Chairman's Pen

My dear fellow exporters,

The Doha discussions are at a crucial stage, with the Geneva talks having being extended to this week as well. From the reports that are coming out from negotiations, it does seem that some movement has been made and a positive outcome can be expected. How far these talks will be beneficial for developing countries like India as well as the developing world remains to be seen. Reports indicate that the WTO Director General, Mr. Pascal Lamy has suggested a set of numbers and forced seven major countries to closed door sessions (Green Room) so that there can be some agreement. According to the information that the Council has been able to gather, regarding industrial products, the revised three bands of tariff level reduction (co-efficients) with certain flexibility has been suggested in Mr. Lamy's numbers are 20, 22 and 25. This means that India's bound tariffs for industrial products will fall from the present 40 % to a range of 8.57% and 9.37%, depending upon which coefficient we choose. It may be mentioned that if we choose a coefficient of 20, then the bound tariff becomes 8.57% with the flexibility of 14% of tariff line and 16% of volume of trade being kept untouched. In case the coefficient chosen is 22, then the bound tariff increases to 8.92% with flexibilities accorded to 6.5% of tariff lines and 7.5% of trade volumes. In the last case, while the bound tariff increases to 9.37%, there are no flexibilities.

It must be noted that these cuts will be not on the present bound tariffs (40%) but on the base rate of duty, which will be the MFN rate of 2001, which was 15%. This means that India's duty cuts on the bound rate for industrial products will fall by 78% as a result of Doha Round. Further, the anti-concentration clause that India has been objecting to, remains at 20% of tariff lines and 9% of trade volume. It does seem that this clause is here to say and that auto component sector as well as the textiles sectors are likely to be most hit by what the developed countries feel the "ring fencing" of strategic sectors by countries like India.

On the agricultural side, while Lamy's numbers state that USA should cut their overall trade districting subsidies by 70% and EU by 80%, the Special Safeguard Measures (SSM) will get activated for above bound rate trigger at 140% of base imports. It must be noted that the cut in agricultural subsidies by the developed world is on their bound rates and not on some recent bounds, as has been the case of industrial products.

Indeed, while the success of the Doha round may be considered as an important achievement for WTO, one really wonders whether the Round will be able meet the so-called "Development" claims of the negotiations.

Yours sincerely,

(RAKESH SHAH)