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An Overview Of India's Trade Strategy

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An Overview Of India's Trade Strategy

Introduction

The multilateral trade negotiations at the World Trade Organization (WTO) have remained stalled and inconclusive for the seventh successive year in 2008. The Doha Development Agenda was finalized in 2001; however the modalities continue to be deliberated over several rounds of negotiations in Geneva since members remain skeptical of the perceived (individual) benefits of an agreement. At the recent most round in July 2008, China, India and United States were criticized for their hard line positions, in particular over issues of Special Safeguard Mechanisms (SSM), liberalization of services and cotton.

The deal breaker was the difference over appropriate levels of import volume that would trigger the SSM mechanism, with United States seeking to set it at a relatively higher level than as desired by the developing countries. This debate yet again, highlighted the role of emerging countries (Brazil, China and India) as defenders of the developing world. Over the recent past, these countries have been fighting hard to ensure that interests of the developing country are not compromised in the negotiations, sometimes at the cost of compromising on their best national interests.

The landscape of global governance is undergoing transformation owing to the mounting influence of these countries in the negotiations. There is an increasing amount of interest in examining the changing role of these countries in the global discussions and understanding the domestic changes facilitating and necessitating this change. In light of this, the paper will examine India's role at the WTO and in the multilateral trading system. The aim of the paper is to understand the trade policy formulation and reform in India. It will discuss India's trade policy and analyze the factors that determine the policy (and policy making process). An effort is made to elucidate the underlying interests that shape India's position and the strategy it adopts to defend and preserve this position.

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. For instance, while it is public knowledge that India has a "defensive" stance on agriculture and an "offensive" stance on services, the underlying rationale is not that explicit. This is further complicated by negotiating strategies adopted by India, such as constitution of coalitions with other emerging countries. The G-20 on agriculture for instance, has membership of both India and Brazil, although they have conflicting interests on market access. These are some of the issues that will be addressed in the paper.

The paper focuses on India's trade dynamics under the three key issues of agriculture, industrial goods and services at the WTO negotiations. Intellectual Property Rights (IP) Negotiations are also dealt with since the contribution of BICS (Brazil, India, China and South Africa) on IP and Public Health, Access to Genetic Resources and Geographical Indications have been significant. While trade facilitation, investment etc. are also important issues they are excluded from the scope of the paper. Further, the paper presents the issues only to the extent relevant to the paper and does not dwell in depth in the concepts and sub issues that arise under each of the issues. Some of the questions sought to be addressed in the paper are: what are India's national interests and how are they arrived at? To what extent is India willing to compromise on these issues (implicitly or explicitly) at the negotiations and why? Why does India choose to negotiate in coalitions? What can we say about the nature of the strategy and its effectiveness? It is important to mention that the benchmark for the paper is the Doha Development Agenda. It does seek to provide a perspective on India's negotiating history at WTO or of its trade policy prior to the 2001 Development Round.[1] In terms of the discussion on the modalities *per se,* the point of reference is the 2004 Framework Agreement.

In writing the paper, the research has relied on both primary and secondary sources of research. Interviews were conducted with Indian delegates, government representatives, academics and NGO's. WTO trade review reports, OECD reports etc. were also used. Empirical data has been provided wherever relevant and available. In terms of secondary sources, the author has relied on academic articles, books as also media reports and statements of stakeholders etc. The attempt has been to provide a holistic perspective on India's trade policy making, both in terms of outlining its position and strategy and in analyzing the underlying interests and determinants. The endeavor has been to establish coherence between national interests and the international position and present thoughts for the future, without providing recommendations or suggesting trends. While the paper draws on theories of global governance and political economy of trade, it seeks to maintain a balance between theoretical explanations on the one hand and the actuality and practicality of trade policy making on the other (that often conflict with theories). It is also pertinent to mention here that there is no normative benchmark used to identify the "interests" or "position" for India. Both are a culmination of the political and economic interests of a particular country and are embedded in the domestic situation.

At first glance, India appears as a paradoxical case for international trade economists. It has emerged as a powerful sovereign in the trade negotiations with the capacity to stall the talks (considered singlehandedly by some), and yet, it only represents a small share of world trade for the products at stake such as agriculture. An attempt has been made to resolve this dichotomy by explaining India's strategy of coalition bargaining, its rising status of a potential market and the internal structure in India that positions itself that way.

It is observed that India has engaged in a *suo moto* liberalization process that is gradual and independent of the multilateral trading system — at a rate and to an extent it deems in the best national interests, which is the ultimate aim at any negotiations. The gradual process has led many to believe India to be defensive in the international negotiations since it is not at the same pace as is desirable at the global level. As regards strategy, there appear to be compelling reasons for India to negotiate in coalitions, notwithstanding the compromise on its sovereignty and the differences between member countries. Key determining factors of trade policy in India include the varied concerns of interest groups, ideology and indeed role of politics and vote banks.

The paper is divided into 6 sections. Section I gives an overview of India's trade policy and quantities. Section II examines India's position at WTO on the key issues discussed above. Section III articulates the negotiating strategy India has adopted, with a focus on coalition building. Section IV then brings out the national interests under each of the issues while Section V establishes the domestic factors that determine the position, national interests and the negotiating strategy. Section VI is analytical and it seeks to bridge the gap between the position and national interests, before closing the paper with some concluding remarks.

Setting the stage for India's Trade Policy

This section traces India's trajectory in the international trade field and discusses India's

1. For history of India's trade making policies, refer to: A. Narlikar, "Peculiar Chauvinism or strategic calculation? Explaining the negotiation strategy of a rising India", *International Affairs* 82, I(2006) 59-76, A. Panagariya, "India's Trade Reform: Progress, Impact and Future Strategy", Econ WPA, *International Trade Series,* March 2004, http://129.3.20.41/eps/it/papers/0403/0403004.pdf

trade policy in brief while supporting it with India's quantum of international trade.

Trade Policy Reforms in India

The most significant step for trade policy reform in India was in the 1990s, to move away from import substitution and enhance reliance on the international economy. 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.[2] 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, the first formal trade policy[3] for India came to be formulated in 2004 which stands in action until 2009. As under this plan, trade policy is seen not as an end in itself, but as a tool to further economic growth and development. The Foreign Trade Policy has a two pronged objective: to double India's share of global merchandise trade by 2009, over the 2004 level, and to use trade to generate employment.[4] Several free trade zones are established that facilitate 100 percent Foreign Direct Investment. This seems to have been achieved by having a very pro-export trade policy driven by incentives to exporters, which is quite the contrast to what was the policy up until liberalization.[5] While exports are a key goal, the Foreign Trade Policy also acknowledges the importance of facilitating imports required to stimulate the economy and calls for a simplification of import procedures and reduction of import barriers. It also calls for coherence and consistency between trade and other economic policies. Specific sectoral strategies have been put in place for agriculture and other sectors with potential for generation of exports and employment in semi urban and rural areas.

Over the recent years, another important development in terms of India's trade policy has been its expansion into the foray of bilateral and free trade agreements. Although India has been a firm supporter of multilateral liberalization, it has also sought out Regional Trade Agreements (RTA) in recent years. Some of the RTA's and bilaterals signed by India include SAFTA (South Asia Free Trade Area) and trade agreements with Singapore and Thailand. Others include Free Trade Agreement (FTA) between India and Gulf Cooperation Council (GCC), a commercial dialogue with the United States and ongoing discussions with the European Union on a trade and investment agreement that began in 2007. [6]

India and the Multilateral Trading System

India has been a founding member of the GATT and therefore has been a participant in the international trade discussions for long. However India's active participation in the negotiations on key trade issues such as agriculture, services, intellectual property rights and market access in industrial goods is fairly recent. These issues had already been introduced into the multilateral trade framework *de facto* by the European Union and United States earlier. Initially, India's role as a leader of developing countries was confined to voicing its discontent on the extent and scope of issues being covered under the negotiations. [7] However, over time, India has been successful in situating itself as a key player in international trade negotiations.

2. In fact liberalization was initiated much earlier, starting in the 80's, although it gathered momentum post reforms in 1991. Furthermore, until 1990, the domestic regulatory system was also complex with an extensive license regime.

3. Prior to 1991, everything was an ad-hoc basis- a complex system of permits, licenses and permissions. Even post 1991, although liberalisation was undertaken, trade policy was only a secondary issue, seen more through the lens of getting budgetary deficit back in order. Formulation of a trade policy was started to be conceptualised only from 1999. For details, refer to S. Narayan, " Trade Making Policy in India", ISAS Insights, 3, 15 May 2005.

4. Ministry of Commerce and Industry (2006c), Preamble, Department of Commerce

5. India's Foreign Trade Policy, http://dgft.delhi.nic.in/

6. For a complete list refer to Department of Commerce of India Website at http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i

7. Brazil and India did not want new issues to be included in a new round of negotiations (Uruguay Round) such as services, intellectual property rights and investment until pending issues such as agriculture and textile were resolved. Nonetheless, informal discussions on services began in 1985 and India has to soften its position. Refer to "India in the GATT and WTO", Peterson Institute, 2003, http://www.petersoninstitute.org/publications/chapters_preview/98/3iie2806.pdf . See also: A. Kohli, "Politics of Economic Growth in India, 1980-2005", April *Economics and Political Weekly*, 2006

This shift can be attributed to, *inter alia,* the following factors: increased interest in India as a potential market for contenders, rapid economic growth and thereby an increased stake in the outcome of the negotiations, increased exposure and awareness through information gathering and by constituting coalitions with likeminded groups on specific issues. India has been able to achieve "success" on some priority issues such as on agriculture at the Cancun Ministerial Conference, where, along with the G-20, India ensured that the developing country interests were duly considered in discussions on agriculture and continue to do so to date. Defending interests in the negotiations on liberalization of industrial goods through NAMA-11 is another example. Eventually, it has also been successful as an agenda setter, in getting development related issues pertaining to the TRIPS agreement on the table such as Public Health and now Biodiversity and ABS issues. [8] These issues are discussed at length in the forthcoming sections.

However, it is interesting to note that even after liberalization in 1991, India today remains a fairly protective economy such as protected service sectors such as law in services and textiles and clothing and automobile sectors in manufacturing sector,[9] especially compared to other developing countries such as Brazil. In principle, India believes in economic growth that leads to development and therefore, post Doha, it has been promoting a development-oriented outcome from the WTO. This could provide an explanation to the track being followed by India.

Quantum of Trade

India's current trade is dominated by trade with three partners: the European Union (EU), the United States, and China. India's largest trading partner is the EU, with total trade of US $55 billion in 2006, made up of $26 billion in exports and $29 billion in imports, reflecting a small bilateral trade deficit for India. In second place is trade with the United States, totalling $30 billion, with India running a surplus composed of $19 billion in exports, compared with $11 billion in imports. Indian trade with China (Hong Kong) ranks third, with total trade of $23 billion comprising $8 billion in exports and $16 billion in imports. Other significant trading partners include the United Arab Emirates ($19 billion total trade), Saudi Arabia ($13 billion total trade), Singapore ($11 billion total trade), Japan ($8 billion total trade), and Iran ($7 billion total trade). India ran a trade surplus with the United Arab Emirates and Singapore, significant deficits with Saudi Arabia and Iran (due to India's petroleum imports), and a slight deficit with Japan.[10]

In line with foreign trade policy, India's trade quantum has been progressively rising. In the recent appraisal of the policy, the government announced that as of 2008, the two key objectives of the policy were already met. Exports as of November 2008 were $ 119301 million which is a 19.4 growth since same period last year. Imports during November, 2008 were valued at approximately US $ 21571 million, recording a 6.1% growth since 2007.[11] The total merchandise trade i.e. imports and exports, together was almost US $ 400 billion in 2008, accounting for 1.2% of world trade. If trade in services was added, it amounted to approximately US $ 525 billion. In terms of contribution to the GDP of India, the total trade in goods and services is now equivalent to almost 50% of its GDP.[12] Dividing the earnings sector

8. It has been argued that the Doha Development Agenda itself is a reflection of the strength of these countries – A. Narlikar and A. Hurrell, "Negotiating Trade as Emerging Powers", *IRIS Working Paper,* 2007/023, International Research Institute of Stavanger, January 2007.

9. Tariff peaks remain, especially in automobiles, where the average tariff is 33.6%, and imports of secondhand motor vehicles over three-years old are subject to import licensing restrictions. The textiles and clothing sector remains protected by relatively high tariff barriers, a large percentage of which are non ad valorem (inclusion of ad valorem equivalents raises the average tariff for the sector to 22.5%).- as per the WTO Trade Policy Review of India by the WTO Secretariat, WT/TPR/S/182/Rev.1 ,2007

10. Polaski et al., "India's Trade Policy Choices: Managing Diverse Challenges", Carnegie Endowment for International Peace, 2008 http://www.carnegieendowment.org/programs/global/index.cfm?fa=proj&id=102, at 16.

11. "Exports up by 19.4 percentage in April- November 2008, India's foreign Trade Data" December 2008, Press release by Ministry of Commerce and Industry, India, 02 Feb 2009, New Delhi, http://commerce.nic.in/pressrelease/pressrelease_detail.asp. This growth was very much doubted back in 2005 when the foreign policy was recently introduced: for instance refer to New Trade Policy and the WTO Regime (New Delhi: Kanishka Publishers, P.V. Sharma and L.K. Mohana Rao ed., 2005)

12. India's share in world trade goes up significantly to touch 1.5% share may cross 2% by 2009, says Kamal Nath, Date : 22 May 2007, Location : New Delhi. http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2052

Table 1. India's major trading partners, 2000-2006
Percentage share in total trade (exports+imports)

Country	2000-01	2002-03	2003-04	2004-05	2005-06	April-October 2005-06	April-October 2006-07
1. U.S.A.	13.0	13.4	11.6	10.7	10.6	10.3	9.7
2. U.K.	5.7	4.6	4.4	3.7	3.6	3.7	3.1
3. Belgium	4.6	4.7	4.1	3.6	3.0	3.3	2.4
4. Germany	3.9	4.0	3.8	3.5	3.8	3.7	3.7
5. Japan	3.8	3.2	3.1	2.8	2.6	2.4	2.3
6. Switzerland	3.8	2.4	2.6	3.3	2.8	3.3	3.2
7. Hong Kong	3.7	3.1	3.3	2.8	2.7	2.9	2.3
8. UAE	3.4	3.8	5.1	6.2	5.1	5.3	6.9
9. China	2.5	4.2	4.9	6.5	7.0	6.8	7.7
10. Singapore	2.5	2.5	3.0	3.4	3.5	3.7	4.0
11. Malaysia	1.9	1.9	2.1	1.7	1.4	1.4	2.2
Total (1 to 11)	**48.6**	**47.9**	**48.1**	**48.2**	**46.1**	**46.8**	**47.5**

Source : DGCI&S, Kolkata

Table 2. Percentage share of exports to top ten countries during apr.-sept.07

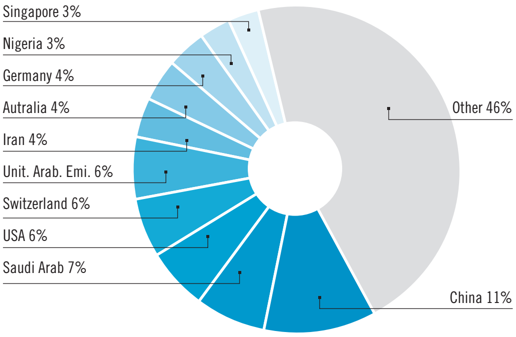
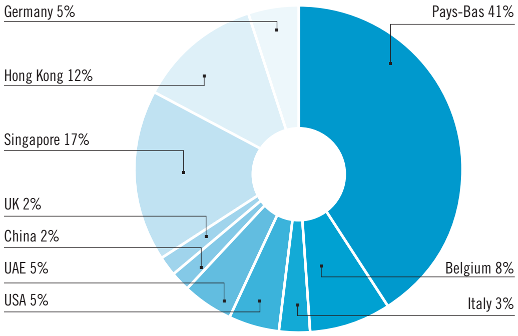


Table 3. Percentage share of imports from top ten countries during apr.-sept.07



Source: Chapter II, World Economic and Trade Outlook and India's Trade Performance, Annual Report 2007-2008, Directorate General of Foreign Trade, Ministry of Commerce and Industry, India, http://dgft.delhi.nic.in

United States is India's largest trading partner, India relies largely on China for its imports.

