

Note for Economic Editor's Conference, 2009

COMMERCE

The mandate of the Department of Commerce is regulation, development and promotion of India's international trade and commerce. The Department facilitates the creation of an enabling environment and infrastructure for accelerated growth of international trade. It formulates, implements and monitors the Foreign Trade Policy which provides the basic framework of policy and strategy for promoting exports and trade. Besides, the Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special Economic Zones, state trading and development and regulation of certain export oriented industries and commodities.

1. Exports

1.1 Performance during 2004-05 to 2008-09:

India's export sector has exhibited remarkable resilience and dynamism in the recent years. Exports reached a level of US \$ 182.6 billion in 2008-09 from a level of US \$ 63.8 billion in 2003-04. Despite the recent setback faced by India's export sector, our merchandise exports recorded a Compound Annual Growth Rate (CAGR) of 23.4 percent during the five year period from 2004-05 to 2008-09 as compared to the preceding five years when the exports increased by a lower CAGR of 14.0 percent. India's exports reached a level of US \$ 182.6 billion during 2008-09 registering a growth of 12.1 percent as compared to a growth of 29.1 percent during the previous year. The growth of exports during the year has exhibited a decline from October 2008 onwards.

1.2 Performance during 2009-10 (April-September)

Exports during the first half of the current year 2009-10 (April-September) were valued at US \$ 77.90 billion which is 28.5 per cent lower than the level of US \$ 108.91 billion during corresponding period of last year. Exports during September, 2009 were valued at US \$ 13.61 billion which is 13.8 per cent lower than the level of US \$ 15.79 billion during September, 2008. Though the monthly growth during the first half of the current year continues to be negative, the deceleration is progressively slower

2. Special Economic Zones (SEZs)

The Special Economic Zones (SEZs) Policy supported by SEZ Act 2005 and SEZ Rules 2006 intends to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package. The process of globalization has enhanced the relevance of SEZs and SEZs have become an important component in the export led industrialization strategy, playing a crucial role in promoting the manufacturing sector, including enabling investment climate for SMEs and offer platform for attracting export-oriented FDI. The main objectives of the SEZ scheme include generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities and development of infrastructure facilities.

The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval

mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically.

In a short span of about three years since SEZs Act and Rules were notified in February, 2006, formal approvals have been granted for setting up of 579 SEZs out of which 338 have been notified. Out of the total employment provided to 3,87,439 persons in SEZs as a whole, 2,52,735 persons is incremental employment generated after February, 2006 when the SEZ Act has come into force. Physical exports from the SEZs have increased from Rs. 66,638 crore in 2007-08 to Rs. 99,689 crore in 2008-09, registering a growth of 50%. There has been overall growth of export of 620% over past five years (2003-04). These figures establish beyond doubt that the response to the SEZ policy of the Central Government has been overwhelming and the scheme has been able to achieve the envisaged objectives. Even during the current economic meltdown, SEZs have registered an impressive growth in export, investment and employment generation.

A total of 98 SEZs are making exports. Out of this 60 are IT/ITES, 13 Multi product and 25 other sector specific SEZs. The total number of units in these SEZs is 2301.

3. Plantation Sector

Plantation crops have been the traditional exports of India providing employment to millions of workers. These crops mainly include Tea, Coffee, Rubber and Spices cultivated on 42.6 lakh hectare. The sector provides direct employment to 17.10 lakh workers and provides livelihood to around 14.5 lakh small growers. The plantation sector though occupy 1% of the total cropped area in the country, it contributes 15% of the total agricultural exports. India's rank among the world producers is first in respect of spices, 2nd in Tea, 4th in Natural Rubber and 6th in Coffee.

India's export of plantation crops in terms of value is about Rs.10000 crores per annum. India is the single largest producer and exporter in respect of spices accounting 48% in terms of volume and 44% in terms of value in US\$. India accounts for around 13% of the world trade in tea and is the fourth largest tea exporter. India's share in global production and export of coffee is about 3.5%. India is the 4th largest producer of Natural Rubber. Though the export of Indian Natural Rubber is negligible, we are meeting the major share of domestic consumption of natural rubber. India's export of plantation crop has reached Rs. 10307.61 crores in 2008-09 from Rs. 5064.97 crores in 2003-04.

