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## ARGENTINE-INDIAN JOINT TRADE COMMITTEE, AUGUST 6-7th, 1991

## FINAL MINUTES

In the city of Buenos Aires, on August 6th and 7th 1991, the Second Meeting of the Argentine-Indian Joint Trade Committee was held, under Article XI of the Trade Agreement signed on July 28th 1991.

The Indian delegation was headed by Mr. Lalit Sharma, Joint Secretary, Ministry of Commerce, Government of India. The Argentine Delegation was headed by Ambassador Jesus Sabra, General Director of Economic Affairs of the Ministry of Foreign Affairs and Worship of the Argentine Republic.

The names of the members of each Delegation are listed in Schedule I and II of these Minutes.

Ambassador Alberto Fraguio, Joint Under Secretary of International Economic Relations, opened the meeting.

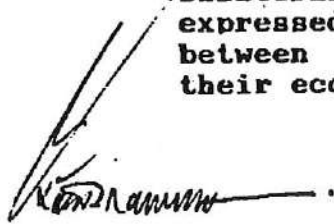
The visiting Delegation, during its stay, met the Argentine Industrial Board authorities and visited industrial plants in the vicinity of Buenos Aires.

On the 8th of August, the Indian Delegation travelled to Córdoba at the invitation of the provincial governor. On this occasion they were able to visit different industrial establishments in the area.

In the opening meeting, the heads of both Delegations analyzed the current state of the international economy, and the economic development of both countries since the last meeting of the Joint Trade Committee Commission in September 1984.

Likewise, both chairmen noted the negative influence of protectionism and the policies relating to subsidies applied by the developed countries, as well as the collapse of prices of raw materials in international markets.

Both chairmen noted the increase in the level of their bilateral economic and commercial relations. Moreover, they expressed their wish to increase and diversify exchanges between both countries to utilize the full potential of their economies.



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In this regard, the chairman of the Argentine Delegation stated the need to seek alternatives to improve the profile of the bilateral trade relations, on account of the low level of Indian exports to the Argentine Republic.

In this sense, the importance of economic and technological cooperation in order to achieve such an aim was pointed out.

Shortly afterwards the discussions of the issues on the agenda were started:

### 1.- BILATERAL ISSUES

#### 1.1.- ECONOMIC AND FINANCIAL POLICIES PREVAILING IN BOTH COUNTRIES.


Argentina expressed the main outlines of the government's new economic policy, based substantially on the state's reform, the liberalization of the economy, and the acceleration of the integration processes with neighbouring countries.

Regarding the reforms carried out by the State, the Argentine side mentioned the broad program of privatization of state-owned companies - encompassing among others: telecommunications, airlines, the oil sector, railways and the energy sector.

Likewise, the Indian Delegation was informed that, as of April of this year, an important tariff reform was implemented, taking the average level of the tariffs to ten percentage points.

Regarding the Latin-American integration process, Argentina presented an explanation of the agreement signed between their country and Brazil, Paraguay, and Uruguay, for the establishment of a common market in the Southern Cone (MERCOSUR).

In turn, the Indian delegation gave a brief overview of the recent changes which had been carried out in the economic policy of India. The trend in India's industrial and commercial policies would henceforth be towards liberalization. Many tariffs had been rationalized and foreign participation in Indian industry had been facilitated following increased incentives to foreign participation.



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Except for certain industries such as automobiles and consumer electronics and a small list of industries reserved for the public sector (atomic energy, railways, etc), the system of licencing had almost been done away with. Foreign equity participation up to 51 % is automatically approved in the new policy announced by the government recently. In the climate of increased liberalization it was only natural that both India and Argentina should increase their cooperation in all commercial and economic fields.

#### 1.2.- REVIEW OF ARGENTINE-INDIAN TRADE AND ITS TRENDS

After analyzing the official statistics relating to bilateral trade, it was noted that Argentine exports to India formed a major portion of the total trade between the two countries, which did not reflect the full potential for such trade. Consequently, it was agreed that commercial exchanges should be increased on the basis of mutual advantage.

In recognition of the traditional structural imbalance of the bilateral trade, both Delegations agreed on the need to promote exchange of information about the existing trade opportunities available in both countries, as well as the establishment of proper channels for increasing the speed in the flow of information necessary to achieve higher relative growth rates for the exports of both countries.

Likewise both Delegations pointed out the important role which could be played by the private sectors of each country.

As for the future, the Argentine Delegation stated that in the light of the new measures of economic liberalization, implemented in 1989, and the initiatives adopted by Argentina for the process of integration, the market is of great interest, not only for the purchase possibilities of Indian products, but also because of the opportunities for cooperation in all fields, whether it be in the form of investments, joint ventures, or any other form considered convenient to both parties.

