

INDIAN TRADE POLICY AFTER THE CRISIS

Post-crisis state of play

- Global economic/trade trends
- Indian political economy
- Indian trade policy

INDIAN TRADE POLICY AFTER THE CRISIS

- The global economy and trade policy post-crisis
 - Long globalisation boom to 2007: technological innovation, policy liberalisation, catch-up growth
 - GEC: sharp growth contraction and deglobalisation; Shift to the East – much stronger rebound in Asia/emerging markets
 - Shift in policies, esp. domestic crisis interventions – worse medium-term consequences for West than emerging markets
 - Emerging protectionism: very little up-front protectionism; rather creeping regulatory protectionism; parallels with 1970s

Indiatpisaconfnov10_Slide 3: GDP Growth and Growth Estimates (Africa)

	2008	2009	2010
Advanced economies	0.2	-3.2	2.7
Africa	4.4	2.8	4.6
Developing Asia	7.7	6.8	9.4
Western Hemisphere	4.2	-1.7	5.7

International Monetary Fund, World Economic Outlook Database, October 2010

Indiatpisaconfnov10_New: GDP Growth Rates and Estimates 2008-2011

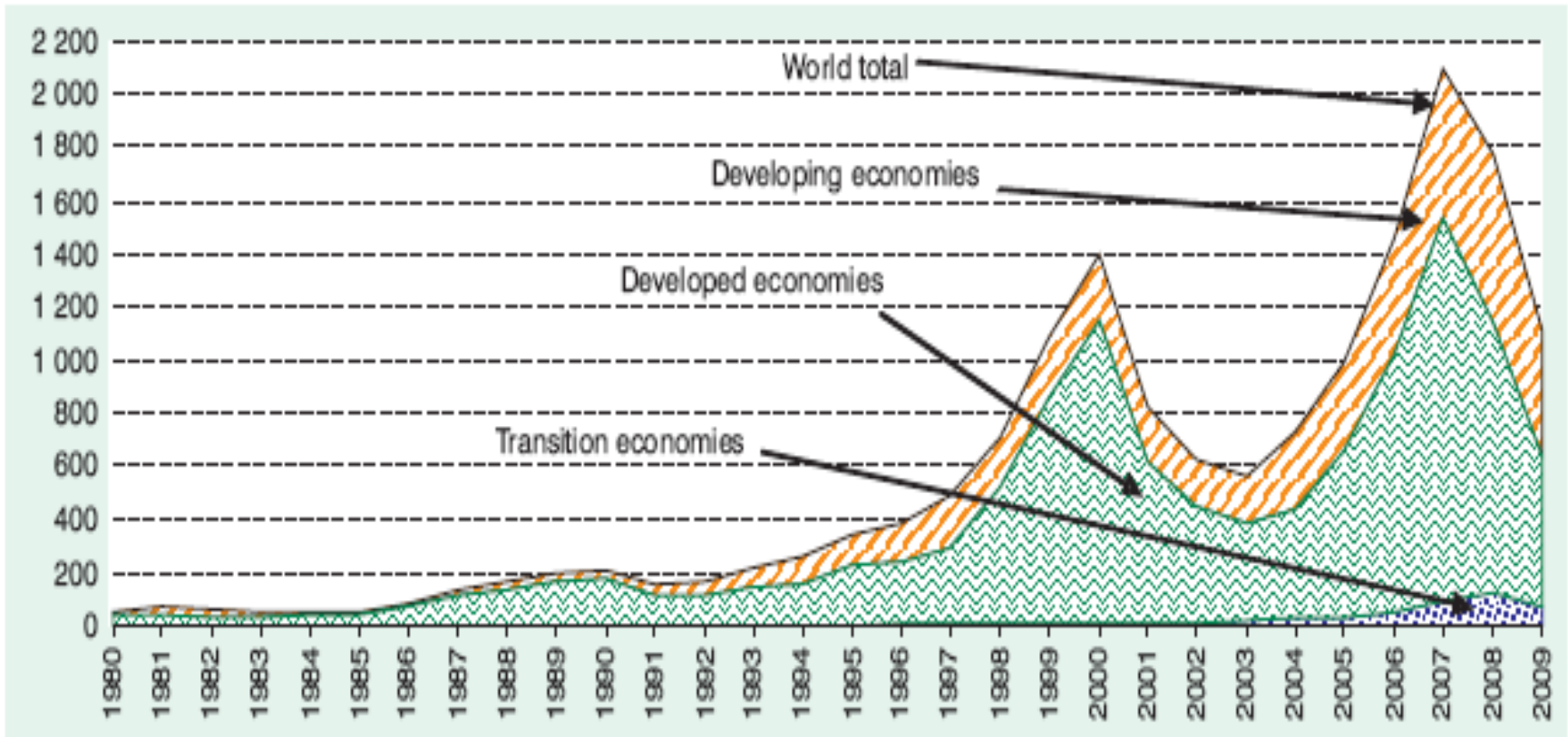
	2008	2009	2010	2011
European Union	0.8	-4.1	1.7	1.7
<i>France</i>	<i>0.1</i>	<i>-2.5</i>	<i>1.6</i>	<i>1.6</i>
<i>Germany</i>	<i>1.0</i>	<i>-4.7</i>	<i>3.3</i>	<i>2.0</i>
<i>United Kingdom</i>	<i>-0.1</i>	<i>-4.9</i>	<i>1.7</i>	<i>2.0</i>
United States	0.0	-2.6	2.6	2.3
Brazil	5.1	-0.2	7.5	4.1
China	9.6	9.1	10.5	9.6
India	6.4	5.7	9.7	8.4
Russia	5.2	-7.9	4.0	4.3
<i>BRICs</i>	<i>6.6</i>	<i>1.7</i>	<i>7.9</i>	<i>6.6</i>

International Monetary Fund, World Economic Outlook Database, October 2010

Trade Volumes

	2008		2009		2010		2011	
	Import	Export	Import	Export	Import	Export	Import	Export
Advanced Economies	0.4	1.9	-12.7	--12.4	10.1	11.0	5.2	6.0
Emerging/ Developing Economies	9.0	4.6	--8.2	-7.8	14.3	11.9	9.9	9.1

FDI inflows, global and by groups of economies, 1980-2009 (billions of dollars)



Source: UNCTAD World Investment Report 2010

Top 10 biggest targets of discriminatory measures

Top 10 Targets	Number of discriminatory measures imposed on target		Number of pending measures, which if implemented, would harm target too	
	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)
China	282	183	125	48
EU27	266	na	80	na
USA	213	127	46	27
Germany	204	120	56	26
France	188	110	46	22
UK	181	109	44	24
Italy	175	105	50	27
Belgium	170	92	42	21
Japan	168	90	47	24
Netherlands	163	92	42	24

Note: Unfortunately when our second report was prepared data on the total number of times the EU 27 nations were harmed was not collected, hence frustrating direct comparisons between early June 2010 and early September 2009. Data on EU27 was reported from the third report on due to requests from users. Moreover, individual member state information in this table may indicate the extent how often some European trading nations have been harmed since the Pittsburgh summit.

Source: Evenett (2010), see footnote 17

Crisis measures – which countries have inflicted most harm?

Rank	Metric, Country in specified rank, Number			
	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1.	EU27 (146)	Venezuela (784)	EU27 (55)	EU27 (168)
2.	Russian Federation (73)	Kazakhstan (719)	Algeria (54)	Argentina (161)
3.	Argentina (41)	Nigeria (599)	Nigeria (45)	China (161)
4.	India (31)	EU27 (437)	Venezuela (38)	Indonesia (152)
5.	Germany (29)	Russian Federation (421)	Kazakhstan (36)	Russian Federation (142)
6.	UK (24)	India (347) Indonesia (347)	Russian Federation (34)	Finland (132) Germany (132) South Africa (132)
7.	Indonesia (22)		Ethiopia (32)	
8.	China (19) Italy (19)	Ethiopia (345)	Indonesia (32)	
9.		Argentina (336)	India (31)	Belgium (131) Brazil (131)
10.	Austria (17)	China (335)	Germany (27)	

Note: There is no single metric to evaluate harm. Different policy measures affect different numbers of products, economic sectors, and trading partners. GTA reports four measures of harm.

The EU27 refers to the sum of all of the measures taken by the 27 national governments of the European Union and the measures taken by the European Commission. To be included in this total a state measure must have involved discrimination against the commercial interests of another state, including potentially another member of the European Union.

Source: Evenett (2010), see footnote 17

Trade and Globalisation after the Crisis

- **A review of the troops**
 - USA
 - EU
 - China
 - Japan
 - India
 - Russia
 - Brazil
 - WTO and G20

Trade and Globalisation after the Crisis

- Conclusion
 - Shift to East undeniable; grounds for emerging-market, esp. Asian, optimism
 - Western decline, Asian/emerging market rise – but still a leadership vacuum
 - Short-term challenges: containing policy deterioration and emerging protectionism
 - Medium-term challenge: get back on track with liberalisation, structural reform and globalisation

INDIAN TRADE POLICY AFTER THE CRISIS

- Indian political economy post-crisis
 - Strong crisis performance and recovery based on domestic consumption; stable government in Delhi
 - Optimistic scenario: growth up to 10% plus, even without big reforms; India emerges as global economic/political power
 - Domestic and trade reforms stalled since 2004
 - Growth concerns: less benign global economy; lack of reforms
 - Without reforms no big transformations in agriculture, services and industry
 - A second-tier emerging power; not in league of China – can't export global order

INDIAN TRADE POLICY AFTER THE CRISIS

- **Prospects**

- What the govt. needs to do; what it can do politically

- Priority reforms:

- A) Prevent deterioration of fiscal deficit; avoid new trade restrictions, subsidies, price controls
- B) Road map for repair of public finances, narrow the deficit
- C) Reduce and simplify industrial tariffs and cut red tape on trade/investment procedures
- D) Public-private partnerships for infrastructure: implement on fast track
- E) Reduce FDI caps in insurance, banking, education, retail
- F) Remove price controls on petroleum

INDIAN TRADE POLICY AFTER THE CRISIS

- What won't be reformed in short/medium term
 - Agriculture
 - Labour markets
 - Property rights
 - Retail (?)
 - Capital controls
 - Energy

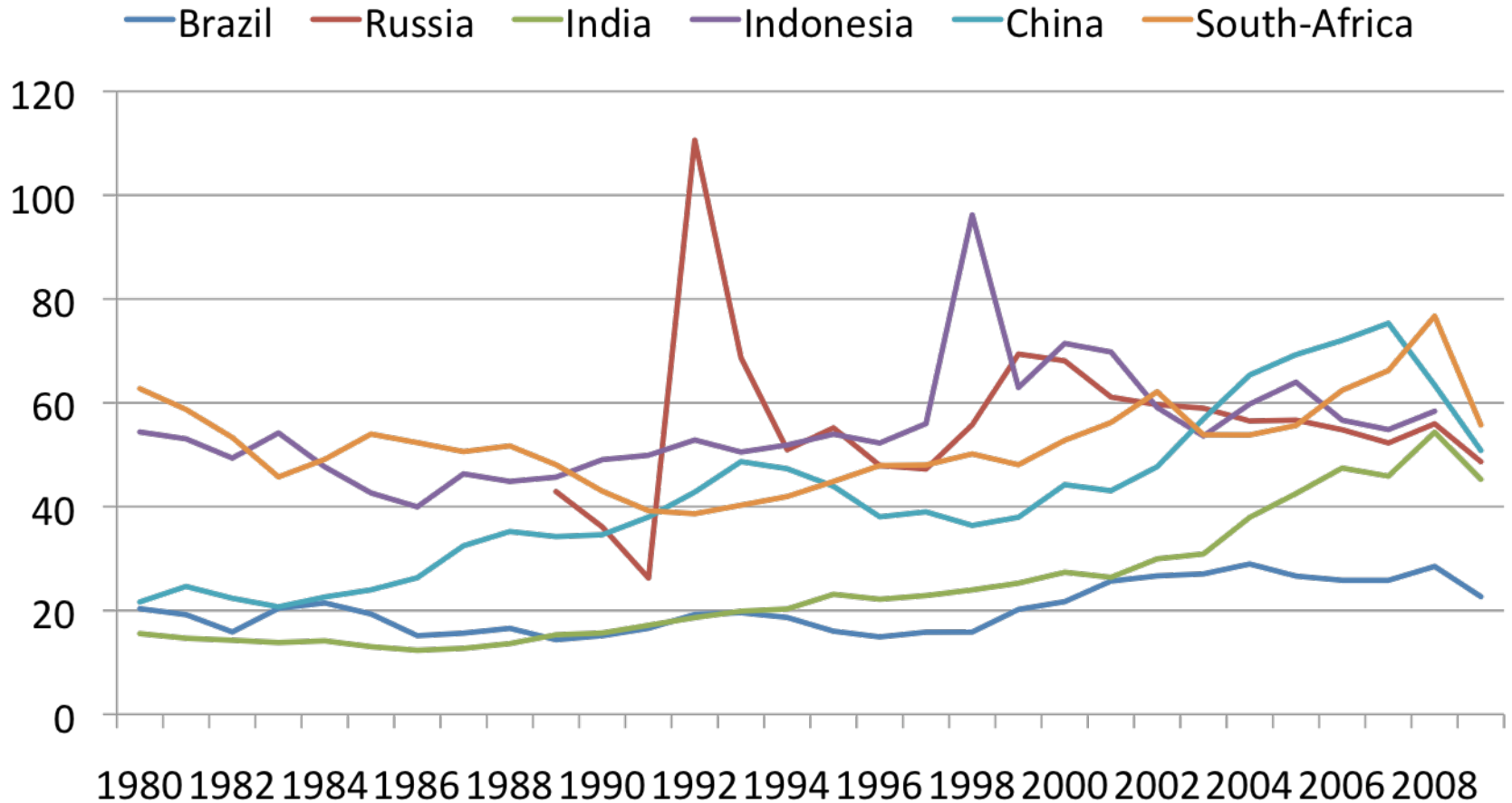
INDIAN TRADE POLICY AFTER THE CRISIS

- Indian political economy (cont.)
 - The silver lining: good prospects in some states and a ripple effect
 - Message: Look at India bottom-up, not top-down; don't expect too much from Delhi

