

# India claims a top table seat

## INTERVIEW WITH KAMAL NATH

MINISTER FOR COMMERCE AND INDUSTRY, INDIA



### KAMAL NATH

obtained his Bachelor's Degree in Commerce from St Xavier's College, Calcutta. As a Member of Parliament he represented India in the United Nations General Assembly in 1982 and 1983. He was also the General Secretary of the Indian National Congress and a Member of the Congress Working Party, the highest decision making body of the Congress Party, from September 2002 to July 2004. He also held positions as Minister of Environment & Forests and Textile Minister before taking over as the Union Minister of Commerce & Industry in May, 2004. During his tenure, he initiated a comprehensive Foreign Trade Policy review (2004-09) laying out a coherent roadmap with a twin focus on exports as well as employment.

India's Minister of Commerce and Industry, Kamal Nath, has the reputation of being a tough negotiator. At a recent meeting between the G4 nations, namely India, Brazil, the United States and the European Union, he preferred to abandon the talks rather than compromise on the issue of US and EU farm subsidies. He has been equally robust in the sphere of intellectual property, affirming that India's patent laws comply with the World Trade Organisation's intellectual property rules. And while he leaves no stone unturned in his efforts to further boost India's growing role as a trading partner in the global marketplace, he firmly believes that "trade is not an end in itself, but a means to an end."

The underlying philosophy of India's recently adopted Foreign Trade Policy is, he says, "to promote economic growth and development by giving a thrust to the creation of employment." And while accepting that exports are "engines of growth", he also recognises that "imports too have helped modernise the Indian industry by acting as a catalyst for enhanced productivity and competitiveness."

Nath describes the Policy as "comprehensive and outward looking", adding that it "has contributed in no small measure to India's merchandise exports attaining the record high of US\$125 billion." This, he asserts, has been achieved "by simplifying procedures, bringing down transaction costs, neutralising the incidence of levies and duties, and identifying special focus areas."

"Working for a more inclusive growth process", he says, means that "the Foreign Trade Policy becomes a vehicle for faster development of our rural areas and of agriculture, on which over 60 per cent of our people still depend for their livelihood." One way of achieving that is through continuing negotiations over subsidies and market access with the US and EU. But he is also aware that "in order to meet the new challenges of global trade, we have to identify and develop new markets, diversify our exports and continuously upgrade quality." Moreover he points out that "this is particularly important now, as rupee appreciation during last year has eroded the competitiveness of our products in several sectors."

As part of the Government's efforts to ensure India's nine per cent plus GDP growth can be balanced, so that "the people feel the growth", Kamal Nath points out that "we have incorporated provisions in the Foreign Trade Policy to ensure that the benefits of export growth are more widespread and dispersed to sectors and areas which are more labour intensive, especially

in rural areas". But that does not imply that he is ignoring sectors such as IT, back office outsourcing and pharmaceuticals, where the success of Indian companies has led to protectionist sentiments being expressed in the US and elsewhere over job losses.

Kamal Nath's response is that "in today's intense global competition, only the fittest survive." Outsourcing to India, he points out, is helping the global economies to create an enabling environment for growth. "Instead of job losses", he says, "outsourcing is helping to create more job opportunities, creating 'win win plus' strategies for all global corporations." In the case of United States, Nath points to the recent '*Cyber-States 2007*' report – a state-by-state overview of the high technology industry – which stated that the US high-tech industry continued to grow in 2006, adding close to 150,000 jobs to total 5.8 million.

Kamal Nath is pleased – but by no means complacent – about India's growing ability to attract foreign direct investment (FDI). "The progressive liberalisation of our FDI policy and simplification of procedures" he says, "have contributed to an unprecedented increase in FDI inflows into the country."

"FDI inflows" says Nath, "are determined by a host of factors such as the macro-economic policies of the host government, techno-economic considerations of the investor; the investment policy of the transnational corporations and the prevailing investment climate. Accordingly, the Government of India reviews its FDI policy on an ongoing basis, with a view to further liberalising and simplifying the policy and procedures. As a matter of fact," he adds, "the policy for the manufacturing sector in India is already liberal, with FDI of up to 100 per cent permitted in all except the defence sector".