Table 4. Sectoral Growth Performance of the Indian Economy (Per cent)

	Agriculture	Industry	Service	GDP
1980-81 to 1889-90	4.4	7.4	6.4	5.8
1990-91 to 1895-96	2.8	6.7	6,6	5,4
1996-97to 2000-01	2,7	5,0	8,0	5,9
2001-02 to 2005-06	2,5	6,2	8,6	6,7
2003-04 to 2005-06	4,3	7,3	9,6	8

Source: Central Statistical Organisation, http://mospi.nic.in/. As used in Rath, Deba Prasad and Raj, Rajesh, "Analytics and Implications of Services Sector Growth in Indian Economy" RBI, RBI,MPRA, 2007 wise, industry as of 2006 contributed to 29% of GDP, agriculture 21% and services is 53%. It is interesting to note that thus far, growth in the economy has essentially been driven by domestic demand in India.[13]

If this were to be subdivided into top exporters and importers, the situation is as follows: (table 1). Therefore, while in total trade percentages (table 2).

India's Position at WTO

As we know, the Agenda for the negotiations came to be adopted in 2001. The Agenda was adopted in Doha keeping in mind special interests of the developing countries and hence was labeled the "Doha Development Agenda". It provides the mandate for negotiations on various subjects including agriculture, services as also market access to non-agricultural goods, all part of the single undertaking. The mandate has been refined over subsequent rounds of negotiations such as in Cancun in 2003, in Geneva in 2004 and in Hong Kong in 2005. While the Cancun Round ended in a deadlock, it was in Geneva that a package of framework agreements was reached, sometimes referred to as the "2004 Package Framework". At Hong Kong in 2005, members continued to build on this Framework, however, a stalemate on modalities in a meeting in July of 2006 had the negotiations suspended. The most recent attempt to revive and conclude the negotiations was the revised package drafted in 2008 July that aimed at agreeing on modalities[14] in agriculture and non-agricultural market access (NAMA) which was yet again unsuccessful.

All through the rounds of negotiations, India has played the role of a tough negotiator with a steadfast position on each of issues. In this section, an effort is made to direct attention to India's position on the main issues up for discussion at the negotiations.[15] The benchmark is the 2004 Framework Package and India's response to the package and subsequent developments at WTO.

Agriculture

As we know there are three pillars of the negotiations on agriculture: Domestic Support, Market Access and Export Competition. Within the framework of a development around, there are also ongoing discussions on special products (SP) and special safeguard mechanisms (SSM) for developing countries. After the suspension of the round in 2006, discussions on agriculture resumed early 2007. On 17 July, 2007, the Chair of the negotiating group on Agriculture brought out the Revised Draft Modalities on Agriculture comprising proposals on all three pillars of the agriculture negotiations, often referred to as the "Falconer Text", taking after the name of the chair.[16]

At the Cancun Round of negotiations in 2003, India along with Brazil constituted the Group of 20 (G-20), a coalition of 20 plus countries on agriculture. Since then, the G-20 has been articulating the collective position of all the member countries. Post the Revised Draft Modalities on Agriculture"[17] in 2007, the position of G-20 has been as follows[18]:

Market access

The 2007 draft modalities called for a tiered formula of reduction of tariffs with different tiers for the developed and developing countries.[19] The G-20 specifically supports a formula within tiers with each tariff being subject to a linear (uniform) cut for both

13. Asian Development Outlook 2008, Asian Development Bank Publication, March 2008, http://www.adb.org/Documents/Books/ADO/2008/default.asp

14. As defined by WTO, "modalities are ways or methods of doing something (formulas). The ultimate objective is for member governments to cut tariffs and subsidies and to make these binding commitments in the WTO. The "modalities" will tell them how to do it, but first the "modalities" have to be agreed." (http://www.wto.org/english/tratop_e/dda_e/modalities_e.htm)

15. For a brief note on each of the issues, refer to http://www.wto.org/english/tratop_e/dda_e/meet08_brief00_e.htm

16.Text of draft modalities can be found at: http://www.wto.org/english/tratop_e/agric_e/chair_workdoc_nov07_e.htm. Note that these were subsequently revised in February 2008, http://www.wto.org/english/tratop_e/agric_e/agchairtxt_feb08_e.pdf and most recently on December 2008, http://www.wto.org/english/tratop_e/agric_e/agchairtxt_dec08_a_e.pdf based on which the new round was to be held, however it did not occur owing to what Pascal Lamy, the Director General termed as "lack of political drive".

17. Id.

18. G-20 statement at the Open Ended Session on Agriculture Negotiations, February 2008, http://www.iatp.org/tradeobservatory/library.cfm?refID=101657

19. Refer to: http://www.wto.org/english/tratop_e/agric_e/agchairtxt_1aug07_e.htm

developed and developing countries.[20] It also calls for overall tariff reduction by the developed countries of at least 54% on average and by developing countries of maximum 30% on average. They also call for tariff capping (on both sensitive and non-sensitive products) to be an integral part of the formula.

Special Products (SP) and Special Safeguard Mechanisms(SSM)[21]:

This is a priority issue for developing countries including India, and was ultimately the cause of failure of the recent most round of negotiations. G-20 is very supportive of both the mechanisms and considers them inherent to the Special and Differential Treatment for developing countries. While it has not actively made any proposal on the two mechanisms, it supports the Group of 33 (G-33) on the issues. India is a member of the G-33 that is the main proponent of provisions on special products.

G-33 states that special products are important and valuable in protecting the legitimate commercial and developmental interests in the developing world and also owing to political sensitivities. G-33 reiterates the importance of the operational indicators for the selection of SP as set out in the July Framework including food security, livelihood security and rural development. Based on the list of indicators (non-exhaustive and non-prescriptive), G-33 insists on the independence of each country to determine the special products and seek flexibility for developing countries to designate at least 20% of their tariff lines as SP.[22]

The Group also emphasises on the importance of the SSM mechanism to the developing countries to help cope with fluctuations in prices and import surges. Thus, a distinction is drawn between SSM and SP, where the later is a long-term exemption for aforementioned reasons; SSM is a short-term mechanism to help countries cope with adverse circumstances. Like for SP, G-33 calls for SSM to be open to all developing countries and for all agricultural products and to be applied to imports from all countries whether these are subsidised or not. [23]

On domestic subsidies

The G-20 (thereby India) has an offensive interest with respect to domestic subsidies. The aim is to ensure that effective cuts are introduced in subsidies currently being offered by developed countries to its farmers, *de minimis* support is eliminated and the central linkage between effective cuts in Other Trade Distorting Subsidies (OTDS)[24] and product-specific disciplines is maintained. At the same time, special and differential (S&D) treatment for developing countries is sought to be introduced under each category of agriculture negotiations. With respect to the formula on the reduction of OTDS, for those countries that offer subsidies that are relatively higher *vis-à-vis* the value of agricultural production (like the EU), the G-20 would like to see additional cuts than as imposed under the tiered approach. It would like to ensure that those developing countries that are without Aggregate

20. For the suggested cuts refer to state of play in agriculture negotiations: Country Groupings' Positions: Market Access Pillar, Analytical Note: SC/AN/TDP/AG/4-1, South Centre, January 2008, http://www.southcentre.org/index.php?option=com_content&task=view&id=596&Itemid=67. Note that the thresholds and level of cuts for developed, developing and under developed countries are different.

21. In view of the subsistence nature of farming in developing countries and the need to insulate the poor and vulnerable farmers of developing countries from the shock of large tariff reductions, the instruments of Special Products and Special Safeguard Mechanism were built into the Doha mandate. The July Framework and the Hong Kong Declaration built upon it. The Special Products are designed to allow developing countries to take less than formula cuts on their vulnerable products, specially the products affecting the livelihoods of subsistence farmers and affecting the food security of a nation. The Special Safeguard Mechanism allows for a temporary increase in import duty to deal with import surges or price falls, under provisions that are special to the Agriculture Agreement.

22 For details on the proposed formula for use of SPs by G-33 refer to Country Groupings' Positions: Market Access Pillar, Analytical Note: SC/AN/TDP/AG/4-1, South Centre, January 2008, http://www.southcentre.org/index.php?option=com_content&task=view&id=596&Itemid=67. G-33's Open Statement on the 2007 Framework Agreement on Agriculture, February 2008, can be found at http://www.iatp.org/tradeobservatory/library.cfm?refID=101658

23. http://www.cutsinternational.org/pdf/G33%20Proposal%20on%20Special%20Safeguard%20Measures%20and%20on%20Special%20Products.pdf

24. It means the sum of (i) the Final Bound Total AMS, (ii) permitted de minimis level expressed in monetary terms plus (iii) the Blue Box level. The Framework for establishing modalities in Agriculture introduced this category that is intended to restrict or reduce the level of the subsidies independent from how it is classified under the different boxes. With respect to the formula on reduction of OTDS, it provides for a progressive reduction depending on the current level of OTDS. Thus, members having higher levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonizing result- as decided in the July Framework (2004). Three bands were subsequently established in order to structure this reduction.

Minimum Support (AMS) entitlements are exempted from undertaking reduction commitments on trade-distorting domestic support. With respect to the tiered formula for cuts in final bound total AMS support[25] under the Amber Box, they wish for developing countries to make less than two-thirds of the cuts than would be required from developed countries in the same band. On product specific caps, G-20 favours development of product-specific caps in AMS and Blue Box, on an individual product level, to limit expenditure per commodity. This should be accompanied by imposition of disciplines to avoid circumvention of product specific caps. Indeed they call for differential treatment for the developing countries. They also have a strong offensive interest with respect to the Blue Box to ensure that these payments are less trade distorting than AMS measures. They want to ensure that box-shifting is avoided and hence call for additional criteria for this box and also for the establishment of product-specific caps under this box as well.[26] With respect to the Green Box, the G-20 seeks to ensure that disciplines are in place to avoid box shifting. And they make concrete proposals to that extent.[27]

On Export Competition

G-20 has an offensive interest in removal of export subsidies. They suggested the following steps for the implementation period: at least 50 per cent in the first year by virtue of front-loading[28]; an additional 30 per cent to be progressively implemented by the middle of the implementation period; and the remaining portion to be progressively implemented by the end of 2013. On part of the developing countries, G-20 would like them to benefit from longer implementation period and to continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture[29] for five years after the end-date for the elimination of all forms of export subsidies. With respect to disciplines on export credits too G-20 has an offensive interest. They seek to develop strict disciplines to avoid displacing third countries' exports and avoid surplus disposal; disciplines that will identify and eliminate the subsidy component. The group has insisted on the need to eliminate export credit guarantees (ECG) by developed countries.[30]

At the July 2008 Mini Ministerial, a revised 'July 2008' package[31] was circulated for negotiations with the aim of establishing the draft modalities agreement. While the round seemingly made progress on more cirtical issues such as cuts in OTDS etc, a disagreement on the appropriate levels[32] at which the Special Safeguard Mechanism could be triggered led to the collapse of the round. India, China and United States were the main blame takers. Disagreement also existed on the suggestion that there was a need by countries to prove that the surge (of price or quantity, had caused demonstrable harm to its food security, livelihood security and rural development needs.

Non-Agricultural Market Access (NAMA)

India is a member of the NAMA-11 coalition that jointly makes proposals on behalf of the member developing countries.

25. The reduction commitments are expressed in terms of a "Total Aggregate Measurement of Support" (Total AMS) which includes all supports for specified products together with supports that are not for specific products, in one single figure. In the Agriculture Agreement, AMS is defined in Article 1 and Annexes 3 and 4.

26. Refer to State of play in agriculture negotiations: country groupings' positions: Domestic Subsidies Pillar, South Centre,January2008,SC/AN/TDP/AG/4-3,
http://www.southcentre.org/index.php?option=com_content&task=view&id=596&Itemid=67

27. For all official positions: India and the WTO, Newsletter, Nov/Dec/Jan 2008, Vol9-10,No. 11-12/1

28. Imposing higher cuts in the early years of implementation.

29. Provides for exceptions to developing countries

30. State of play in agriculture negotiations: country groupings' positions: Export Competition Pillar, South Centre,January2008,SC/AN/TDP/AG/4-3, http://www.southcentre.org/index.php?option=com_content&task=view&id=596&Itemid=67

31. http://www.wto.org/english/tratop_e/dda_e/meet08_texts_e.htm

32. The issue was whether and by how much would the developing countries be allowed to raise tariffs. As per the Framework set by the WTO Secretariat and undertaken for discussion, safeguard measures could exceed bound levels only when the trigger was 40% (i.e. when import volumes surged 140 percent above a three year rolling average). Countries could then impose safeguards of 15% or 15 percentage points, whichever higher Developing countries protested against this contending that the remedy was too low and the trigger too high. The G-33 proposed a 15% trigger and a 30% or 30 percentage point remedy to raise the tariffs above pre Doha bound levels. The US reportedly criticized this arguing that if developing countries were to be allowed to impose such high levels of remedies, the trigger had to be much larger, "Agricultural Safeguard Controversy Triggers Breakdown in Doha Round Talks" ICTSD, Volume12, Number 27,August 2008, http://ictsd.net/i/news/bridgesweekly/18034/ Revised Draft Modalities for Agriculture, July 2008 Package: http://www.wto.org/english/tratop_e/agric_e/agchairtxt_july08_e.pdf

On the formula for Tariff Reduction

India has an offensive interest in the reduction of peaks and escalation in developed countries and obtaining concessions for the developing countries. The mandate for Non-Agricultural Market Access Anti (NAMA) negotiations in the Doha Round calls for reduction of tariffs through the adoption of a Swiss formula.[33] This takes into account the special needs and interests of developing countries including through less than full reciprocity (LTFR) in reduction commitments. India, like most developing countries, interprets "less than full reciprocity" as lower reduction commitments by developing countries vis-à-vis the developed countries. In contrast, the developed countries have taken the position that a higher Swiss coefficient for developing countries constitutes LTFR. While the Chairman in his draft modalities of 17 July, 2007 has suggested Swiss coefficients of 19-23 for developing countries and 8-9 for developed countries, India, as part of the NAMA-11 negotiating group, has been supporting a differential of 25 in the Swiss coefficients for developed versus developing countries since this would respect the LTFR mandate. [34]

Flexibilities[35]

Flexibilities are important for developing countries like India to keep a specified list of their sensitive tariff lines completely or partially out of the purview of the formula cuts or binding.[36] Hence, NAMA-11 is against any trade-off between formula on tariff reduction and flexibilities as desired by certain developed countries. As regards the thresholds, they argue that less than full reciprocity should be measured in reduction efforts (on average, no developing country should make more reductions than those made by developed countries). NAMA 11 coalition along with the African Group and small and vulnerable economies (SVEs) have sought revision in the numbers proposed by the Chairman since it entails higher reduction commitments by developing countries and thereby contravenes the mandate of less than full reciprocity in reduction commitments.

Unbound Tariff Lines[37]

There are two components in the concessions to be made by the developing countries in respect of their currently unbound tariffs: (i) binding their unbound tariffs; and (ii) reducing their bound tariffs. India is of the opinion that these two components should be combined to assess the developing countries' contribution in the negotiations. Then this combined concession should be matched with the concession of tariff reduction of the developed countries with due regard to the principle of less than full reciprocity. Further, it seeks application of concessions on bound not applied rates.

Sectoral Initiatives

The sectoral initiatives are proposals seeking the plurilateral elimination or harmonisation at low levels of tariffs in specific sectors. NAMA-11 is against mandatory sectorals.[38] Currently, there are 13 proposals spanning nearly all the sub sectors of NAMA namely automobiles, bicycles, chemicals, electronics, enhanced healthcare, fish products, forestry products, hand tools, raw materials, sports goods, textiles and clothing (2 proposals) and toys. India maintains that these proposals are purely voluntary and supplementary modalities. Further, NAMA-11 also does not wish to see any linkages been drawn between negotiations on

33. Swiss Formula: t1 = (t0 * A) / (t0 + A), where t1 is the final bound tariff after cut, t0 is the initial bound tariff before cut, and A is the Swiss co-efficient below which all final bound tariffs will be reduced to.

