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# Does the Crisis Alter Indian Trade Priorities?

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## 1. Introduction

In this chapter the consequences for Indian trade policymaking of the recent global economic downturn are examined. In the light of these developments, particular attention is given to the relative weight that India might give to further regional integration within South Asia and to advancing multilateral trade initiatives, recognising that these options are not mutually exclusive.

Having outlined recent trade policy developments during the crisis, attention will turn in this chapter to the menu of trade policy options facing India. Evidence will be marshalled in support of the contention that the countries in South Asia share, more or less, similar economic profiles that make them ideal candidates to become part of a regional trade agreement (RTA). Despite this, support for the freeing of intra-regional trade is not gaining ground in South Asia for the following reasons: (1) the continued unwillingness of the governments of the two largest economies - India and Pakistan - to grant each other the Most Favoured Nation (MFN) status; (2) India turning more protectionist in the wake of the global economic slowdown; and (3) high trade costs in South Asia undermining what any lower tariffs may bring. While South Asian regional trading options appear even less viable, other RTAs may still hold appeal and multilateral options remain open. Ultimately, it is argued that India's stake in a successful multilateral trading system - including the successful conclusion of the Doha Development Agenda - seems as large as ever.

## 2. The global economic downturn and trade policy developments

Notwithstanding the recent global financial crisis, the economies of South Asia are still some of the fastest growing in the world. Within this region, India is the largest and the fastest growing economy - growing on average at a rate of around 7.3 per cent (in real terms) since 2001. Much of the reason for this faster growth process is attributed to economic reform programmes that India has embarked upon since the early 1990s.<sup>1</sup> The effect of reforms on India's external sector has been positive. India's exports crossed the \$159 billion mark in 2007/08. There has been an increase in both the volume and the value of exports. During 2007/08, the export unit value has

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<sup>1</sup> Economic reforms essentially brought down interest rates, and government liberal attitude to allow private participation in manufacturing and services did the rest.

increased by 25.8 per cent over the previous year. Moreover, trade plays a larger role in the Indian economy, with India's total trade (merchandise exports plus imports) as a proportion of GDP increasing from 21.2 per cent in 1997/98 (the year of the East Asian financial crisis) to 34.7 per cent in 2007/08 (Reserve Bank of India, various years).

Any 'feel-good' factor associated with recent Indian export growth is overshadowed at present by the global financial crisis adversely affecting most parts of the world economy. Three of India's largest trading partners - USA, Japan and the EU - are worst hit. By early January 2009, the International Monetary Fund (IMF) revised its forecast for global growth downwards - from 3.9 per cent to 3.7 per cent for 2008, and from 3.0 per cent to 0.5 per cent for 2009 (*World Economic Outlook*, IMF). Faced with a slump in demand from industrialised countries, policymakers in developing economies, including India, are focusing on increasing trade amongst themselves. For example, in August 2009 India signed a Free Trade Agreement (FTA) with South Korea, and another with the ten members of the Association of South-East Asian nations (ASEAN). India is also contemplating signing two more FTAs, one with the European Union and the other with Australia ("After ASEAN, India mulls FTAs with EU, Oz", *The Economic Times*, 25 September 2009).<sup>2</sup>

However, the slump in global demand has made countries around the world cautious about opening up markets further, and some governments are resorting to protectionist measures. The Organisation of Economic Co-operation and Development (OECD) in its *G20 Report on Trade and Investment Measures 2009* states: "The main risk is that G20 members will continue to cede ground to protectionist pressures, even if only gradually, particularly as unemployment continues to rise" (OECD Report on G20 Trade and Investment Measures, p.6). Protectionism is not just confined to any one group of countries or trade policy instruments (see the entries in the Global Trade Alert database). Indeed, protectionism is becoming evident in terms of higher tariffs and non-tariff barriers (NTBs), mainly in the form of antidumping measures, sanitary and phytosanitary sanctions, and even through the provisions granting subsidies to domestic producers. It should be noted that much of this discrimination against foreign commercial interests does not break any World Trade Organization (WTO) rules. For example, some countries are increasing their applied tariffs while keeping them below the rates they bound at the WTO. The increase earlier in the year in import tariffs for steel items by India is a case in point ("Govt. to consider additional tax on steel imports", *The Economic Times*, 29 May 2009).<sup>3</sup> Similarly, countries are using NTBs on the pretext of safeguarding the health of their consumers and to stop predatory pricing strategies - again perfectly permissible under WTO rules. In this vein, India has recently banned imports of a number of live animal products, including processed meat, eggs, pigs, etc., from the rest of the world because of the avian influenza (swine flu) virus.<sup>4</sup> India has also emerged as the largest user of antidumping measures, having initiated 68 antidumping investigations between January 2008 and

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2 Source: <http://economictimes.indiatimes.com/News/Politics/Nation/After-ASEAN-India-mulls-FTAs-with-EU-Oz/articleshow/5053420.cms> (Accessed: 9/28/2009).