Acknowledging that a liberal policy framework does facilitate FDI, Nath points out that in the case of construction development projects, FDI was permitted on the automatic route in March 2005, as a result of which the sector has since received approximately US\$1.5 billion in new foreign investment. "The present policy", he says, "permits FDI up to 100 per cent in most sectors, and caps are in existence only in select sectors like telecom, defence, broadcasting services." Another exception is retail, where until 2006 no FDI was permitted. Nath explains how, in February 2006, "FDI of up to 51 per cent was allowed for Single Brand Retailing of products", though with multi-brand

outlets like supermarkets foreign investors need to work through an Indian partner. “The opening up of this sector” says Nath, “has to be calibrated in order to safeguard the interests of a large number of small players who are employed in retail trading activity”.

On the sometimes thorny question of intellectual property rights, Nath says that “the challenge is to convert the Indian intellectual property tag from ‘Intellectual Property User’ to ‘Intellectual Property Producer’. We want to use IPRs for increasing the competitiveness of Indian industry and business, particularly as the present trend is towards global sourcing of products and services. But we also need to produce IP products.

“In order to progress towards the goal of making India a knowledge superpower”, says Nath, “we have followed a four-pronged strategy to develop an Intellectual Property regime to promote creativity and to develop a culture of respect for innovations and creativity.” This involves both meeting international obligations and safeguarding public and national interests, modernising IP administration in India and creating awareness. He adds that “all IP laws have been amended to make them compatible with India’s treaty obligations”.

“It is a measure of the success of these efforts” he says, “that recently a delegation of WIPO observed ‘that the Indian Patent Office has been dramatically transformed in recent years’. These”, says Nath, “are very positive remarks from an international organisation specialised in IP issues.”

The Minister affirms that “by the end of the next phase of modernisation, India really will have a World Class IP regime with totally IT-enabled offices, boosting innovation and research as well as the economic development of the country. The modernisation of our IP regime has increased the number of patent filings six-fold during the past six years. The mark of international leadership, the guarantee of innovation and global leapfrogging, is a flourishing IP system. And we are moving towards making India a land of Intellectual Property Producers,”

But it is as a leading figure in negotiations over international trade tariffs and subsidies that Kamal Nath is best known outside his own country. His position is that “while India is disappointed at the failure of the G4 talks, it must be remembered that the Doha Round is a Development Round. Unfortunately, the current aspirations of many of the developed countries were totally oblivious to this; they were instead focused mainly on seeking greater market access for their own products.”

Nath affirms that “India, as a firm believer in a rules based, fair and transparent multilateral system of trade, would work with other like-minded countries – both developing as well as developed – to bring about a successful conclusion of the Doha Round, which would be truly reflective of the development objectives.

As things stand, he notes, “the draft texts on modalities

on Agriculture and NAMA (Non-Agricultural Market Access) are being examined by all WTO Members and negotiations are expected to intensify in September.”

However, further progress in the negotiations would, he says, “depend upon the developed countries making improved offers in the critical areas of domestic support and export subsidies, and toning down their demand for market access in developing countries – especially agriculture market access issues, which could adversely affect the livelihood and food security concerns of our farmers”.

Meanwhile the Trade Minister is pleased that bilateral negotiations with China “are making good progress.” A Joint Task Force to study in detail the feasibility of India-China Regional Trade Agreement has been constituted, and he confirms that “substantial progress has since been made in the meetings of the Task Force.”

As regards Pakistan, the volume of trade between the two countries has nearly doubled from US\$868 million in 2005-06 to US\$1.6 billion in 2006-07. “We are currently negotiating,” he adds, “for greater economic and commercial cooperation.”

As the dominant economy in South Asia, India has been “very proactive” in creating a regional free trade area, being a signatory of the South Asian Free Trade Area Agreement (SAFTA). In addition, India unilaterally announced last April its decision to provide duty free access to the least developed countries of SAARC by the end of this year. While there may be tough negotiations ahead, Kamal Nath is determined that India fulfils its role in the context of both WTO and regional trade developments. **F**



**In order to meet the new challenges of global trade, we have to identify and develop new markets, diversify our exports and continuously upgrade quality**

Rupert Goodman,  
Chairman of FIRST and  
India’s Minister for  
Commerce and Industry,  
Kamal Nath