34. Communication by the NAMA-11 to Negotiating Group on Market Access, June 2007, TN/MA/W/87

35. According to the July 2004 Framework, developing countries would enjoy longer implementation periods for their tariff reductions implying less than full reciprocity in reduction commitments. Paragraph 8 of the Framework Agreement envisages subjecting:-
upto 10% (both in terms of numbers and volume of 1999-2001 import value) sensitive tariff lines to at least 50% of the formula cuts Or,
keeping 5% (both in terms of numbers and 1999-2001 import value) sensitive tariff lines either unbound or/and with no tariff cuts.
However, there is dispute over how to implement this principle in the modalities and there are divergences on these thresholds.

36. State of Play on NAMA at the WTO, Ministry of Commerce and Industry, India, http://commerce.nic.in/trade/international_trade_tig_nama_sop.asp

37. A desirable outcome of the round is to have full binding.

38. Paragraph 16 of the Ministerial Declaration of the Sixth Session of the Ministerial Conference adopted on 18 December 2005. Ministers at Hong Kong agreed that participation in sectoral initiatives shall be on a non-mandatory basis. Document WT/MIN(05)/DEC dated 22 December 2005

sectorals and coefficients and flexibilities. In the recent initiative by Director-General Pascal Lamy to reconvene the mini-ministerial in December, discussions are said to have failed on account of efforts of US seeking to make these sectoral initiatives mandatory and India and China opposing the same.[39]

Non Tariff Barriers

With the lowering of NAMA tariffs over the years, attention has increasingly focussed on elimination/reduction of non-tariff barriers. The negotiations on Non Tariff Barriers (NTBs) have transited from the procedure of reverse notifications of NTBs faced by each Member to text-based proposals on specific issues.[40] The July 2004 Framework (Annex B, paragraph 14)[41] recognises NTBs as an integral part, and important constituent of the negotiations. However, it is also recognised that the negotiations on NTBs are not yet sufficiently advanced for modalities to be proposed and hence the negotiations on this subject have lagged behind those on tariffs. NTBs are particularly important for the developing countries as their exports often get constrained by these barriers in the developed countries. It is in the interest of the developing countries to insist on parity in the speed of negotiations between tariffs and NTBs. [42] The negotiations got bogged down initially in procedural technicalities. It took a long time to decide on the forum where the negotiations would take place

Link between Agriculture and NAMA Outcomes

NAMA-11 also states that a successful outcome at WTO will be obtainable only if the outcomes within NAMA and between NAMA and agriculture are balanced, as established in the Doha mandate and paragraph 24 of the Hong Kong Declaration. "An outcome that seeks to lower the contribution of developed countries in Agriculture, with no effective cuts in domestic support and resulting in no new trade flows, and also insists on developing countries making disproportionate and imbalanced contributions in NAMA, will be unfair and inconsistent with the mandate".[43]

Services

The main objective of the negotiations is to liberalise commitments in all the service sectors and all the modes of supply of services and to improve the multilateral rules for trade in services. The negotiations in this area are going on in multiple formats. There are bilateral negotiations on the basis of requests and offers among countries for specific commitments on market access and national treatment in specific services sectors. Certain sectors have been taken up in the plurilateral track where more than two countries negotiate jointly, mainly aimed at liberalisation on the basis of some formula. Countries are expected to send initial offers and requests- this being the main method of negotiations. The negotiations are being conducted within the broad framework of a decision adopted on 28 March 2001, called "Guidelines and Procedures for the Negotiations on Trade in Services", which was later endorsed by the Doha Ministerial Declaration. Annexe C of the Hong Kong Declaration reaffirms key principles of services negotiations, under the four heads of trading in services (Mode 1 to Mode 4)[44]The aim was to expand sectoral and modal coverage of commitments and improving their quality, with particular attention to export interests of developing countries. With respect to negotiating approaches, Annex C envisaged that the request-offer negotiations also be pursued on

39. For the recent most statement on sectoral negotiations, refer to Market Access for Non-Agricultural Products, Sectoral Negotiations Communication from the NAMA-11 Group of Developing Countries, TN/MA/W/108/Rev.1, 12 November 2008

40. Some of these proposals are horizontal proposals on elimination/disciplining of export taxes, agreement on export restrictions, remanufacturing and the procedures for facilitating resolution of NTBs. The vertical proposals relate to harmonisation of standards on electrical/electronic goods, forestry products, fireworks and lighters as well as a proposal on labelling of textiles, apparel, footwear and travel goods.

41. Refer to text at http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm

42. Refer to NAMA State of Play: Positions of Negotiating Countries, 2006, South Centre, http://www.southcentre.org/index.php?option=com_content&task=view&id=257&Itemid=67 as also the NAMA Communique 2006, Geneva, WTO, TN/MA/W/79, http://commerce.nic.in/writereaddata/IndianSubmission/international_trade_non_agricultural_market_access_nama_1.pdf

43. NAMA 11 Ministerial Communiqué, 11 June 2007, Geneva, TN/MA/W/87, 19 June 2007, ***www.wto-pakistan.org/documents/nama/tnmaW87.doc***

44. Annexure C to Hong Kong Declaration, 2005 http://www.wto.org/english/thewto_e/minist_e/min05_e/final_annex_e.htm#annexc, Mode1: Cross-border trade; Mode2: Consumption abroad; Mode3: Commercial presence; Mode4: Presence of natural persons

a plurilateral basis and provides guidelines for the conduct of these negotiations.[45]

India has been a demandeur in services. It has also offered substantial sectoral and modal coverage in its Initial Offer (January, 2004) and the first Revised Offer (August, 2005) of the ongoing Services negotiation. India is the coordinator of the plurilateral requests on Mode 1 (cross border supply) and Mode 4 (Movement of Natural Persons) - the core areas of its interest in the services negotiations - India is also a co-sponsor of plurilateral requests on Computer and Related Services (CRS) and Architectural, Engineering and Integrated Engineering Services. India wants more forthcoming offers from the developed countries, particularly the US and the EC on Mode 4 with respect to her professionals, and across sectors. Without adequate disciplines in Domestic Regulations, Mode 4 access gets severely impeded and India therefore considers this a crucial area that needs to be effectively addressed by the trading partners in their Revised Offers. India would also like revised offers on Mode 1. Developed countries need to provide clear signals of market openings in sectors and modes of interest to developing countries, particularly in Modes 1 and 4. India has received plurilateral requests for greater liberalisation in 14 different services sectors, including Telecom, Finance, Maritime, Environment, Education, Air transport, Energy, Audio Visual and Retail. India has submitted 'requests' to our trading partners in Computer Related services, Architecture services, Health services, Audio-Visual services, Tourism services, Maritime services and Financial services.[46]

For India, an ambitious outcome in services has to be an essential part of any breakthrough package. At the recently concluded round, India stated that while it was willing to undertake new commitments in services, it would depend on how well they were reciprocated by the trading partners. [47]

It is interesting to note that there was a coalition "Friends Group" on Mode 4 negotiations and Mode 1 for greater market access, a coalition with an offensive interest however it did not yield much result. [48]

Trade Related Intellectual Property Rights (TRIPS)

Negotiations on TRIPS issue have focused on three issues, convergence between the Convention of Biological Diversity (CBD) and TRIPS, Public Health and TRIPS and scope of protection under Geographical Indications regime. India and other developing countries under the leadership of Brazil, India and South Africa, have been forthcoming on all of the issues. They have been responsible for the introduction of the development perspective into Intellectual Property Rights within the Doha Agenda vis-a-vis Public Health and Biodiversity (CBD) negotiations. Discussions on Public Health have now concluded while those on Biodiversity are ongoing, along with negotiations on scope of protection under Geographical Indications.

TRIPS Agreement and Convention on Biological Diversity (CBD)

India along with other developing countries has been attempting for several years to resolve the the issue of coherence between the CBD and the TRIPS Agreement.[49] In pursuance of the mandate of the Doha Ministerial Declaration[50] and in taking the discussions forward, a number of developing countries submitted their proposal in the TRIPS Council[51] enunciating that a patent applicant, who uses genetic resources and/or associated traditional knowledge, shall provide the following as a condition ("disclosure

45. http://www.wto.org/english/tratop_e/serv_e/key_stages_e.htm

46. Consultation document on the WTO negotiations under the general agreement on trade in services (GATS), Indian Minsitry of Commerce and Industry, http://commerce.nic.in/trade/international_trade_matters_service_consultation.asp

47. Statement of K. Nath at the TNC Meeting in Geneva, July 2008, http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2290

48. Other countries were Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Pakistan, Peru, Philippines, Thailand and Uruguay

49. Dispute is with respect to protection of and access to genetic resources and associated traditional knowledge while patenting products that use such resources.

50. Paragraph 19 provides a mandate to the TRIPS Council for " .... pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this declaration, to examine, inter alia, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension."

51. (IP/C/W/420), March 2004

requirements") for acquiring patent rights[52]:

- Evidence of Disclosure of source and country of origin[53] of the biological resource and/or associated traditional knowledge used in the invention;
- Evidence of prior informed consent (PIC) under the relevant national regime[54]; and
- Evidence of benefit sharing under the relevant national regime[55].

This would in the form of a new article 29bis in the TRIPS Agreement and would help prevent the undermining of conservation and sustainable use of genetic resources and associate traditional knowledge. Many countries have supported this approach of text-based negotiations. From the developed world, Norway too has proposed that there was a need to amend the TRIPS Agreement by inserting Article 29bis, and start negotiations on the subject.[56]

Additional protection to Geographical Indications (GIs) to products other than wines and spirits

The Doha Ministerial also seeks to address the issue of extension of the protection of geographical indications as provided for wines and spirits under Article 23 to other products (referred to as the GI extension issue). By confirming its nature as an outstanding implementation issue, it has been declared an integral part of the Doha Work Programme.[57]

India, along with many developed and developing countries have been demanding the removal of the disparity between two types of protection for GIs for wines and spirits, on the one hand, and all other products, on the other in order to be able to promote the export of valuable products and prevent misappropriation.[58]

TRIPS and Public Health

It would be pertinent to conclude this section with an issue where India's stance achieved the desired output in the negotiations- Public Health and TRIPS. India, South Africa, Brazil and other developing countries were successful in amending the TRIPS Agreement in a measure to address public health concerns afflicting many developing and under developed countries. The Doha Ministerial Conference made a Declaration on the TRIPS Agreement and Public Health to help WTO members who do not have the capacity to manufacture medicines on their own, import such drugs from other countries through compulsory licensing. The proposal by developing countries amended Article 31(f)[59] and (g) of the TRIPS Agreement, granting a waiver from its obligations i.e. a compulsory licence may be issued not only for predominantly domestic use, but it can also be issued to the extent necessary for the purposes of production of a pharmaceutical product and its export to such countries that have insufficient manufacturing capacity, subject to certain conditions.[60]

52. http://commerce.nic.in/trade/international_trade_ip_trips2.asp

53. Revised document (IP/C/W/429/Rev.1), September 2004

54. Document (IP/C/W/438), December 2004

55. Document (IP/C/W/442), March 2005

56. Proposal on 13th June 2006

57. In the decision on the Doha Work Programme adopted by the General Council on 1 August 2004, the Council requested the Director-General to continue with his consultative process on all outstanding implementation issues under paragraph 12(b) of the Doha Ministerial Declaration, including on issues related to the extension of the protection of geographical indications provided for in Article 23 of the TRIPS Agreement to products other than wines and spirits, if need be by appointing Chairpersons of concerned WTO bodies as his Friends and/or by holding dedicated consultations. The Director-General was asked to report to the TNC and the General Council no later than May 2005. The General Council was to review progress and take any appropriate action no later than July 2005. The Hong Kong Ministerial Conference has mandated to intensify the consultative process on the issue and has instructed the General Council of the WTO to review the progress and take appropriate action no later than 31st July 2006.

58. India, is a member of the "Friends of GI" group a coalition of both the developed and developing countries(including, Switzerland, the EU, Bulgaria, the Czech Republic, Hungary, Sri Lanka, etc. Refer to their proposal (IP/C/W/353,),June 2002, http://commerce.nic.in/trade/wtopdfs/ip-c-w-353.pdf; Also refer to the recent most draft modalities prepared by friends of GI, also including other countries, to this effect: Draft Modalities for TRIPS Related Issues, July 2008, TN/C/W/52, http://209.85.229.132/search?q=cache:qkWieEqWeSAJ:trade.ec.europa.eu/doclib/html/140562.htm+TN/C/W/52&hl=en&ct=clnk&cd=1&client=firefox-a

59. Article 31 (f) of the TRIPS Agreement provides that products made under compulsory licensing must be "predominantly for the supply of the domestic market". This applies directly to countries that can manufacture drugs - it limits the amount they can export when the drug is made under compulsory licence. And it has an indirect impact on countries unable to make medicines - they might want to import generics made in countries under compulsory licence, but find that Article 31 (f) poses an obstacle to other countries supplying them.

60. Paragraph 6 Declaration on TRIPS and Public Health, 2003, WT/L/540, http://www.wto.org/english/tratop_e/trips_e/implem_para6_e.htm

The Negotiation Process and India's Strategy

The Trade Negotiations Committee (TNC) is the body responsible for establishing and overseeing negotiation mechanisms at the WTO.[61] Negotiations on different issues on the agenda are conducted in independent groups or bodies; however all of them constitute parts of the single undertaking implying that every item of the negotiation agenda is part of a whole and indivisible package and cannot be agreed upon individually. This section enunciates India's approaches and strategy in the negotiating process.

As mentioned earlier, developing countries were dormant in the earlier rounds of WTO negotiations, up until the Uruguay Round.[62] India too was satisfied with the SDT treatment, by virtue of which they were exempted from undertaking any obligations immediately. Subsequently, with rising economic power, India has been actively pursuing its trade interests (economic and developmental) at the WTO.[63] 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. Yet, India is largely recognized as a country that is highly defensive of undertaking commitments and inward looking. India has predominantly adopted a strategy of bargaining in groups to leverage its position, as evident from the collective position on various issues and as discussed in detail hereunder.

Bargaining in coalitions

India has chosen to align itself to other countries that are deemed to have similar interests; to constitute coalitions with a unanimous position on specific issues. India has cultivated the practice of uniting likeminded countries under its leadership since the GATT process and such groups have evolved from region or bloc based to interest based coalitions.[64] The key coalitions that emerge relevant to India are the G-20 on agriculture and NAMA-11 on NAMA negotiations. On TRIPS too, India has been a part of a larger group of developing countries. Brazil and South Africa are the other key players in these coalitions. On Geographical Indications, India is a part of the "Friends of GI" group which also includes developed countries such as Switzerland and Lichtenstein. While their perspective on the issues has already been discussed, an effort is made to briefly present the form and function of each of these coalitions.

G-20 on Agriculture[65]

This group of 20 countries was not a preconceived initiative and was instituted in response to a joint proposal by the United States and European Union on agriculture at the Cancun ministerial in 2003. It brought together emerging countries such as India, Brazil, China and South Africa and other developing countries in an attempt to safeguard their interests in the discussions. The main objective of the group today is to secure an outcome in the agricultural negotiations that would reflect the level of ambition of the Doha mandate and the interests of the developing world. To accommodate the diverse interests of each constituent member, the group maintains both offensive (on removal of subsidies in developed countries) and defensive stance (market access).

G-33 friends of special products

Headed by India and Indonesia, the Group of

61. For details on the Committee refer to: http://www.wto.org/english/tratop_e/dda_e/work_organi_e.htm

62. Efforts such as organising the group of 10 to strengthen their bargaining power also did not fructify, thereby failing in efforts to prevent issues such as services from being included in the round of negotiations.