In order to improve and enhance the productivity, quality and overall development of the sector, the Department of Commerce has been implementing various Plan schemes through Commodity Boards. The major components of the schemes are replantation, rejuvenation, extending plantations growing to Non-traditional areas, R&D, Market development and Export promotion, processing, quality up-gradation and product development and Human Resources development for the welfare of the plantation workers and small growers. The overall budget allocation for the commodity Boards for the 11th Plan has been increased to 2330 crores from that of Rs. 1201 crores during 10th Plan.

Special Measures: A Special purpose Tea Fund has been set up for funding replantation and rejuvenation and improving the age profile of tea plantations. In line with this effort, Government has also announced schemes for replantation and rejuvenation of Cardamom and Pepper. With a view to bring transparency in prices, an e-auction system for tea has already been implemented. Auction system is also in operation for Cardamom in Kerala and Tamil Nadu. To improve the quality of spices exported, five state of the art regional laboratories are being set up. With a view to have scientific processing and value addition & to enhance quality standard of the product, Government has decided to set up Six Spices Parks.

It is Government's endeavor to look after this sector and help transforming the this sector of to become internationally competitive and sustainable. Recently, Vishesh Krishi Gram Udyog Yojna has been extended to all types of tea. The Government has already formed a Group of Ministers (GoM) to look into the structural problems of the plantation sector.

4. Multilateral and bilateral Trade Negotiation

The Department of Commerce also engages in trade negotiations and agreements at multilateral, regional and bilateral levels. It interacts with international agencies such as the World Trade Organization (WTO), as well as individual countries or group of countries on a wide range of issues including tariff and non-tariff barriers, international commodity agreements, preferential/ free trade arrangements, investment matters, etc. Some of the major initiatives taken by the Government towards evolving improved trading relations at the bilateral, regional and multilateral levels are

4.1 WTO Negotiations-Doha Round

The Doha Round of trade negotiations at the World Trade Organisation (WTO) has been underway since 2001. The years 2007 and 2008 saw intensive discussions and considerable progress on many elements of the Agriculture and Non-Agricultural Market Access (NAMA) modalities¹, but the Round could not be concluded.

Mini-Ministerial Meeting: 21-29 July 2008

A mini-Ministerial meeting of the WTO, attended by about 30 Trade Ministers, was held in Geneva from 21 to 29 July 2008. The objective of the meeting was to finalise modalities for Agriculture and NAMA. Simultaneously, a meeting on Services trade (a "Signalling" Conference) was also held. The meeting ended without an agreement on any issue. While Ministers were amenable to working towards an agreement on several complex issues in both Agriculture and NAMA, provided other issues of concern to them were resolved to their satisfaction, there were many issues which either could not be discussed at all or on which agreement could not be reached on account of persisting differences. While many of these were issues critical to developing countries, several were developed country concerns. In the end, however, the focus was almost entirely on the issue of the Special Safeguard Mechanism (SSM) for developing countries, in the agriculture negotiations.

¹ These include the formulae and methodology for cutting tariffs on agricultural and industrial goods, reducing domestic subsidies in agriculture, phasing out export subsidies as well as the contours of flexibilities/exemptions from tariff cuts on both agricultural and industrial goods.

Resumption of the WTO Multilateral Process: September/October 2008

Following the impasse in the talks at the mini-Ministerial meeting, the general opinion amongst WTO Members was that negotiations should resume at the earliest opportunity. Agriculture and NAMA discussions resumed in October 2008.

The Chairs of the Negotiating Groups on Agriculture and NAMA brought out the fourth revisions of draft modalities for Agriculture and NAMA on 6 December 2008.

Thereafter, there was another pause in the negotiations, in some measure due to the process of elections in India and the US. However, in the interim, the Doha Round was on the agenda of several major international meetings, such as meetings of the G-20, G8 plus etc. At each of these meetings, leaders reaffirmed their commitment to the Doha Round and called for its early conclusion. The general view was that the conclusion of the Round would help to keep trade open.