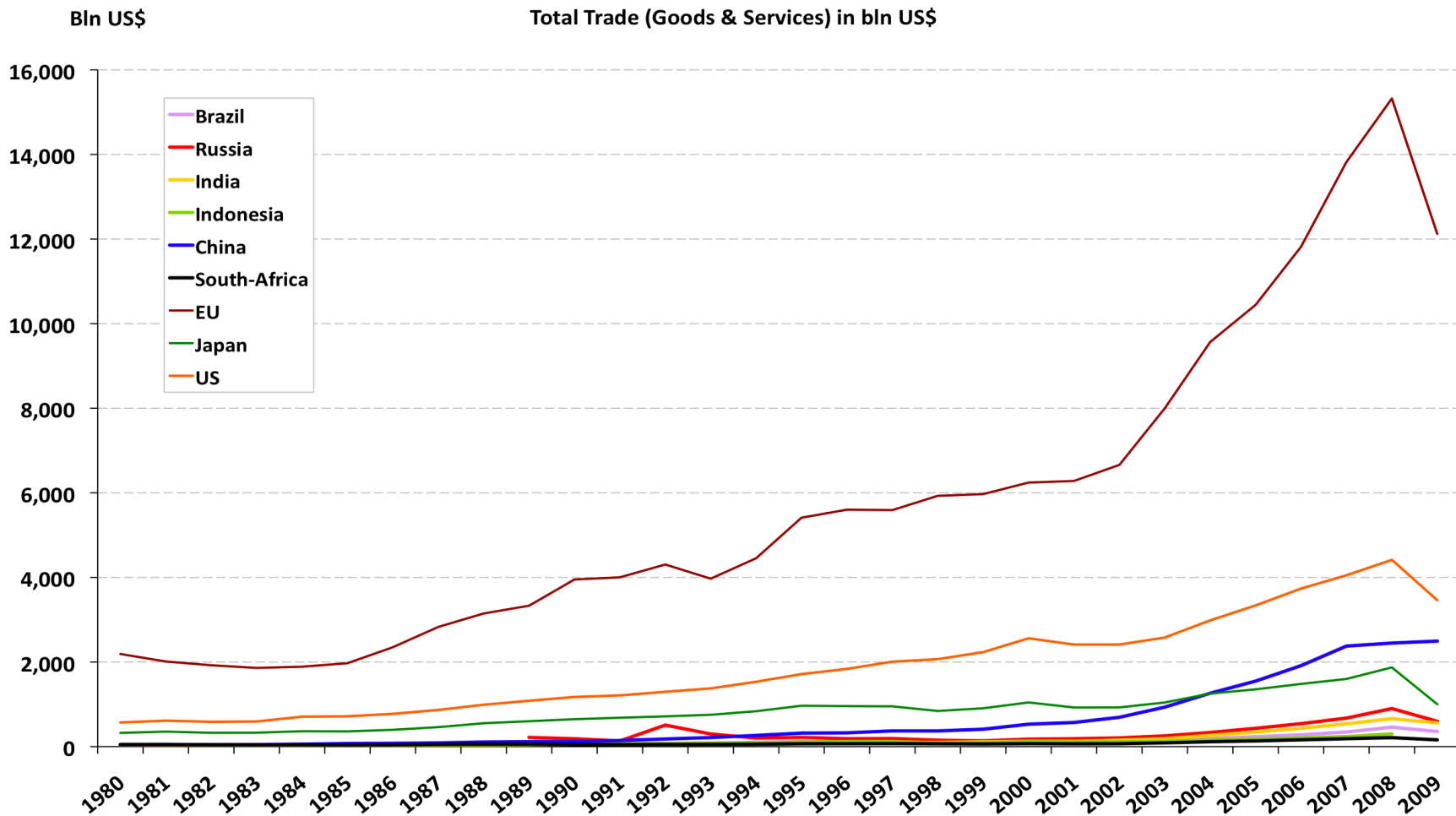
INDIA

- A snapshot of India's trade and foreign direct investment (FDI); trade policy
 - Big liberalisation and globalisation since late 1980s
 - Gap has narrowed, but still higher protection than in China, E Asia and other emerging markets

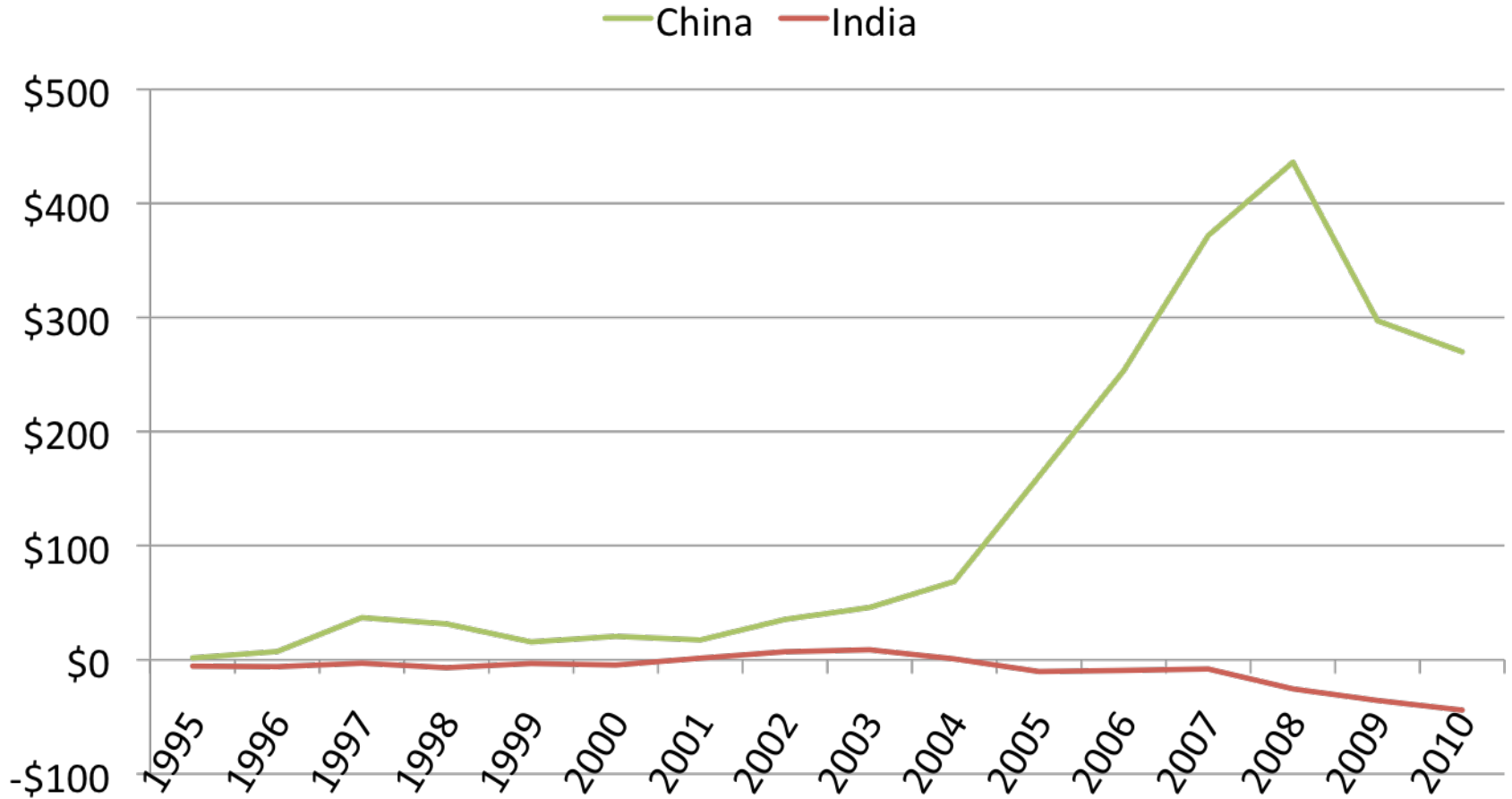
India2009(1)_Sld33:Trade (Goods and Services) / GDP in percentages for BRIICS (1980-2009)



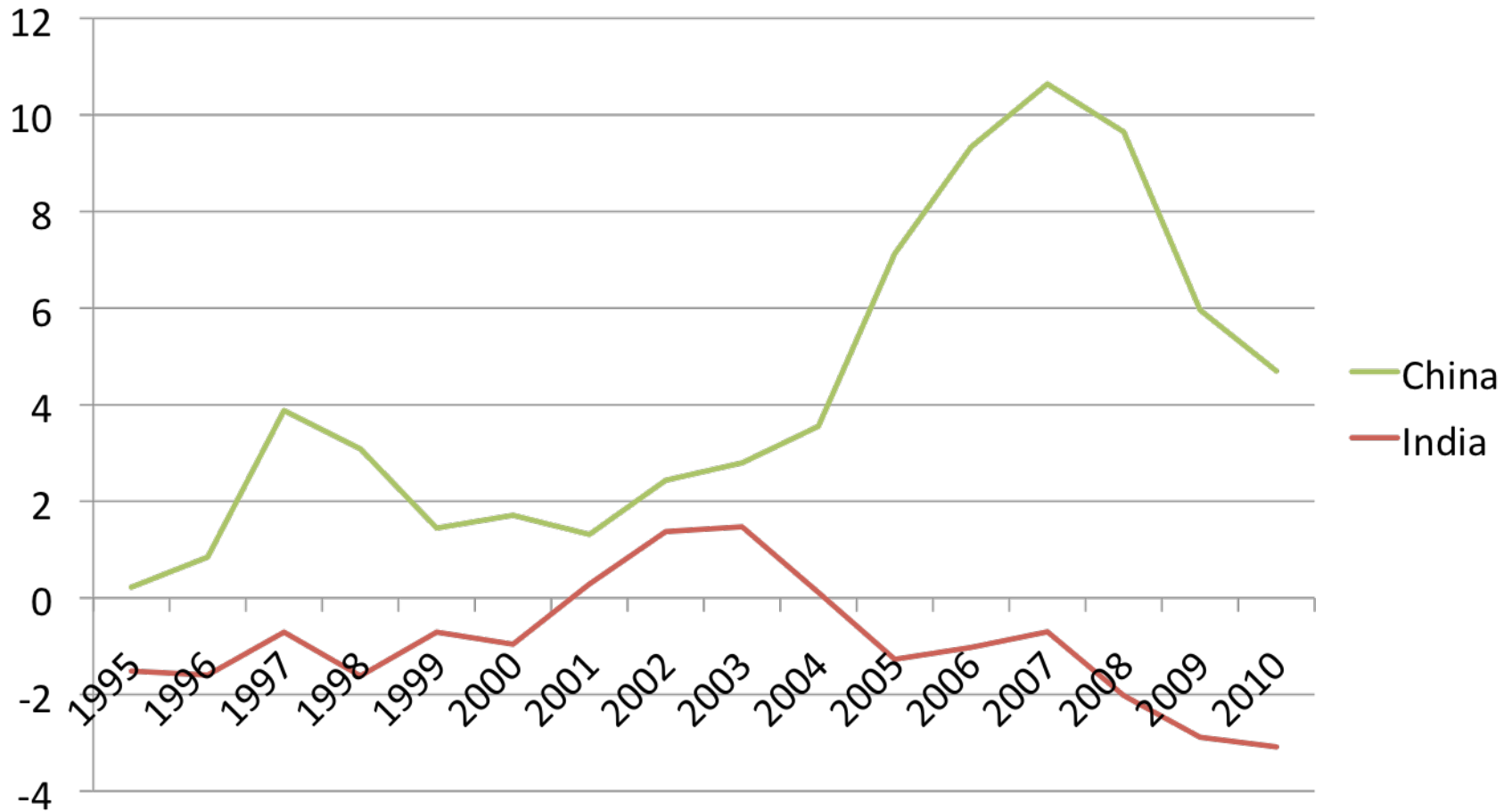
India2009(1)_Sld35:Total Trade (Goods and Services) in bln US\$ for BRIICS (1980-2009)



India2009(1)_Sld36:Current Account Balance in US\$ bln for India and China (1995-2010)

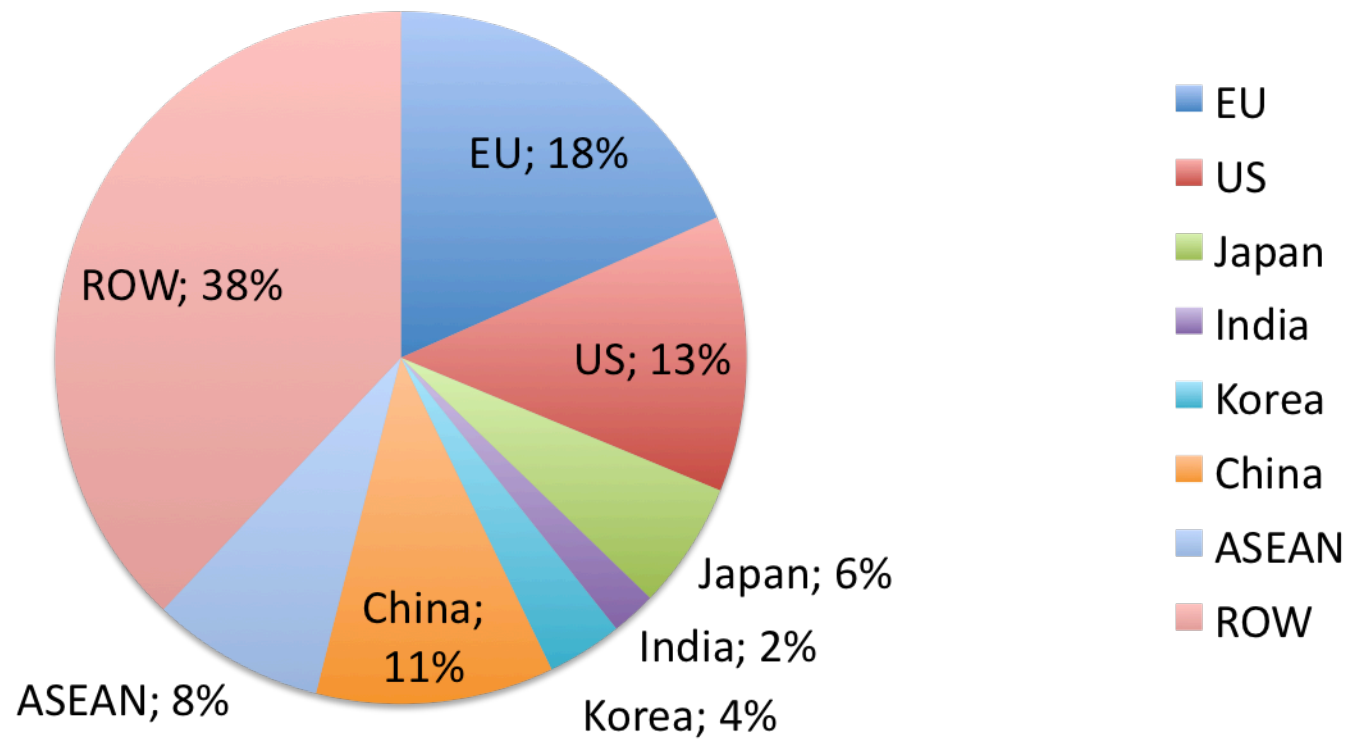


India2009(1)_Sld37:Current Account (% of GDP) for India and China (1995-2010)



