

7th Trade Policy Review of India

6-8 January 2021

OPENING STATEMENT ON BEHALF OF INDIA

Delivered by Dr. Anup Wadhawan, Commerce Secretary, Government of India

H.E. Ambassador (Mr.) Harald Aspelund, Chairman, TPRB

H.E. Ambassador (Ms.) Sunanta Kangvalkulkij, Discussant

Mr. Willy Alfaro, Director, TPR Division

Distinguished Permanent Representatives and delegates

2. India is pleased to participate in its seventh Trade Policy Review by the WTO. I thank the WTO Secretariat team for their meticulous work and the very comprehensive report for the Trade Policy Review, despite the challenges posed by the COVID-19 pandemic. Let me also convey our sincere thanks to the Permanent Representative of Thailand, H.E. (Ms.) Ambassador Sunanta Kangvalkulkij, for agreeing to be the Discussant.

3. The Trade Policy Review Mechanism (TPRM) is one of the most important instruments in the discharge of the WTO's monitoring function. We value the interest of the Membership in the review, and thank them for the questions posed to India, which highlights the value of this process. We have already responded to more than 700 questions posed by 27 Members till 1st of January, and look forward to a fruitful interaction with the Membership over the next two days. We believe this is an opportunity to apprise the WTO membership about the changes taking place in our economy and our trade and economic policy framework.

COVID-19

4. India's Seventh Trade Policy Review is taking place at a time when the world is witnessing an unprecedented health crisis. The COVID-19 pandemic has been the most devastating global event in living memory for most of us. To effectively address the health and economic challenges posed by the COVID-19 pandemic, India made a far-reaching and all-encompassing effort comprehensively involving the entire framework and spread of the governmental machinery and civil society at all levels. We responded with determination

and discipline to this challenge, with the welfare of both our citizens and the larger world community in mind. Our immediate priority was to save lives with the least possible economic disruption. Our fatality rate has remained low and more than 98 out of every 100 infected persons have recovered.

5. The crisis stimulated innovation and enterprise. Starting with negligible capacity in the production of several health and PPE related items, today we are manufacturing and exporting several of these products with significant cost-effectiveness, while maintaining the highest quality standards. We have recently accorded emergency use approval for two Vaccines that are manufactured in India. India remains committed to ensuring equitable and affordable access to vaccines for all and our vaccine production and delivery capacity will be used in full measure towards this end.

6. The pandemic has also reminded us of the importance of multilateralism and adherence to a rules-based global order in achieving the larger good in an equitable manner. Multilateral institutions like the WTO have an important role to play in building mutual trust, in minimizing the impact of disruptions through cross-country cooperation and, most importantly, in ensuring global recovery with efficacy. In line with our Prime Minister's commitment to make vaccines accessible and affordable for all, India along with other Members, has proposed an exemption from the related TRIPS Agreement provisions to make this possible. We are encouraged by the support this proposal has received from governments, political leaders, international organizations, civil society, media and the people. We hope the entire WTO Membership will come together to support this endeavour wholeheartedly.

ECONOMIC POLICY

7. Chair, when India's previous Trade Policy Review took place in 2015, the global economic situation was relatively more stable and certain. Since then, in the last 5 years, the Government has worked diligently to reform and transform the entire economic eco-system to meet the socio-economic aspirations of a billion plus Indians.

8. This **reform** agenda has been guided by the objective of ensuring a non-intrusive regulatory environment aimed at less Government interference and a focus on governance targeting improved ‘ease of doing business’. The introduction of the **Goods and Services Tax (GST)** in July 2017, that amalgamated a large number of Central and State taxes into a single tax, was a most significant reform. A unified GST across the federal and State level addresses cascading of tax burden and paves the way for a common national market. Our **direct tax** reforms have ensured that corporate tax rates are amongst the lowest in the world. The Government has also made concerted efforts to improve tax compliance and tax revenue collection through extensive automation of business processes and compliance procedures, while anonymizing assessments for transparency. The **Insolvency and Bankruptcy Code**, enacted in 2016, provides a mechanism for the insolvency resolution of debtors in a time bound manner. Path-breaking reforms have been introduced in the **labour** sector, by assimilating 44 Union labour laws into 4 codes having substantively improved provisions.

9. We have put in place an enabling and investor friendly **FDI Policy**, which has opened up new sectors for FDI, enhanced sectoral limits in existing sectors and simplified various conditions. FDI up to 100% is now permitted under the automatic route for most activities.

10. The Government also embarked on various national programmes like **Make in India, Digital India, Startup India and Skill India** to bring about rapid transformation across sectors in our manufacturing environment. **Digital India**, for instance, is a flagship programme that is transforming India into a digitally empowered society and knowledge economy. The **Startup** India initiative is building a strong ecosystem conducive for the growth of Startup businesses by empowering Startups to grow through innovation. To improve overall public service delivery, the **Direct Benefits Transfer (DBT)** initiative has been implemented. It has been able to contribute to a “Faceless, Paperless, Cashless” economy and achieve greater transparency, better targeting and timely delivery of benefits, with improved accountability and reduced cost of delivery and leakages across public programs.