Informal Ministerial Meeting, New Delhi: 3-4 September 2009

The pronouncements by Ministers and Heads of State and Government at various international meetings signalled considerable political enthusiasm for an early conclusion of the Doha Round. In order to translate this expression of broad-based international political support into a work plan, India hosted an informal Ministerial meeting of about 30 WTO Member countries. The meeting was chaired by India's Commerce and Industry Minister, Shri Anand Sharma.

As the objective was to resume and intensify negotiations, technical issues were not discussed. Discussions focused on the best way to spark the multilateral negotiations to move the Round to a quick closure. The aim was to draw up a clear plan for re-engagement at the WTO in the near future so as to take the Round forward.

There was unanimous affirmation of the need to expeditiously conclude the Doha Round, particularly in the present economic situation. All agreed that there was a need to resume talks in Geneva. The development dimension and the need to address the concerns of LDCs was emphasized. Acknowledging that the LDCs and the Small and Vulnerable Economies (SVEs) had the most at stake in this Round, Ministers collectively re-affirmed that development remained at the heart of the Doha Round and called for placing all LDC concerns on a faster track for negotiating convergence. Ministers stressed the importance and integrity of the multilateral process given its inclusiveness and transparency. Ministers also called upon Chief Negotiators/Senior Officials to meet in Geneva in September/early October 2009 to draw up a process of engagement and to work with the Chairs of the Negotiating Groups to prepare an overall agenda of action.

Ministers called for issue-based work plans for intensifying engagement of members on Agriculture and NAMA to complete negotiations within a timeframe to be stipulated. They also called for work plans in other areas covered in the Doha Round. There was unanimity of opinion that negotiations should resume on the basis of progress achieved till December 2008.

Ministers were unanimously appreciative of India's effort to revive the flagging negotiations by bringing together a widely representative group of WTO members in an effort to bring about a broad-based consensus on the road ahead in the Doha Development Round.

Resumption of the Multilateral Process: September 2009

Multilateral discussions on Agriculture and NAMA have since resumed in September 2009 on the basis of the draft modalities on Agriculture and NAMA issued by the Chairs of the respective Negotiating Groups in December 2008. As this is the first time that these drafts are being discussed and that too after several months, this process will take time.

India's stand regarding the Doha Round

India has always been a strong protagonist of the multilateral trading system. We have consistently maintained that an early conclusion of the Doha Round is in our best interests. After all, this is a Development Round: the ones with most at stake are the developing countries. An early conclusion of the Doha Round is necessary to support Least Developed Countries and Small and Vulnerable Economies as well as to give a stimulus to the global economy.

India has consistently maintained that it supported the resumption of multilateral negotiations at an early date. Together with many other countries, India's stand has been that:

- The draft modalities of 6 December 2008 for Agriculture and NAMA should be the basis on which further negotiations are held. A substantial amount of work has gone into preparing these texts and there is no reason to review them or to introduce new elements at this stage.
- The development dimension of the Round has to be honoured. Food and livelihood security of the poor is critical to developing countries and cannot be compromised under any circumstances. The principal aim of India's negotiating strategy has consistently been to protect the interests of its farmers and industry.
- All issues being discussed in the negotiations are part of a single undertaking; therefore, adequate balance amongst major issues has to be ensured in the agreement.

Conclusion

India believes strongly in a rules based, transparent and fair multilateral trade regime. A multilateral trading regime based on fair and transparent rules best serves the needs of developing countries. The global financial and economic crisis makes it even more compelling to conclude the Doha Round. The Round presents a historic opportunity to the WTO Membership to remove the distortions and structural flaws in agricultural trade and to take forward liberalisation of trade in non-agricultural products as well as in Services along with developing tighter disciplines in the areas of Anti Dumping, Subsidies and Countervailing measures etc. Since development is at the heart of the Round's objectives, it would especially help developing countries in tackling their problems of poverty and unemployment through expansion of trade opportunities. If there is no Agreement, all these possible gains would remain unfulfilled. Progress in the talks, however, will require a greater willingness to appreciate the concerns of the developing country members. The challenge before the WTO members is to reconcile the legitimate aspirations of the developing countries with the expectations of others.