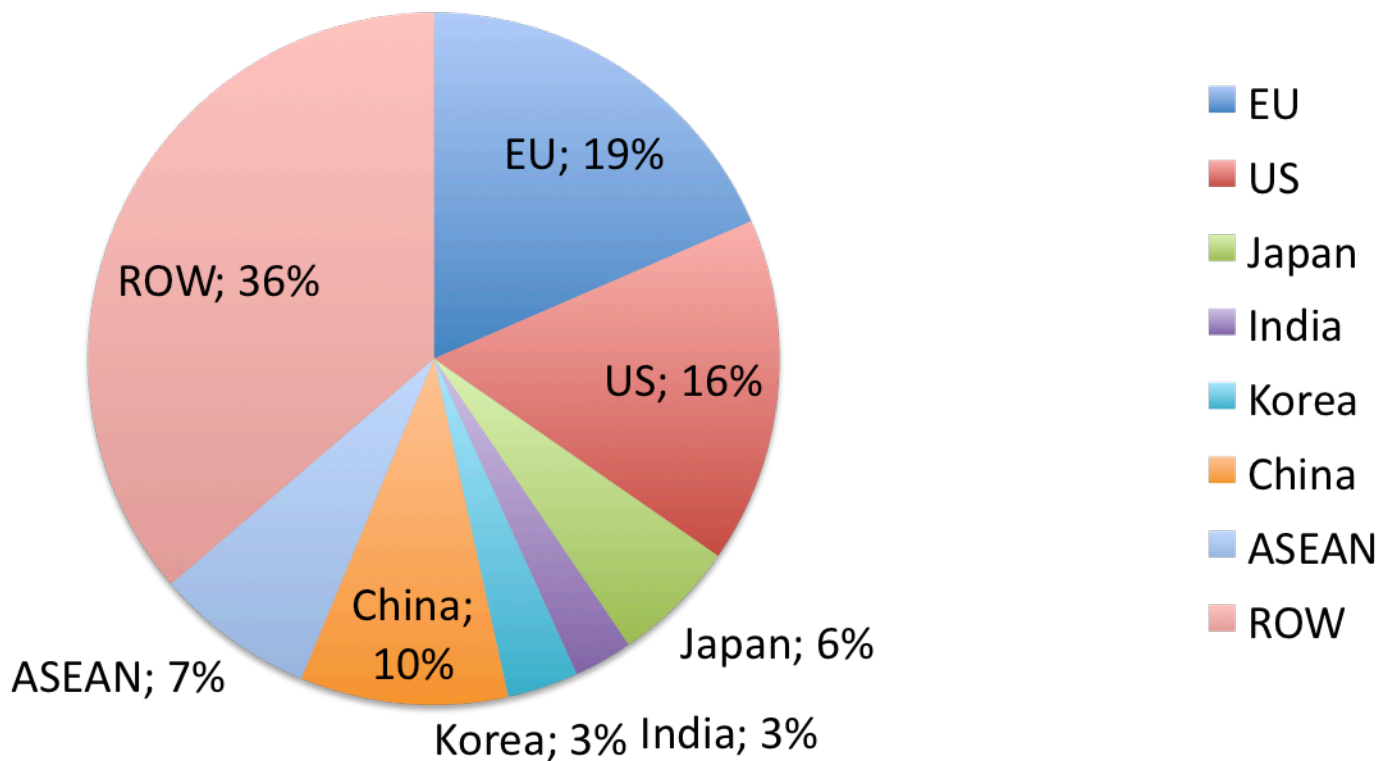
India2009(1)_Sld38:Share of Exports of World Trade in Goods & Services exc. Intra-EU 27 trade (2009)

2009

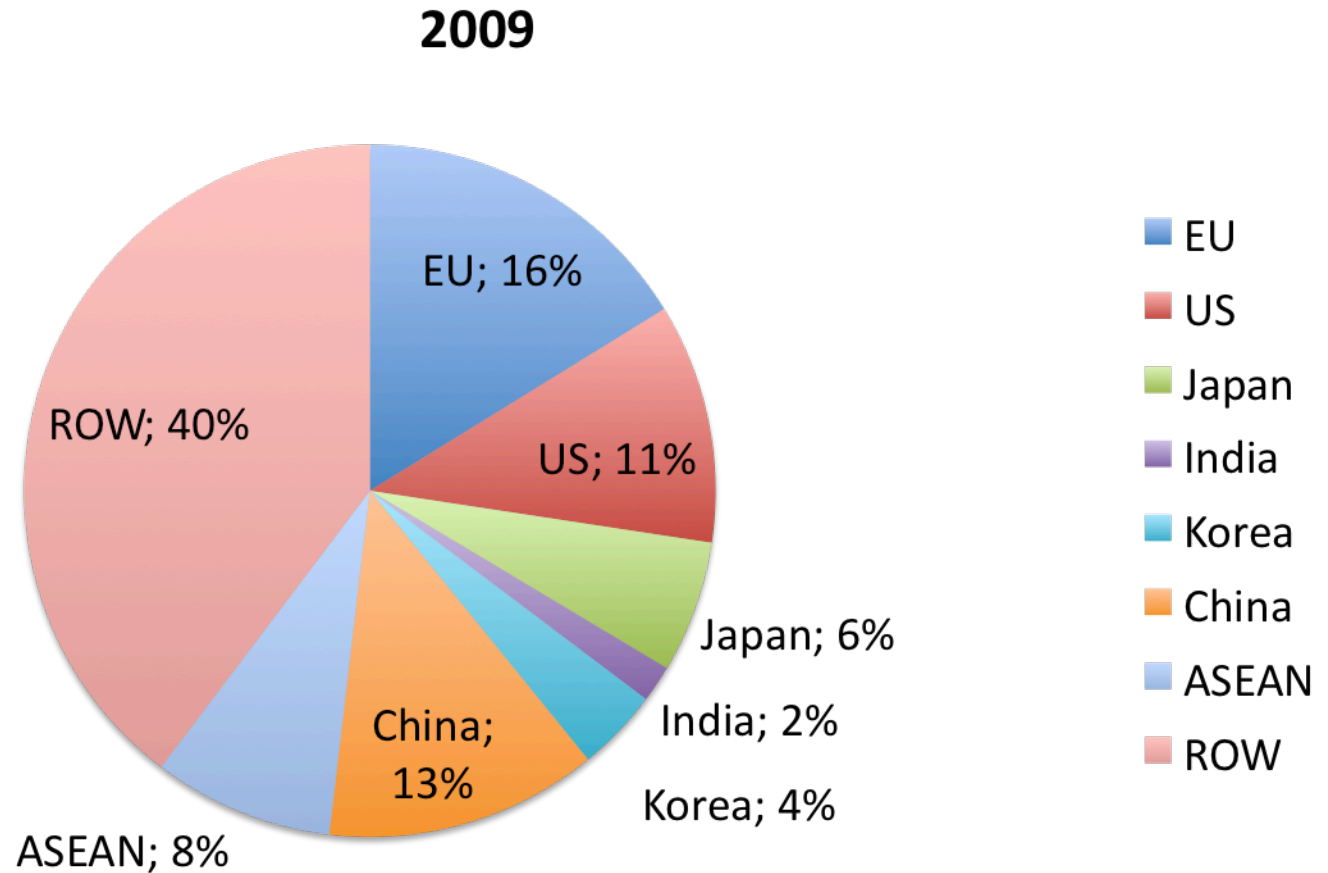


India2009(1)_Sld39:Share of Imports of World Trade in Goods & Services exc. Intra-EU 27 trade (2009)

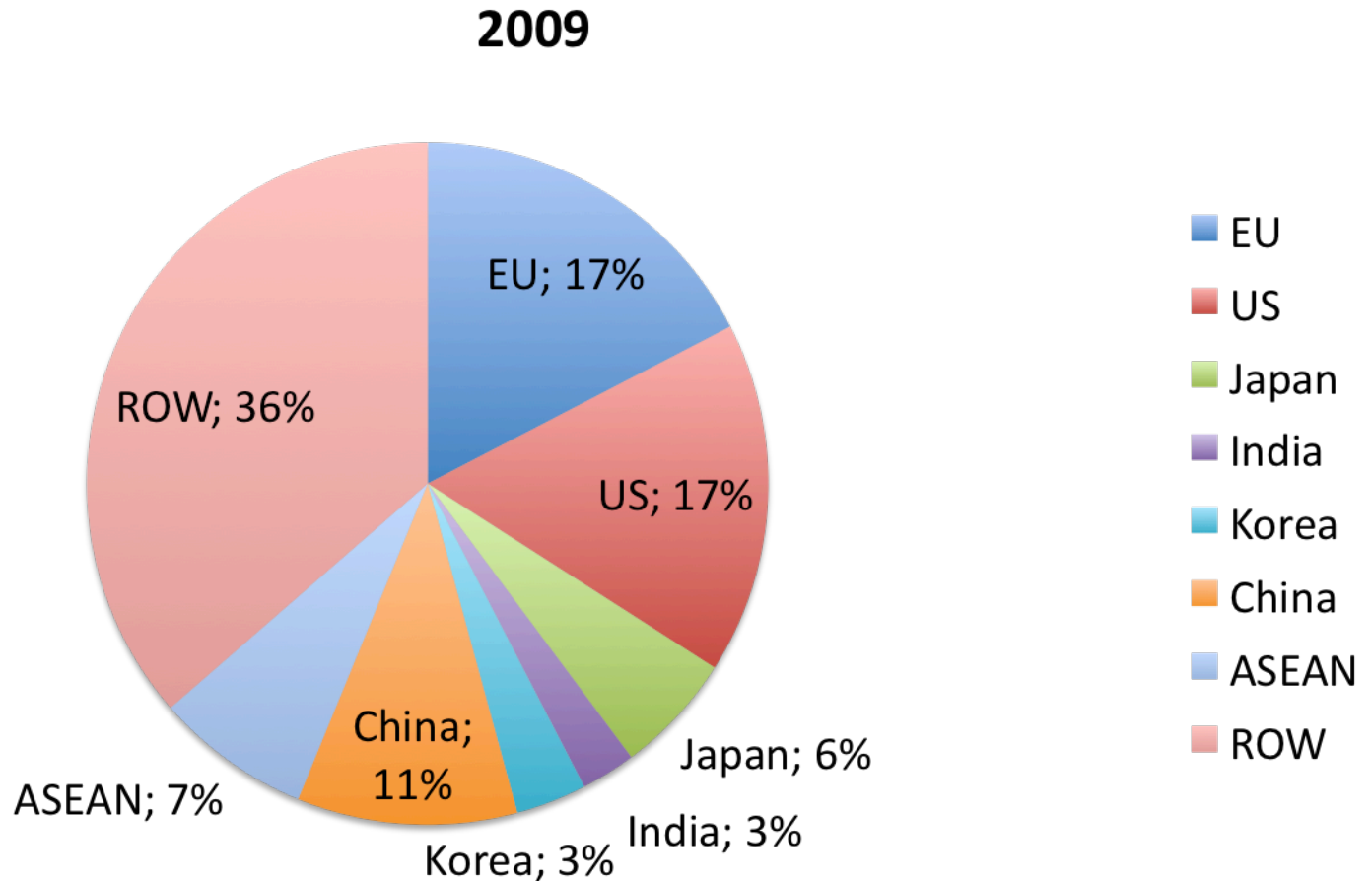
2009



India2009(1)_Sld40:Share of Exports in World *Merchandise Trade* (excl. Intra-EU27 trade) 2009