63. For details on India's pathway at the WTO, refer to A. Narlikar, 'All that Glitters is not Gold: India's Rise to Power', Third World Quarterly,28(5) 2007,983 — 996. See also A. Narlikar and A. Hurrell, "Negotiating Trade as Emerging Powers", IRIS Working Paper, 2007/023, International Research Institute of Stavanger, Janary 2007

64. Region based groups or blocs have not worked well for developing countries, hence there was a move towards issue based coalitions. For details, refer to A. Narlikar, "Peculiar Chauvinism or strategic calculation? Explaining the negotiation strategy of a rising India", International Affairs 82, I(2006) 59-76, A. Narlikar, "Fairness in International Trade Negotiations: Developing Countries in GATT and WTO", The World Economy, Vol 29, No. 8, August2006, 1005-1029; A. Narlikar and J. Odell, " The Strict Distributive Strategy for a Bargaining Coalition: The Like Minded Group in the World Trade Organisation", Prepared for a Conference on Developing Countries and the Trade Negotiation Process, UNCTAD, 1-36, 6-7 November, 2003,

65. 23 members: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe, Source: WTO

33 countries (with 46 members)[66] advances a common position on special safeguard mechanisms and calls for uniform application of the principle to all developing countries.[67]

NAMA-11[68]

India is also a part of the NAMA-11 Coalition that has the objective of achieving a fair, balanced and development oriented set of NAMA modalities. Development concerns are at the core of the NAMA-11 group and it seeks to ensure "less than full reciprocity in reduction commitments" for developing countries, as also appropriate flexibilities to manage adjustment costs and address development needs. Given that this is a single undertaking, they link NAMA negotiations to the agricultural market access negotiations and have a comparable level of ambition between the two. [69] Previously, India had made joint proposals for concessions with Argentina and Brazil (ABI) in 2005[70] that were also ratified by several developing countries.

TRIPS Coalitions

While it is still not agreed upon as to whether or not International Property (IP) issues should be discussed along with the core issues of agriculture, NAMA and services at the WTO negotiations[71], the inclusion of IP has large supporters both from the developed and the developing world. Discussions on IP in the formal Doha round negotiations have therefore been recently intensified. There are several issue-based coalitions within the Intellectual Property Rights Negotiation Framework. These coalitions are both within developing countries and across the developed and developing world reflecting the rising significance of issue-based coalitions over bloc-based groupings. Prior to the recently held ministerial in July 2008 in Geneva, a coalition of developed and developing countries proposed joint 'draft modalities' on three highly controversial intellectual property issues: a requirement to disclose the origin of any genetic resources involved in an invention in patent applications (disclosure); the extension of stronger protection for geographical indications to all goods (GI extension); and the establishment of a multilateral register for GIs denoting wines and spirits. [72]

- On Disclosure Requirement: This proposition is supported by about 100 developing countries including India, Brazil and China. The European Union (EU) and Switzerland have also been sympathetic to the concept of disclosure, but not necessarily through a TRIPS amendment. [73]
- GI extension issue: As also discussed before, countries such as the EU and Switzerland, along with developing countries such as India, Jamaica, Kenya, Pakistan, Thailand and Turkey, have long pushed for securing this additional protection for products such as Gruyère cheese, Parma ham or Darjeeling tea. The EU and Switzerland have suggested that increased price premiums for GI-protected products could help compensate their farmers for subsidy and tariff cuts resulting from the Doha Round. [74]

As discussed earlier, the successful outcome on Public Health and TRIPS was also a result of constant effort of developing countries led by India, Brazil and South Africa.

India's Trade Strategy: Is India defensive?

66. Has 46 members that include Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Rep. Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe

67. Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Rep. Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe

68. Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia.

69. NAMA 11 Ministerial Communiqué, 29 June 2006, Geneva

70^F. April 2005, TN/MA/W/54

71. Thus far, all issues except for the creation of a multilateral register for GIs have been discussed separately with only the former being a part of the Doha single undertaking. The multilateral register has not been discussed here since it is not so relevant to our discussion and largely has been pushed by EU.

72. Bridges Weekly, WTO News, TRIPS Update, News and Analysis Volume 12; Number 4; August 2008, http://ictsd.net/i/news/bridges/27707/

73. North- South Coalitions Sets out 'Draft Modalities" on TRIPS, Bridges Weekly, 16 July, 2008.

74. *Id*

India's trade strategy[75] is often characterized as "defensive" or distributive.[76] It implies that India has a guarded approach to commitments on lifting trade barriers and that it offers little at the negotiating table. India enjoys the reputation of being intractable and rigid on its position, often resulting in the collapse of the round of negotiations, as in July 2008. The same can be said of its coalitions such as the G-20.

It is interesting to note that while the resistance to increased mandate and scope of multilateral trade under the WTO has always existed amongst these countries, it has become apparent and important only in the recent past. This can be attributed to the fact that the visibility of countries concerned such as Brazil, China, India and South Africa has enhanced on the international platform in the recent past. Significant economic growth and the potential of a huge market base in countries such as India has made negotiating counterparts take notice of the emerging markets and of their opinion. Coalitions too have strengthened over time. Today they are more systematic, organized and informed and thereby more insurmountable and less susceptible to break ups with carrot and stick methods. [77]

We also need to analyse whether or not the strategy can per se be typified as 'defensive' or 'distributive'. To initiate this discussion, it is first important to highlight that 'defensive' or 'offensive' are relative terms in a negotiations set up and are also context specific. Country positions get determined and conciliated based on national interests that in turn are rooted in domestic political-economic factors. [78] Post Doha Ministerial, the negotiations also mandate the inclusion of 'development' concerns within the multilateral trade framework.

India too, like other countries, negotiates with the aim of safeguarding its national interests and/or collective interests- when negotiating in capacity of the leader of the developing countries. At times, national interests dictate a cautious approach to opening up and at other times, a more liberal approach. Likewise, India is not reticent on all of the negotiating issues. For instance, it is on the 'offensive' on the issue of 'extension of geographical indications' where it has been jointly pushing for greater protection along with developed countries. This also reiterates the fact that national interests override ideologies or set patterns[79]. It has also been forthcoming on the liberalization of the services sector which is an important sector and it is willing to make substantial concessions provided they are mutual. While one anticipates a certain amount of give and take at a negotiating table, no concessions get made when costs incurring in making them are beyond the perceived gains deriving out of the offer. Agriculture negotiations is one such instance where countries have been unable to arrive at mutually beneficial formulas on subsidies and market access that is conducive to all interested parties leading to a deadlock on discussions. Besides, India is also not defensive in the sense of rejecting proposals en masse without suggesting alternatives. Over the years, the developing country coalitions have engaged in information sharing and gathering and have been producing alternative proposals representing their interests and possible via media, like the one that G-20 made in response to the Blair Accord at Cancun.

Hence, to recapitulate, India has been

75. Strategy is understood in a loose sense and not necessarily as applicable in game theory etc. It is suggestive of approaches countries adopt to negotiate with counterparts and to lay their cards on the table.

76. Refer to existing literature review on this topic. A. Narlikar, "Peculiar Chauvinism or strategic calculation? Explaining the negotiation strategy of a rising India", International Affairs 82, I(2006) 59-76, The strict distributive strategy is defined as a set of tactics that are functional only for claiming value from others and defending against such claiming, when one party's goals are in conflict with those of others. It comes in both offensive and defensive variants. A strict distributive strategy is one that is not tempered by any integrative tactics, such as an offer to exchange concessions that would make each party better off than before. A mixed strategy includes distributive and integrative tactics in some proportion. – A. Narlikar and J.S.Odell, The Strict Distributive Strategy for a Bargaining Coalition: The Like Minded Group in the World Trade Organization", Prepared for a Conference on Developing Countries and the Trade Negotiation Process, UNCTAD, 1-36, November, 2003, www-rcf.usc.edu/~enn/text/LMG%20061605.doc

77. The leadership India and Brazil plays a contributory role here. A. Narlikar and A. Hurrell, "Negotiating Trade as Emerging Powers", IRIS Working Paper, 2007/023, International Research Institute of Stavanger, January 2007

78. Also reiterated by an Indian negotiator in an interview on December 19, 2008, Geneva, who considered the terms of "defensive" and "offensive" to be semantics and said India's attempt was only seeking to create a level playing field for itself and pursue its interests.

79. Traditionally, there are few instances of developed and developing countries joining hands and negotiating collectively at the WO.

negotiating at the WTO, largely as coalitions, and successfully so until now. This cumulative effort has helped India exercise the desired influence in the negotiations on topics of common interests to all the member countries. The coalitions are observed to have a more guarded approach to liberalization of the sectors that they seek to defend. Having said that, the effectiveness of a strategy of a country, defensive or otherwise, would be determined on the basis of the results it yields at the national level and not on the basis of whether or not it helps in achieving a global outcome. In line with this, India seems to be adopting a policy of unilateral and gradual liberalization deemed to be in its best national interests, with less distress over its perceived global image as a deal breaker etc.

At conclusion, it should also be mentioned that India has also been utilizing other existing mechanisms at the WTO to its advantage and to safeguard its interests. Use of the Dispute Settlement and Anti-dumping mechanisms are two such measures. India has appeared as claimant in 18 cases and respondent in 20 over the past 10 years.[80] As has been pointed out by Mr. Narayan, India has also emerged as a major user of the provisions of anti-dumping safeguards between 1999 and 2002. Over 300 cases were taken up, and dozens of anti-dumping notifications issued, several against imports from China. In 2003, as a conscious decision to liberalise trade further, recourse to anti-dumping measures was reduced.[81]

Determining India's national interests?

As has been mentioned earlier, negotiating positions are ascertained and defended with the ultimate aim of augmenting sovereign pursuits. Domestic interests are place- oriented and mostly determined by the national governments. They encapsulate an array of economic, political and social aspirations, as will be discussed in the forthcoming section. This section will enumerate India's trade interests in the key issues of agriculture, NAMA, services and Intellectual Property Rights through the lens of the WTO negotiations.

80. http://www.wto.org/english/thewto_e/countries_e/india_e.htm

81. S. Narayan, " Trade Making Policy in India", ISAS Insights, 3, 15 May 2005

India's trade policy is imbibed within the broader framework of 'an economic growth that leads to development[82], akin to the mandate of the Doha Development Agenda. This was reiterated in Geneva after the deadlock on agriculture negotiations by Mr. Kamal Nath, India's Minister for Commerce and Industry and chief negotiator, to quote, *"While there would always be commercial interests guiding trade, these interests cannot take primacy over the livelihood interests of billions of poor and vulnerable farmers of the developing world"*.[83]

Agriculture

State of India's Agricultural Sector

India's position at the WTO in the agriculture negotiations emanates from its necessity to safeguard incomes and livelihood of the large number of impoverished farmers. Agriculture is a crucial sector for India, in terms of employment, GDP and food security. It employs around 56.4% of the work force, for whom it is the only source of livelihood[84] and contributes to 20% of the GDP, which has been declining steadily over the years.[85] In terms of international trade, despite being the agrarian economy it is, it remains a marginal player in world trade. Currently, it has a share of less than 1% of the world trade in agriculture. While growth of other sectors in India is on the rise, agriculture growth saw a drop from 3.8% in 2006 to 2.6% in 2007. [86] India is a net importer of food and accounts for 11% of total exports.[87] The declining trends in the agricultural sector can be attributed to continued reliance on monsoons, structural

82. Refer to India's Trade Policy 2004-2009, http://www.eximpolicy.net/main_policy.htm

83. Statement By Mr. Kamal Nath on the outcome of the WTO Mini-Ministerial meet at Geneva, Date : 31 Jul 2008, Location : New Delhi, http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2291

84. *Id.*

85. India Budget, 2007, http://www.headlinesindia.com/budget-india-2008/gdp-and-taxes.html

86. Asian Development Outlook 2008, Asian Development Bank Publication, March 2008, http://www.adb.org/Documents/Books/ADO/2008/IND.asp. See also, India's Trade Policy Review, WTO, 2007, WT/TPR/S/182/Rev.1

87. Supra note 83. Note that Brazil, India's key coalition partner on agriculture is a net exporter.

weaknesses stemming from falling levels of public investment and steady deterioration in public institutions that provide credit, inputs, and research.[88] Agriculture is land and labour intensive and this section of the population lacks skills and is also not covered under any safety nets, which are essential for ensuring a minimal cross-sector labour mobility. All these factors go into adversely affecting food security and equitable distribution of income in rural areas and thereby aggravating poverty.

Hence, the sector is of strategic and economic importance to India. With this backdrop, India has an offensive and defensive position under each of the three 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.

On the Three Pillars

Domestic Subsidy

India does not provide any product specific support to its farmers other than market price support. During the base period (1986-88, AoA, Uruguay Round), India had market price support programmes for 22 products, out of which 19 are included in the list of commitments filed under GATT.[89] Taking both product specific and non-product specific AMS[90] into account, the total AMS during the base period was about (-) 18% of the value of total agricultural output. Hence, with a large and negative total AMS being negative India does not have commitments in reduction of subsidies.[91] India's aggregate AMS is therefore still below the *de minimis* level of 10%, both in product specific subsidies and non-product specific subsidies. India does not have any blue box support either. Therefore, the subsidy reduction formula suggested in the July Framework is unlikely to cause any problems for India. Subsidization of agriculture in India will be constrained more by fiscal compulsions rather than any incipient WTO rules.[92]

At the same time, subsidies being offered in developed countries have deep implications on the agriculture sector in India. Taking the example of rice, during the early 1990s, India removed restrictions on rice exports. Following the removal of export restrictions, India emerged as a major rice exporting country. However, just after the Asian crisis, international price of rice started declining. Low demand from some big importers of rice from Asia and Latin America was one of the reasons behind this decline. On the supply side, India and China's entry as an exporter in the international rice market and domestic policies undertaken by developed countries increased the supply-demand gap. This decline in international prices of rice was accentuated by heavy subsidization of rice farmers in USA. US rice producers were insulated from the price shock and they managed to maintain their high trading volumes. As USA is a major rice exporting country, this resulted in oversupply

88. Supra note 86

89. India's Commitments on Agriculture, Ministry of Commerce and Industry, India http://commerce.nic.in/trade/international_trade_tig_agriculture_wtoaoa.asp. India's notifications on AMS are available from the WTO, (G/AG/N/IND/1), www.wto.org/wto/online/ddf.htm. In particular, refer to WTO document number G/AG/N/IND2 dated 11 June 2002, this document notified India's domestic subsidies for marketing years 1996-97 and 1997-98 and is the latest publicly available document on India's domestic subsidy notification to WTO. The products are: Rice, Wheat, Bajra, Jawar, Maize, Barley, Gram, Groundnut, Rapeseed, Toria, Cotton, Soyabean (yellow), Soyabean (black), Urad, Moong, Tur (Yellow Lentils), Tobacco, Jute, and Sugarcane.

90. Non-product specific subsidy is calculated by taking into account subsidies given for fertilizers, water, seeds, credit and electricity.

91. Supra note 89. The calculations for the marketing year 1995-96 show the product specific AMS figure as (-) 38.47% and non-product specific AMS as 7.52% of the total value of production. Note, however, that during the base year commodity prices were at a high level. However, after 1996-97, there was a decline in commodity prices till about early 2002. Commodity prices dropped to very low levels during the period 1996-2002. Hence, if a change in the base period occurs in the current round of negotiations, that happens to coincide with one of the low commodity-price years, then India's product specific subsidy may turn positive. This possibility exists since the Minimum Support Prices given by the Government of India have been steadily increasing over the years whereas the international commodity prices have gone through a steep decline. In fact, for a few commodities in certain years, India's MSP were higher than international prices. Realistically however, even if there is a base change, it is unlikely to coincide with a low price period, as it will harm the bigger subsidizers of agriculture much more than it will do to India. In the present negotiations there has been no demand to change the base line.

92. Due to fiscal compulsions the Government is forced to cut down on some farm subsidies even when they are WTO compatible such to reduce non-product specific subsidies like water and power subsidies and Green Box subsidies like public investment in agriculture.

of rice in the international market and exacerbated the decline in international rice prices. The sharp drop in rice prices negatively affected all other rice exporting countries. During this period, domestic prices of most efficient rice producers like Thailand, Vietnam and India were above the international price of rice. India's exports of rice started declining from 1998 and it picked up again in 2000 when India started subsidizing freight and marketing costs for rice exporters.[93] Furthermore, a committee looking at the issue of suicide by farmers in Andhra Pradesh has found that the volatility of crop prices has been a major source of income instability and distress for farmers. To a large extent the decline and volatility of international commodity prices has been attributed to the subsidy regime in developed countries.[94] Hence, given the distorting effects of subsidies on prices of agricultural goods and its trickling down effect, India has a strong offensive interest in doing away with subsidies.