4.2 Regional Trade Agreement

4.2.1 India -ASEAN Agreement

In order to address the economic content of the 'Look East Policy', a continuous dialogue is maintained with ASEAN and the countries of South-East Asia. With a view to providing an institutional framework for operationalising economic cooperation, India and ASEAN (Association of South East Asian Nations), comprising Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, signed a Framework Agreement or Comprehensive Economic Cooperation Agreement (CECA) on October 8, 2003. Negotiations towards a Trade in Goods Agreement commenced in March 2004 and ended in May 2009. On 13th August 2009, India and the ASEAN signed the Trade in Goods Agreement under the broader framework of the CECA. The Agreement is envisaged to come into force from 1st January 2010.

The Agreement is expected to would further boost bilateral trade between India and the ASEAN. ASEAN is a major trading partner for India and accounts for 9.42% of its global trade. In the financial year 2008-09, bilateral trade between India and ASEAN was about US\$ 45 billion. India and ASEAN have now set a target of achieving bilateral trade of US\$ 70 billion by 2012.

Under the Trade in Goods Agreement, Schedules of Tariff Commitments have been drawn by all Parties indicating product-wise tariff concessions or no concessions. The tariff concessions offered by India include – (1) tariff elimination on 7788 products by 31.12.2013, (2) tariff elimination on 1252 products by 31.12.2016, (3) tariff reduction to 5% on 1805 products by 31.12.2016 and (4) tariff reduction to 37.5% on Crude Palm Oil, 45% on Refined palm Oil, Coffee, Tea and 50% on Pepper by 31.12.2019. India has maintained a large Exclusion (Negative) List of 1297 products where no tariff concessions are offered. The List has been prepared to address our sensitivities in agriculture, textile, auto and chemical sectors. The Agreement also provides for a safeguard mechanism to address sudden surge in imports on account of tariff concessions.

Through this Agreement, Indian exporters of Machinery & Machine Parts, Steel & Steel Products, Oilcake, Wheat, Buffalo Meat, Automobiles & Auto Components, Chemicals, Synthetic Textiles, etc would gain additional market access into the ASEAN countries. Indian manufacturers would be able to source products at competitive prices from the ASEAN markets.

India and ASEAN are currently negotiating Agreements on Trade in Services and Investment which are targeted to be concluded by August 2010.

4.2.2 Comprehensive Economic Partnership Agreement (CEPA) between India and Korea

India-Korea CEPA comprises of six Agreements viz. Agreement on Trade in goods; Rules of Origin and Origin Procedures; Trade Facilitation and Customs Cooperation; Trade in Services including Specific Commitments; Investment and Dispute Settlement. India-Korea CEPA also contains chapters on "Competition" and IPR.

Trade in Goods: Korea have put additionally 60% of tariff lines, under immediate tariff liberalization for India. Most of the items are of India's export interest to Korea. This way India is going to benefit most from the tariff negotiation. Due care has been taken to protect the interest of agricultural and textile sectors. India's exclusion and

sensitive list contain mostly agricultural, textiles and auto-sectors items. No product has been offered for complete elimination of duty in this sector. The textiles and automobile sectors have been given sufficient protection and 90% of the auto items have been kept in the exclusion and sensitive list.

Services: India has been able to obtain substantial commitments over the Revised Offer tabled by Korea at WTO (WTO plus). A whole range of services have been opened for India. Limitations have been removed in Architectural, financial and Audio-visual services. Korea also offered commitments under Mode 4 in independent professionals which it has not offered in any other bilateral agreement or at the WTO.

Investment: Salient provisions of the Investment chapter include market access for industries; national treatment; repatriation; safeguards against expropriation; investment protection; and settlement of disputes. Benefit of the Chapter is to be extended only to enterprises established under the law of the state and having substantial operations in that territory.