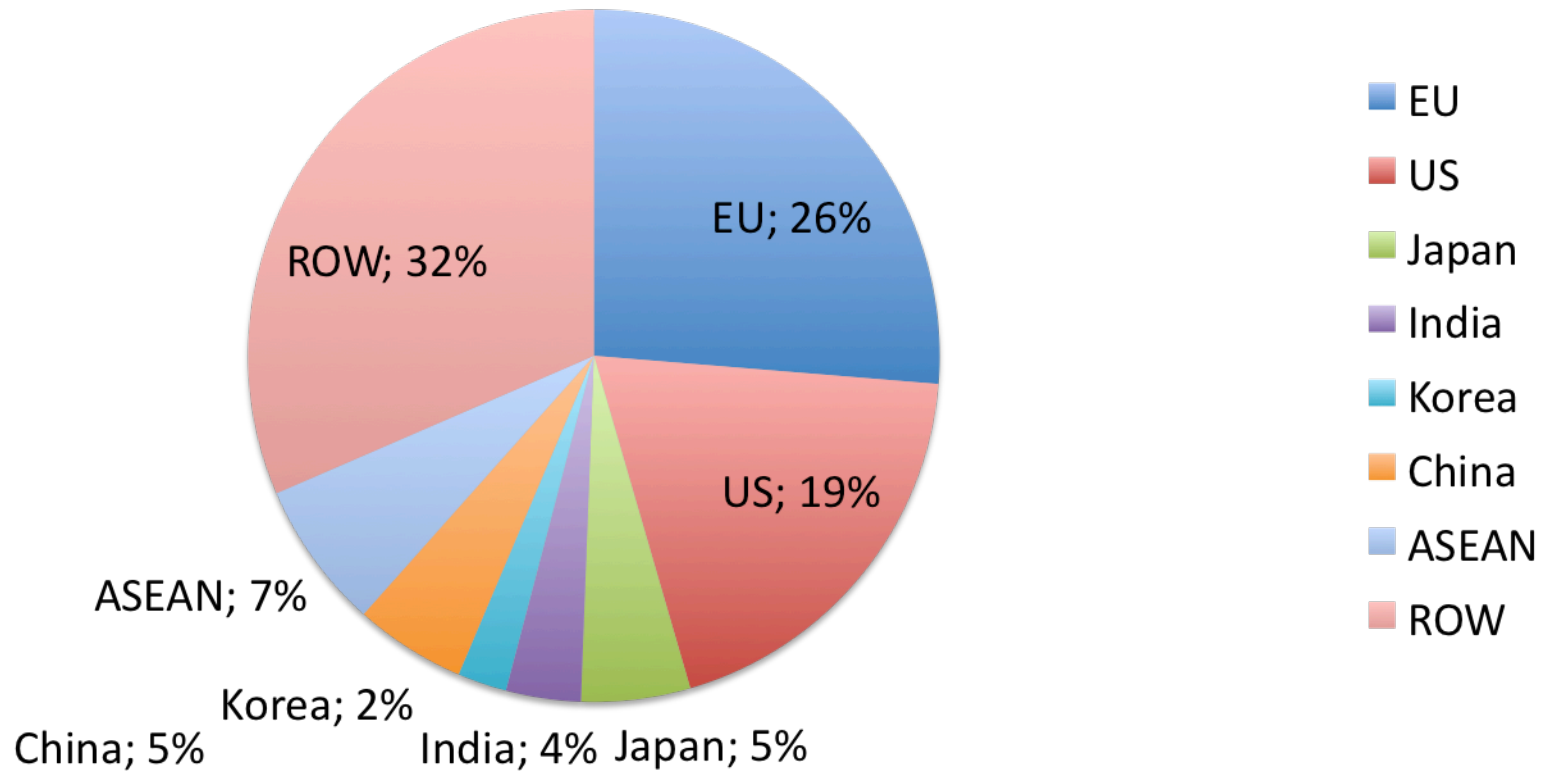
India2009(1)_Sld41:Share of Imports in World *Merchandise Trade* (excl. Intra-EU27 trade) 2009



India2009(1)_Sld42:Share of Exports in World

Services Trade (excl. Intra-EU27 trade) 2009

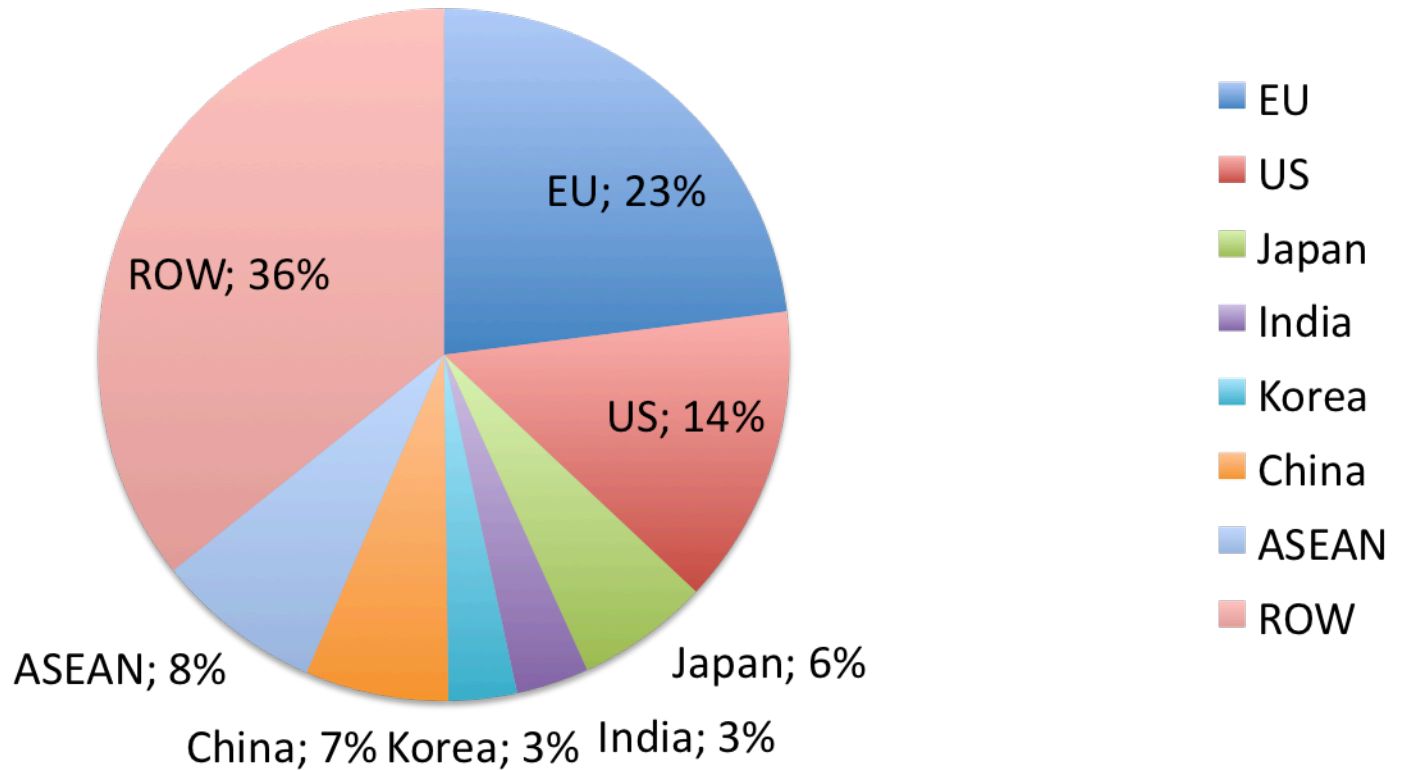
2009



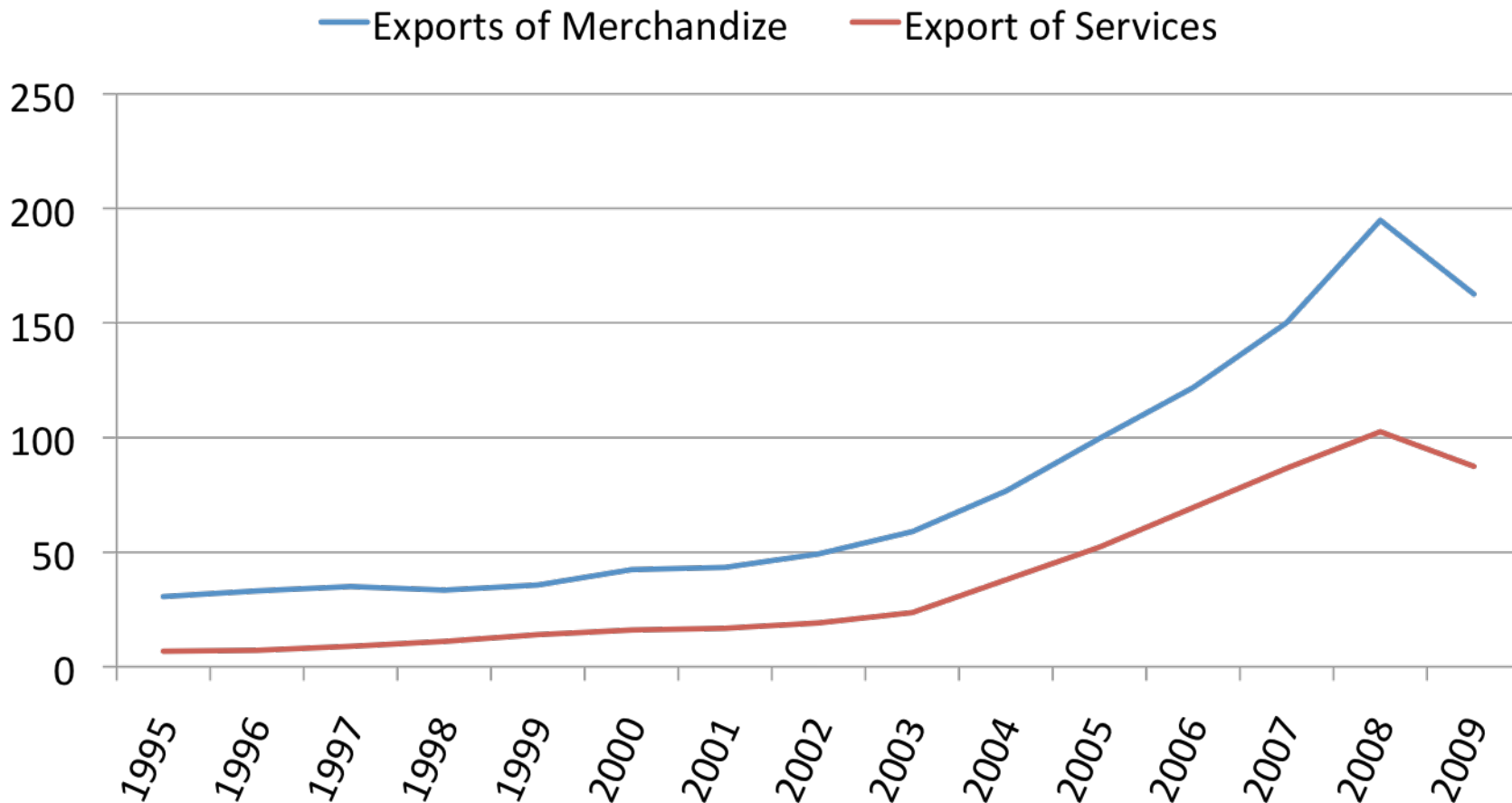
India2009(1)_Sld43:Share of Imports in World

Services Trade (excl. Intra-EU27 trade) 2009

2009

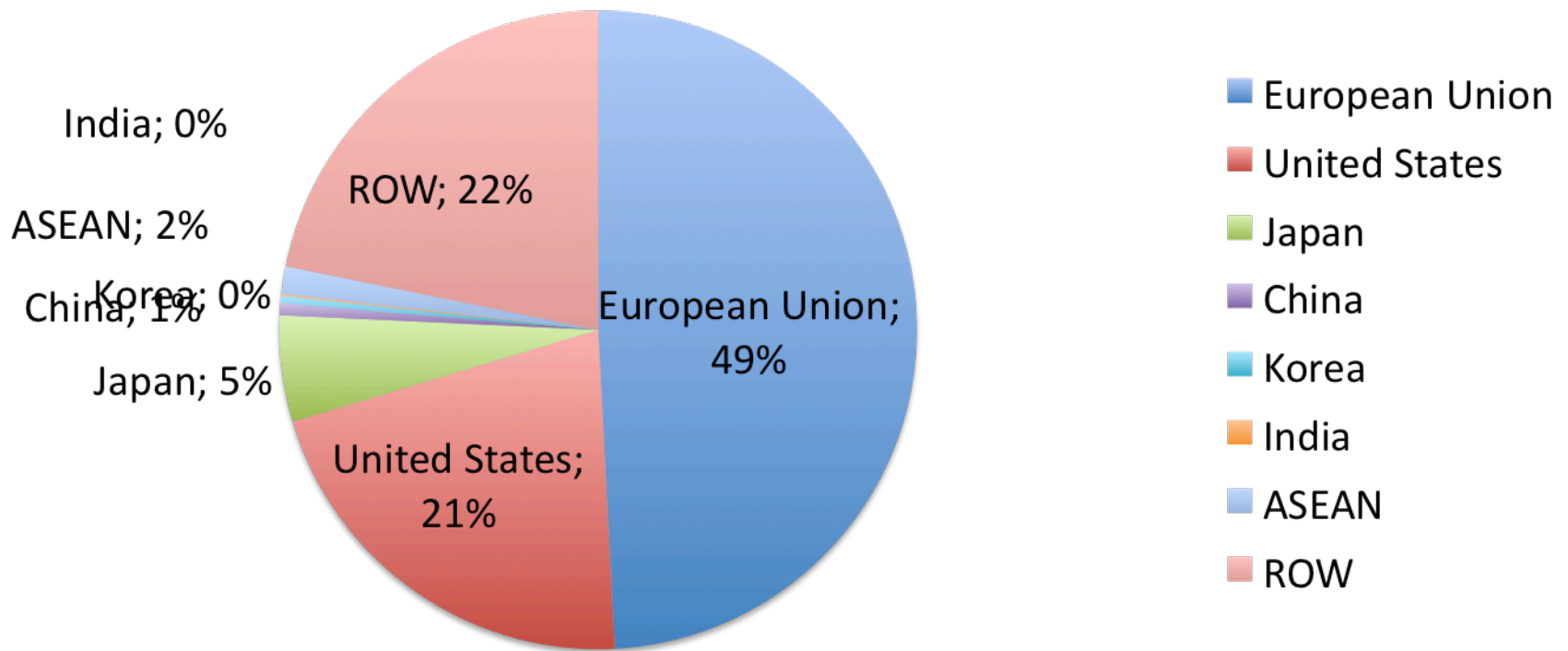


India2009(1)_Sld44:Exports of Goods and Services (bln of US\$) in India (1995-2009)