3 Source: <http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Govt-to-consider-additional-tax-on-steel-imports/articleshow/4593094.cms> (Accessed: 9/23/2009).

4 Notification number S.O. 2208 (E) dated 28th August 2009, and issued by Department of Animal Husbandry, Dairying and Fisheries, Government of India.

June 2009.<sup>5</sup>

India's actions should not be looked at in isolation. The Global Trade Alert (GTA) has been playing a role in documenting the cross-border implications of various state measures undertaken during the present global downturn. Reports are prepared and posted on government actions all over the world. In Asia, China banned imports of Irish pork, Belgian chocolate, Italian brandy, British sauces, Dutch eggs, and Spanish dairy products. Indonesia has restricted imports by allowing entry points only through five designated ports and airports. Japan and South Korea have restricted foreigners from bidding for any government projects worth less than \$22 million dollars. Elsewhere, in the United States "Buy American" provisions were inserted in their US \$787 billion economic stimulus package, and the generous provisions of subsidies in France, Germany, and the UK are nothing but a reflection of protectionism.<sup>6</sup>

The silver lining, however, is that during recent times the WTO has been quite effective in terms of reducing the intensity of usage of protectionist measures. Considering the case of the Caucasus and Central Asian (CIS) countries, Gerasimenko (2009) found that, other things being equal, the percentage fall in total exports of a WTO member had been less than that of a country which is not a member of WTO. Moreover, the OECD *Report on G20 Trade and Investment Measures* observes: "WTO rules and its dispute settlement mechanism continue to provide a strong defence against protectionism" (p.6).

Pressures to restrict foreign commercial opportunities have grown during the global economic downturn, while resistance to across-the-board (multilateral) trade reform persists. Negotiations at the WTO have not dealt successfully with the diversity of national trade interests. With respect to agriculture, for example, India is rather passive when it comes to negotiating for greater market access. In contrast, countries such as Brazil, Mexico, Chile, and South Africa, which are net agricultural exporters, want trading partners to reduce tariffs on agricultural items. India's justification for maintaining high tariffs is to protect the interests of its marginal farmers. The average size of land holdings for Indian farmers is around 1.3 hectare ("India's average farm land holding shrinks to 1.3 hectare", *The Press Trust of India*, 7 December, 2007). These marginal farmers also often work on the land of big farmers. Should tariffs on agricultural goods fall, the fear is that bigger farmers might make losses and reduce - or even cease - production. This would result in rising joblessness among marginal farmers, further worsening the already unequal income distribution.

More generally, cheaper agricultural imports may jeopardise the income of the 58 per cent of India's 1.14 billion population that earns their livelihood from agriculture and the agriculture-related informal sector (such as cooperatives, fishing, dairies, etc.). This fear accounts for the fact that, although the overall average applied tariff on Indian imports fell from over 32 per cent in 2001/02 to almost 16 per cent in 2006/07, in the case of agricultural products the average duty remained at 40.8 per cent.<sup>7</sup> It is also worth noting that India does not provide any direct subsidies to its agricultural exports.

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5 Chad Bown, Global Antidumping Database (July 2009). Available at: [http://people.brandeis.edu/~cbown/global\\_ad/ad/](http://people.brandeis.edu/~cbown/global_ad/ad/)

6 For detailed information about various protectionist measures taken during the current economic downturn visit: <http://www.globaltradealert.org/>

7 WTO Secretariat, WTO Trade Policy Review, WT/TPR/S/182, 18 April 2007, p. 85.

While multilateral trade talks on the Doha Development Agenda have yielded limited results, in an effort to increase their share of world markets, countries around the world are increasingly entering into Regional Trading Agreements (RTA) with others.<sup>8</sup> India, in fact, is a member of the South Asian Association of Regional Cooperation (SAARC), which also comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. In theory, from 1 January 2006 the South Asian Free Trade Area (SAFTA) came into effect. Such RTAs, although preferable to autarky and high tariff walls, are suboptimal in terms of global growth and welfare. The recent decision of Hyundai Motor - a South Korean automobile manufacturer - to move production of one of its hatchback cars from India to Turkey, because India does not have an RTA with Europe, is a classic example of where such an agreement can divert production from its lowest-cost location ("Turkey to be production base for Hyundai's i20 cars for European markets", *The Hindu*, 2 September 2009).<sup>9</sup> Still, many governments find the allure of RTAs too much to resist.

