

PRESS RELEASE

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TRADE POLICY REVIEW: INDIA

Economic reforms led to strong economic performance

The Trade Policy Review Body of the World Trade Organization (WTO) concluded its third review of India on 19 and 21 of June 2002. The text of the Chairperson's concluding remarks is attached as a summary of the salient points which emerged during the discussion.

The review enables the TPRB to conduct a collective examination of the full range of trade policies and practices of each WTO member countries at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The review is based on two reports which are prepared respectively by the WTO Secretariat and the government under review and which cover all aspects of the country's trade policies, including its domestic laws and regulations, the institutional framework, bilateral, regional and other preferential agreements, the wider economic needs and the external environment. A record of the discussion and the Chairperson's summing-up together with these two reports will be published in due course at the complete trade policy review of India and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

Since December 1989, the following reports have been completed: Argentina (1992 and 1999), Australia (1989, 1994 and 1998), Austria (1992), Bahrain (2000) Bangladesh (1992 and 2000), Benin (1997), Bolivia (1993 and 1999), Botswana (1998), Brazil (1992, 1996 and 2000), Brunei Darussalam (2001), Burkina Faso (1998), Cameroon (1995 and 2001), Canada (1990, 1992, 1994, 1996, 1998 and 2000), Chile (1991 and 1997), Colombia (1990 and 1996), Costa Rica (1995 and 2001), Côte d'Ivoire (1995), Cyprus (1997), the Czech Republic (1996 and 2001), the Dominican Republic (1996), Egypt (1992 and 1999), El Salvador (1996), the European Communities (1991, 1993, 1995, 1997 and 2000), Fiji (1997), Finland (1992), Gabon (2001), Ghana (1992 and 2001), Guatemala (2002), Guinea (1999), Hong Kong (1990, 1994 and 1998), Hungary (1991 and 1998), Iceland (1994 and 2000), India (1993, 1998 and 2002), Indonesia (1991, 1994 and 1998), Israel (1994 and 1999), Jamaica (1998), Japan (1990, 1992, 1995, 1998 and 2000), Kenya (1993 and 2000), Korea, Rep. of (1992, 1996 and 2000), Lesotho (1998), Macao (1994 and 2001), Madagascar (2001), Malawi (2002), Malaysia (1993, 1997 and 2001), Mali (1998), Mauritius (1995 and 2001), Mexico (1993, 1997 and 2002), Morocco (1989 and 1996), Mozambique (2001), New Zealand (1990 and 1996), Namibia (1998), Nicaragua (1999), Nigeria (1991 and 1998), Norway (1991, 1996 and 2000), OECS (2001), Pakistan (1995 and 2002), Papua New Guinea (1999), Paraguay (1997), Peru (1994 and 2000), the Philippines (1993 and 1999), Poland (1993 and 2000), Romania (1992 and 1999), Senegal (1994), Singapore (1992, 1996 and 2000), Slovak Republic (1995 and 2001), Slovenia (2002), the Solomon Islands

(1998), South Africa (1993 and 1998), Sri Lanka (1995), Swaziland (1998), Sweden (1990 and 1994), Switzerland (1991, 1996 and 2000 (jointly with Liechtenstein)), Tanzania (2000), Thailand (1991, 1995 and 1999), Togo (1999), Trinidad and Tobago (1998), Tunisia (1994), Turkey (1994 and 1998), the United States (1989, 1992, 1994, 1996, 1999 and 2001), Uganda (1995 and 2001), Uruguay (1992 and 1998), Venezuela (1996), Zambia (1996) and Zimbabwe (1994).

**TRADE POLICY REVIEW BODY:
REVIEW OF INDIA
Concluding remarks by the Chairperson**

This meeting has led to a much better understanding of India's trade policies. The outcome has been a very successful third Review of India's trade policies, practices and measures, due mainly to the active involvement of the Indian delegation

Members commended India for its strong economic performance over the past decade, with growth at an average 6% a year and a reduction in poverty. They noted that this resulted, in great part, from continued economic reforms, including trade liberalization, lower government involvement in the economy and liberalization of key services sectors. Trade reforms had concentrated on tariff reform and the removal of quantitative restrictions on imports.

Members noted that India was targeting even higher economic growth, particularly to reduce poverty further. This was to be achieved by stepping up reforms, including trade measures, especially to reduce the anti-export bias in the import regime. Several Members also remarked on the importance of investment, particularly for infrastructure, which needed urgent attention. The FDI regime had been significantly liberalized, but FDI inflows had not increased significantly. Moreover, the high fiscal deficit constrained public investment in infrastructure. The deficit also had implications for further reform of the tariff, which remained a major source of tax revenue; tariff reform needed to be accompanied by significant reform of the internal tax system, which India was striving to do.

India was commended for its initiative to simplify the tariff, but Members voiced concern over the persistence of high rates, escalation, complexity (including exemptions), and the gap between applied and bound rates. Details were requested on plans to reduce the tariff to two rates (10% and 20%). The imposition of additional and special additional duties to countervail indirect taxes remained a concern among Members.

Members were worried about India's increased use of contingency measures, notably anti-dumping. Some Members also worried that the removal of QRs had been followed by an increase in other measures such as strict labelling, certification and SPS requirements. India was commended for its efforts to enforce protection of intellectual property rights both through the adoption of new legislation and through education campaigns. Members stressed, however, that further efforts were required in this regard, especially in view of India's need to attract more FDI. Members noted the importance of the agricultural sector in India and stressed the need to further liberalize it in order to develop its full potential. Concerns were expressed over subsidies for agricultural products and inputs, which have contributed to large grain stocks and to export restrictions on agricultural goods. Some Members also urged liberalization of the Indian textile sector, noting that protection through high tariffs and small-sector reservations had hindered its competitiveness.

India has made significant progress in reforming services sectors, notably telecommunications, banking and insurance. Some Members raised queries in relation to banking reform, including national treatment. Questions were also raised about market access in other services such as telecommunications, audiovisual and software services. Members pointed to the success of India's software sector as being indicative of its ability to compete globally.

Members also sought clarification on several specific issues including:

- procedures to review and reduce over-regulation in the economy;
- customs procedures and valuation;
- import restrictions and licensing;
- the role of state trading companies;
- export processing zones;
- performance requirements in the automobile sector;
- government ownership of, and involvement in, financial services;
- policy in transportation services, and land ownership, reforms in the electricity sector and public postal services.

Members expressed their appreciation for the oral and written responses and explanations provided by the Indian delegation; they looked forward to receiving answers on still outstanding questions.

This brings us to the conclusion of our Review of India. The large number of advance questions, numerous interventions (some 30) and the high level of attendance indicate the important role that India plays at the WTO. India was commended for its reform process, including trade liberalization, and simplification of the trade and investment regime. However, I think we all agree that India needs to do more if growth targets are to be met and a serious dent is to be made in the still high rate of poverty. In this regard, Members gave India their full support for its efforts to reform the economy. Many Members added that these efforts would be greatly enhanced by steps on the part of India's trading partners to reduce, if not remove, their impediments to India's exports, especially in the context of new negotiations in line with the Doha Development Agenda (DDA). India has clearly stated its support for the WTO and the DDA but considers that if further progress is to be made, the onus remains on the developed countries to keep the promises made in Doha. This view was endorsed by many other Members, who look to India for leadership in these negotiations.

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