11. **Infrastructure development** has remained the cornerstone of our growth strategy and as part of that effort, the National Infrastructure Pipeline of about USD 1.5 trillion was launched in December 2019. Strategic **disinvestment** in public sector undertakings is being undertaken to further increase private sector participation, create efficiencies and generate revenue, which will, in turn, enhance the capacity of the Government to invest in developmental priorities.

12. To address the economic disruption caused by the pandemic, the Government announced a series of reforms, with an aim to strengthen the investment climate and position the country as an efficient manufacturing destination. Called *Aatma Nirbhar Bharat*, the initiative aims at attracting investment by encouraging entrepreneurship and innovation, through an efficient plug and play infrastructure and utilities environment, and further simplified approval processes, for businesses. It is not to be mistaken for an inward-looking stance, but is aimed at strengthening the economic eco-system for India for it to engage in greater measure with the world with an enhanced capacity to better serve the global community.

13. Notwithstanding these significant efforts, the country still faces several **challenges**. While the share of agriculture in our GDP has declined to 16%, about 40% of the country's population still depends on agriculture for their livelihood. We also confront the challenge of ensuring food security, particularly for the large number of poor and vulnerable in the country. This challenge accentuated during the COVID-19 pandemic, reinforcing the criticality of public stockholding programmes to meet the food security challenge.

14. Chair, we are working towards making India a **USD 5 trillion** economy by 2024-25. Success in boosting investment and improving trade performance would substantially contribute towards the success of this endeavour. The fundamentals of the Indian economy, based on macroeconomic stability, are strong. This has improved the confidence of investors in our economy. FDI inflows have increased substantially in recent years with the highest ever FDI inflow of USD 74.39 billion in the financial year 2019-20. Even in these testing times of the pandemic, investors continue to endorse India as a desirable investment destination, with FDI inflow rising by more than 10 per cent year-on-year to reach USD 40

billion in the first six months of 2020-21. Improvement in the economic and business environment has enabled the country to better its position in the World Bank's Doing Business ranking from 142 in 2015 to 63 in 2019.

15. The structural reforms introduced by the Government in the last few years, along with a host of measures taken after the outbreak of COVID-19, should enable the country to bounce back on its targeted growth path. The resilience and robustness of the Indian economy is reflected in the V-shaped recovery evident at the half-way stage of 2020-21, wherein the year-on-year contraction of 7.5 per cent in real GDP in July-September is much smaller than the year-on-year contraction of 23.9 per cent in the preceding April-June quarter. With the favourable monsoon and growth in direct investment along with a gradual increase in private consumption, the outlook for India holds out a promise of strong and steady growth, aided by a very supportive counter-cyclical monetary policy, and positive news on the vaccine front.

TRADE POLICY

16. Trade is a vital aspect of India's development strategy and an enabler of its economic competitiveness. Our **Foreign Trade Policy (FTP)** has sought to make trade a major contributor to the country's economic growth and development. Its objective is to provide a stable, sustainable and predictable policy environment for trade in merchandise and services. The Government aims to boost India's exports of merchandise and services and raise India's share in world exports from about 2% to 3.5%. The FTP has a special focus on trade facilitation. We have taken several measures to ease the foreign trade environment through further digitization of processes and their simplification for businesses. The number of documents required for exports and imports have been reduced to three, comparable with international benchmarks. We are moving ahead in achieving the full functionality of the already significant electronic governance system, which has made the approvals environment paperless and faceless.

17. During the Review period, India also ratified the **Trade Facilitation Agreement** (April 2016). The National Committee on Trade Facilitation (NCTF) was constituted and a pan-India roadmap for trade facilitation was implemented under the National Trade Facilitation Action Plan (NTFAP) 2017-2020. A new NTFAP for the period ending 2023 is

under preparation with a vision to take additional reforms to bolster trade facilitation efforts and transform the cross-border clearance eco-system through efficient, transparent, risk based, coordinated, digital, seamless and technology-driven procedures. These would be supported by state-of-the-art logistics infrastructure.

18. The trade facilitative measures initiated by the Government have been instrumental in a significant reduction in the time and cost of border and documentary compliances for exports and imports in the last few years. This is reflected in the country's ranking of 68 on the Trading Across Borders indicator in the World Bank's Doing Business Report 2020, a vast improvement from 126 in 2015.

19. As a result of our efforts, India has continued steadily on a path of trade liberalization and is becoming increasingly integrated in the global economy. Our **trade performance** is an indicator of the openness of our market. During the five-year period under review, exports grew at a compound annual growth rate of 4.5%, while imports grew by 5.7%. India's share in global trade has registered an increase, with our exports, inclusive of services, crossing the half a trillion-dollar mark for the first time in 2018-19 to reach a new high of USD 538.1 billion. This feat was repeated in 2019-20.

20. Our **tariff structure** also reflects our commitment to an open and transparent trading system. While the average bound MFN rate for all products is 50%, the applied rates are much lower. The simple average MFN applied tariff is about 14% for all products and 11% for non-agricultural products. We have a simple tariff structure, with *ad valorem* duties on about 94% of our tariff lines. Non - *ad valorem* duties apply to a mere 6 per cent of India's tariff lines.