Market Access

India is one of the most protected markets for agricultural products in the developing world, and ranks among the world's top five countries with highest agriculture tariffs.[95] Since inception, India had maintained a two-pronged strategy of protection from imports. The first mechanism was the imposition of quantitative restrictions on imports of most products.[96] Since this was for reasons of balance of payment measures, it was deemed to be GATT consistent and India did not have to undertake any commitments on market access.[97] In addition to the quantitative restrictions, India had maintained high-tariffs in the form of three types of import duties: basic customs, auxiliary and additional duty. The basic customs duty was as high as 200 percent, while the auxiliary duty ranged between 40 and 50 percent. The list of products with quantitative restrictions has significantly overlapped with that of products facing high tariffs. The commitment that India has undertaken is to bind tariff rates for commodities, which were not bound in earlier negotiations. The ceiling is set at 100, 150 and 300 percent for commodities, processed products and edible oils, respectively.[98] For those commodities with bound rates from earlier negotiations, pre-1994 tariff levels are retained. For other agricultural products including skimmed milk powder, maize, rice, spelt wheat, millets etc. which had been bound at zero or at low bound rates, negotiations under GATT[99] have successfully concluded in December, 1999, and the bound rates have been raised substantially.

Although barriers to imports have been progressively declining, import licences continue to remain used and tariffs remain high and get adjusted time and again.[100] The guarded approach to the liberalisation of India's agricultural sector can be explained on the grounds of the abysmal situation of agriculture and farmers in India as had been discussed above. Food sufficiency and stable prices to consumers are other concerning factors.[101] Hence, the decision to open up (or not) is not driven by commercial interests as in the other sectors; but rests on the need to protect the source of livelihood of millions of farmers, who would be prejudiced by the large inflow of cheaper imports into the country[102], if market access is to be granted. Where market access is concerned, SDT for developing countries takes the helm for India since measures such as SSMs and SPs further assist in protecting the farmers from import surges and/or drop in domestic prices. To quote Mr. Kamal Nath, *"for billions of people agriculture is subsistence, not commerce"*. He emphatically stated that India was willing to negotiate commerce but not subsistence.[103]

93. P. Pal, "Current WTO negotiations on domestic subsidies in agriculture: implications for India", December 2005, Indian Council for Research on International Economic Relations, Working Paper No. 177, 2005, http://www.icrier.org/pdf/WP%20177.pdf

94. Id. This proposition is however controversial and challenged by others.

95. Iceland, Norway, Switzerland and South Korea are the first four.

96. Nearly 96 percent of tariff lines faced quantitative restrictions in India prior to 1990.

97. India's Commitments on Agriculture, Ministry of Commerce and Industry, India http://commerce.nic.in/trade/international_trade_tig_agriculture_wtoaoa.asp

98. *Id.*

99. Article XXVIII. Supra note 97. See also India's Trade Policy Review, WTO, 2007, WT/TPR/S/182/Rev.1

100. India's Trade Policy Review, WTO, 2007, WT/TPR/S/182/Rev.1

101. *Id.*

102. Owing to subsidies granted in developed countries.

103. As mentioned by Indian Negotiator in Geneva, 19th December 2008. See also a Conversation with Kamal Nath, Indian Minister of Commerce and Industry, Sherman Katz Thursday, June 22, 2006, http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=894

While a fall in price could potentially benefit consumers, the benefits to them would not be significant enough to overcome the costs incurring to the farmers from such a drop in the prices.[104] With respect to expected obligations from developed countries, India would like the removal of non-tariff barriers by developed countries since they have the potential to affect exports from India abroad.[105]

Export Subsidies

In India, exporters of agricultural commodities do not get any direct subsidy. The only subsidies available to them are in the form of (a) exemption of export profit from income tax[106] (b) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. As is indicated in India's schedule of WTO commitments, India reserves the right to take recourse to subsidies (such as, cash compensatory support) during the implementation period.[107] Hence, export subsidies at the moment are not helping Indian farmers. However, export subsidies granted in developed countries, especially on specific products such as cotton and sugar affect export and domestic markets and hence India would like to see these subsidies being eliminated. [108]

Domestic Agricultural Policy

In terms of domestic policy making on agriculture, the Central Ministry of Agriculture is at the helm of decision making. However, under the Indian Constitution, agriculture as an issue is within the purview of individual states. In 2007, the Farmers Policy was promulgated with a broader focus than agriculture, aiming at assessing agricultural progress in terms of improvement in the income of farm families- not only to meet their consumption requirements but also to enhance their capacity to invest in farm related activities.[109] In terms of agricultural markets and trade and prices, the policy calls for effective implementation of the Minimum Support Price, enlarging the food security basket and developing a single national market by relaxing internal restrictions[110]. It reiterates that the trade policies in agriculture would aim at protecting the livelihood of farmer families and fostering their economic well-being. It is interesting to note that the preceding Agricultural Policy of 2000 was not very successful in achieving its targets.[111]

Interests in NAMA

At the outset, it is important to stress that there are two key reasons supporting the relatively higher tariffs in the developing countries. First, tariffs act as a protective shield for the domestic industries against import competition, thereby facilitating development of these industries ('the infant industry argument for protection'). Second, tariff acts as a means of collecting government revenue.[112] Similarly in India, according to the World Bank, in 2005, tariff revenue's contribution to tax revenue in India was 18.5 percent to total revenue. [113]

India's desired Outcome

While on the decline, India is still confronted with tariff and non tariff barriers in markets of developed countries. Tariff barriers exist in the form of tariff peaks and tariff escalation

104. For a detailed study on impact of agriculture liberalisation on India, refer to "India and the Doha Work Programme: Opportunities and Challenges" (Delhi: Macmillan, Veena Jha ed., 2006)

105. India may stand to gain in exports of selected commodities such as sugar, cotton and tropical products, and possibly rice and wheat.

106. This too is also not one of the listed subsidies as the entire income from Agriculture is exempt from Income Tax per se. Under section 80-HHC of the Income Tax Act

107. Supra note 89.

108. P. Kumar, India's Interests in the Doha Round of Negotiation on "Agriculture", Briefing Paper, CUTS 2007, http://www.cuts-citee.org/pdf/BP07-WTO-2.pdf

109. India's Farm Policy 2007, http://agricoop.nic.in/NPF/npff2007.pdf

110. All controls and regulations hindering increase in farmers' income will be reviewed and abolished.

111. It aimed to achieve annual growth of more than 4 per cent in the agriculture sector on a sustainable basis, through the efficient use of natural resources and combination of other measures. However, the annual growth rate achieved during the Tenth Five Year Plan (2002–03 to 2006–07) averaged around 2.3 per cent. On the other hand the non-farm sector has grown faster. Reference: Farmers Policy

112. It is for the same reasons that the developed countries of today had maintained high tariff walls during their earlier phases of industrialisation and development as has been stated with evidence in the briefing paper by Oxfam, "Stitched Up: How Rich Country Protectionism in Textiles and Clothing Trade Prevents Poverty Alleviation", 2004, Oxfam Briefing Paper, 60 http://www.oxfam.org.uk/resources/policy/trade/downloads/bp60_textiles.pdf

113. P.Ranjan, "NAMA Tariff Negotiations: What are South Asia's Best Options", Working Paper, Centre for Trade and Development, India, 2007 http://www.centad.org/download/wp3_NAMA.pdf

that discourage the growth of the processing industry in developing countries and in LDCs. It does not allow the countries to graduate from exporting raw materials to processed and finished goods and hence developing countries seek to have such measures withdrawn.[114] For instance, the European Commission imposes sector wise tariffs of less than 4 percent on Indian yarns, but this tariff rate escalates to 12 percent if the yarn is woven into garments. [115] This has a big impact on India since textiles and apparel industry account for 35 percent of total national export earnings. [116] In 2003, 'textiles and clothing', 'leather and leather goods' and 'gems and jewellery' constituted over 50 percent of India's exports to EC. These sectors are also intensively employment driven, for instance, textiles and apparel industry provides employment to 38 million people, and is the largest employer after agriculture. [117] Further, if MFN tariff rates on these sectors in developed countries come down drastically or get eliminated, it could give a big boost to Indian and South Asian exports in general and hence serve their development needs by providing better market access and augmenting employment. [118]

Over years, non-tariff barriers (NTB) to trade are emerging as the biggest mechanisms to regulate trade flows and hence remain a concern for India. India therefore has an interest in the elimination of non tariff barriers. Apart from sanitary and phyto-sanitary (SPS) requirements, other NTBs include standards such as testing, destruction of allegedly contaminated or damaged consignments and other more innovative forms of NTBs.[119] Other mechanisms include those such as the Generalised System of Preferences systems that discriminate between countries, and which are not always based on fair criteria, for example, the proposed EU GSP provisions relating to textile and clothing.[120]

In terms of India's commitments in the NAMA negotiations, it seeks to resist reduction in its tariffs at an artificial pace under pressure from developed countries. Further, as mentioned earlier, tariffs help protect domestic industries and to obtain revenues. Hence India wishes to retain policy space (for instance as a difference between bound and applied) in determining the tariff lines to change as per the demands. For instance, in India, 60.1 percent of the total tariff lines have bound tariff rates of more than 15 percent. This flexibility is important to pursue various developmental goals including employment. [121] Thus, it cannot

114. The adverse effects of such tariff barriers have been recognised in the Doha Declaration and hence it calls for reduction of tariff peaks, high tariffs and tariff escalation on products of export interest to developing countries- para 16 of the Doha Mandate.

115. "Stitched Up: How Rich Country Protectionism in Textiles and Clothing Trade Prevents Poverty Alleviation", 2004, Oxfam Briefing Paper, 60 http://www.oxfam.org.uk/resources/policy/trade/downloads/bp60_textiles.pdf

116. Other sectors include footwear, leather goods, etc. GOI-UNCTAD-DFID Project "Strategies and Preparedness for Trade and Globalisation in India", Stakeholders Speak on India's Negotiating Options at WTO, 2006

117. "Supra note 115

118. Supra note 113. See also, P. Ranjan, " Tariff Negotiations in NAMA and South Asia: July Agreement and Beyond", Working Paper, Centre for Trade and Development, India, 2005
http://www.centad.org/download/wp3_NAMA.pdf. For example, the bound tariff rate for textiles and clothing in US is 8.6 percent, which is much higher than the simple average of MFN bound tariff rates for all non-agricultural products of 3.2 percent. Similarly for EC, the simple average of the MFN bound tariff rates for non-agricultural products is 3.9 percent. However, the bound tariff rates of both 'textiles and clothing' and 'fish and fish products' are almost two to three times higher than the simple average.(refer to the WTO website on statistics). Some however argue that it is too simplistic to suggest that mere reduction or elimination of tariff rates in the identified sectors will give a boost to exports from South Asia as these exports continue to face many non tariff barriers such as anti dumping measures, rules of origin, standards etc. While this is true, high tariff rates are certainly one of the factors that restrict the growth of exports from South Asia. If these high tariffs rates are substantially brought down or are eliminated it will certainly have a beneficial impact on South Asian exports,

119. For instance, In US Ports, for example, the Customs authorities demand that Indian shrimp exporters provide Bank guarantees against the possible imposition of anti-dumping duties. This is deemed to be unreasonable and a mechanism to reduce imports rather than ensure certain standards. This added cost of providing a Bank guarantee to the exporter is in addition to the possibility of an anti-dumping duty, thus making the product more expensive. Other measures include issues of labelling and registration as well as barriers imposed in the guise of environmental management system and social accountability. NTBs are being imposed not only by government, but even by importing firms. Source: "Kamal Nath calls for removal of non-trade barriers to trade", National Conference on NTBs, Press Release, Ministry of Commerce and Industry, India, July 2005, http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1384

120. Generalized System of Preferences — programmes by developed countries granting preferential tariffs to imports from developing countries: GOI-UNCTAD-DFID Project "Strategies and Preparedness for Trade and Globalisation in India", Stakeholders Speak on India's Negotiating Options at WTO, 2006, at 9

121. P. Ranjan, "Industrial Tariffs and South Asia: Interpreting for Development", Centre for Trade and Development, India, 2006, http://

accept reduction rates of tariffs at any pace as dictated by the developed world. [122]

India's in the Services Sector Negotiations

While India has been largely focussing on its agriculture and industrial policies thus far, the service sector has been emerging as a priority sector in the Indian economy over the last decade. Contributions are significant in terms of contribution to the GDP, employment generation and generating export revenues, thereby contributing to the overall development of the economy.[123] In terms of international trade, India has emerged as one of the leading exporters of commercial services in the world. Service exports have been growing at a rate two-and half times faster than the services sector catering to the domestic market.[124] Key contributors in the services sector have been trade, hotel, transport, and communications. The financing, insurance, real estate, and business services subsector have remained healthy despite a decline in growth.[125] Indian citizens have also greatly benefitted from the growth of the sector in terms of better access to services such as telecommunications where reforms and regulations have enabled consumers in India to benefit from better quality and low call and broadband rates.

India's desired Outcome

India's interests as a demander in the services negotiations are mostly focused towards the EU, Switzerland etc who have not as yet enlarged the commitments in terms of sectoral coverage contained in GATS. As an emerging global power in IT and business services, India is keen on having more liberal commitments on the part of its trading partners for cross-border supply of services, including the movement of 'natural persons' (human beings) to developed countries (Mode 4) for the supply of services. India also has an interest in the opening up of the services under Mode 2, which requires consumption of services abroad and Mode 1, cross border supply(of information technology, business process outsourcing). India would also like to see requirements such as economic needs test, portability of health insurance and other such barriers in services removed. As far as delivery of services through commercial presence (Mode 3) is concerned, there is an increasing trend of Indian companies acquiring assets and opening businesses in foreign markets in sectors such as pharmaceuticals, IT, non-conventional energy, etc. This is further evidenced by the increase in Outward Foreign Direct Investment (OFDI) from $ 2.4 billion in 2004-05 to $ 6 billion in 2005-06. India may, therefore, have some interest in seeking liberalisation in Mode 3, although it will seek to strike a balance with domestic sensitivities in financial services.[126]

In sharp contrast to India's interests, EU and the US are keen on Mode 3, which requires the establishment of a commercial presence in developing countries. Accordingly, requests for more liberal policies on foreign direct investment in sectors like insurance, legal services etc have been received by India, although in terms of reciprocity, they have not been very receptive on India's demands under Mode 4.[127] Lack of movement in Mode 4 due to opposition by the US and the EU may therefore affect India's ability to offer much in other modes of services.

