lie in the judicial system for other cases.

61. As a complementing activity to various legislative initiatives relating to the installation of the legal framework for the administration of intellectual property laws, India has taken several steps to modernize the different intellectual property offices in the country. The copyright office, the patent offices including the design office and the trade marks registry are being modernized and strengthened considerably through the extensive application of information technology, redesign of work procedures and human resources development. A separate registry for processing applications for the registration of geographical indications has been established recently. These initiatives have already started showing positive impact in the administration of intellectual property rights protection.

62. Government of India has taken several initiatives to improve enforcement of intellectual property rights and particularly in enforcement of copyrights. The Government has constituted a Copyright Enforcement Advisory Council under the Ministry of Human Resource Development (Ministry handling the copyright matters in the Government of India). The Council consists of representatives of copyright industry, collective administration societies, Heads of Police force of major States and representatives of other connected departments of Government of India. This Council makes recommendations on enforcement of copyrights and monitors implementation of such recommendations. As the enforcement of law is the responsibility of the State Governments in the federal set up, the Central Government has requested the State Governments to set up special cells for copyright enforcement headed by senior Police Officers. In many States these cells handle other IPR enforcement issues. Industry organizations are encouraged to deal with these cells to sort out enforcement issues. Training programmes on enforcement of copyrights are also organized for senior administrators, senior police officers, and customs officers.

(4) SERVICES

63. The Services sector accounts for 49% of India's Gross Domestic Product. India recognizes the importance of the services sector to the economy and its growing significance in achieving higher economic growth. Therefore, Government is giving increased emphasis for efficient performance of the services sector particularly, the infrastructure services, such as telecommunications, banking, insurance, shipping, roads, ports, and air transport. As already discussed earlier in the Report, private investment has been encouraged and appropriate regulatory authorities have been set up with a view to ensure fair competition and protection of consumer interests.

64. India actively participated in the Uruguay Round Services Negotiations and made commitments in 33 sub-sectors as compared to an average of 23 for developing countries. India also participated in the extended negotiations on Telecommunication services and Financial services and improved its offer and took enhanced commitments. India has sincerely implemented the commitments undertaken and in some sectors like telecommunication, the commitments have been fulfilled even before the scheduled date.

65. In line with the agreed Guidelines and Procedures for Negotiations on Trade in services (NGP), India feels that Negotiations should aim to increase the participation of developing countries in the Trade in Services. There should be appropriate flexibility for individual developing country members for progressive liberalization in line with their development situations and national policy objectives. The positive list approach which is the cornerstone of the GATS architecture should be maintained. The Assessment of Trade in Services in overall terms and on a sectoral basis with respect to the objectives of the GATS and Article IV should be carried out by the Council for Trade in Services in Special Sessions. Account should be taken and credit given in the Negotiations for

autonomous liberalization undertaken by Members since previous Negotiations. The request and offer approach should be the main method of Negotiations.

66. While developed countries have surplus capital to invest, most of the developing countries have surplus of skilled, semi-skilled and unskilled workers. India has a large pool of well-qualified professionals capable of providing services abroad. As developed countries have a comparative advantage in exporting capital intensive services, developing countries have a comparative advantage in exporting labour intensive services involving movement of persons. While GATS recognizes "movement of natural persons" as one of the modes of supply of services, the commitments undertaken by the developed countries have very little to offer to the developing countries in terms of opening their markets. The present commitments are largely restricted to business visitors and intra-corporate transferees. There are very limited commitments for qualified professionals and even where commitments are made, they are linked to commercial presence. The effectiveness of even these limited commitments is further reduced through a host of limitations and administrative hurdles.

67. In Article IV of GATS and the NGP, there is a clear obligation to increase the participation of developing countries in trade in services. The Agreement also recognizes the basic asymmetry in the level of development of the services sector in developed and developing countries. The Agreement enjoins the developed countries to take concrete measures aimed at strengthening the domestic service sector of developing countries and providing effective market access in sectors and modes of supply of export interest to developing countries. However, the GATS objectives of increased participation of developing countries in trade in services has hardly been addressed. Therefore, in order to achieve the required balance in GATS and to increase the participation of developing countries in trade in services as per Article IV of GATS, the developed countries should undertake a higher level of commitments on Mode 4, i.e. movement of natural persons and in sectors of export interest to the developing countries.

(5) TRIMs

68. India notified three trade related investment measures (TRIMs) under Art. 5.1 of the Agreement on Trade Related Investment Measures (TRIMs). These are: (i) Local content requirement in the case of Newsprint; (ii) Local content requirement in respect of Pencillin G and Rifampicin; and (iii) Dividend balancing requirement in the case of investment in 22 categories of consumer goods.

69. The local content requirements in respect of Newsprint and Pencilllin - G & Rifampicin have been eliminated in 1995-96 by the Government of India. As for the dividend-balancing requirement, legal opinion indicated that the same was not a TRIM prohibited by the TRIMs agreement. However, the Government of India decided to eliminate the measure on an autonomous basis in early 2000. At present there are no notified TRIMs maintained by India.