Having laid out these recent trade policy developments, attention turns to one of the key trade policy options facing India, namely, the implementation of the SAFTA.

### **3. The SAFTA and the conditions for regional integration in South Asia**

From the welfare perspective, becoming part of a RTA, like SAFTA, is desirable if the impact of the so-called trade creation effect outweighs the trade diversion effect. Unfortunately, in many instances it becomes difficult to measure the exact nature of the gains and losses, and hence economists have based their comments concerning the desirability of a country joining a RTA on a number of metrics that are thought to be correlated with the strength of these effects. Frequently-used metrics include:

*Country characteristics:* A country is likely to gain more if its economic characteristics are somewhat similar to other member countries in the RTA. Similarities are measured in terms of economic development and geographical proximity. The more similar are the economies (in terms of per capita gross domestic product), the more is the likelihood of intra-industry trade.

*Symmetric Economic Activities:* Symmetric economic activities among member nations help forge deeper forms of economic integration, such as customs and economic unions. Symmetry in economic activity implies that there is a smaller tension in terms of formulating internal and external macroeconomic policies - a factor thought necessary for policy cooperation.

*Extent of Trade:* If the country is more likely to trade with other member countries in the RTA, then it makes sense to join that RTA. The likelihood that industry associations will demand protection is less when two-way intra-industry trade occurs.

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<sup>8</sup> Around 205 RTAs notified under the General Agreement on Tariffs and Trade (GATT) and the WTO are in force today ([http://www.wto.org/English/tratop\\_e/region\\_e/regfac\\_e.htm](http://www.wto.org/English/tratop_e/region_e/regfac_e.htm) (Accessed: 8/19/2009)).

<sup>9</sup> Source: <http://beta.thehindu.com/news/cities/Chennai/article13672.ece> (Accessed: 10/13/2009)

Given these aforementioned criteria, we analyse how well SAARC member nations fulfil these desirable criteria for forming an RTA.

*Country (economic) characteristics:* In terms of the sectoral distribution of GDP and demographic profile, SAFTA member countries are fairly similar (Table 1). The industrial sector constitutes roughly a quarter of GDP in all countries, while services is the most important sector in terms of its contribution to the national output. Although a majority of the population still lives in rural areas, all of these countries are urbanising at an increasing rate. These countries also share a similar demographic profile: in all of them, age 65 and above is a small percentage of the population (varying between 4 per cent in Bangladesh to 7 per cent in Sri Lanka), which implies that these economies have a much younger working population.

**Table 1** Socioeconomic characteristics of SAARC member nations, 2007

Countries	Bangladesh	Bhutan	India	Nepal	Pakistan	Maldives	Sri Lanka
GDP per capita (constant 2000 US\$)	419	1086	634	242	635	3251	1070
Agriculture, value added (% of GDP)	20	22	18	34	19	..	16
Industry, value added (% of GDP)	28	38	28	16	27	..	27
Services, value added (% of GDP)	52	40	54	50	54	..	57
Rural population (% of total population)	74	89	71	84	65	70	85
Population ages 65 and above (% of total)	4	5	5	4	4	4	7

Source: World Bank (2009).

*Symmetric Economic Activity:* Two recent papers have suggested that South Asian countries have similar economic structures (Banik et al., 2006; Banik et al., 2009). Decomposing output and industrial production data into supply-side component (read, permanent component) and demand-side component (read, cyclical component), these studies have found evidence of long term relationships between the supply-side components of output in the SAARC region.

*Extent of Trade:* The latest available data indicate that intra-SAFTA trade as a percentage of total trade is quite low (see, Table 2). This was true even before the start of the recent economic slowdown. South Asia's intra-regional trade, as a percentage of its total trade volume, has barely changed, from around 2 per cent in 1980 to 5 per cent in 2004 (Newfarmer and Pierola, 2006). Lower levels intra-SAFTA trade might raise doubts about the desirability and economic impact of SAFTA. The next section seeks to shed light on why South Asia's intra-regional trade is so low, which in turn may reveal more about the likelihood of further regional integration.