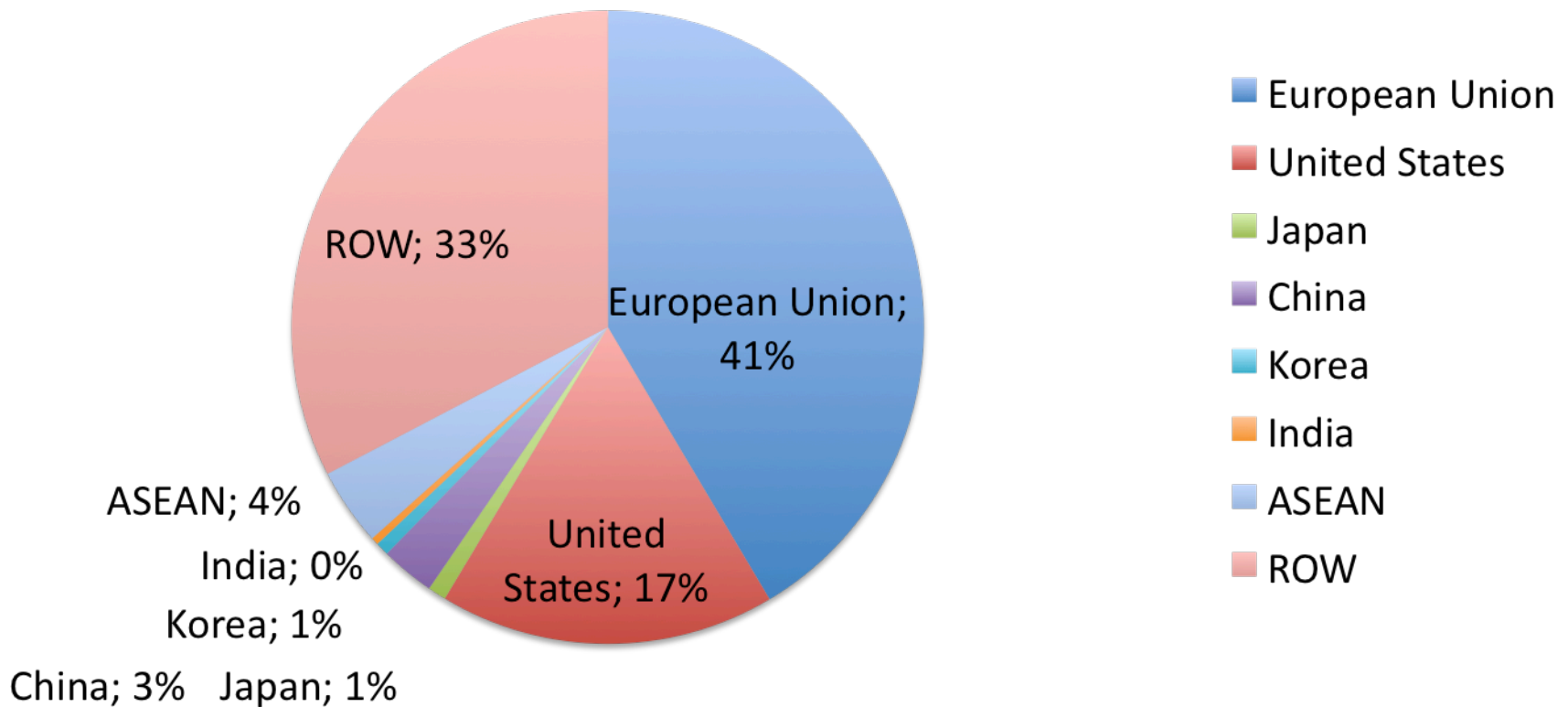
India2009(1)_Sld46: Share of Total Accumulated World *OFDI* Stock (1980-2009)

1980-2009



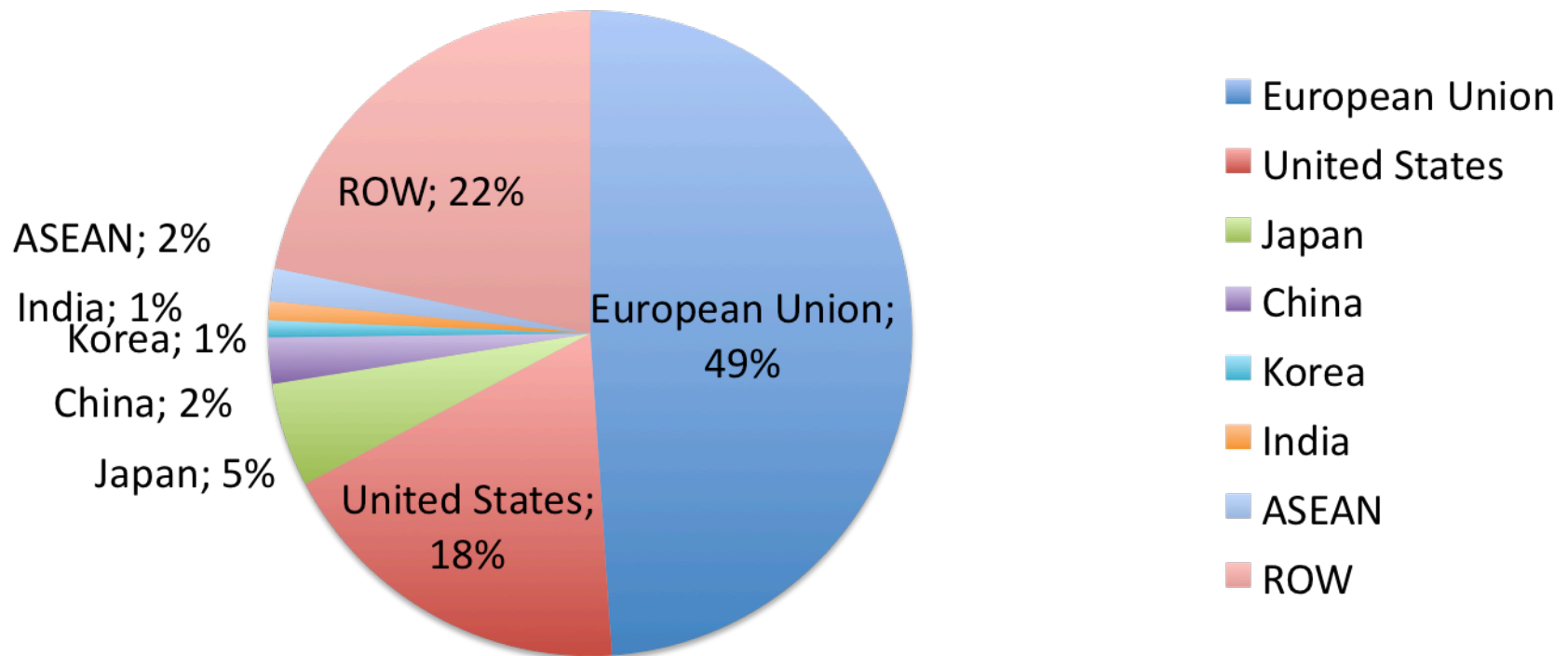
India2009(1)_Sld47: Share of Total Accumulated World *IFDI Stock* (1980-2009)

1980-2009



India2009(1)_Sld48: Share of Total Accumulated World *OFDI* Flows (2007-2009)

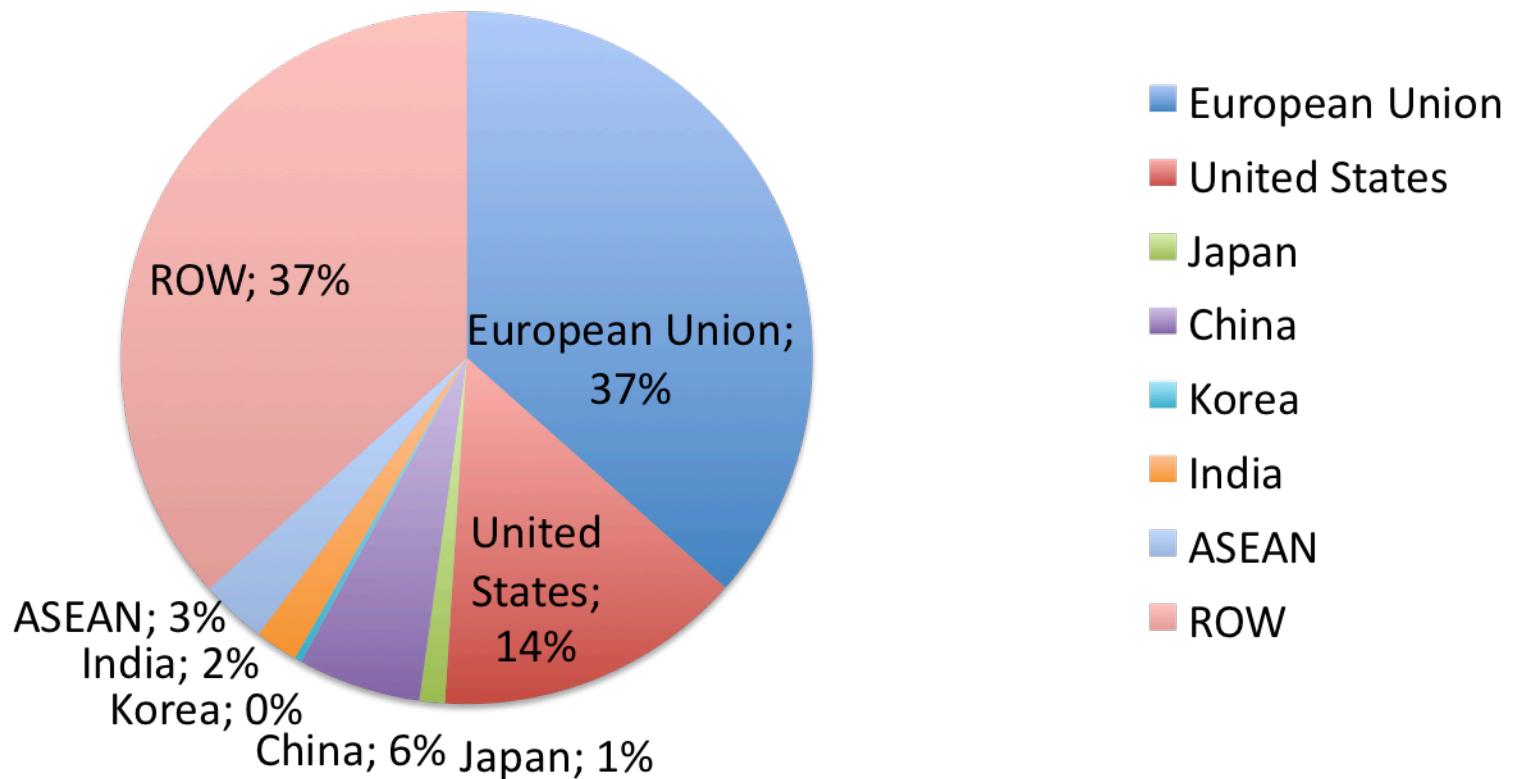
2007-2009



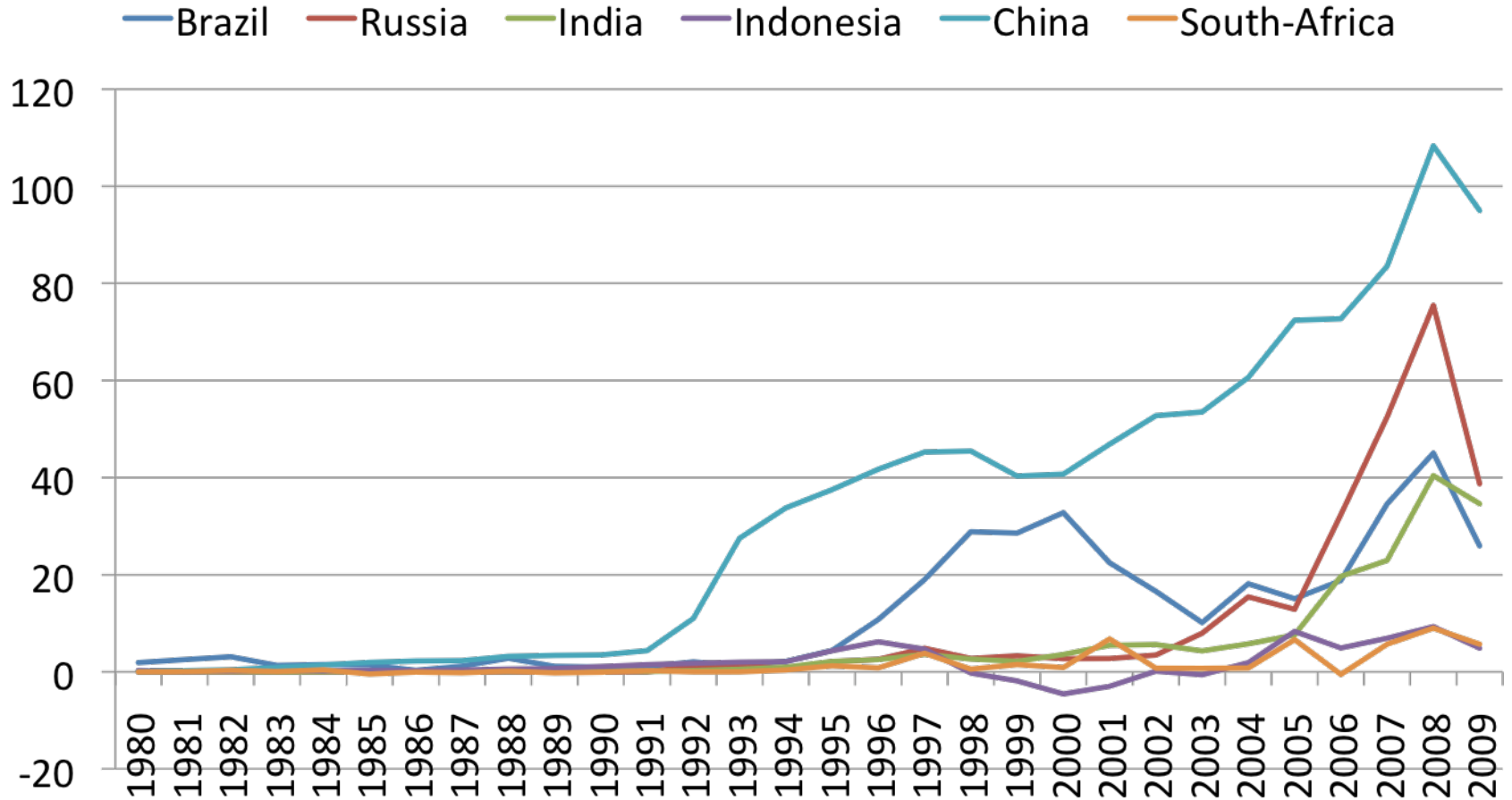
India2009(1)_Sld49: Share of Total Accumulated

World *IFDI Flows* (2007-2009)

