

I See Further Growth in Demand of Indian Chartered Accountants: Kamal Nath

Union Minister of Commerce & Industry Mr. Kamal Nath, in an exclusive interview with ICAI President and Editor-in-Chief CA. T.N. Manoharan, speaks his mind on a range of issues, including India's position on free trade, agriculture and service sector in WTO talks, the Regional Trade Agreements (RTAs) and the prospects of Indian Chartered Accountants in the present era of globalisation.

Q. The Doha Development Agenda negotiations have been suspended given the wide gaps between key players at the G-6 meeting in Geneva in the last week of July 2006 in which your Honourable Sir had also participated as representative of the G-20 and developing countries. What do you feel were the reasons for failure of talks?

The World Trade Organisation sets the rules for global trade. Failure of talks at Geneva recently has derailed this rule-making process whereby modalities for agriculture trade were being negotiated. When agriculture was brought into the ambit of negotiations on the creation of the WTO, the developing countries were given a clear understanding that trade distorting agricultural subsidies would be phased out in a time-bound manner. Minimizing the vulnerabilities of the poor farmers is our collective priority. Demanding market access from developing countries, which displaces low-income farmers to satisfy the commercial interests, cannot be supported. However, we are trying to revive the negotiations. I would like to reiterate that India stands for a rule-based, fair and multi-lateral trading system which ensures that structural flaws in trading are effectively eliminated.

Q. WTO Director-General Mr. Pascal Lamy has described this suspension of trade talks as a setback for all members. What do you have to say on the likely impact on India's prospects?

A. The impasse, in international trade negotiations, is disappointing considering the hopes raised after the Hong Kong Ministerial and G-8 Summit in St. Petersburg this July. Early resumption is desirable but adherence to the existing mandate is imperative—the mandate of the Doha Declaration, the July Framework and the Hong Kong Ministerial Declaration. The essential components of securing food security, livelihood security and rural development needs of developing countries are: proportionately lower overall tariff reduction commitments and effective development instruments of special products and special safeguard mechanism. The overarching principle of special and differential treatment, therefore, remains a categorical imperative, and is the underlying basis of the position of developing countries. We would continue to pursue these and see that we get a fair and just deal.

Q. What do you think could be the direction for forging a way forward?

A. Free trade will not be fair trade unless the structural flaws in the system are corrected. Any



A man of vision, Mr. Kamal Nath has been the guiding power behind major trade policy initiatives ever since taking over as the Union Minister of Commerce & Industry on May 24, 2004. He was instrumental in launching a comprehensive Foreign Trade Policy (2004-09), which, laid out a coherent roadmap with twin focus on exports and employment. Having played a key role in the finalisation of the WTO Framework Agreement of July 2004, he has been an effective voice not only in India but also in the developing nations. Mr. Kamal Nath has also served as Union Minister of Environment & Forest, and as Union Minister for Textiles in the past; he is remembered for taking landmark policy initiatives during those stints.

deal, which undermines the ability of developing countries to safeguard the interests of millions of livelihoods, provide food security and which would lead to de-industrialisation in developing countries, cannot be accepted. In that perspective, there is no valid reason for reopening the mandate of the current Round as defined in the Doha Declaration, the Framework Agreement of July 2004 and the Hong Kong Ministerial Declaration of December 2005.

In NAMA negotiations, developing countries are being asked to reduce duties to levels which would threaten their infant industries. We cannot agree to this reduction of duties on industrial goods without adequate safeguards. This Round is about opening new markets for developing countries especially in developed countries.

The development content of the Doha Round must not be diluted. The process of consultations with Member countries, in an inclusive and transparent manner, should be intensified in order to create the necessary conditions for the prompt resumption of the negotiations. All this with a view of arriving at an agreement on modalities and final commitments that are ambitious, balanced, and pro-development.

Q. How do you see the future for India in this imbroglio?

A. To address India's core concerns and interests, alliances with like-minded developing countries have been formed, which include the G-20 on agriculture, the G-33 on special products and the special safeguard mechanism, and the NAMA-11 on industrial tariffs. Specific and detailed proposals have been made by these groups in the negotiations. India has also been playing a key role in further strengthening the developing country coalition by bringing together G-20, G-33, African group, ACP countries and the LDCs to reinforce position on issues of mutual interest.

At the G-20 meeting, we have reaffirmed our

willingness to join efforts with a view to ensure that WTO negotiations in agriculture live up to the commitments of the Doha Mandate. This would entail results that guarantee substantial and effective reduction in trade-distorting domestic support coupled with necessary disciplines to prevent box-shifting and product-shifting of support; substantial improvement in market access; and expeditious elimination of all forms of export subsidies. We have underscored the importance of Special and Differential treatment (S&D) for developing countries in all areas of the negotiations.

Q. The US is being blamed for the collapse of these talks. Will that push India towards leaning on the EU for boosting India's Exports?

A. It should be recognised that subsidies given to its farmers by the developed countries have resulted in serious distortions in international agriculture prices and have threatened the very subsistence of farmers, in countries like India. We will not compromise on issues that threaten livelihood and subsistence of farmers. Although the European Union has thus far supported the development orientation of the Doha Round, the exercise of other options by major trading nations, in particular, the route of regional trade arrangements, will determine how soon if at all Members return to the negotiating table on multilateralism.

