India: Strategies in the Doha Development Round- July and Beyond

Rajiv Kumar and Swapna Nair,
ICRIER

Changing World Situation

- The world is in a state of flux
- Financial crisis and its aftermath offers new perspectives to look at global initiatives at cooperation whether it be finance or trade related
- The crisis has given countries a new urgency to ensure that the world does not slip into a protectionist shell.

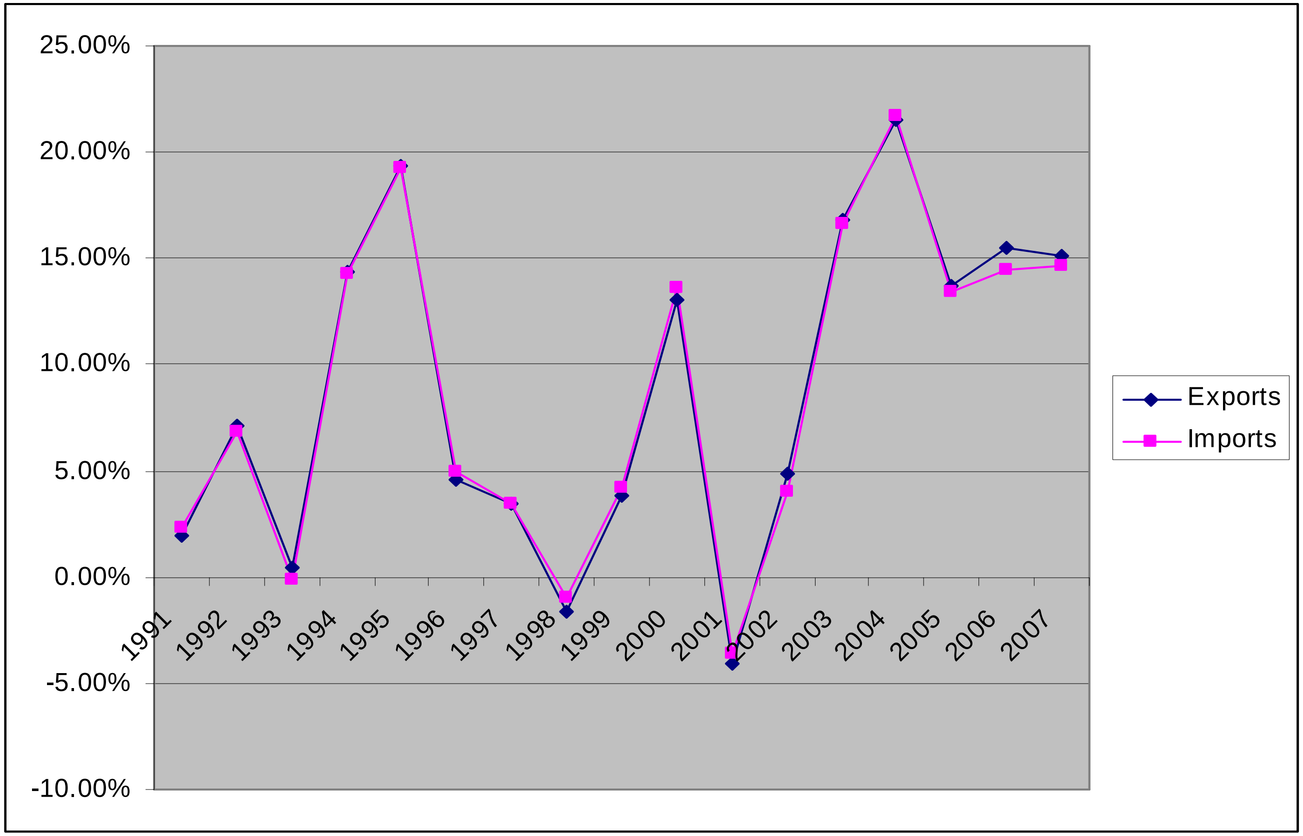
Importance of trade and WTO for India

- *Trade plays an important role in India's development strategy*

- *India's volume of trade has been steadily increasing esp post WTO membership(Graph below)*

- *Share of exports in India's GDP has increased from 5.8% in 1990 to 13.5% in 2007-08 while share of imports has increased from 9% to 21% during the same period*