The Indian delegation pointed out that there existed a surplus in favour of Argentina in bilateral trade. Through the purpose of the Joint Trade Committee was not to undertake trade balancing, a persistent imbalance could be problematic and it was hoped that the talks would create an atmosphere which would lead to a greater flow of goods.

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In respect of tariffs it was explained by the Indian delegation that in India tariffs had been used as a measure of revenue generation. The new trade policy had removed a very large number of items from import licensing requirements, and India had also tabled an offer of a thirty percent reduction in tariffs in the Uruguay Round.

The Indian delegation noted that since Argentina was not a signatory to the GATT protocol, tariff concessions would have to be negotiated in the Second Round of GSTP.

In order to promote trade, both Delegations promised to provide each other with a list of products and commodities on which they would like to seek tariff concessions under the General System of Trade Preferences (GSTP). The Indian list comprised articles from basically three categories - textiles, chemicals, and engineering goods. It could be considered an indicative one; a detailed list based on its nomenclature would be supplied later.

The Argentine Delegation underlined their concern for the discriminatory tariff treatment given to a set of commodities such as line pipes, Quebracho extract, galvanized (electroplated) steel sheets (painted, barnished, or plastic-coated), tartaric acid, etc. The leader of the Indian delegation explained that the differential tariff on quebracho extract had already been removed in the last declaration of customs tariffs and that India would be willing to address Argentine concerns in respect of these items.

Argentina pointed out the importance of facilitating the establishment of private branch offices in India. The Indian delegation expressed that the current liberalization of the foreign investment regulations will allow the accomplishment of this request.

### 1.3.- POSSIBILITIES FOR GRANTING RECIPROCAL PREFERENCES THROUGH THE PREVAILING PREFERENCE SYSTEMS.

Both sides agreed to provide each other with a detailed list of articles which could be considered for a reduction in import tariffs under GSTP. While it would not be possible to make any commitment in this regard, the lists would be studied with great care.

In this respect, the Argentine side expressed its willingness to receive a list from the Indian side.

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#### 1.4. JOINT VENTURES

Argentina was pleased with the forthcoming visit of entrepreneurs from the Federation of Indian Chambers of Commerce and Industry, scheduled for next October. In this regard, the importance of such meetings to broaden the possibilities of economic cooperation between both countries for the establishment of joint or joint venture projects based on the technological advantages of each country was highlighted. A list of Indian companies which had special interest and experience in carrying out Joint Ventures was handed over to the leader of the Argentine delegation, who promised to forward it to the concerned organisations in the private sector in Argentina so that it could be suitably studied. He also promised to hand over a similar list shortly to the Indian side.

Both delegations expressed their satisfaction at the recent establishment of a joint venture for the production of polymers between an Argentine and Indian company.

#### 2. MULTILATERAL ISSUES

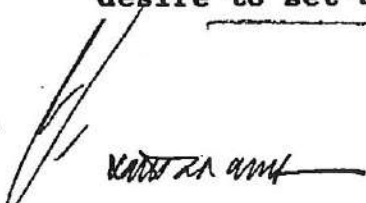
##### 2.1. REVIEW OF THE INTERNATIONAL ECONOMIC SCENARIO AND PROCESSES OF REGIONAL INTEGRATION.

The leader of the Argentine delegation gave a broad tour d'horizon of the activities and priorities of the Bretton Woods organisations. He noted that what had been important some years ago, was today being modified in a manner designed to favour the developed countries at the expense of the developing world. The Indian delegation this view and there was broad agreement on most matters.

##### 2.2. LATIN-AMERICAN INTEGRATION - SIGNIFICANCE OF MERCOSUR FOR INDIAN TRADE WITH ARGENTINA

Argentina detailed the integration process under way with its neighbouring countries Brazil, Paraguay and Uruguay, which provides for the establishment of a common market in the Southern Cone (MERCOSUR) by 1995.

In this respect the Argentine delegation pointed out that this process has as its main objective the integration of the economies of the countries concerned and not the desire to set up a fortress against external competition.





### 2.3. THE URUGUAY ROUND AND UNCTAD ISSUES

The Argentine delegation felt that the main achievements of UNCTAD were the GSTP, the Common Fund for Commodities, and the commitment of developed countries to give 0.7% of their GNP for development assistance. UNCTAD should be an organisation which evolves ideas that can be conducive to a more meaningful dialogue between the developed and developing countries. As for the Uruguay Round, the developed countries wanted the deliberations to be concluded by the end of 1991.