Intellectual Property Negotiations

India has demands on each of the issues under the IPR negotiations. It is a member of the Convention on Biological Diversity and has an

www.centad.org/download/WP-FINAL%2024-07-06.pdf

122. Kamal Nath Calls for policy space in WTO negotiations issue of tariff cuts from bound levels non-negotiable stakeholder consultations on NAMA, Press Release, Ministry of Commerce and Industry, India, June 2005, New Delhi, http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1444

123. In India, the service sector contributed approximately 68.6 per cent of the overall average real GDP growth (Service Value Added) in the past five years between 2002-03 and 2006-07; in 2006-07, growing at 11.2 per cent year on year, services (including construction) constituted 61.5 per cent of Indian GDP. Asian Development Outlook 2008, Asian Development Bank Publication, March 2008, http://www.adb.org/Documents/Books/ADO/2008/default.asp

124. Sustaining India's Services Revolution, Washington, D.C., World Bank (2004),

125. Asian Development Outlook 2008, Asian Development Bank Publication, March 2008, http://www.adb.org/Documents/Books/ADO/2008/default.asp

126. India's State of Play on Services Negotiations, Ministry of Commerce and Industry, India, http://commerce.nic.in/trade/international_trade_tis_gaitis.asp

127. C. Mukherjee, "India's Interests in the Doha Round of Negotiation on Services", 4/2007, Briefing Paper, CUTS International, 2007, http://www.cuts-citee.org/pdf/BP07-WTO-4.pdf See also, "GATS Negotiations and India: Evolution and State of Play",7, Working Paper, Centre for Trade and Development, India, 2007

Table 5. Commodity Composition of Exports

	Commodity Group	Share (per cent)					CAGR	Growth rate (per cent)*			
					April-September		2000-01 to 2004-05			April-Sep.	
		2000-01	2005-06	2006-07	2006-07	2007-08		2005-06	2006-07	2006-07	2007-08
I.	Primary products	16.0	15.4	15.1	13.5	13.4	16.9	18.9	19.8	18.5	16.7
	Agriculture & allied	14.0	10.2	10.3	9.5	9.3	9.0	19.8	23.5	24.7	15.1
	Ores & minerals	2.0	5.2	4.8	4.0	4.1	49.9	17.4	12.6	6.0	20.6
II.	Manufactured goods	78.8	72.0	68.6	68.4	67.4	15.3	19.6	16.9	18.1	15.9
	Textile incl. RMG	23.6	14.5	12.5	12.9	11.1	4.3	20.4	5.7	33.5	1.2
	Gems & jewellery	16.6	15.1	12.6	12.7	13.0	16.8	12.8	2.9	-0.6	20.4
	Engineering goods	15.7	20.7	23.3	22.8	23.5	25.4	23.4	38.1	48.1	21.2
	Chemical & related products	10.4	11.6	11.2	11.1	10.4	21.7	17.3	19.1	28.4	10.2
	Leather	4.4	2.6	2.4	2.4	2.3	5.5	11.1	12.1	7.7	12.7
	Manufactured handicrafts (incl. handmade carpets)	2.8	1.2	1.1	1.1	0.8	-5.3	30.3	4.1	5.2	-14.5
III.	Petroleum, crude & products (incl. coal)	4.3	11.5	15.0	16.5	17.9	38.7	66.2	59.3	106.2	27.6
	Total exports	100.0	100.0	100.0	100.0	100.0	17.0	23.4	22.6	27.3	17.6

Source : DGCI&S and own calculation

Table 6. Commodity Composition of Imports

	Commodity Group	Share (per cent)					CAGR	Growth rate (per cent)*			
					April-September		2000-01 to 2004-05			April-September	
		2000-01	2005-06	2006-07	2006-07	2007-08		2005-06	2006-07	2006-07	2007-08
	Food & allied products	3.3	2.5	2.9	2.3	2.2	24.3	-4.7	42.4	-5.8	26.6
1.	Cereals	0.0	0.0	0.7	0.1	0.1	16.1	36.8	3 589.6	8 03.8	-55.5
2.	Pulses	0.2	0.4	0.5	0.3	0.5	38.0	41.3	53.8	9.6	92.8
3.	Edible Oils	2.6	1.4	1.1	1.2	1.2	17.2	-17.9	4.2	-11.8	32.9
	Fuel (of which)	33.5	32.1	33.2	36.3	33.6	18.5	44.8	29.0	39.8	18.0
4.	POL	31.3	29.5	30.8	33.8	31.0	17.5	47.3	30.0	41.2	16.9
	Fertilizers	1.3	1.3	1.6	1.7	1.9	17.2	59.4	52.4	54.4	48.2
	Capital goods (of which)	10.5	15.8	15.4	13.1	13.2	28.9	62.5	21.8	44.3	28.3
5.	Machinery (except electrical & machine tools)	5.9	7.4	7.5	8.1	8.2	26.2	49.0	24.9	39.5	28.3
6.	Electrical machinery	1.0	1.0	1.1	1.1	1.1	25.6	25.9	30.3	37.9	28.6
7.	Transport equipment	1.4	5.9	5.1	2.1	2.5	57.7	104.2	6.8	55.7	51.2
	Others (of which)	46.3	43.7	43.8	37.8	40.4	23.5	21.1	24.6	-2.8	36.4
8.	Chemicals	5.9	5.7	5.2	5.6	5.2	23.6	23.2	14.1	13.2	19.8
9.	Pearls, precious & semi precious stones	9.6	6.1	4.0	4.1	4.2	18.3	-3.1	-18.0	-32.8	30.6
10.	Gold & silver	9.3	7.6	7.9	7.7	10.3	24.5	1.5	29.4	-3.1	71.0
11.	Electronic goods	7.0	8.9	8.6	9.0	8.9	29.9	32.5	20.6	34.0	26.2
	Grand total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**22.2**	**33.8**	**24.5**	**23.5**	**27.7**

Source : calculatred on the basis of data from DGCI&S, Kolkata growth rate in US dollars

interest in safeguarding its rich biodiversity and associated traditional knowledge. [128] To enable access to genetic resources and sharing of accrued benefits with parties concerned, India has a provision for disclosure requirement in its Patent Act, 1970 and seeks the inclusion of a similar provision in the TRIPS as has been already discussed. With respect to extension of GI protection to products that are not wine and spirits as well, India has a variety of products that need to be protected including Pashmeena Shawls, Darjeeling Tea, Mysore Silk. These GI's are important economically as also socially in safeguarding the traditional knowledge associated with it and the livelihoods of people who depend on it for a living.[129]

The following tables list out India's commodity wise major exports and imports (Source: Indian Economic Survey 2007-2008).

128. The Convention on Biological Diversity that aims to facilitate access to genetic resources, ensuring sustainable use of biological resources, and ensuring equitable sharing of benefits with local and indigenous communities. India is one of the twelve mega biodiverse countries of the world and is in possessions of equally rich treasure of traditional and indigenous knowledge, both coded as well as informal. Refer to the National Biodiversity Authority, India, http://www.nbaindia.org/introduction.htm

129. For different GIs in India, refer to: Geographical Indications Registry, India, http://ipindia.nic.in/girindia/

Determinants of trade policy in India

We have thus far examined India's position at the WTO and the underlying interests. It is now pertinent to understand the underlying factors that shape and influence India's policies and positions. In this section, an effort is made to unearth the different components of trade policy making process in India. Questions addressed in the section include: Who takes the decision on trade policy and how do they get taken? What factors influence the choices made?

As observed, trade policy making in India cannot be attributed to any single factor and a number of factors contribute to the process. Hence, India cannot be studied as a case in point of any exclusive approach and/or model of political economy of trade.[130] Some of the determinants examined include: role of actors/ pressure groups representing varied interests; political dynamics; agenda setting; image building; as a source of generating additional revenues and/or to protect national industries; foreign policy of the country.[131] While these are the key factors and have been arrived at on talking to negotiators and policy makers in India[132]and through literature review as quoted hereinafter, the list is not exhaustive and other implicit and inconspicuous factors could also exist, that could contribute to the formulation of trade policy in India.

Before moving on to examine the factors shaping trade policy in India, two factors that are inherent to the Indian polity and shape trade policy making in India have been discussed.

Institutional Set Up and Coherence

Institutional setup in a country plays an important role in policy making. In India, international trade policy making, both multilateral and bilateral, falls under the jurisdiction of the Ministry of Commerce and Industry in India.[133] It is responsible for everything related to facilitation and growth of trade, including at state level, especially with respect to interaction with partners, promoting exports and developing and regulating industries and products destined for export.

At WTO, the negotiations cover a wide range of trade topics such as agriculture, services, industry, intellectual property, investment etc. Hence, it becomes important for the Ministry of Commerce to ensure coherence with policies of other ministries such as the Ministry of Finance, External Affairs Ministry and the Ministry of Agriculture that are associated with the different topics. . The delegation in Geneva representing India at the WTO is appointment by the Ministry of Commerce (appointees of the Indian Administrative Services as opposed to Indian Foreign Services). It is therefore important to ensure that they are all oriented in the same directions and interests and targets are commonly shared. The coherence and interaction amongst the different Ministries was lacking earlier, however has been gradually improving over time. Today, ministries meet often and exchange views on India's interests and position at the WTO, yet there is great scope for improvement for collaboration with Ministries across sectors and between state and national level. [134] There are numerous intersectoral issues and failure to understand the linkages can lead to wrong policies or can lead to delays in pushing through the appropriate policies.[135] A number of independent advisory bodies such as the Board of Trade and the Export Promotion Board have also been instituted to ensure that functions of the Ministry of Commerce and Industry are carried out

130. For instance the Grossman and Helpman Model which emphasis on the role of interest groups in influence policy making. More general hypotheses of political economy of trade such as role of politicians, ideology reflection hypothesis and also including role of actors have therefore been analysed in India's context.

131. Kishore Gawande and Pravin Krishna, "The Political Economy of Trade Policy: Emperical Approaches", Published in Handbook of International Trade, James Harrigan and E. Kwan Choi (eds.). Basil Blackwell, 213-250, 2003 and Razeen Sally, "Globalisation and the Political Economy of Trade Liberalisation in the BRIICS", OECD, 2007, http://www.oecd.org/dataoecd/48/27/40388361.pdf. Both the papers give different theoretical conjectures on determinants of trade policy.

132. Interviews with negotiators, NGO and academic experts in Geneva and in India

133. Note that inter-state trade within India falls under List I, which is the Union list, thus conferring jurisdiction on the Central Government- Article 42. Trade within a state is in the jurisdiction of the State-List II, State List- Article 26. Trade and Commerce related to products such as raw cotton, raw jute, cattle fodder and foodstuffs, where control of the industry is declared by the Union and Parliament to be expedient in public interest, such products fall under the concurrent list- List III, Article 33

134. Interview As stated in an interview with negotiators in Geneva, 19 December, 2008

135. As stated by Ms. Rupa Chanda, Professor, IIM Bangalore, in an interview(via e-mail).

smoothly and efficiently.[136]Ultimately, interests and negotiation strategies are answerable to the parliament.

Another facet of this problem is the congruence between the capital and the delegation in Geneva. While earlier negotiations were exclusively conducted by the delegation, things are different today and the influence of the capital is rising.[137] As will be subsequently discussed, stakeholder participation has been increasing in the recent past. Earlier however, "Geneva-based negotiators, drawn usually from the Ministry of Commerce and Industry, enjoyed considerable autonomy from the capital even"[138] and had the ultimate say in the negotiations.

Federal Polity in India

As we know, India is a federal polity and this also gives rise to intricacies with respect to policy making. Jurisdiction over issues under the Indian Constitution is divided into three lists, with international trade and agreements under the Union List, agriculture under the state list etc.[139] As discussed, at the WTO negotiations, the Commerce Ministry negotiates on all of the issues on behalf of India, including agriculture, which at the national level is under the jurisdiction of the state governments. Any outcome at the international level on agriculture would therefore have to be enforced by them. [140] This therefore calls for close cooperation between the Centre and State and the inclusion of the State institutions in the policymaking on agricultural sector, which may not always be the case. While the Government now organises state level discussion with respect to international negotiations, there is room for progress on the exchange of information and deliberation.[141] Further, states are also most of the times not well informed on the developments at the international level, to give an informed opinion on issues. As has been pointed out, the quality of governance and the understanding of trade issues are very poor in the state ministries.[142] This poses a challenge to effective policy making and implementation.

Unilateral liberalization

While discussing trade policy in India, it is important to note that India has adopted the path of unilateral liberalisation.[143] When India ventured on the path of liberalisation in 1991, it was only slightly influenced by the Washington Consensus or any international agenda. The approach was to gradually open its market (to both private and foreign entities), in a phased out manner.[144] This approach provides a limited explanation to India's perceived 'defensive' stance at international negotiations. Trade policy in terms of scope and extent of sector to be opened, is primarily driven by an assessment of preparedness of a sector for liberalisation and at the same time, its impact on the development of the Indian society.[145] Liberalisation in NAMA sectors in India is an illustration of unilateral liberalisation dictated by the industry in India[146] Agriculture is an example of a sector that is protected owing to its impact on the society, notwithstanding international pressures.

136. Such institutions are comprised of high level dignitaries such as the Reserve Bank Governor, the Secretaries of the Ministries of Commerce, Industry, Finance and Textiles, the Cabinet Secretary of the Prime Minister's Office and the chairpersons of various industrial and commercial associations

137. A. Narlikar, "Peculiar Chauvinism or strategic calculation? Explaining the negotiation strategy of a rising India", International Affairs 82, I(2006) 59-76, at 12

138. Ibid at 69

139. There is also the third list, concurrent list where both the state and centre have jurisdiction on issues such as education. Under the Indian Constitution, List I of Annexe Seven is called the Union List, State legislative bodies legislate on issues figuring in List II called the State List and the Union Parliament and State Legislatures can both legislate on issues appearing in List III called the Concurrent List.

140. J. Chaisse, "Ensuring the Conformity of Domestic Law with World Trade Organisation Law: India as a case study, C S H Occasional Paper, No. 13,2005 http://works.bepress.com/cgi/viewcontent.cgi?article=1001&context=julien_chaisse

141. Negotiators in Geneva conceded that there was lack of coordination between the state and central level. However attempts are being made to improve the situation, including creation of institutional mechanism for regular dialogue and policy coordination between the centre and states. One such example is the setting up of the Inter-State Council (ISC) in 2005. It is a recommendatory body with a mandate to investigate and discuss any subject of common interest to the Union, and states to make recommendations thereof.

142. Supra note 135

143. Unilateral liberalisation implies an absence of reciprocity in commitments.

144. R. Sally, "Globalisation and the Political Economy of Trade Liberalisation in the BRIICS", 2007, at 35http://www.oecd.org/dataoecd/48/27/40388361.pdf

145. As stated in the Foreign Trade Policy and as also stated in an interview with negotiators in Geneva, 19 December, 2008

146. Id

Role of Actors

There are diverging views on the role of actors in trade policy making in India. While some of the opinion that interest groups in India are thriving and are diverse[147], there are others who believe that lobbies or non-state actors have a very limited role in trade policy making in India. [148]

On analysing the state of affairs, it appears that the participation of non-state actor in policy making is on the rise in India.[149] Industry lobbies such as the Automobile and Auto Components Industry are now playing a big role in NAMA negotiations. Representations are made through organisations such as the Federation of Indian Chambers of Commerce and Industry (FICCI) and also the Confederation of Indian Industry (CII) that work as a liaison. CII supports limited liberalising trade under DDA and urges negotiators to complete the round at the earliest. They also call on the developed countries to provide market access to developing countries and to retain flexibilities for developing countries. FICCI has also been gradually aligning itself away from protectionism although remaining guarded in the manufacturing sector.[150]Another successful example is that of India's stellar IT firms, notably in software and business-process outsourcing, are very open-economy oriented and are represented by The National Association of Software and Services Companies NASSOM[151]. They operate in a far less regulated policy environment compared with other sectors and are more integrated in the international economy with fast-expanding exports and foreign investments. Some other industries would like trade to be more open or vice versa.[152] Big agriculture lobbies include those of rice and tea producers, horticulture, poultry and sea food lobby. These are of the richer and commercially viable sectors in agriculture are hence such groups are not representative of all the farmers in India. The Government has to constantly aim to strike a balance between interests of this population and that of the other farming groups that are not organised and rely on the Government for safeguarding their interests. [153]

This reflects the increasing presence of various actors on the policy platform. However, some argue that these business groups are not too dynamic and often align themselves to the Government's line of action and seek to draw utmost benefit from the state led liberalisation process. As pointed out, rarely would an interest group object to a policy direction of the government even though it may not be in their best interest.[154] There are other sectors where stakeholders are just less organised.[155] The presence and absence of a representative body for a sector also affects trade policy outcomes and to what extent they are able to communicate their interests to policy makers plays a role. For instance, if players in a specific sector are widely distributed within the country, grouping becomes that much more difficult.[156] Academics, experts (independent or from NGO's) and law firms frequently get consulted in determining technicalities and reforms.[157]

Political System and Vote Banks[158]

In a multiparty democracy such as India, political maneuvering plays a big role in policy making and reform. Domestic priorities and agendas are determined by politicians, who aspire to remain in power, and hence make

147. Supra note 144.According to Razeen Sally, there is more consultation with business and more technical support (such as cost-benefit analyses of negotiating proposals) from think-tanks and the like today. See also, P. Draper and R. Sally, "Developing Country Coalitions in Multilateral Trading Systems" at 20

148. Supra note 137. Amrita Narlikar says that although from the past, the role of lobbies, especially industrial lobbies such as CII and NASSCOM has increased and are more effective today than in the past, compared to that in the industrial countries, it is still limited.

149. Reflected in interviews with negotiators, academics and business associations in India.

150. Supra note 144, at 23

151. Supra note 144. See also NASSCOM website at http://www.nasscom.org/

152. For instance auto component industry in India would want a deal to come through in India. Legal sector is lobbying against opening up of the sector.