Growth in Indian Trade Post Doha



Importance of trade and WTO for India

- *Share of India's trade in global trade , though very low, has also been showing an increasing trend*
- *Share of global goods trade has increased from 0.83% in 2003-04 to 1.45% in 2008-09*
- *Further 14 million jobs created directly or indirectly as a result of exports in the last five years.*

Importance of trade for India

- *India has always encouraged multilateralism to regionalism and bilateralism*
- *India has been keen to ensure that the multilateral trading system promotes and complements its own development strategies*
- *But recently India's regional and bilateral engagement has increased*
- *Over nearly 60% of international trade is now taking place in existing or emerging RTA's or PTA's*

Importance of trade for India

- *India is outside most of these formations and only now seeking to forge some of them*
- *One of the reasons for this increasing engagement of India in bilateral/regional agreements could be the lack of progress in the WTO*
- *Doha round on for eight years now!*

How has the crisis affected India?

- India not much affected by the first round effects because of lack of financial integration
- But impact of second round effects on trade, output and employment adverse.
- Steep decline in demand for exports in major markets

How has the crisis affected India?

- Sectors that have been affected are- gems and jewellery, garments and textiles, leather, handicrafts, marine products and auto components.
- Merchandise exports have registered a negative growth of 17% during October 2008-09

Recent Trend in Indian imports and exports (Source: Ministry of Commerce, Government of India)