**Table 2** Intra-regional and World Trade of South Asian Countries, 2003-2006

Year	% Share of Intra South Asian Imports in Total Imports of South Asian Countries	% Share of Intra South Asian Exports in Total Exports of South Asian Countries	% Share of Intra South Asian Trade in Total Trade of South Asian Countries
2003	4.71	6.40	5.46
2004	4.45	6.23	5.20
2005	4.54	6.45	5.32
2006	3.85	6.16	4.73

Source: *Direction of Trade Statistics*, IMF-DOTS Online Database.

#### 4. Why is intra-SAFTA trade so low?

The following four factors account for the current low levels of trade among the South Asian nations.

(1) *Trade costs*: Much of the source of trade costs in South Asia is a result of a lack of trade facilitation and a lack of availability of physical infrastructure.<sup>10</sup> For instance, at the India-Bangladesh border a consignment needs at least 22 documents, more than 55 signatures, and a minimum 116 copies for final approval. As many as 38 signatures are required to clear a consignment imported into Pakistan. While importing perishable items into India, checks are performed by laboratories located in cities that are far away from the port of entry. For instance, for importing through the port of Chennai in India, goods have to be sent to the Central Food Technology Research Institute in Mysore - a city located 476 km away. To gain smooth entry traders often resort to paying bribes. Across South Asia the size of bribes generally varies from between 2.2 per cent and 2.5 per cent of firm sales (Sadiq and Ghani, 2007). More generally, according to Wilson and Ostuki (2007), if countries in South Asia raised their capacity in trade facilitation halfway towards that of East Asia's capacity, then average trade would be estimated to increase by \$2.6 billion (an amount equal to approximately 60 per cent of the regional trade within South Asia). Banik and Gilbert (2009) estimated the impact of cutting trade costs on intra-regional trade too. This study found that eliminating trade costs would raise Indian exports to its South Asian neighbours by between 42 and 73 per cent.

(2) *Political unwillingness*: Pakistan, the other large economy in South Asia, has not given India Most Favoured Nation (MFN) treatment. Pakistan's trade with India is not free and is based on the 'positive list' of 1078 items.<sup>11</sup> For its own part, India has unilaterally withdrawn tariff concessions given to Pakistan. Despite the brazenness of these moves neither country has dragged the other to the Dispute Settlement Body of

10 Trade costs are any such costs which are in addition to marginal cost of production. Transport costs, information costs, contract enforcement costs, local distribution costs, and costs arising because of lack of trade facilitation measures, all qualify as trade costs.

11 In fact, soon after formation of SAFTA, the then Pakistan prime minister has said, "Unless and until there is visible progress on political issues between the two countries including the Kashmir issue, Pakistan cannot initiate open trade with India". Quote taken from United News of India (UNI), available at [http://www.bilaterals.org/article.php?id\\_article=3908](http://www.bilaterals.org/article.php?id_article=3908) (Accessed: 8/21/2009).

**Table 3** Protectionist measures taken by India

Date	Protectionist Measure	Source
2 April 2009	Initiation of safeguard investigation (China specific) on imports of front axle, beam, steering knuckle and crankshaft.	WTO Document G/SG/N/16/IND/6 of 11 May 2009
9 April 2009	Initiation of safeguard investigation on imports of acrylic fibre.	WTO Document G/SG/N/6/IND/21 of 11 May 2009
9 April 2009	Initiation of safeguard investigation on imports of Hot-rolled coils, sheet, strips.	WTO Document G/SG/N/6/IND/22 of 11 May 2009
20 April 2009	Initiation of safeguard investigation on imports of coated paper and paper board.	WTO Document G/SG/N/6/IND/23 of 11 May 2009
20 April 2009	Initiation of safeguard investigation on imports of uncoated paper and copy paper.	WTO Document G/SG/N/6/IND/24 of 26 May 2009
22 April 2009	Initiation of safeguard investigation on imports of plain particle board.	WTO Document G/SG/N/6/IND/25 of 26 May 2009
5 May 2009	Initiation of anti-dumping investigation on imports of DVDs from Malaysia, Thailand and Vietnam.	Ministry of Commerce and Industry Gazette of India Extraordinary No. 14/16/2009- DGAD.
18 May 2009	Initiation of safeguard investigation (China specific) on imports of passenger car tyres.	WTO Document G/SG/N/16/IND/7 of 4 June 2009
16 June 2009	Initiation of anti-dumping investigation on imports of barium carbonate from China.	Ministry of Commerce and Industry Gazette of India Extraordinary F. No. 14/18/2009- DGAD.
16 April 2009	Different charges levied on steel imports; import duty (5 per cent); ocean freight (\$50/tonne); and incidental charges (\$85/tonne).	<i>The Economic Times</i>
13 July 2009	Re-imposition of ban on wheat exports	<i>The Economic Times</i>