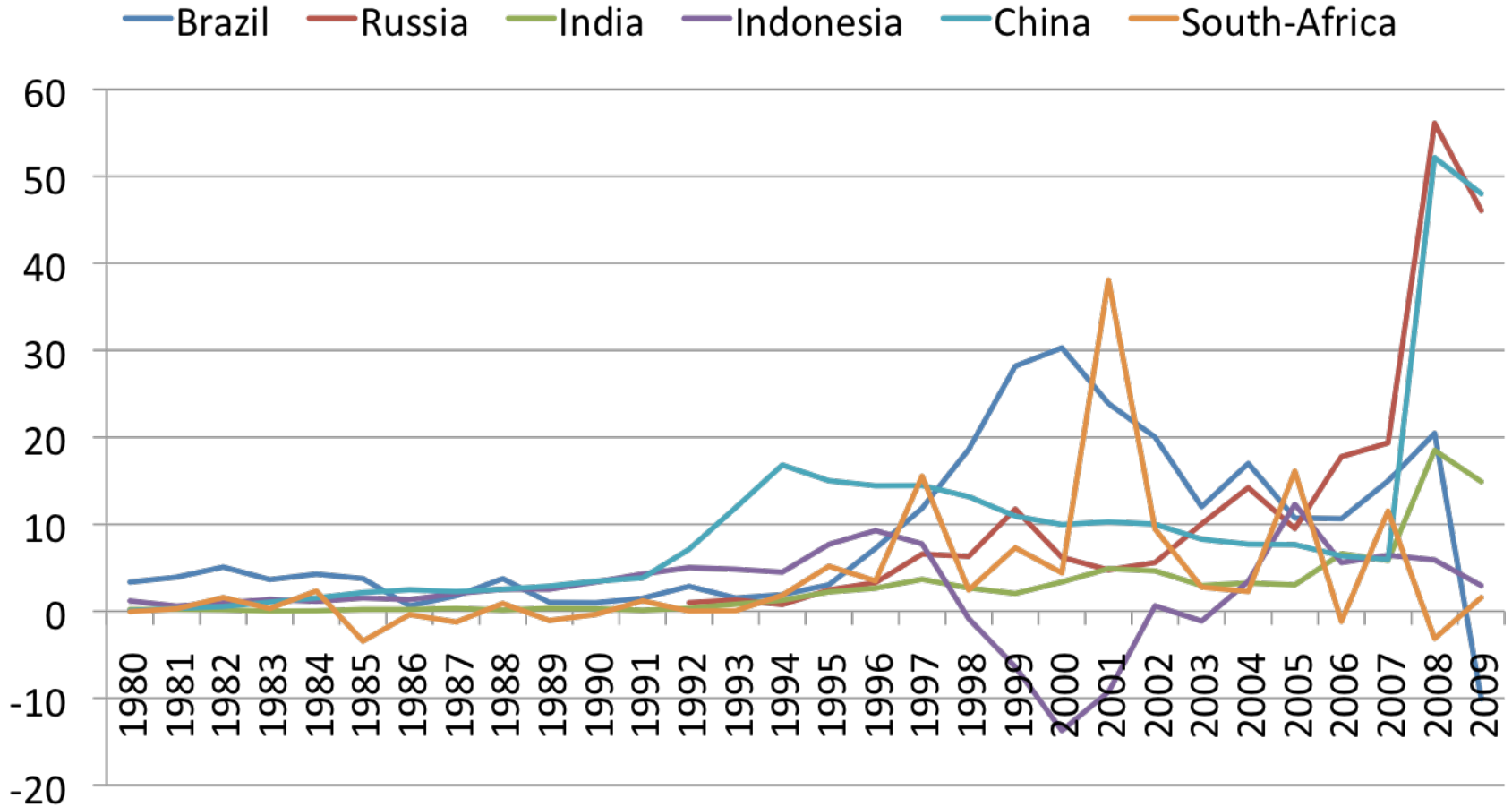
2007-2009



India2009(1)_Sld50: Inward FDI flows for BRIICS in bln US\$ (1980-2009)



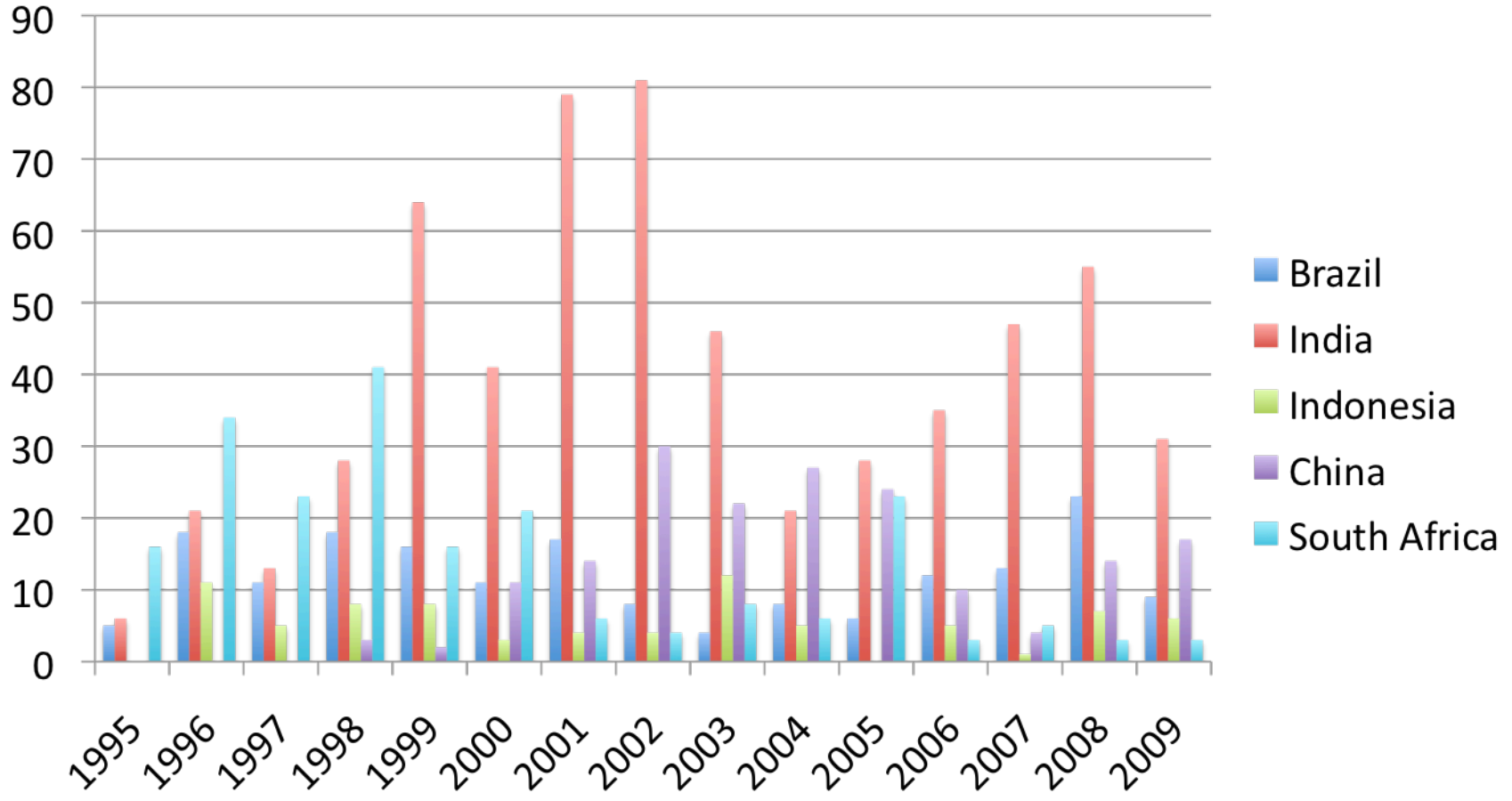
India2009(1)_Sld52: Outward FDI flows for BRIICS in bln US\$ (1980-2009)



India2009(1)_Sld63: Applied Tariff Rates in Asia (WTO)

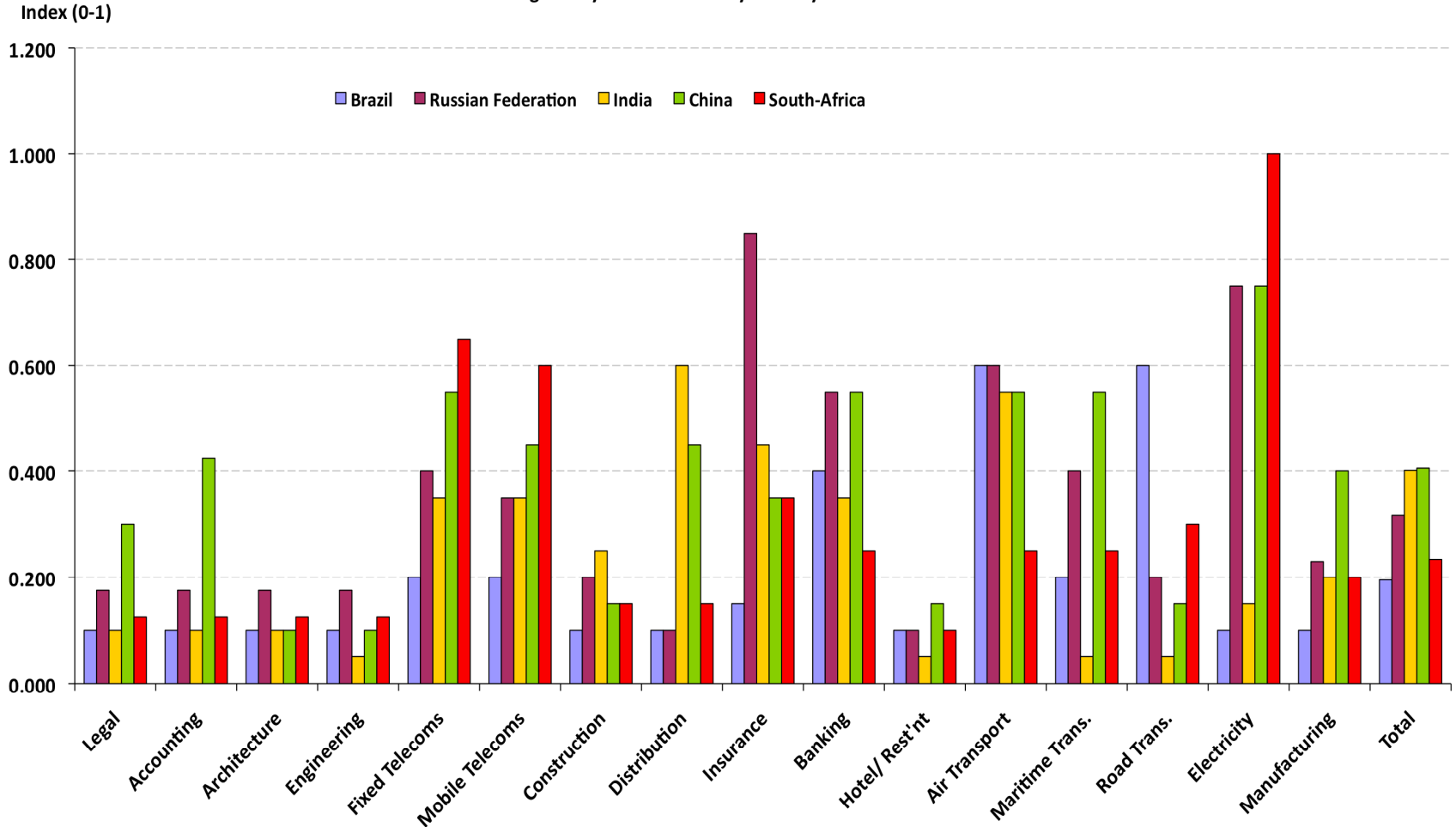
Country/ Economy	Year	Tariff Binding Coverage in %	Simple Average Final Bound (All goods)	Simple Average Applied Tariff (Manufacture)	Simple Average Applied Tariff (Agriculture)	Simple Average Applied Tariff (All Goods)	Trade Weighted Average (All goods)	Maximum MFN Applied Duties
EU	08/09	100,0	5,2	3,9	13.5	5,3	2.9	166
US	08/09	100,0	3.5	3.3	4.7	3.5	2.0	350
China	08/09	100,0	10.0	8.7	15.6	9.6	4.3	65
India	08/09	73,8	48.5	10.1	31.8	12.9	6.0	246
Japan	08/09	99.7	5.1	2.5	21.0	4.9	2.0	641
Korea	08/09	94.6	16.6	6.6	48.6	12.1	8.3	887
Taiwan	08/09	1000	6.4	4.5	16.6	6.1	1.9	853
Hong Kong	08/09	45.6	0	0	0	0	0	0
Singapore	08/09	69.7	10.4	0	0	0	0	95
Malaysia	08/09	84.3	24.0	7.6	13.5	8.4	6.3	>1000
Indonesia	08/09	95.8	37.1	6.6	8.4	6.8	4.1	150
Philippines	08/09	67.0	25.7	5.8	9.8	6.3	5.9	65
Thailand	08/09	75.0	28.2	8.0	22.6	9.9	4.3	132
Vietnam	08/09	100.0	11.4	9.7	18.9	10.9	6.5	145

India2009(1)_Sld66: Use of AD Measures by by BRIICS - except Russia (1995-2006)