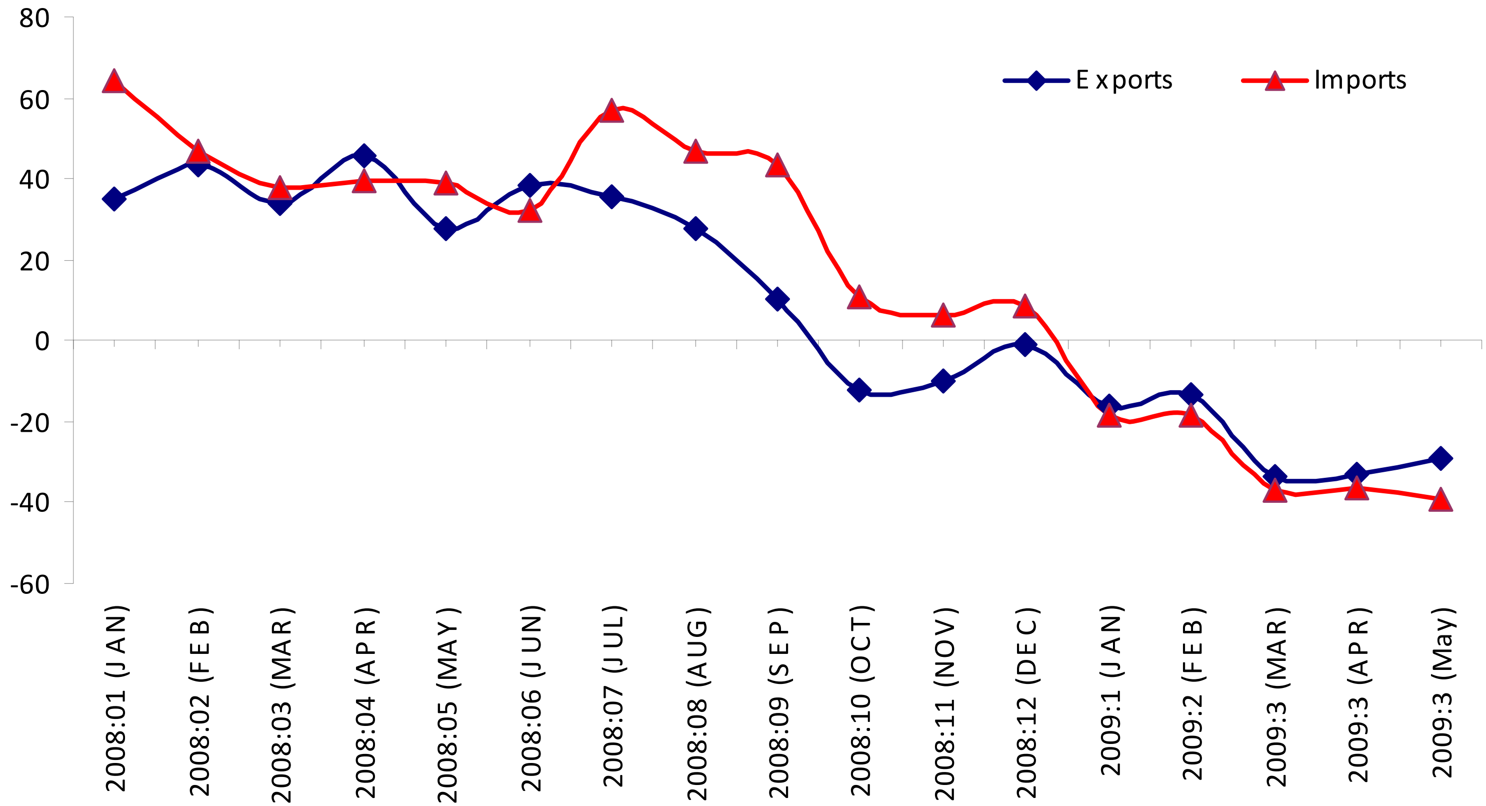


Table 5: Quarterly YOY Growth rate of Services Exports

	Q3, 2007-08	Q3, 2008-09	Q4, 2008-09
Services	34.0	5.9	-6.6
i Travel	11.6	-13.9	-25.9
ii Transportation	21.0	-8.1	-7.9
iii Insurance	19.4	-21.5	-28.5
iv G.n.i.e.	11.5	7.8	3.8
v Miscellaneous, of which	40.9	1.5	-2.1
Software Services	41.3	19.5	-12.7
Business Services	17.4	-12.6	-15.1
Financial Services	34.2	0.8	-13.5

Crisis and Increasing Trade Protectionism

- Crisis has led to protectionist tendencies
- Murky Protectionism- Cocktail of protectionist measures
- In November 2008 G20 summit countries pledged to avoid protectionism
- World Bank study showed 17 of the G20 countries including India engaging in various protectionist measures

India and Protectionism

- India could be affected by probable protectionism measures in the US stimulus plan pertaining to movement of professionals
- India also accused of engaging in antidumping investigations particularly against China
- July 2008 to Dec 2008 India reported 53 anti dumping investigations of which 19 against China

Crisis and Indian Negotiating Positions

- *Has the crisis changed India's negotiating positions?*
- *For this India's negotiating positions before the crisis has to be looked at.*

Agriculture

- Prior to Uruguay Round, Indian agriculture largely ignored in the process of domestic trade liberalization.
- As a result of UR commitments, India has removed quantitative restrictions on agricultural products that were maintained on BOP grounds and bound all the tariff lines in agriculture.

Agriculture

- India's main concerns in agriculture – SSM and removal of trade distorting subsidies.
- SSM would protect the small and medium farmers from price fluctuations or import surges.

Tariff Levels in Brazil, India and United States (Source:WITS Comtrade Database)

			Brazil		India		United States	
Tariff Year	Trade Year	Reporter Name	Simple Average	Weighted Average	Simple Average	Weighted Average	Simple Average	Weighted Average
2001	2001	Brazil	12.52	11.38	40.64	49.07	6.84	5.59
2002	2002	Brazil	11.67	10.71	40.64	49.07	6.86	5.12
2003	2003	Brazil	11.68	9.81	40.64	49.07	6.84	4.95
2004	2004	Brazil	11.68	10.66	37.37	60.89	6.84	5.01
2005	2005	Brazil	10.26	10.11	37.57	52.30	6.84	4.86
2006	2006	Brazil	10.17	10.48	37.57	52.30	6.84	4.56
2007	2007	Brazil	10.34	10.21	38.09	62.16	7.27	4.59
2008	2007	Brazil	10.37	10.44	32.40	20.78	7.22	4.58

In fact it can be seen from this table that India needs to take a much more liberal stand in agriculture since Indian MFN tariffs are much more higher than the Brazilian or US levels. Instead Well tailored safeguards can protect surges.

NAMA

- *India bound 69% of its tariff lines during the Uruguay round with an average binding duty of 33.4 %*
- *Coefficients would not require the applied tariff rates to be reduced*
- *But policy space at stake*

NAMA

- *Concerned on linking ACC to flexibilities*
- *India's offensive interests are in terms of gaining greater market access to the developed country markets through the reduction of NTBs.*
- *India is also sceptical about making sectoral negotiations mandatory.*

Tariff Levels in Brazil, India and United States-NAMA (Source:WITS Comtrade Database)