70. Certain WTO Members approached the WTO Dispute Settlement Body arguing that certain measures related to India's auto policy 1997 were inconsistent with the provisions of the TRIMs agreement. India has eliminated all such provisions in its new auto policy.

(6) WTO Dispute Settlement

71. Since the establishment of the WTO, India has been involved in 29 disputes; as a complaining country in 16 disputes and as the country complained against in 13 cases. In addition India has also actively participated as a third party in various disputes. India requested consultations 16 times with various WTO Members. These disputes are at different stages – in some cases the reports have also been adopted and the implementation is complete.

(7) TRADE DEFENCE MEASURES

72. India has been actively involved in the meetings of WTO's subsidiary bodies relating to anti-dumping practices, the SCM Committee and the Committee on Safeguards. India has also submitted proposals to the SCM Committee on countervailing duty investigation procedure, generalized and aggregate rates of duty remission and treating capital goods as inputs consumed in the production process. India has been regularly notifying changes in its anti-dumping, countervailing duty and safeguard statute along with notifying anti-dumping and safeguard action to the respective committees of the WTO.

(8) IMPLEMENTATION ISSUES

73. India attaches considerable importance to find meaningful solutions to the implementation issues raised by the developing countries, which essentially seek to address the asymmetries and imbalances in the Uruguay Round agreements, non-realization of anticipated benefits and non-operational and non-binding nature of special and differential provisions. With a view to operationalizing Article 15 of the Anti-dumping Agreement, which is a special and differential treatment provision of the agreement, India has presented a detailed proposal to the Anti-dumping Committee. India hopes that the outstanding issues would be satisfactorily resolved within the time frame set in the Doha Ministerial Declaration and the Decision on Implementation-Related Issues and Concerns taken in the Doha Ministerial Conference.

IV. REGIONAL TRADING ARRANGEMENTS

74. India attaches significance to her participation in regional agreements within the framework of multilateral rules. India has been instrumental in setting up the South Asian Association for Regional Cooperation (SAARC), whose major achievement in 1995 was the conclusion of the negotiations on trade preferences within the framework of the SAARC Preferential Trading Arrangement (SAPTA). Since the coming into force of the SAPTA Agreement in December 1995, three Rounds of negotiations have been concluded for exchanging tariff concessions between the Member States. The Third Round of negotiations, which concluded on 23 November 1998 was more comprehensive in its product coverage with concessions being exchanged on more than 3,000 tariff lines. A combination of sectoral and product-by-product approaches was adopted in these negotiations. Up to the Third Round, India has granted concessions on 2,565 tariff lines to Member countries of SAARC with special concessions for the Least Developed Countries (Bangladesh, Bhutan, Maldives, and Nepal). The Fourth Round of SAPTA negotiations are expected to be launched shortly. The goal is to continue the SAPTA process with the ultimate aim of having a South Asian Free Trade Area (SAFTA) Treaty not later than the year 2002.

75. India is a member of the Bangkok Agreement, originally signed in 1975, and which includes Bangladesh, the Republic of Korea, the Lao People's Democratic Republic, Papua New Guinea, and Sri Lanka. China has also acceded to the Bangkok Agreement in the year 2001. The Agreement provides for the liberalization of tariff and non-tariff barriers between its members. Till date, only two Rounds of Trade Negotiations have taken place. The Third Round of negotiations is expected to be launched shortly.

76. The Indian Ocean Rim Association for Regional Cooperation was recently formed along with 13 other countries in the region. The Charter of the Association was adopted in March 1997. Membership of the Association now stands at 19 with Egypt and Japan as dialogue partners. Economic cooperation is expected to take place in trade facilitation, promotion and liberalization, promotion of foreign investment, promotion of scientific and technological cooperation, tourism, the

movement of natural persons and service providers, and the development of infrastructure and human resources. India is also a member of the regional grouping named BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation) formed in 1997. Six areas have been identified for cooperation, namely, trade and investment, technology, transportation and communication, energy, tourism, and fisheries.

77. India has signed bilateral agreements with two neighbouring countries, Bhutan and Nepal, to provide them with preferential access. A Free Trade Agreement was signed between India and Sri Lanka on 28 December 1998 and was operationalized in March 2000. The Agreement envisages phasing out of tariffs on all products except for a limited number of items in the Negative List over a period of time. While India will complete the process of tariff elimination over a period of three years, Sri Lanka will achieve this in eight years. Commonwealth preferences continue to be extended to Mauritius, Tonga, and the Seychelles.

V. CONCLUSION

78. The brief overview of the trade and other economic policy initiatives undertaken by India during the last four years indicates India's firm commitment to a more open and liberal economy which would help to realize the full benefits of the multilateral trade regime embodied by the WTO. India is committed to pursue and deepen its policies of reform in order to release its full economic potential. India realizes the fact that international trade is a vital part of development strategy, and it can be an effective instrument of economic growth, employment generation and poverty alleviation. However, there is also an expectation that our trading partners in the WTO would take steps to address those Indian concerns, which have tended to impede the country's market access.