The Indian delegation expressed its preference for a multilateral trading system. The Indian position on agriculture, textiles and the new areas was explained.

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Both delegations have agreed to hold the next meeting of the Argentine-Indian Joint Trade Committee in the city of New Delhi in the year 1992.

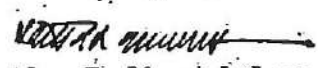
Both delegations are aware that these meetings of the Joint Trade Committee shall effectively contribute to the future development of the bilateral cooperation and strengthen the friendship ties existing between both countries.

The Indian delegation thanked for the hearty welcome they received in the Argentine Republic.

These Minutes have been signed in two originals, in the Spanish and English languages, both texts being equally valid, in the city of Buenos Aires, on the seventh day of the month of August of the year one thousand nine hundred and ninety one.



For the Argentine Delegation



For the Indian delegation

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## SCHEDULE I

ARGENTINE-INDIAN JOINT TRADE COMMITTEE, AUGUST 6-7, 1991  
ARGENTINE DELEGATION

1. Ambassador Alberto FRAGUIO, Joint Undersecretary for International Economic Relations, MREyC (Ministry of Foreign Affairs and Worship).
2. Ambassador Jesús SABRA, General Director of Economic Affairs, MREyC.
3. Ambassador Rafael VAZQUEZ, MREyC.
4. Minister Antonio SEWARD, National Director of Economic and Commercial Negotiations, Undersecretariat of Industry and Commerce.
5. Minister Juan Carlos MORELLI, Director of Bilateral Economic Relations, MREyC.
6. Lic. Mónica DI FEO, National Department of Economic and Commercial Negotiations, Undersecretariat of Industry and Commerce.
7. Counsellor Juan José MARTINEZ, Undersecretariat of Industry and Commerce.
8. Secretary Ana María IBARGARAY de HOUSSAY, Direction of Asia and Oceania, MREyC.
9. Secretary Germán DOMINGUEZ, General Department of Economic Affairs, MREyC.
10. Secretary Jorge ZOBENICA, National Department of Economic and Commercial Negotiations, Undersecretariat of Industry and Commerce.
11. Secretary Alejandra PICO ESTRADA, Undersecretariat of International Economic Relations, MREyC. (Interpreter).

  
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REPORT OF THE INDIAN DELEGATION TO THE INDO-ARGENTINA  
JOINT TRADE COMMITTEE MEETING HELD IN BUENOS AIRES  
6 AND 7 AUGUST 1991

- 1.1 The formal minutes of the Joint Trade Committee, the composition of the Indian delegation and the Argentine delegation are annexed.
- 1.2 Apart from the formal consultations with the delegation of Argentina, the Indian delegation visited two industrial undertakings which export to India : S.A. Motor Mechanica which sells valves to the ONGC, Oil India and the Atamit Energy Commission, and SIDERCA, a hot-rolling steel mill which exports seamless pipes to ONGC etc. Discussions were held with the Industrial Union, which is the Argentine federation of chambers of commerce and industry. Calls were made on the deputy of the Chief of Naval Staff and the Secretary of the department of defence production in order to press a counter trade deal involving the export of Indian made Alouette helicopters. Finally, a part of the delegation visited Cordoba, a major Argentine industrial centre.
- 2.1 The Argentine economy is steadily shrinking, and the last year saw a further fall in the gross domestic product. The Government of President Menem has steadily retreated from what was described as the 'hiring state' and the 'subsidizing state', and has undertaken a substantial programme of privatization and liberalization, but this programme has yet to reverse the trend of a declining GDP. Though even State functions like compilation of statistics etc. have been privatized, the acid test of the resolve to privatize is expected to take place over the proposal to sell off the Argentine Railways later this year. Argentina has not, as yet, attempted a change of its labour laws concerning rights to strike, conditions of service and termination of service etc.
- 2.2 The strategy being devised to arrest the decline of the economy - GDP having reached the same levels today as prevailed in 1964 - comprises the following elements:
- (a) deregularization of the economy in order to convert the private sector from an 'agreeable distributor



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of profits' made in a protected economy to a 'risk competitive' set of entrepreneurs. Problem areas associated with this were the political stability necessary to carry out the reforms and the difficulties being faced in capital formation.

(b) reduction of the role of the 'business state' and the opening of the Argentine market to the world. Associated problems were tax evasion and the difficulties of finding markets overseas in face of increasing protectionism, and

(c) regional integration through MERCOSUR.

2.21 The MERCOSUR was stated to be an integration process 'involving complete movement of all factors of production and integration of all policies', autonomous of the single-Americas initiative of the United States. A common external tariff was expected to be installed by 1994. It was stated that this common tariff would not be 'defensive'.