			Brazil		India		United States	
Tariff Year	Trade Year	Reporter Name	Simple Average	Weighted Average	Simple Average	Weighted Average	Simple Average	Weighted Average
2001	2001	Brazil	14.44	10.36	31.06	24.76	3.70	2.92
2002	2002	Brazil	14.08	9.92	31.06	24.76	3.60	3.01
2003	2003	Brazil	13.72	9.39	31.06	24.76	3.51	2.99
2004	2004	Brazil	13.66	8.86	27.87	20.95	3.41	2.92
2005	2005	Brazil	12.67	8.37	15.38	11.97	3.33	2.77
2006	2006	Brazil	12.63	8.37	15.38	11.97	3.33	2.77
2007	2007	Brazil	12.52	8.61	13.22	8.60	3.33	2.72
2008	2007	Brazil	13.61	9.80	9.19	5.97	3.11	2.24

Even in the case of Industrial tariffs it can be seen that Indian Tariffs are relatively higher than the US though as a result of reduction in the consecutive rounds it has fallen drastically.

Services –Uruguay Round

- In Uruguay, was a passive player with defensive interests
- Made commitments in few sectors
- Did not schedule important sectors such as Energy, Distribution, Education, Environment & Accountancy
- Did not bind the autonomous liberalisation of the 1990s

Services- Doha Round

- Negotiating position changed since the Uruguay Round
- India now has an offensive interest in services negotiations
- Different from India's position in agriculture and NAMA
- India has autonomously liberalised most of the service sectors .Mode 4 and Mode 1 offensive interests
- Exports increased - Indian service providers are facing several barriers in markets of export interest

Has the crisis changed India's negotiating stances

- No change in basic stances
- But an increased sense of urgency to lock in the liberalization commitments made to date to avoid protectionism
- Strengthened or emphasized the basic priority of negotiations as retaining policy space for future actions.

Actions taken to deal with the crisis – Domestic and International

- Domestic Front: Indian Trade Policy 2009-14 addresses the concerns by focusing on diversification of markets and commodities
- International Front: Ministerial in Delhi to re energize the talks and to express commitment in the multilateral set up

Leadership Position in the WTO Negotiations-Changing Power Relations

- Doha Round characterized by increasing influence of coalitions
- The new quad replacing the old quad as the dominant members in the WTO
- New Quad / Old Quad

New Quad	Old Quad
United States	United States
European Union	European Union
India	Canada
Brazil	Japan

Understanding the WTO- Changing Power Relations

- *Continuing negotiations also a reflection of changing power relations within the WTO influencing the pattern and outcome of negotiations*
- *Reflection of a no longer unipolar US dominated world*
- *Emergence of the G-20 as the new "enacting coalition" (Gruber 2000).*
- *Other country groupings also play important roles- G33, Cairns group,*

How have past experiences determined India's policies

- International trade policies often influenced by past domestic experiences
- A crisis often provides the opportunity to push through reforms
- Domestic crisis of 91 led to liberalisation of India's external trade regime

How have past experiences determined India's policies

- The fear of retaining policy space also emerges from India's experience of having to renegotiate bound tariffs on certain agricultural products like rice, maize and milk

The Way Ahead?

- In spite of protectionism on the rise countries still try to make these measures WTO compliant.
- Systemic flaw but underlines importance still given to the WTO
- Under regional/bilateral agreements this is not a consideration
- Further most democratic forum for developing and less developed countries

The Way Ahead?

- Small countries have the option of taking larger countries to the dispute settlement mechanism.
- Also with increasing offensive interests of developing countries WTO better option for negotiations rather than RTA's/PTA's

The Way Ahead?

- But is it end of Multilateralism as we know?
- What could be the way ahead?
- Institutional Reform-Critical Mass Decision making?? New Institutions-Bretton Woods Plus?? (But question of feasibility!!)
- G20 as an alternative?

Issues that need to be resolved in the WTO

- Currently the focus is only on Agriculture and Nama.
- Special Safeguard Mechanism (Triggers more or less agreed, time duration to be resolved)
- TRQ creation, a measure that would allow countries to create import quotas for agricultural products that have not thus far been subject to them.
- The Issue of Preference Erosion and Cotton
- Sectoral Negotiations in NAMA
- There has to be movement in agriculture and NAMA , to move on to services negotiations.

Contours of an action plan

- There should be a fundamental shift in the approach for negotiations on the part of developing countries (including India) .
- They should be less defensive but ensure safeguards within feasible limits there.
- In return negotiate for subsidy cuts from developed countries.
- Finally lock in progress already made at Doha.