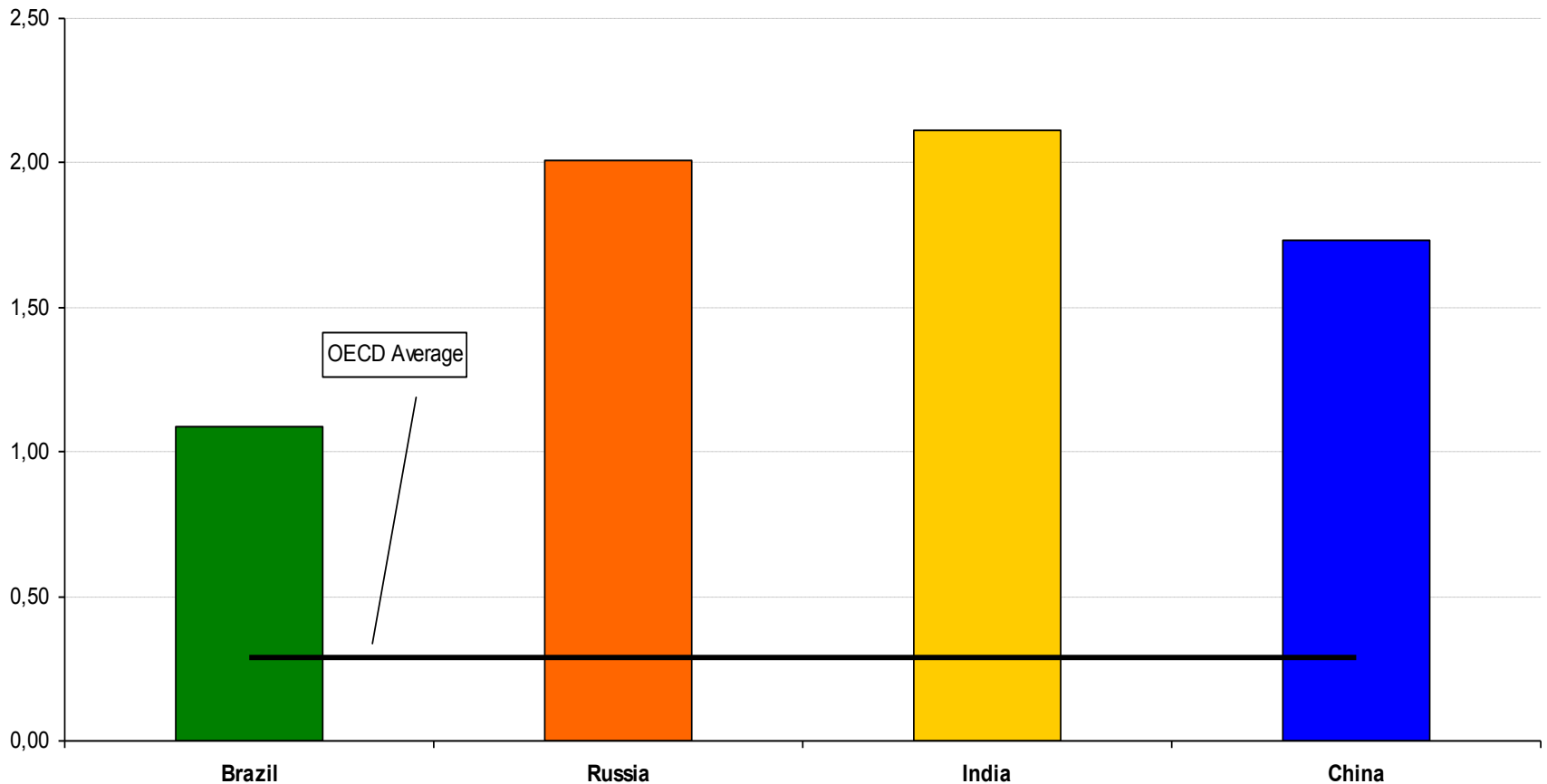
India2009(1)_Sld67: OECD FDI Regulatory Restrictiveness Scores for BRICS - excl. Indonesia (1 = closed, 0 = open)

