

India's Trade Policy

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The juxtaposition of India's international position and the perceived national interests is not always clear to all. While India has been rising as an economic power, its position at WTO remains rather conservative. Further, in what may seem as a compromise on its sovereignty, it negotiates on behalf of developing countries at large and in groups, notwithstanding that it is a member of the smaller and more exclusive negotiating group at the WTO. While negotiating positions are in the public domain and are reflected in the negotiations, national interests are more subtle and actually determine the negotiating position and strategy.

Since 1991, India has been gradually moving away from a closed and protectionist economy and has been orienting itself towards the market, both in terms of disinvestment (privatization) and opening up markets to foreign players (liberalization). However, in adapting to such a market oriented economy, it has not assumed a "shock therapy" approach and has instead embraced a gradual approach.

Economic and trade reforms of the 1990s brought a major change in India's trade policy and it started on a path of aligning its trade policy stance with the core disciplines of the WTO. As part of this process, India adopted unilateral trade liberalization in manufacturing goods and reduced significant amount its tariff rates.

Unlike many countries, such as in Latin America and Eastern Europe, India did not succumb to international pressures (from IMF or the World Bank) to liberalize overnight and went in for unilateral liberalization. Subsequently, with rising economic power, India has been actively pursuing its trade interests (economic and developmental) at the WTO. Like most countries, India has both defensive and offensive interests in the liberalization of different sectors both within and across issues, and it negotiates accordingly.

Trade policy making is hence evolving in India, and liberalization has been bottom up, driven by domestic policy makers rather than in reaction to international pressures. International trade is bounded in India, in terms of quantities traded and also in terms of proportion of revenues generated, and has greater reliance on domestic consumption. However, notwithstanding its nascence at the international platform, India has established itself as a tough negotiating counterpart with determined demands. Owing to this approach, India has been branded a hardliner with a 'defensive strategy.'

India has been an important player in multilateral trade negotiations and has benefitted significantly from the WTO-led trade liberalisation platform both in terms of volume of trade and revenues. India has also been an active player in WTO dispute settlement mechanism as a complainant, respondent, and third party. Notably, India's approach towards multilateral trade negotiations is strongly driven by its various domestic and political developments.

India has predominantly adopted a strategy of bargaining in groups to leverage its position, as evident from the collective position on various issues. With this backdrop, India has an offensive and defensive position under each of the two pillars of agricultural support at the WTO negotiations as discussed below.

At the core of India's interests is (i) top priority to special and differential treatment to developing countries; (ii) a substantial and effective reduction in domestic support and tariffs in agriculture by developed countries, while enabling developing countries to protect and promote the interests of their low income and resource poor farmers.

India's position at the Uruguay Round (UR) emphasised securing the UR objectives and it strongly reinforced the issues of implementation raised by a number of developing countries. India's approach at the WTO was calculated and focussed on protecting its domestic interest in the initial years of the UR negotiations, considering its legacy of protectionist policy regime post-independence.

In 2004, India signed the South Asia Free Trade Agreement (SAFTA). Subsequently, it entered into more comprehensive trade agreements with advanced economies like the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) (2005), India-Korea Comprehensive Economic Partnership Agreement (CEPA) (2010), India-Japan CEPA (2011), and India-Malaysia CECA (2011). The nature and coverage of these trade agreements were relatively higher than its existing commitments in the WTO. These agreements covered vital issues, such as investment, government procurement, mutual recognition agreements on testing and standards of specified products, cooperation agreement in e-commerce, media and Intellectual Property Rights (IPRs), and provisions regulating the free movement of professionals.

In line with this approach, India is negotiating a number of agreements with highly advanced countries, such as India-EU FTA, RCEP, India-Australia CEPA, India-New Zealand CECA

and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

In this context, it is relevant to note that India's trade agreements with Japan, South Korea and Singapore reflect India's economic and strategic interest in East Asian countries in two major ways: First, India aims to attract more foreign direct investment (FDI) from these advanced countries and second, India is trying to plug into ASEAN Production Network' via ASEAN's member countries.

Hence one can say that in the initial phase of its economic integration, India entered into bilateral and regional trade pacts with developing and least developed countries that were confined only to trade in goods and transit treaties. However, in the recent past, India has negotiated more comprehensive trade pacts with advanced countries, such as Japan, Singapore, and South Korea, covering a broad set of areas, such as trade in services, investment, government procurement, competition, and trade facilitation.

On the multilateral front however India has adopted a different approach on those issues (e.g. government procurement, investment, and trade facilitation) where it has taken a less liberal policy stance compared to its bilateral and regional FTAs.