21. The Secretariat in its report, as also some members, have commented on the increase in **anti-dumping investigations** initiated during the review period. In all cases we have complied with the letter and spirit of the relevant WTO provisions. And, measures, where imposed, impinge on a miniscule [less than 1%] proportion of our total imports. The increase in these cases is only a reflection of the increase in incidence of unfair trade practices

experienced by us. We have been duly notifying these measures to the WTO, as done recently, for our new anti-circumvention rules.

22. The Secretariat and some members have also highlighted apprehension in respect of **India's efforts against counterfeit and pirated goods**, based on the OECD-EUIPO study which uses data for a select period i.e. from 2014-16. We, however, believe that such concerns based on limited data sources, are mis-founded. With the implementation of the National IPR Policy 2016, India has taken significant strides in strengthening its Intellectual Property Rights regime. A slew of initiatives and reforms have been introduced since then, as part of a concrete action plan to bring down timelines, rationalize compliance requirements, facilitate IP registration and improve IP protection for the right holders. This is reflected in India being ranked among the top 50 innovative economies of the world by WIPO under the Global Innovation Index (GII) rankings.

INDIA AND THE MULTILATERAL TRADING SYSTEM

23. The multilateral trading system has faced unprecedented challenges in the past few years. As a founding member of the WTO, India remains committed to the centrality of the WTO for an integrated, rules-based global trading system. India has been an active participant in the efforts to safeguard and strengthen the WTO for promoting development and inclusivity. In order to facilitate a consensus towards this goal, India took the initiative to host two informal mini-ministerial meetings in New Delhi, in March 2018 and May 2019.

24. The growth in the number of free trade agreements is creating a new trading landscape, with the potential to bring about enormous changes in global trade dynamics. These developments must go hand in hand with maintaining and strengthening the centrality of the WTO in the global commerce and trade architecture. The multilateral trading system not only needs to keep pace with new developments, but it also needs to be reformed to address several existing asymmetries in current trade rules which places developing countries at a disadvantage.

25. The COVID-19 pandemic has further accentuated the inherent weaknesses and inequalities in the global economic & trading system. India strongly believes that the

multilateral trading system needs urgent reforms to make it robust and responsive to address the new challenges confronting us. In this regard, India along with other members, has tabled **reform proposals** that provide a **long-term roadmap** for reforming the ailing and imbalanced current global trading system. We seek immediate restoration of the Appellate Body, in a manner that preserves the essential features of a two-tier dispute settlement system, negative consensus and independence of the dispute settlement mechanism. We believe that the resolution of the impasse in the Appellate Body must precede other reforms. Also, the agenda for WTO reform must be development centric, preserving the core values of the multilateral trading system, strengthening the provisions of special and differential treatment in existing and future agreements. It must also preserve the Member-driven multilateral character of WTO, including consensus-based decision making. The existing imbalances and asymmetries need to be addressed to ensure a level playing field for the developing members, including LDCs.

26. In order to deal with the immediate fall out of the COVID-19 pandemic, we have advocated a **short-term package** of effective measures that includes the temporary TRIPS waiver proposal to increase manufacturing capacity and ensure timely and affordable availability of new diagnostics, therapeutics and vaccines for COVID-19; a permanent solution for Public Stockholding (PSH) for food security purposes to address food security concern; and a multilateral initiative that provides for easier access to medical services under mode-4 to facilitate easier cross-border movement of health care professionals.

27. Notwithstanding the deficiencies in the existing system, India remains an active participant in the **ongoing negotiations** at the WTO, including the fisheries subsidy negotiations. We have advocated the urgent need for strong disciplines to regulate certain harmful fisheries subsidies, while preserving the livelihood of subsistence artisanal and small-scale fishermen in developing countries, including LDCs. We are also playing a constructive role in agriculture and services negotiations and are making efforts to reinvigorate the Work Program on Electronic Commerce and Domestic Regulations.

28. We also remain committed to **assisting the LDCs** for their enhanced participation in international trade. During the Review period, we further simplified our market access for

LDCs by re-working India's Duty-Free Tariff Preference Scheme of 2008. India now provides LDCs duty free market access on 96 per cent of tariff lines and preferential duties on 2.2% of the lines. India is the fourth biggest export destination for LDCs. We have also notified preferential treatment to services and service suppliers of LDCs, wherein, we provide technical assistance, capacity building and Market access under Mode 4. This is testimony to our commitment to "inclusive globalisation".

CONCLUDING REMARKS

29. Chair, in conclusion I would like to say that twenty years ago India occupied a small space on the global trade canvas. Today, foreign trade is a significant part of the Indian economy and its foreign trade framework is closely and inextricably embedded as a priority area in the overall economic policy framework. We are striving to further catalyze trade as an engine of growth, to overcome the challenge of poverty, unemployment and income inequality. We are confident, as we move along this trajectory, that India will play an increasingly important role in global trade in the years to come. India will also continue to play an important role here at the WTO, to protect, preserve and strengthen the multilateral trading system.

30. I thank the Members once again for their interest in India's Trade Policy Review, and look forward to our interaction over the next two days.

Thank you.