FDI Regulatory Restrictiveness by Country and Sector



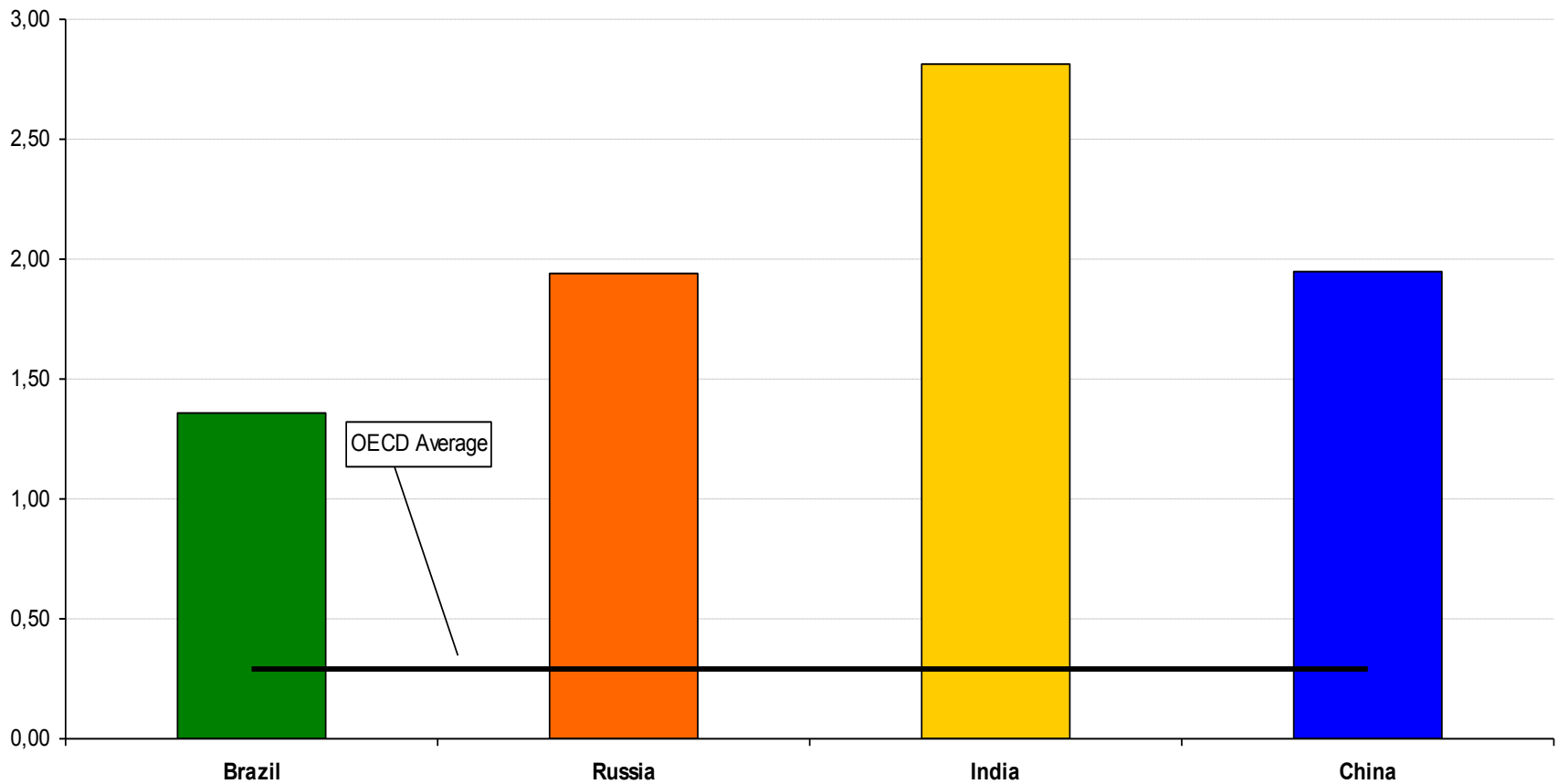
Trade Restrictiveness Banking

OECD Trade Restrictiveness Index for BRICS in Banking



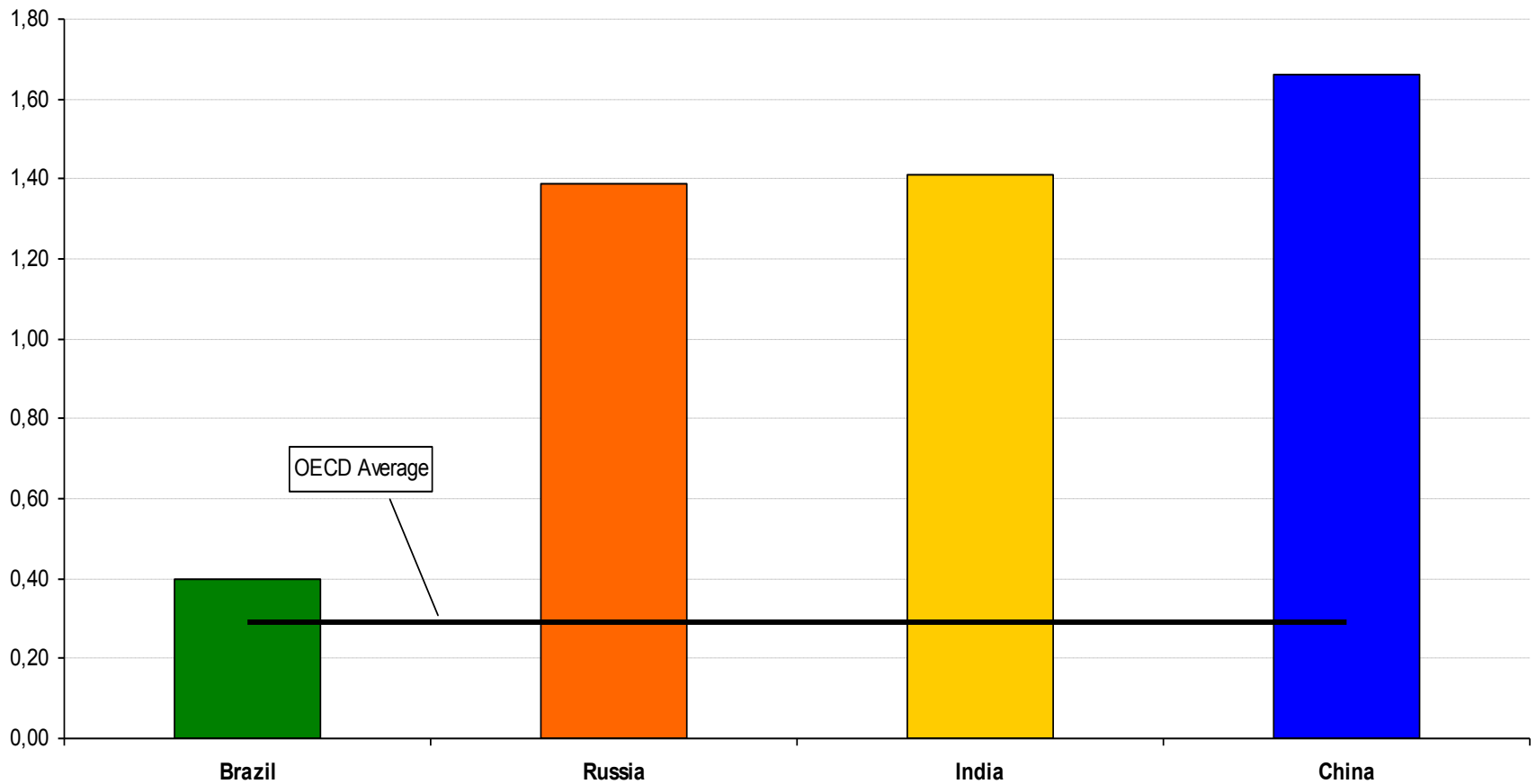
Trade Restrictiveness Insurance

OECD Trade Restrictiveness Index for BRIICS in Insurance



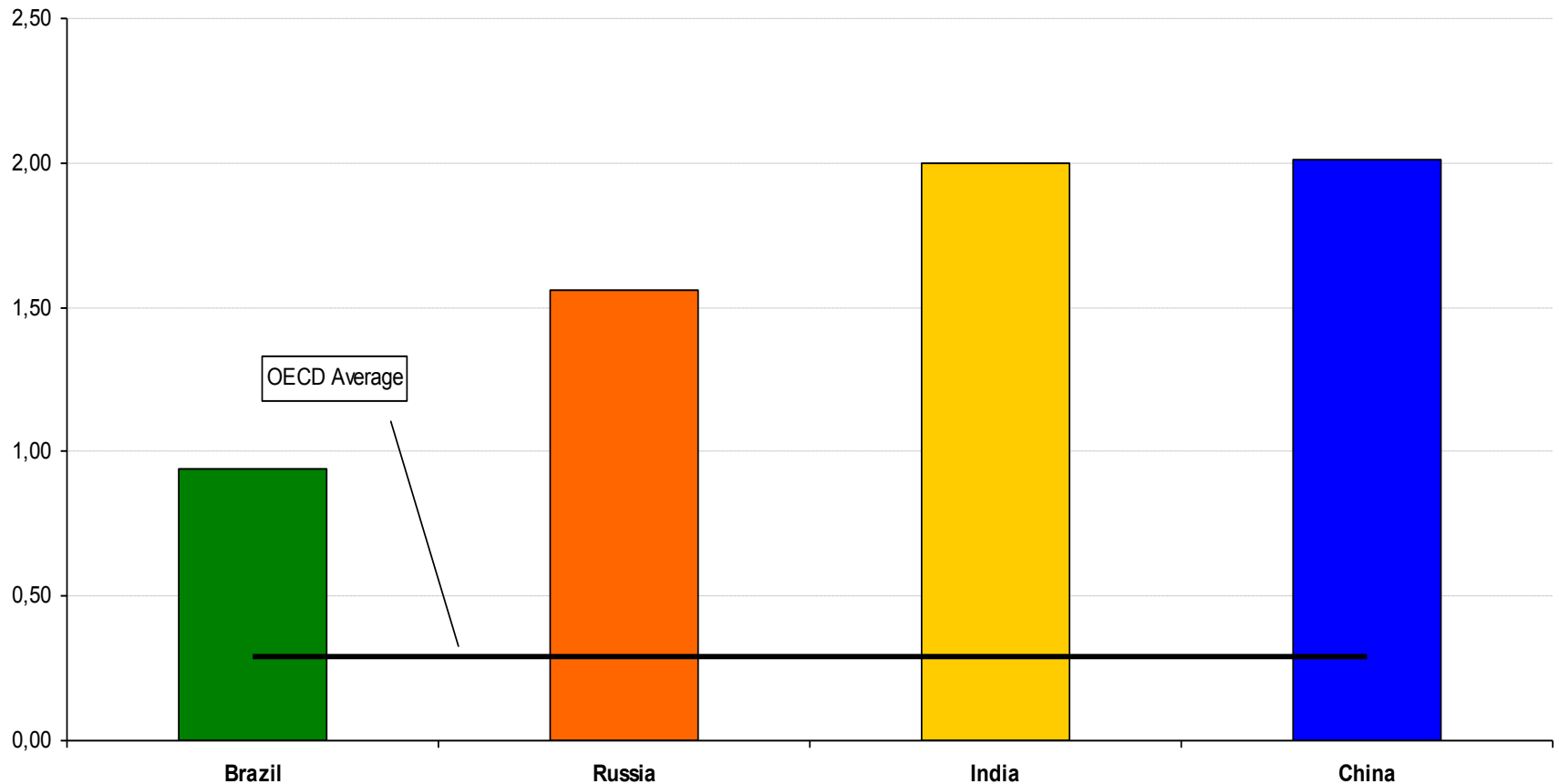
Trade Restrictiveness Fixed Telecom

OECD Trade Restrictiveness Index for BRICS in Fixed Telecom



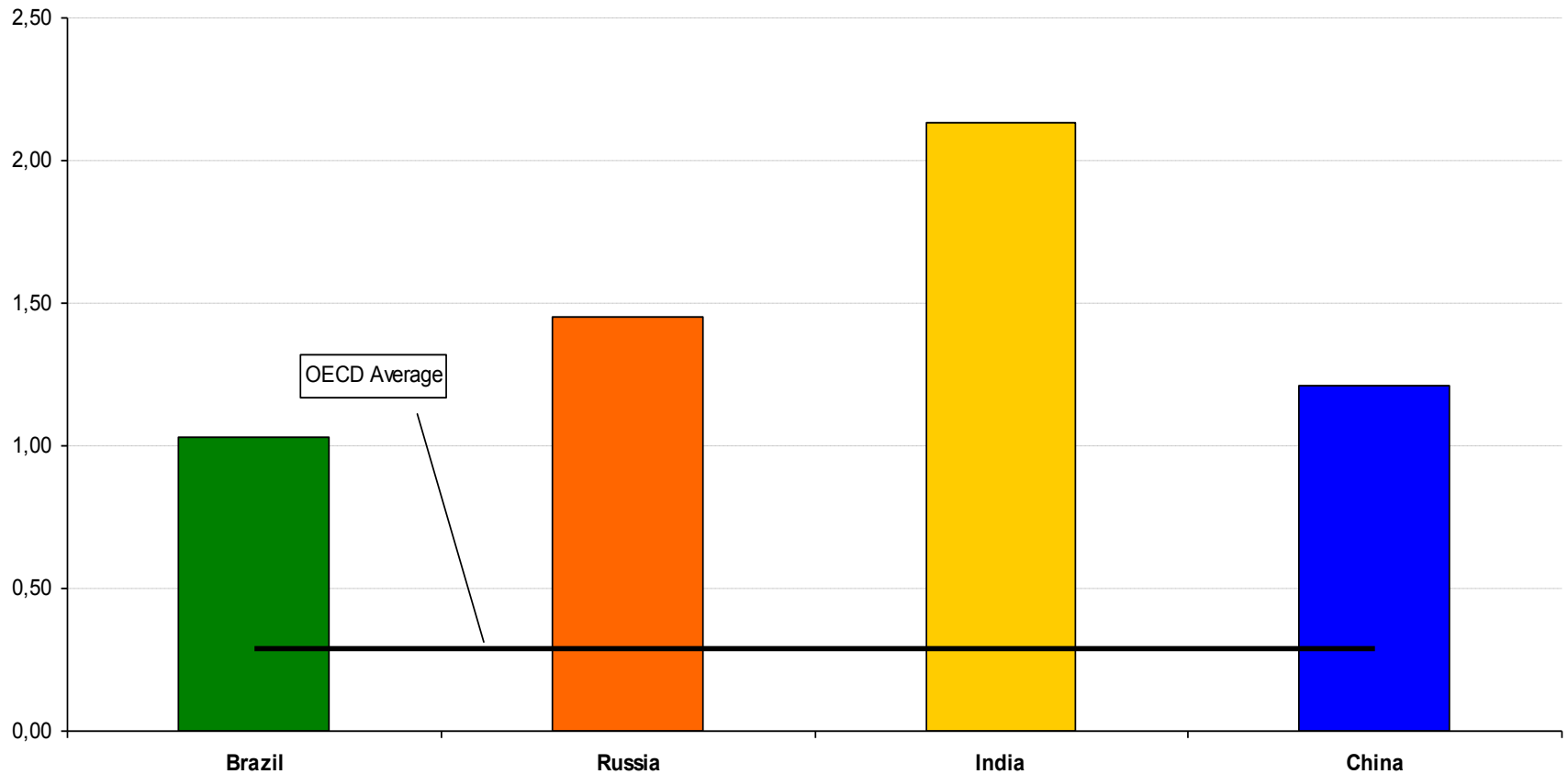
Trade Restrictiveness Mobile Telecom

OECD Trade Restrictiveness Index for BRICS in Mobile Telecom



Trade Restrictiveness Distribution

OECD Trade Restrictiveness Index for BRICS in Distribution



India2009(1)_Sld73: World Ranking Ease of Doing Business (2011)

	Ease of Doing Business	Starting a Business	Dealing with Constr. Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Singapore	1	4	2	15	6	2	4	1	13	2
H-Kong	2	6	1	56	2	3	3	2	2	15
US	5	9	27	12	6	5	62	20	8	14
Denmark	6	27	10	30	15	28	13	5	30	5
Korea	16	60	22	74	15	74	49	8	5	13
Japan	18	98	44	59	15	16	112	24	19	1
Thailand	19	95	12	19	72	12	91	12	25	46
Malaysia	21	113	108	60	1	4	23	37	59	55
Vietnam	78	100	62	43	15	173	124	63	31	124
China	79	151	181	38	65	93	114	50	15	68
Indonesia	121	155	60	98	116	44	130	47	154	142
Russia	123	108	182	51	89	93	105	162	18	103
Brazil	127	128	112	122	89	74	152	114	98	132
India	134	165	177	94	32	44	164	100	182	134
Philippines	148	156	156	102	128	132	124	61	118	153

India2009(1)_Sld74: Indicators for Trading Across Borders (2011)

	Ease of Trading Across Borders (World Ranking)	Documents for export (number)	Time for Export (days)	Cost to Export (US\$ per container)	Documents for Import (number)	Time for Import (days)	Cost to import (US\$ per container)
Singapore	1	4	5	456	4	4	439
H-Kong	2	4	6	625	4	5	600
Denmark	5	4	5	744	3	5	744
Korea	8	3	8	790	3	7	790
Thailand	12	4	14	625	3	13	795
US	20	4	6	1,050	5	5	1,315
Japan	24	4	10	1,010	5	11	1,060
Malaysia	37	7	18	450	7	14	450
Indonesia	47	5	20	704	6	27	660
China	50	7	21	500	5	24	545
Philippines	61	8	15	675	8	14	730
Vietnam	63	6	22	555	8	21	645
India	100	8	17	1,055	9	20	1,025
Brazil	114	8	13	1,790	7	17	1,730
Russia	162	8	36	1,850	13	36	1,850

India2009(1)_Sld75:The Enabling Trade Index (2010)

Country	Overall Rank		Market Access		Border Administration		Transport and Communications Infrastructure		Business Environment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Singapore	1	6.06	1	5.97	1	6.56	7	5.74	2	6.00
H Kong	2	5.70	16	5.12	6	5.96	5	5.79	5	5.94
Denmark	3	5.41	95	3.76	3	6.22	8	5.71	3	5.96
US	19	5.03	62	4.17	19	5.60	11	5.49	37	4.86
Japan	25	4.80	121	3.20	16	5.65	14	5.45	34	4.91
Korea	27	4.72	111	3.63	24	5.24	15	5.37	44	4.65
Malaysia	30	4.71	31	4.71	44	4.57	24	4.95	51	4.59
China	48	4.32	79	3.87	48	4.53	43	4.13	41	4.74
Thailand	60	4.13	113	3.48	41	4.61	40	4.19	71	4.24
Indonesia	68	3.97	60	4.21	67	3.99	85	3.28	60	4.42
Vietnam	71	3.96	50	4.41	88	3.46	68	3.62	64	4.34
India	84	3.81	115	3.42	68	3.98	81	3.34	58	4.48
Brazil	87	3.76	104	3.72	80	3.70	66	3.64	83	4.00
Philippines	92	3.72	64	4.13	74	3.82	83	3.31	103	3.61
Russia	114	3.37	125	2.68	109	2.99	48	4.00	92	3.79

INDIA

Multi-track trade policy

- Incremental, stop-go unilateral liberalisation – now stalled
- Marginal backsliding: food and fuel inflation; global economic crisis and trade-restrictive measures
- India and the WTO: weak commitments (unlike China); conservative/defensive in DDA
- India and PTAs: foreign-policy thrust; trade-light

BOX 2: Multi-track trade policy

	<i>Unilateral liberalisation</i>	<i>Multilateral liberalisation</i>	<i>Regional/bilateral liberalisation</i>	<i>Role of donors/policy conditionality</i>
Brazil	Strong (1988/89-94). Little thereafter	Weak. But very active in WTO	Weak. Very active with PTAs. Trade-light PTAs	Weak
India	Incremental since 1991	Weak. But very active in WTO	Ditto	Weak Except IMF package 1991
China	Strong (1990s)	Very strong WTO commitments. Active in WTO (but low-key in DDA)	Ditto	Weak
Indonesia	Strong (mid1980s-early 1990s)	Weak. Defensive in DDA	Weak. Mainly ASEAN FTAs. Relatively trade-light PTAs	Mixed. Japanese aid in 1980s, IMF package 1998
South Africa	Rand crisis 1996. Little thereafter	Strong Uruguay Round commitments. Defensive in DDA since Cancun	Weak. Very active with PTAs. Trade-light PTAs	Weak
Russia	Stops and starts in 1990s. Weak since 2003/4. Some reform reversal	Not yet acceded to WTO	Trade-light PTAs in CIS	IMF packages in 1990s

India2009(1)_Sld77: Recently Established or Proposed RTAs/ CEPAs by *India* (2000-2010)

Trading Partners	Nature of Agreement	Status of Agreement 2010
Singapore	FTA	Agreement in force
Sri Lanka	FTA	Agreement in force
APTA	FTA	Agreement in force
Bhutan	FTA	Agreement in force
Nepal	FTA	Agreement in force
SAFTA	FTA	Agreement in force
Bhutan	FTA	Agreement in force
Canada	EPA	Proposed
Thailand	EPA/ FTA	Framework Agreement signed
ASEAN	FTA	Agreement in force
BIMSTEC	FTA	Framework Agreement signed
SACU	FTA	Framework Agreement signed
MERCOSUR	FTA	Agreement in force
GCC	FTA	Framework Agreement signed
New Zealand	FTA	Under Negotiation

**India2009(1)_Sld78: Recently Established or Proposed RTAs/CEPAs by *India*
(2000-2010) cont.**

Afghanistan	PTA	Agreement in force
Chile	PTA	Agreement in force
Russia	CEPA	Proposed
USA	FTA	Proposed
China	BIPA & FTA	Proposed
Korea	FTA & CEPA	Agreement in force
Mauritius	CEPA	Under negotiation
Japan	EPA/ FTA	Under negotiation
Colombia	FTA	Proposed
Australia	EPA/ FTA	Proposed
Egypt	PTA	Under negotiation
EU	FTA	Under negotiation
EFTA	FTA	Under negotiation

**India2009(1)_Sld78: Recently Established or Proposed RTAs/
CEPAs by *India* (2000-2010) cont**

Indonesia	EPA/FTA	Proposed
Israel	FTA	Proposed
Turkey	FTA	Proposed
Uruguay	FTA	Proposed
Venezuela	FTA	Proposed
Nepal	FTA	Agreement in Force
CEPEA/ASEAN+6	EPA/FTA	Proposed

INDIA

- Political economy of Indian trade policy
 - Crises
 - Interests
 - Institutions
 - Factor endowments
 - Foreign policy

BOX 1: The Political Economy of Trade-Policy Reforms

	<i>Crisis-induced liberalisation</i>	<i>Country size (population)</i>	<i>Interests</i>	<i>Ideas (Washington Consensus)</i>	<i>Institutions</i>	<i>Factor Endowments</i>	<i>Foreign policy</i>
Brazil	Yes (1988/89-94). Political and economic system-change	Large	Diverse. Mixed preferences. Export-oriented business better mobilised, especially agriculture	Strong in macroeconomic policy, weaker in liberalisation/structural reforms	Democratic politics. Federal system. Strong trade-policy capacity. MEA lead. Weak involvement of MOF except in crisis	Land/resource abundant	Emphasis on South-South alliances to counterbalance US power under Lula
India	Yes (1991-93). Political continuity	Very large	Diverse. Mixed preferences. Business gradually more open-economy oriented, especially IT services	Ditto	Multi-party coalition politics. Federal system. Strong trade-policy capacity. MOCI lead. Weak involvement of MOF except in crisis	Labour abundant	Reorientation of policy from early 1990s. Look West (USA and Europe) and Look East (ASEAN and China)
China	No. Gradual reform. Political continuity	Very large	Mixed preferences. MNEs lobby effectively to contain protectionism	Strong across macro and microeconomic policy, weaker in structural reforms. Industrial-policy intervention mixed in. Overall policy pragmatism	Authoritarian politics. Strong trade-policy capacity. Centralised decision-making. MOFCOM lead	Labour abundant	Constructive engagement with major powers (esp. USA). Soft power in east Asia. Regional Stability
Indonesia	Yes (1966-68, mid 1980s, 1998). Political system-change 1998	Large	Diverse. Mixed preferences. Export-oriented lobbies relatively weak. More influence for unions and NGOs after Asian crisis	Strong in macroeconomic policy (Berkeley Mafia), weaker in liberalisation/structural reforms	Democratic politics since 1998. Decentralisation to provinces. Weak trade-policy capacity. Institutional instability and policy-making divisions after Asian crisis	Resource/labour abundant	Close relations with USA and US security umbrella during Soeharto period
South Africa	Yes (mid 1990s). Political and economic system-change	Medium	Diverse. Mixed preferences. Open-economy business muted. Protection-seeking firms, unions and NGOs more vocal	Ditto. Industrial-policy intervention now more popular	Democratic politics. Decision-making centralised in Executive. Shallow trade-policy capacity. DTI lead. Little MOF involvement	Resource abundant	Reorientation of policy with end of apartheid. Leadership in Africa. Now more emphasis on South-South alliances
Russia	Yes (1990s). Political and economic system-change. More authoritarian politics and partial reform reversal since 2003/4	Large	Energy interests very strong. Symbiotic links with the state. Monopolistic/oligopolistic markets. The new nomenklatura	Ditto. Partial liberalisation reversal and more industrial-policy intervention	Authoritarian democracy under Putin. Recentralised decision-making. Shallow trade-policy capacity	Resource abundant	Colder relations with the West. Attempt to dominate "near abroad". Aggressive energy politics

INDIA

- Conclusion
 - Forward and backward races
 - Prospects for trade and other economic reforms