Q. India is trying to proliferate as many RTAs as possible. We are in talks with ASEAN besides a few other countries. Don't you think all the RTAs in general have derailed the entire WTO's multilateral approach and would, in the long run, seriously affect all those developing countries that are not /would not be a party to any strong RTA. What are your views on this?

A. India continues to firmly believe that rule-based multilateral trading system should be the order

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of the day. Regional and bilateral agreements can only supplement the multilateral trading regime. These agreements do not undermine or replace the multilateral system that is being evolved at WTO. We have signed or are in the process of initiating agreements with our major trading partners like Singapore, South African Customs Union, Mercosur, Japan and the European Union. This would boost our campaign and pick up at least one per cent of international trade to push up our merchandise exports to \$150 billion by 2009.

Q. You recently had attended ASEAN Economic Ministers meet. The Framework Agreement for the India-ASEAN CECA was signed in October 2003. What are the major gains India has been looking at from this Agreement?

A. Through this Framework Agreement with ASEAN, it is intended to strengthen and enhance economic, trade and investment co-operation; progressively liberalise and promote trade in goods and services as well as create a transparent, liberal and facilitative investment regime. We would also like to explore new areas for closer economic co-operation and facilitate effective economic integration with the new ASEAN Member States, to bridge the development gap among the Parties.

Q. Coming to the Service Sector, India has a lot at stake in the WTO negotiations. How do you think India would succeed in getting a favourable nod from the developed countries on Mode 1 and Mode 4, and if not, what course of action would be taken in Service sector at WTO, in view of our offensive interests in this sector?

A. Free movement of services is as important as free movement of goods. And within services, free movement of service providers (Mode 4) is the most crucial, from the point of view of developing

countries. This was illustrated in the recent plurilateral negotiations. Most developing countries were requesting members only in the Mode 4 plurilateral group but on the other hand, they were at the receiving end of sectors in all other plurilateral groups. India, would like binding commitments in Cross Border Supply to ensure a predictable business environment. This is crucial for its continued growth of the IT/ITeS sector. Offers made by developed countries, on services, have been highly inadequate in modes of interest of developing countries. In fact, estimates by the WTO Secretariat indicate that Mode 4 accounts for only one to two per cent of total world trade in commercial services, with Mode 3 accounting for about 58%. This is a worrisome situation and the asymmetry in liberalisation needs to be addressed. We will continue to negotiate with the developed countries and sensitize them towards aspirations of the developing countries.

Q. It is often said that since we have opened the market for accountancy in one or other manner, we are not left with much bargaining strength for seeking a market in developed nations for Indian accountants. In such a scenario, how do we seek removal of non-professional barriers faced by Indian accountants?

A. We are conscious of the fact that the Indian Accountants face a number of implicit and explicit barriers in exporting accountancy services. The explicit barriers are there for all to see, namely delays in Visa, wage parity etc. However, it is the implicit barriers that take the form of domestic regulations that need to be addressed. Another implicit barrier is the absence of mutual recognition agreements. We have made it clear that opening up of the domestic market in India would depend upon obtaining effective market access for Indian Accountants in developed countries. We will



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Q. We have more than 1,30,000 Chartered Accountants in India and about 9000 are already providing services abroad. How do you think Indian Chartered Accountants can contribute in boosting export of services from India?

A. I'm happy to note that ICAI today is the second largest accounting body worldwide, and has been able to develop a brand name of Indian accountants. This has already led to presence of a sizeable number of Indian Chartered Accountants across the world. I see further growth in the demand of Indian Chartered Accountants considering the pace of globalization of trade, and emphasis on high quality in accounting, auditing and corporate governance world-wide.

There are more than 50 countries in the world, where the accounting profession is not yet institutionalized or under developed. The ICAI has a greater role to play in development of accounting profession in these countries, and in the process, generate demand for accountancy services from India.

There is a vast potential still untapped for BPO services in accounting and finance and the ICAI should look into tapping this potential. The Government of India would provide full support to ICAI in this direction.

Q. We have been facing severe problems in the recognition of Indian qualification on reciprocal basis by overseas counterpart

bodies, of major trading partners, particularly the developed nations who are adopting dilly-dally tactics. What are your suggestions on the approach that we need to follow on this?

A. The Ministry of Commerce is fully seized on the concerns of the ICAI and I have already mentioned as much above. We fully recognize that recognition of qualifications on a reciprocal basis is the key in the export of professional services, particularly accounting. Ministry of Commerce has taken up the matter particularly with the government authorities in US and UK. With the initiatives of the Ministry of Commerce, an Indo-UK Accountancy Task Force has been constituted for making suggestions for expeditions, recognition of qualifications and resolving bilateral issues in accountancy services. An MRA with the USA and Singapore is also being negotiated, the initiative for which was taken by the Ministry of Commerce.

Q. What is your message to Indian Chartered Accountant community in the emerging global competitive scenario?

A. There is tremendous growth potential for Indian Chartered Accountants considering the pace of globalization of trade in services. The ICAI could also play a significant role in development of accounting profession in countries where the profession is not yet institutionalized, and generate demand for Indian accountancy professionals in the process. The ICAI could also look into various ways for exploiting the untapped potential of BPO services in accounting and financial services sector.

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