2.3 Argentina has wound up its state trading activities. Trade balancing was therefore not possible. It was pointed out to them that a sustained one sided imbalance created problems. They were appreciative of this and were agreeable to such facilitation as might be needed, especially in the flow of information. This would also be the case in likely cases of joint ventures. In this regard, a Paraguayan railway project under international financing was mentioned. Details are being obtained and it might be worthwhile for a team from RITES to visit Argentina at the appropriate time.

2.4 The Indian delegation presented the Argentine delegation with a tentative first list of items on which India would like to seek tariff concessions under the GSTP. The latter requested that the list be presented in HS nomenclature, and this was agreed to. The Argentines raised the matter of Indian tariffs having become high on some steel items of interest to Argentina consequent upon India adopting the HS classification. We indicated our willingness to address these concerns.

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- 2.5 The Industrial Union stated (as also had been stated by the Government delegation earlier) that initial projections of the magnitude of reconstruction work in Kuwait had been over-assessed. For their information we gave them a copy of a directory listing Indian companies with experience of construction projects. Interest was also expressed in meeting entrepreneurs from India.
- 2.6 The suggestion of purchase of Alouette helicopters from India was warmly received. The Argentine Navy does not have a budget provision for the current year, but various options for a counter-trade deal are being investigated, and it is quite likely that an arrangement might be worked out.
- 3.1 On UNCTAD, the perception of Argentina was that it had performed a useful role, and though it faced an uncertain future, Argentina would be loath to see it die. They saw its future as a generator of ideas which might be used to safeguard the interests of developing countries in the emerging international economic order. In response to our suggestion that it might be worthwhile for selected developing and developed countries to meet to discuss the future of UNCTAD, Argentina responded that the developed countries would only be too willing to do so and that in their view the matter could first be discussed amongst the developing countries only, preferably in a meeting of the G-15, and only then with the developed countries.
- 3.2 Regarding the Uruguay Round issues, the Argentine delegation made the following observations:
- (a) It was their feeling that the US was no longer willing to have a confrontation with the European Communities on the subject of trade in agricultural goods. The maximum that might happen, they felt, was that an agenda for continuing discussions and gradual reduction of subsidies over a ten to twenty year span might be agreed to in the Uruguay Round.
  - (b) They also thought that the US would increasingly rely on bilateral pressures to obtain its objectives. The visit of the Indian delegation had coincided with a

visit by the US Vice-President, and the Argentine delegation reported that Argentina had been 'intensely pressurized' on the subject of intellectual property rights. Argentina was contemplating bringing in new legislation to change its laws on patents which were essentially nineteenth century in origin. While the process of serious thinking on the subject had not gone very far, Argentina was apprehensive of the consequences of introduction of such legislation in view of the rough political weather encountered by the Brazilian proposal.

- (c) The Argentine delegation expressed curiosity about the consultations which India had had with the US under the provisions of Special 301. The background and the substance of consultations was explained to them, stating inter-alia that differences had persisted in the sphere of patents, particularly in respect of chemicals.
- (d) On TRIMs the Argentine delegation felt that so many developing countries had either succumbed to US pressure or autonomously diluted investment measures that not much heat would be applied by the developed countries.
- (e) On the extension of the MFA without improvements they felt that since the developed countries had only one thing to give, they had chosen not to give it during the middle of the negotiations.

3.3 Their overall expectations of the results of the Uruguay Round, from the point of view of developing countries, was pessimistic.

3.4 The Argentine delegation took us by surprise by a brief but violent condemnation of the IMF and the World Bank. The Bretton Woods institutions, they said, had departed from the roles initially conceived for them and arrogated to themselves the role of arbiters of domestic policy making in developing countries. We responded by referring to attempts being made in the Uruguay Round to push coherence in the functions of the GATT and Bretton Woods institutions and our opposition to this attempt.

4.1 The discussions were friendly and warm. Even though the Argentine economy is shrinking, Argentina is working on a plan to increase its imports by thirty-five percent the next year. Indian exports

have already responded to the lowering of tariffs by Argentina in March, 1991. Our exports are hampered by the absence of commercial representation. If the potential of Indian exports to the Latin American market is to be realized commercial presence is a must. A diplomatic presence would, for the immediate future, be best. The lack of an expatriate Indian population makes it unlikely that business interests would finance representation, even for the continent as a whole.

- 4.2 Goodwill has been generated by the Joint Trade Committee meeting, and as the Argentines put it, Indian businessmen going to Argentina would not be disappointed. A delegation from EEPC is scheduled to visit Argentina shortly, and more such delegations have to be persuaded to visit Latin America.