Source: Report on G20 Trade and Investment Measures (p.22 and p.25), OECD.

the WTO for violating one of the most established rules of the multilateral trading system. Political stability is a pre-requisite for instituting and locking-in economic liberalisation measures in trade accords, an environment that South Asia has not been able to develop.

(3) *High tariff barriers*: The South Asian countries still maintain relatively high tariffs. In 2006 the weighted average tariffs for Bangladesh, India, Pakistan, Sri Lanka and Nepal, were 19.9 per cent, 14.5 per cent, 12.2 per cent, 7 per cent and 13.4 per cent, respectively. This is much higher than certain other Asian economies, such as Singapore (0 per cent), Hong Kong (0 per cent), Philippines (3.2 per cent), Indonesia (4.3 per cent) and Thailand (4.7 per cent).<sup>12</sup> Higher tariffs within the region have

<sup>12</sup> Source: 2009 Index of Economic Freedom, The Heritage Foundation, available at <http://www.heritage.org/index/Default.aspx>

probably neutralised the benefits of common cultural affinity, common geography and the advantage of common borders that India shares with other SAARC nations.

(4) *Non-Tariff barriers*: As increases in tariffs above bound rates are not permissible under WTO rules, countries are increasingly taking advantage of permissible NTBs. Arguably, resort to NTBs has worsened during the recent global economic downturn. In Table 3, some of the protectionist measures that India has initiated since the start of economic slowdown are listed. All are NTBs.

Hence, it is quite apparent that despite having economic potential SAFTA, in its present form, is more of a 'framework agreement' than a full blown FTA. The utility and impact of an RTA - particularly regarding its ability to drive integration and cooperation in terms of working for lower tariffs, phasing out of NTBs, and reducing trade costs - is not fully apparent in the case of SAFTA. In addition, there are no provisions for trade in services, where certain SAFTA members have pronounced comparative advantages. For instance, Pakistan and Sri Lanka's low-cost transport-based services; India's computer- and information-related services, and the Maldives and Nepal's expertise in tourism-related services, are not subject to SAFTA provisions. As the services sector contributes a lot to GDP in the South Asian region, it would make sense to allow trade in services something that will contribute to regional prosperity.

To sum up, trade is far from free in South Asia. Reducing trade costs and enhancing political cooperation to better unify South Asia will take some time; reaping the commercial benefits from SAFTA seem, therefore, far off. In the near and possibly medium term, then, Indian firms may gain better access to foreign markets through extra-regional RTAs and through the successful conclusion of multilateral trade talks. Now we turn to examining the latter option.

## **5. An alternative: North-South negotiations at the WTO**

The Doha Development Round, which commenced in November 2001, is yet to be concluded. The last major negotiation (in Geneva in July 2008) failed, mainly because of arguments centring on Agriculture and Safeguards. In addition, there was a lack of consensus between the developed and the developing economies on issues relating to Non-Agricultural Market Access (NAMA), Trade Related Intellectual Property Rights (TRIPS), Trade Related Investment Measures (TRIMS), and General Agreement on Trade in Services (GATS). Each matter is considered in turn below.

*Agriculture*: Broadly speaking, the leading association of developing nations - the G20 group of countries - want subsidies given by the developed countries to their farmers and processed food manufacturers to be reduced. On the other side, the US and the EU want large developing economies, such China and India, to open up their markets in industrial goods as well as farm products in return. The argument of the G20 group was that farm subsidies threaten the livelihoods and subsistence of poor farmers.<sup>13</sup> Without further reduction in subsidies and an acceptable modification in the

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<sup>13</sup> The group known by G20 - comprising of 21 developing countries from Africa, Asia and Latin America - was formed during Cancun ministerial meet on September, 2003.



agricultural safeguard clause the negotiation has stalled. Although the US was willing to reduce their bound farm subsidies to \$14.5 billion, they could not agree to a key demand of India, namely, for a reduction in the threshold level of imports to trigger remedial agricultural safeguards. ("Farm tariffs sink world trade talks", *The Washington Times*, 30 July 2008).<sup>14</sup> India is arguing for the safeguard measures to apply when imports exceed 20 per cent of the average of the previous three years' imports, not 40 percent as was proposed by some.