Background:

Prime Minister Dr. Manmohan Singh and Mr. Roh Moo-hyun, who was President of the Republic of Korea at that time, met in New Delhi on 6th October, 2004 and agreed to establish a Joint Study Group to take a comprehensive view of bilateral economic linkages between Korea and India. In particular, the Joint Study Group was mandated with the task of, examining the feasibility of a Comprehensive Economic Partnership Agreement (CEPA) between the two countries.

The Joint Study Group, composed of Government officials, economists and representatives of business communities of Korea and India concluded that a CEPA between Korea and India would provide significant benefits for both countries.

In pursuance to the recommendations of JSG, A Joint Task Force (JTF) composed of Government officials was constituted. Negotiations for a Comprehensive Economic Partnership Agreement between India and Korea commenced on 23rd March 2006, and were substantially concluded in the 12th meeting of the Joint Task Force (JTF) held during September 22-25, 2008 in Seoul. The Agreement was signed by Commerce and Industry Minister of India and Korean Trade Minister on 7th August, 2009 in Seoul.

4.2.3 Negotiations with European Union

European Union comprises of 27 Member States. The European Commission is the administrative body for the European Union having the competence to negotiate trade and investment agreements. India has regular contact at the high level both with the European Commission and the 27 Member States. The EU is India's largest trading partner with a trade volume of US\$ 80.6 billion.

The India-EU relationship is reviewed annually at the India-EU Summit at the level of our Prime Minister and the rotating Presidency of the European Union. The next Summit is to take place in New Delhi on 6 November, 2009. The economic relationship figures prominently in the deliberations at the Summit in view of the strong economic aspects of our bilateral relations.

India is engaged in negotiations with the EU for a broad based trade and investment agreement. Negotiations commenced in June 2007. Seven rounds of negotiations have been held so far, alternately in Brussels and New Delhi. These negotiations cover Trade in goods, Sanitary & Phyto-sanitary Measures and Technical Barriers to Trade, Trade in services, Investment, Intellectual Property Rights and Geographical Indications, Competition Policy, Customs and Trade Facilitation, Trade Defence , Dispute Settlement. Discussions have also been held on Government procurement.

Background:

India and EU entered into a Strategic Partnership in 2005. Consequently a high level trade group (HLTG), comprising officials from both sides, was established in 2005 to explore the possibility of a bilateral trade and investment agreement.

The HLTG submitted its report to the India-EU Summit in October 2006 recommending that both sides enter into negotiations for a broad based trade and investment agreement and negotiations commenced for the broad based trade and investment agreement in June, 2007. The strong complementarities in our bilateral trade are a basis for the recommendation of the HLTG. India-SACU PTA

4.2.4 India SACU Preferential Trade Agreement

The Southern African Customs Union (SACU), the oldest Custom Union of the world, comprises of South Africa, Lesotho, Swaziland, Botswana and Namibia. India and SACU have expressed their intent to enter into a Preferential Trade Agreement (PTA) with the aim of promoting expansion of trade between the two parties and providing a mechanism to negotiate and conclude a comprehensive Free Trade Agreement within a reasonable time. India and SACU have commenced negotiations for PTA in October, 2007 and four meetings of the negotiating teams have taken place so far. India and SACU signed a Memorandum of Understanding, an enabling instrument to facilitate negotiations, during the third round of negotiations held in New Delhi on 25th – 27th November 2008

5. Anti-Dumping measures

As per the Customs Tariff Act, 1975 (as amended) and the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 (as amended) , anti-dumping investigations are normally initiated by the Directorate General of Anti-Dumping & Allied Duties (DGAD) on receiving a fully documented petition from the domestic industry with prima-facie evidence of dumping of goods in India, injury to the domestic industry and causal link between the dumped goods and injury to the domestic industry. From 1992 till date, the Directorate General of Anti-Dumping and Allied Duties (DGAD) has initiated anti-dumping investigations into 245 cases involving 38 countries/territories During the financial year 2008-09 , the DGAD initiated 21 (twenty-one) fresh anti-dumping investigations as against 13(thirteen) during the 2007-08 . During 2009-10, the DGAD has initiated 9 (nine) fresh anti-dumping investigations so far.