153. Supra note 134

154. Supra note 135

155. A. Narlikar and A. Hurrell, "Negotiating Trade as Emerging Powers", IRIS Working Paper, 2007/023, International Research Institute of Stavanger, January 2007, at 17

156. Supra note 135

157. Supra note 134. Some academic experts include Professor Rupa Chanda, Mr. Biswajit Dhar; NGO's such as the Consumer Unit and Trust Society (CUTS), Research and Information System for Developing Countries (RIS) etc and Law firms such as Amarchand Mangaldas, Economic Law Practice also frequently assist the Government in framing positions at the WTO.

158. The term 'vote bank politics' has been coined in India and defines the the practice of creating and maintaining votebanks through divisive policies. A vote bank is a group of loyal voters.

policies that favour their vote banks. Taking the example of agriculture, rural India is the largest voting community and hence no government would undertake reforms in a way to adversely affect the agricultural situation.[159] The issue is strategic from a development and political perspective. This also provides explanation as to why agriculture is such a sensitive issue for India at the negotiations.

Image building

It is contended that India's national history and at the WTO has imbibed a sense of caution in the minds of its policy makers, towards the multilateral trading system vis-a-vis safeguarding national interests.[160] As has been discussed, during and immediately after the Uruguay round, the developed countries were resilient to demands of India and Brazil etc and developing countries were marginalised.[161] Hence, today with emergence as an economic power and key player at the WTO, there is an effort to build an image of being a tough negotiating partner. This is said to manifest itself as a 'defensive' position at the negotiations. The perception of the WTO, as one favouring and largely governed by developed countries further exacerbates the situation.[162]

Role of Foreign Policy

When discussing trade policy making in the international context, it is pertinent to examine the role of a nation's foreign policy since it governs overall international policies in different spheres including military, social and economic. As is understood, a foreign policy establishes rules for interaction with other countries and sets the tone for strategies to be adopted. In the Indian context, there exists no singular foreign policy covering different spheres,[163] although it can be said that in terms of strategy, India is observed to have a guarded (defensive) approach at large across spheres.[164] Foreign policy is within the mandate of the Ministry of external affairs, whereas trade policy is the job of the Ministry of Commerce and the two work independent of each other. Further, with respect to relations vis-a-vis other countries, India's biggest trade partners are still the developed regions of the world, EU and US. India has also signed a historic nuclear deal with the United States and with France from EU. However, at the WTO, India strongly opposes these countries resulting in failure to reach any consensus. Hence, there is no alignment between relations with individual countries at the domestic and at the multilateral level.

These are some of the factors that go into trade policy making in India. A combination of all of these factors drives India's trade policy making including the pace, nature and extent of reforms. It is also interesting to also observe the interplay between these factors. As has been pointed out, in the recent past in India, actors have emerging as important players in policy making, yet often politicians determine whose voice gets heard.[165] At other times, it works in the other direction. Politicians are more in control of and are more informed on the general direction of trade policy. This decision in turn depends on the actors involved, which in turn also depends on the market structure, regulatory environment, etc. Therefore, within specific sectors, trade policies may get shaped by interest groups that may supersede the general direction aimed at by politicians.[166]

In the past, ideology has greatly influence policy making, for instance, in the early years after independence when international trade was

159. Supra note 134

160. National history of being colonised and at the international level, owing to the fact that they were ignored at the Uruguay round and had to be agenda takers than setters. Supra note 137, at 14. Amrita Narlikar states that "India's willingness to bear the costs of using a distributive strategy is perhaps best captured in a statement by one interviewee: 'It is easier for our minister to come back home empty-handed as a wounded hero, rather than to come back with something after having had to make a compromise.' Other interviewees spoke about the 'very strong colonial mindset', which keeps popular Indian ideals closely tied to Nehruvian ideas of self-sufficiency and anti-imperialism. This attitude prevails across issue areas and international regimes.

161. ,J.Sen, " Trade Policy Making in India, the reality below the water line", CUTS, 2004 at 9

162. Ibid, 15

163. Supra note 137, at 69

164. For instance on agriculture, nuclear non-proliferation, climate change etc. Refer to: A. Narlikar and D. Tussie, "The G20 at the Cancun Ministerial; Developing Countries and Their evolving Coalitions in the WTO", Blackwell Publishing, 2004.

165. This was also highlighted at the 12th meeting of the EU-India Stakeholder Round table in Paris, France in July 2008, where the general perception was that India engaged in discussions with only a few pre-selected interest groups in discussions such as the Round Table.

166. Supra note 135

not considered an engine for economic growth[167] and the aim was self sufficiency and import substitution. Subsequently, post 1991 India has been aligning itself as a market oriented economy, largely driven by internal demand and supply (a big country approach) and at the same time gradually increasing its dependence on the international economy. Further, there is also the disposition within negotiators that most developed countries have followed India's trajectory in the past to establish their position today and hence it is not unusual for India to be adopting similar path today. An argument is made that even today; developed countries are as sensitive on issues of their national interests as in the case of India.[168]
To conclude it would be interesting to note that there are different parameters set for negotiations on different issues, for instance on agriculture as opposed to services for and therefore approaches cannot be replicated across sectors. Agriculture is not a "trading" commodity as such and is looked upon more from a livelihood and food security perspective. On the other hand, the underlying interest in services is to ensure maximum benefit to the sector from liberalization or not, in short, commercial interests.

Tying ends together: an analysis of India's Trade Policy

Thus far, an effort has been made to examine the different aspects of trade policy formulation in India: to ascertain India's position and interests, understand strategies and safeguard mechanisms employed and examine the determinants. In this section, an effort is made to analyse these different elements and establish the interlinkages. It doing so, it is important to underline that there is no objective classification or benchmarking of 'best' interests or strategy to be pursued by a nation at the multilateral platform and it is instead context specific. The determinants that set the context in India have already been discussed. Further, the environment within which trade policies get made is also dynamic and influences policy making, for instance the financial crisis of today. However, the Warwick Commission Report on the future of the Multilateral Trading System suggests that benefits from DDA for India would be not so significant: "*The basic point is that for India and China the gains to be had from the liberalisation on offer in the DDA are small when compared to the gains from their own unilateral growth trajectories*".[169]This seems to be in line with the approach India has adopted for its trade policy.

National Interests and Position

Agriculture

India's interests in ensuring the livelihood and food security of the largest section of the population is well justified. However, there is also a need to deliberate on the domestic situation of the agricultural sector, to understand and address the systemic inefficiencies in the sector that restrain the growth of the sector. The existing system has been found to be inadequate by many. For instance, the few subsidies offered by India have been found to be poorly designed and to be distorting the operation of the market process. In the recent times, the minimum support price in foodgrains has also been criticised for distorting the economics of food and non-food production; the economics of surplus and deficit states and has created vast public stocks of grain along with widespread, persistent deprivation. There is a call to redesign these policies "to be better targeted as income support programmes" and that would be "less distortionary and more equitable".[170] Further, input subsidies such as on fertilizers and its transport, electricity etc being provided to Indian farm to rectify prices being lower than international prices have failed.[171] Rural infrastructure, in terms of storage, transport and quality control that is needed to fully exploit the agriculture potential in India is also inadequate. Mr. Kamal Nath has also stated that post-harvest

167. Supra note 155

168. This was clearly reflected in interviews with negotiators in Geneva, 19 December 2008, especially when discussing on issues such as coalitions drawing parallels to EU-US coalition in Cancun, to agriculture negotiations.

169. Warwick Commission Report on The Multilateral Trading System: Which Way Forward, 2008, at 30. See also Carnegie Endowment Report which states that "A Doha agreement along the lines of the study's simulation would be positive, albeit quite modest, for India.", Sandra Polaski et al., "India's Trade Policy Choices", Carneigie Endowment, 2008

170. B.C.A.Anant, " India and the WTO, flawed rejectionist approach", 10 November Economic and Political Weekly 2001

171. For details refer to Id.

investments in India have been very poor that lead to rotting of food instead of being available for consumption. [172] There are also other issues such as small land holdings that need to be looked into. [173] Addressing these issues would help formulate an agricultural trade policy for India that would be most beneficial in meeting domestic demands and also be more amenable to the international negotiations.

NAMA and Services

In NAMA and Services, policies are largely being influenced by industrial sectors, within the scope of the agenda set by the Government under the unilateral liberalisation mechanism. However, here too, there is a need to address the domestic constraints encountered by the sectors. "Factors such as taxes, infrastructure, credit availability, quality, labour laws, inverted tariff structures, are a bigger concern for Indian manufacturers than liberalization under NAMA."[174] For instance, most high tariffs imposed in NAMA sector are not on end product but on raw materials and making it more expensive for Indian industry to access them thus affecting their competitiveness globally.[175] While the Indian government does offer duty exemptions, create SEZs etc to offset this, these do not help much since most of those goods produced by using imported intermediaries, are finally used for consumption within India. Hence, there is a need to make the domestic environment more conducive to enhancing the competitiveness of the domestic industry to better position them in a global surroundings. The Government has to constantly strive to maintain a balance between consumer welfare that could potentially improve with liberalisation owing to greater and cheaper choices, and protecting rights of the manufacturers and producers who possibly stand to suffer great losses from trade openness if they are not adequately prepared for it. Liberalising the economy and at the same time instituting the appropriate environment for these sectors as discussed could help maintain this balance in the future.

Bargaining Strategy

On the topic of bargaining strategy, three sub issues need to be analyzed. (a) Whether India should adopt a more progressive strategy on liberalization? (b) Coalition Bargaining and (c) India's role as a sovereign *vis-à-vis* as a leader of developing countries. An effort is also made to then examine the sustainability of the coalitions in future.

Change in stance at WTO?

As observed, across and within the different sectors, India's has both assertive and guarded interests depending on domestic stipulations and the level of reciprocity from counterparts. India will also seek to exploit its potential as a significant market for the international players to fight more aggressively to protect its own turf and ensuring full reciprocity in commitments. [176] Further, since India has thus far been inward looking with lesser reliance on world trade, it seems unlikely that India will change its stance in the near future. Ideologically, Indian officials argue that a more cautious approach to the negotiations is also important to create a level playing field, since the developed countries followed the same path to accomplish the level of development today. A change in stance over the coming years will also depend on the change in government (or not) in the coming elections.[177]

Coalition bargaining tactics[178]

The second feature of India's negotiating

172. Kamal Nath in an interview to the Indian Express, December 2007, "The pace of reform hasn't trickled to our states. The reform process needs to go to our state-level politicians" http://www.indianexpress.com/news/%91The-pace-of-reform-hasn%92t-trickled-to-our-states.-The-reform-process-needs-to-go-to-our-state-level-politicians%92/248247/ .

173. Kamal Nath in an interview to the Indian Express, December 2007, The pace of reform hasn't trickled to our states. The reform process needs to go to our state-level politicians' http://www.indianexpress.com/news/%91The-pace-of-reform-hasn%92t-trickled-to-our-states.-The-reform-process-needs-to-go-to-our-state-level-politicians%92/248247/ . He stated "Our emphasis has been on pre-harvest investment. Post-harvest investment in agriculture has been very poor. We are the second-largest producer of fruits and vegetables. But only 2-3 per cent is processed, 37 per cent rots. We got to have more investment in post-harvest agriculture."

174. Supra note 135

175. "India's Trade Integration, Realising the Potential" OECD Report, TD/TC/WP(2007)6/REV1, 2007

176. Supra note 134

177. Supra note 134

178. Note that there is little or no meaningful economic theory on which to draw in evaluating coalitional options in trade negotiation, C.Hamilton and J.Whalley, " Coalitions in Uruguay Round: The extent, Pros and Cons of Developing Country Participation", NBER Working Paper series, Working Paper Number 2751, 1988.

strategy is that it has been negotiating in groups of like-minded countries sharing common interests. At the same time, alliances between the emerging countries- Brazil, India and South Africa etc go beyond trade issues to UN General Assembly Elections, Security etc.[179] Despite speculation on the nature and the augmentation with respect to constituting coalitions, there appear to be sound reasons for their existence. To begin with, the number of countries in the coalition helps exert pressure in the negotiations.[180] For instance, the number of countries in G-20, for instance have been rising as also its influence. Between Brazil, China, and India, the coalition claimed to represent almost 70% of the world's farmers.[181] Secondly, India is also not as yet powerful enough individually, in terms of trade quantities, to defend its stakes in isolation. (1.2% of international trade). Finally, coalitions have lead to collective information gathering, thus saving costs and also broadening the spectrum of information.

Table 7. Coalitions and members amongst BRICS

Country	Coalitions			
	G-20	G-33	NAMA-11	CGTF*
Brazil	✔		✔	
China	✔	✔	supporter	
India	✔	✔	✔	✔
South Africa	✔		✔	

*CGTF: Core group on Trade Facilitation

Benefits of Coalition for India
Numbers are the strength in exerting influence on counterparts
Numbers cumulatively make up for the small international trading figures (in terms of revenues and quantity of traded goods)
At the international level, improves internal transparency of green room or G-7 process, as members are consulted and hence process is more inclusive
Information gathering and pooling- not just explicit information on the coalition topic but also on interests and strategies on other issues and sectors that may not be accessible otherwise
Success stories exist: Have been successful in obtaining desired results such as on Public Health Issues

Nonetheless, there are other issues that India needs to keep in mind to ensure that there is no backlash from the coalitions in the long run. There exist conflicting interests on specific issues amongst the collation groups that could be of concern to the member countries. Taking the example of G-20, India has a significantly more guarded approach on market access in agriculture than other member countries. Overall in the negotiations as well, India is seen to be more cautious than any other nations (Brazil, China or South Africa) [182]India aims at self sufficiency whereas countries such as Brazil are agricultural exporters. However, the conflicting interests are not a concern for the Mr. Kamal Nath, the Indian Minister who infact perceives these differences to help the G-20 pursue a more balanced deal, reflecting a compromise in positions of all parties concerned, towards a greater common interest. [183] It should also be highlighted that countries are not coerced into coalitions and that they will sustain until they continue to forsee benefits from them. These countries also have the flexibility to form alliances on one issue but stand opposed on another - for instance India-Argentina in G-20 versus on Friends of Geographical Indications group. Further, these positions also do not conflict with the other, for instance the G-20 does not oppose services liberalization.[184]

Balancing Leadership of developing countries and green room membership

While India has been steadily rising on its pathway to a 'powerful and influential' nation at WTO, taking centre stage of trade politics, it also continues to represent itself as a leader of the developing world[185]. Both Brazil and India have traditionally assumed the role of leaders of the developing world and this has helped them gain entry into the exclusive Green Room meetings. [186] India now has the responsibility to balance its role as a member of the more exclusive consultations (Group of 7-along with Brazil)[187] and at the same time

179. Refer to IBSA website, http://www.ibsa-trilateral.org. Security and transport are the other two areas of cooperation along with trade.

180. Supra note 134 and 135. Ms. Rupa Chanda doesn't seem to agree on the numbers argument. Giving the example of negotiations on mode 4 in services, she mentions that India is the dominant player yet it negotiates in a coalition. In such a case, she is of the opinion that there is no actual need to be negotiating in number, unless it is to make clear that it is not only India who is sensitive to the issues but other developing countries too.

181. Supra note 179

182. Supra note 172, at 32.

183. See: Interview with Mr. Kamal Nath by Sherman Katz, June 22, 2006 http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=1016&&prog=zgp&proj=zted

184. Id.

185. Supra note 155

186. Id.

187. The process of smaller group negotiations and lack of transparency at WTO have always been criticised, although India is happy to

preserving its role of a champion of the developing countries. What is at stake is the "risk of losing their legitimacy as representatives and spokesmen of many developing countries. A balance between individual and group interests is often an uphill task, in terms of organisational set up as well, since on many occasions the Indian Minister has to constantly move in and out of the room, updating its partners on the negotiations and taking their opinions.[188] It has been argued that at times, India expends far too many resources in pursuing objectives that are not in its individual interests, only to ascertain its position as a leader of the developing world. [189] Hence, representing the voice of weakest members of the WTO and simultaneously bargaining from a position of individual strength with the developed countries is not an easy act to keep up.[190]

Are coalitions sustainable?

The ultimate questions that arise are with respect to the sustainability of the coalitions and concerning their effectiveness in achieving the desired output. In addressing these questions, we analyse two coalitions: one that was successful in amending the TRIPS Agreement to address Public Health concerns, and the G-20 that is yet to achieve the desired results in agriculture.