*NAMA*: In case of items such as manufacturing products, fuels and mining products, fish and fish products, and forestry products, that is, items not covered by Agreement on Agriculture but classified under NAMA, developing countries submitted a number of proposals to modify the application of the so-called Swiss formula for cutting tariffs. According to this formula, higher tariffs would be subject to a greater cut compared to lower tariffs. Since bound tariffs levels for most developing countries are higher than in industrialised countries, the burden of tariff cutting falls on the former.

*TRIPS*: Developing countries still have concerns about binding multilateral rules on intellectual property on the grounds that they seem to be discriminatory and welfare-reducing. With respect to even-handedness the current TRIPS agreement provides higher degrees of protection for wines and spirits than for other exports of interest to developing countries, such as Basmati rice, Tequila, Szatmar plums, etc. India, for one, wanted extensions of "geographical indications" to go beyond wine and spirits to other products. Additionally, developing countries also demanded patent provisions on so-called traditional knowledge. With respect to welfare impacts, research has cast doubt on some of the alleged benefits of strong intellectual property rights protection. Apparently, royalty payments accruing to firms because of patent protection seldom lead to innovation and cost reduction. Examining 177 patent policy changes across 60 countries, over a period of 150 years, Lerner (2001) found that patent protection does not necessarily lead to innovation and cost reduction.

*TRIMS*: Developing countries have long opposed the inclusion of TRIMS in the WTO on the grounds that the relevant provisions impede the process of industrialisation and balance of payments stability. Moreover, there is a belief that firms with considerable lobbying power are using this Agreement for their own benefit.

*Services*: Typically, developing countries have advantages in Mode 1 type services (eg, outsourcing of office works), and Mode 4 type services (eg, movement of natural persons). Developed countries have advantages in Mode 3 type services, like financial and professional services. In Mode 4, developing countries would like to be issued with short-term visas at very short notice; exemption from social security contributions; de-linking the movement of natural persons from the requirement to set up an office or firm in a foreign country; removal of quantitative restrictions on issuance of visa; and removing Economic Needs Tests (ENTs). In Mode 1, the demands are for the removal of any form of government ban on outsourcing; the removal of federal and

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<sup>14</sup> <http://www.washingtontimes.com/news/2008/jul/30/farm-tariffs-sink-world-trade-talks/> (Accessed: 8/19/2009)

state level protectionist legislation relating to outsourcing; and caller identification requirements.

Securing benefits for India from the multilateral track will require overcoming the current negotiating impasse. This will undoubtedly require some compromises by each side; compromises that would be all the better if they had a sound economic motivation. Take for example the goal of protecting marginal farmers. For sure, a rush of import competition following a multilateral trade deal could jeopardise these farmers' living standards. Yet balance requires observing that much of the benefits of agricultural production are lost to middlemen between the farmer and retailer, and that certain packages of multilateral and domestic reforms could do much to secure and even improve the livelihood of marginal farmers. In a similar spirit, industrialised countries should consider whether their current redistributive policies towards agriculture could be replaced by funds for public agricultural research investment, which are an important source of productivity growth in agriculture. Revisiting the logic of state interventions may well reveal acceptable alternative measures that involve less discrimination against foreign commercial interests, potentially expanding the basis of mutually acceptable multilateral outcomes.

## **6. Concluding remarks**

In this chapter, certain potential Indian trade policy initiatives were evaluated in the light of evidence that suggests that many countries have resorted to protectionism in the wake of the global economic slowdown. It was argued that long-standing and recent protectionism, high trade costs, and political animosity with neighbouring Pakistan have prevented SAFTA from emerging into a successful regional trade agreement. The multilateral path was seen as a more attractive option. While it is well recognised that negotiation under the WTO umbrella takes time, and that progress to date has remained limited because of the diversity of WTO membership, it was argued that India stands to gain from the successful conclusion of the Doha Development Round and that, in collaboration with its trading partners, India should seek innovative means to overcome the current negotiating impasse.

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