TRIPS and Public Health: A Success Story

The issue of TRIPS and Public Health has already been discussed. After prolonged deliberations at the TRIPS Council, a group of developing countries lead by Brazil, South Africa and India remained united and were successful in amending the TRIPS Agreement Provision to include compulsory licensing provisions for the benefit of those countries that do not have the capacity to manufacture medicines on their own and who wish to obtain them from other countries. The coalition of countrieswas different from the G-20 in the sense that there were no apparent conflicting interests amongst the coalition countries as is the case in the latter.

G-20

Having examined the coalition at length, it can be argued that the sustainability of the G-20 can be jeopardized by certain phenomena. While there is a consensus amongst members on the general outlook of the coalition, difference may be forseen when the specificities begin to get discussed in the future. The issues are as discussed hereunder.

- Anticipating the future. If the United States and European Union are to reduce export subsidies, an opportunity arises for agriculture export oriented member countries such as Brazil and Argentina to boost their exports in the international market since they become competitive. However, reciprocity may demand a quid pro quo cut in the tariffs enabling market access in G-20 countries. While this may be a worthwhile deal for Brazil and Argentina, India may be put in a precarious position. Notwithstanding safeguards[191] and the formula that is used for tariff reduction, India may have to undertake deep tariff cuts on many of its products. India has high bound rates on most agricultural products and the sector also has political sensitivities associated with it[192]. Therefore, it would either have to give in to the majority opinion of the coalition or realign its position and strategy.

- There is also a need to ensure that there is no conflict between individual country position and that of G-20. For instance on the SSM measure, India supports the G33 proposal on the availability of the special safeguard mechanism to all agricultural products. However, the G20 has a more moderate view on the subject and only acknowledges the need for special safeguard mechanisms to be established for developing countries. The proposal does not elucidate on availability of special safeguard mechanism to all the agricultural products. Brazil is also not a part of G-33 and not proactive on SSMs

be privy to the exclusive group. G-7 includes Australia, Brazil, China, the EU, Japan, India, and the US.

188. Interview on the actual negotiation process

189. Supra note 135

190. Supra note 186

191. While SSM measure would still exist, the question would arise as to how many commodities can be branded sensitive or special.

192. P. Ranjan, "How Long can the G-20 hold itself together? A Power Analysis",Working Paper, Centre for Trade and Development, India, 2005 http://www.centad.org/download/g-20.pdf

whereas India has been a prime supporter of the mechanism and is a staunch member of G-33. Would this interfere with the harmony of the G-20?

- It has been argued that countries that are members of two or more coalitions play key roles in ensuring that inter-coalition dynamics remain positive and mutually complementary to the maximum extent possible. For instance there are overlapping members in the G-20 and G-33 such as China, Cuba, Guatemala, India, Indonesia, Nigeria, Pakistan, Philippines, Tanzania, and Zimbabwe. Strong leadership roles by countries such as India for G-20 and Philippines in G-33 have thus far maintained smooth functioning of both groups. Continued leadership roles by countries such as India and Brazil therefore become important to maintain inter group harmony and ensure the sustenance of the groups. [193] In this context, it has been pointed out that it often remains a challenge to retain good faith within coalitions(inter and intra) and to iron out suspicions. This demands constant exchange and sharing of information sharing and several rounds of discussions. Further, coalitions evolve along with changing situations- globally and at the domestic level[194]

- Lastly there is a need to ensure that coalition groups do not succumb to divide and rule policies employed by counterparts to break up coalitions by offering bargaining chips to individual members. As pointed out, coalitions are high maintenance and are ongoing processes of constant negotiations, deliberations and information sharing. There is also a need for regular monitoring to ascertain allegiance of all member countries. Nonetheless, a level of confident in coalitions has been observed amongst Indian policy makers who are of the opinion that although tolerances and leverage they exert may change over time, countries will continue to negotiate in groups.[195] Leadership of countries such as India and Brazil has been working well in sustaining the negotiating strategy. [196] Having looked at the scepticism surrounding coalitions, it would be pertinent to conclude by examining the fall back options India would have, should coalitions fail to achieve its desired outcome. An existing option is to undertake more bilateral and regional initiatives. India has largely been a believer in multilateralism and therefore in the past, it did not participate progressively in regional or bilateral agreements. However, in the recent past, India has started engaging actively in free trade agreements. India is very active with FTAs in its South-Asian backyard and in other developing-country regions. At different levels of free trade, India's RTA's include with ASEAN, South African Customs Union (SACU), with the Gulf Cooperation Council (GCC), a preferential trade agreement with Mercosur and Chile etc. At the moment, India and EU are seeking to reach consensus on an ambitious free trade agreement that seeks to substantially cut tariffs on goods trade and also impose certain GATS plus provisions in services. India would also continue to unilaterally liberalise at a pace it deems fit.

Conclusion

In this paper, an effort has been made to provide an overview of India's trade policy within the framework of the ongoing negotiations at the WTO. It articulates India's negotiating position at the multilateral platform; the underlying interests and the negotiating strategy. The determining factors at the domestic level have also been discussed. It concludes with an analysis of the policy in terms of the costs and benefits it entails for India. The aim was to provide an analysis of the existing system rather than generate a prescriptive exposition. Certain general observation can be drawn from the paper. Firstly, it would be difficult to typify or classify India's trade making policy into any one standard political economy of trade model. Trade policy making is evolving in India, and liberalization has been bottom up, driven by

193. V. Paolo and B. Yu, " Unity in Diversity: Governance Adaptation in Multilateral Trade Institutions through South-South Coalition-Building, South Centre, July 2008

194. Supra note 134

195. Supra note 134

196. A. Hurrell and A. Narlikar, "A New Politics of Confrontation? Brazil and India in Multilateral Trade", Global Society,20(4),415—433, 2006 - India, Brazil and China stood together in Cancun and did not leave scope for differences to creep in.

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 that have to be satisfied before giving in expected commitments. Owing to this approach, India has been branded a hardliner with a 'defensive strategy'.

India's position appears peculiar from an international economist perspective since its modest trade numbers would not ordinarily earn India the position it enjoys at the negotiating table. The sovereignty that India exercises can instead be explained from its status of a potentially enormous market for the developed world. India has also adopted the strategy of constituting coalitions to garner greater bargaining power. These coalitions have a range of interests, both offensive and defensive. Coalitions also help provide a voice to numerous developing countries and safeguard their interests in the negotiations. For instance, being a development round, India has also been constantly insisted on SDT treatment for developing countries.

While sustenance of coalitions entails constant deliberations and reassurance from leader countries such as Brazil and India, as of today, the coalitions have been holding up well. Undoubtedly, they have to constantly undergo transformation to adapt to changing situations in the region and varying interests. Further, while they seem to be working for the moment, it is difficult to prove whether coalitions will actually do more good or bad for developing countries.[197]An additional pressure that India confronts is in balancing the responsibility of a powerful sovereign in the G-7 meetings with that of shared interests of the developing countries. Her aim is to secure individual interests as also those of the numerous other developing countries (and coalition partners).

India's individual position on each of the topics being negotiated is driven by the domestic expectations and limitations under each of the topics. The overarching goal is to ensure development along with economic growth. In this context, the parameters for setting liberalization targets vary across sectors -from ensuring livelihood and food security in the agriculture sector to augmenting commercial benefits from its groomed services sector. The interests are fixed and prioritized by a set of determining factors, largely led by politicians and technocrats. Having said that, policy making process is already a lot more inclusive today than in the past. However, there is still scope for enhanced contribution, coherence and coordination between different stakeholders. Coordination between state and national levels, between Geneva diplomats and the Capital and across ministries has also improved but with potential for better organization.

While an effort was made to provide an exhaustive understanding of the determining factors of trade policy in India, it remained confined within the framework of the multilateral trade platform. This section of the paper is therefore the most irresolute part of the paper since it was not possible to discuss all the explicit and implicit determinants and their nuances. An alternative methodology focusing exclusively on ascertaining the determinants of trade policy in India may be undertaken towards this end. ■

197. Conclusion of NBER paper

Annexures

Table 1. Sector wise Imports and Exports in India

Imports		Exports	
Agriculture	Imports of milk & milk products have shown a decline at broad group level Imports of edible oil, fruits & vegetables (including nuts), spices, and Tea & Coffee have shown increase as of September 2008. For details, refer to Chart on Import of Sensitive Items	**Agriculture**	Plantation (55% of total exports) Agriculture and Allied Products (9.47%) Marine Products (0.64%) Raw Cotton (0.72%)
NAMA	Bulk Imports[1] (44.89%) Machinery and Equipment (11.79%) Pearls, Precious and Semi Precious Stones (4.22%) Project goods (0.52%) Remaining Commodities (38.57%)[2] Inputs in production of chemical, rubber and plastic products and services sector such as construction, transport and electricity generation.[3]	**NAMA**	Petroleum Products (18.73% of total exports) Gems and Jewellery (13.03%) Textiles (11.58%) Chemicals and related products (contributes to around 13. 68%) of the GDP) – however, India is a net importer of chemicals Ores and Minerals (4.785) Engineering Goods-(21.26%) Electronic Goods (1.85%) Leather Goods (1.85%) Others include: carpets, handicrafts, automobiles and automobile parts, pharmaceuticals etc. [4]
Services	Transportation, travel and other business services (accounted for 82% of services imports in 2003) Mode 3: Through FDI: electrical equipment, transportation industry, telecom, power and oil refinery Mode 4: Labour Income	**Services**	Largely Business Process Outsourcing and Software and software services

Table 2. Import of Sensitive Items

Sr. No.	Commodity Group	No. of tariff lines	Weights w.r.t. total sensitive items		Value of Import (Rs Crore)		Difference (Rs Crore) (Col 7 - Col 6)	growth
			Up to Sep. 2007	Up to Sep. 2008	Up to Sep. 2007	Up to Sep. 2008		
1	2	3	4	5	6	7	8	9
1	Milk & Milk Products	18	0.06%	0.04%	9.71	9.21	-0.50	-5.1%
	Fall is observed in skimmed milk and its Contribution is (and its %age share to this group)				2.60	1.15	-1.45	-55.8%
					26.8%	12.5%		
2	Fruits & Vegetables	47	25.38%	23.46%	4 115.84	4 824.14	708.29	17.2%
	Significant growth in Cashew nuts in shell is (and its %age share to this group)				934.94	1 645.75	710.81	76.0%
					22.7%	34.1%		
3	Poultry	13	0.00%	0.00%	0.04	0.07	0.03	
4	Tea & Coffee	36	0.41%	0.37%	66.67	76.37	9.70	14.6%
	Significant growth in other rob cherry and arabica cherry (and their %age share to this group)				26.69	37.60	10.91	40.9%
					40.0%	49.2%		
5	Spices	51	1.56%	1.67%	252.41	343.66	91.25	36.1%
	(Significant growth in large (amomum) and light black pepper and its contribution is) (and their %age share to this group)				54.99	100.24	45.25	82.3%
					21.8%	29.2%		
6	Food Grains	19	0.80%	0.04%	130.01	9.07	-120.94	-93.0%
7	Edible Oils	47	37.06%	30.07%	6 009.23	6 182.89	173.65	2.9%
	(a) Crude				5 347.78	4 997.84	-349.94	-6.5%
	(Ratio of crude to total Edible)				89.0%	80.8%		
	(b) Refined				661.45	1 185.05	523.59	79.2%
	(Ratio of Refined to total edible import)				11.0%	19.2%		
8	Alcholic Beverages	34	0.66%	0.93%	106.98	191.19	84.21	78.7%
9	Rubber	11	2.43%	2.31%	394.51	475.22	80.72	20.5%
	Significant growth in natural rubber in other forms: Technically specified natural rubber (and their %age share to this group)				155.44	295.16	139.72	89.9%
					39.4%	62.1%		
10	Cotton & Silk	24	5.88%	5.65%	953.60	1 160.82	207.22	21.7%
	Siginificant growth in :cotton(other than Indian of all staple length) (and their %age share to this group)				493.66	664.66	171.00	34.6%
					51.8%	57.3%		
11	Marble & Granite	9	0.81%	0.84%	131.30	173.55	42.25	32.2%
	others (Simply cut/Sawnmarble trauertine & alabaster with a flat or even surface (and their %age share to this group)				93.67	117.87	24.20	25.8%
					71.3%	67.9%		
12	Automobiles	31	3.32%	4.33%	538.93	890.42	351.49	65.2%
13	Parts & accessories of motor vehicles	36	18.78%	27.05%	3 045.09	5 561.92	2 516.83	82.7%
	Significant growth in Other parts and vehicles of heading 8701-8705 (and its %age share to this group)				1 630.67	3 404.66	1 773.99	108.8%
14	Product of SSI	49	2.73%	2.99%	443.19	614.35	171.17	38.6%
	(Umbrella, locks, toys, writing instruments, tiles, glassware, Significant growth in tiles and cubes other than mosaic and other toys (and their %age share to this group)							
					131.36	215.08	83.72	63.7%
					29.6%	35.0%		
15	Others (Bamboos,cocoa, copra & sugar)	5	0.12%	0.23%	19.07	47.34	28.26	148.2%
Total of sensitive items			100.0 %	100.0 %	16 216.6	20 560.2	4 343.6	26.8%
%age share of Import of sensitive items to Total Import (All Commodities)					3.6%	3.1%		
Total of All commodities (including sensitive items) as per quick estimate					456 407	661 208	204 801	44.9%

Source: Ministry of Commerce and Industry, http://commerce.nic.in/imp_sensitive/Summary-Sep08.pdf[1]

1.Note that as of January 2008, Imports of sensitive items from Indonesia, Canada, China, United States of America, Russia, Brazil, Sri Lanka DSR, Germany, Thailand, Japan, Guinea Bissau,Ukraine etc. have gone up while those from Argentina, Myanmar, Malaysia, Cote D' Ivoire, Australia etc. have shown a decrease.

Table 3. Protected Sectors in India

Sector	Protected Areas examples	Mechanisms used	Benefits whom?
Agricultural Goods	Cereals, edible oils and oilseeds and dairy products.	According adequate tariff protection- as special products	Majority of farmers- due to the potential impact on employment-generation and livelihood
	Spices, ginger, cane sugar, etc.	Also sensitive products. These need to be protected against deep tariff reduction.	Produced by small farmers and, therefore, sensitive for India are
NAMA	Automobiles and automotive parts	Heavily protected by imposition of Tariffs. For example, on Passenger Cars is about 100%. Tariffs on bodies and parts is 15%.	Sector is export Oriented.
	Chemicals		
	Textile and Clothing		This sector provided employment to 38 million people in India. The importance of this sector in social development in India is also crucial since it provided employment to large sections of women and those belonging to the socially backward classes.

Source: OECD Report, 2007

Table 4 What India wants from the world and vice versa

What India Wants from other countries (sector wise and reduction wise) India's offensive interests		What countries want from India (sector wise and reduction wise) India's defensive interests	
Agriculture	A reduction in subsidies	Agriculture	
NAMA	gaining greater market access to developed country markets – not so much through reduction of their tariffs, which are already relatively low, but rather through the dismantling of non-tariff barriers to trade and also the GSP systems which discriminate between countries, and which are not always based on fair criteria -- for example, the proposed EU GSP provisions relating to textile and clothing.	NAMA	resisting reduction in tariffs at an artificial pace to be forced upon India by the developed countries.
Services[7]	Mode 1 Cross Border trade Business Process Outsourcing at the moment is confined mostly to UK and USA at the moment. Mode 2 consumption of services abroad Would like to offer health and education services to foreign consumers Mode 4 movement of workers for temporary employment India has advantage in not only software professionals but also business services, health, engineering, accountancy, management and construction services.	Services	Mode 1, 2 and 3: Mode 3 by EU and US which requires the establishment of a commercial presence in developing countries. Accordingly, requests for more liberal policies on foreign direct investment in sectors like insurance have been recei-ved. stress on financial and telecommunication services, albeit offers in the field of education and environmental services have also been made. While responding to these requests, India made an initial offer in January 2004 that was not very different from the offer at the Uruguay Round. However, in the revised offer of August 2005, India demonstrated willingness to expand the scope of its Uruguay Round commitments by tabling several new service sectors and sub-sectors for negotiations.

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An Overview Of India's Trade Strategy

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