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**Trade Policy Review Body**

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**UNOFFICIAL ROOM DOCUMENT<sup>1</sup>**

**TRADE POLICY REVIEW OF INDIA (2 AND 4 JUNE 2015)**

**OPENING STATEMENT BY INDIA**

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**Organe d'examen des politiques commerciales**

**DOCUMENT DE SÉANCE NON OFFICIEL<sup>1</sup>**

**EXAMEN DES POLITIQUES COMMERCIALES DE L'INDE (2 ET 4 JUIN 2015)**

**DÉCLARATION LIMINAIRE DE L'INDE**

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**Órgano de Examen de las Políticas Comerciales**

**DOCUMENTO DE SALA NO OFICIAL<sup>1</sup>**

**EXAMEN DE LAS POLÍTICAS COMERCIALES DE LA INDIA (2 Y 4 DE JUNIO DE 2015)**

**DECLARACIÓN INICIAL DE LA INDIA**

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## **OPENING STATEMENT ON BEHALF OF INDIA**

2 June 2015

*Mr. Rajeev Kher, Commerce Secretary, Government of India*

Ambassador Atanas Paparizov, Chairman, TPRB

Ambassador Esteban Conejos, Discussant

Mr. Willy Alfaro, Director, TPR Division

Distinguished Permanent Representatives and delegates

Mr. Chairman, India welcomes the sixth Trade Policy Review of India by the WTO. I thank the WTO Secretariat team for the painstaking work they have put in on India's Trade Policy Review and the comprehensive report they have brought out. Let me also convey our thanks to the Permanent Representative of the Philippines Ambassador Esteban B. Conejos for agreeing to be the Discussant.

India welcomes the interest of the WTO Membership in this Review. We look forward to a fruitful interaction with all of you over the next two days and would be happy to provide any further information or clarifications you may require in addition to our responses to the 700 plus questions raised by around 30 Members.

We welcome this opportunity to apprise the WTO membership about the Indian economy and our government's policies particularly our trade policy framework. We see such interactions with the WTO membership as a valuable opportunity to gain an understanding of different perspectives as well as discuss some of the views expressed in the Secretariat's Report.

The previous Trade Policy Review of India took place in 2011, a year when the global economic crisis was at its peak. Four years later, the crisis is behind us but uncertainties and challenges continue. While some of the developed countries appear to have got back on the recovery path, growth in other major economies is still weak.

### **THE INDIAN ECONOMY**

Against this backdrop, the outlook for India holds out a promise of strong and steady growth. Several factors, both global and domestic, have provided a significant fillip to India's growth, particularly in recent months, such as decline in international oil prices, moderation in inflation and domestic reform initiatives.

However, the country faces several challenges. While nearly half the population of the country is still engaged in agriculture for their livelihood, the share of agriculture in total GDP is less than 20%. For the past few years, agricultural incomes in the country have come under severe stress on account of rising input cost and inability of farmers to get reasonable prices for their produce. We also have the challenge of ensuring food security, particularly for the large number of poor in the country. Other challenges are to develop a robust manufacturing base in the country, generate employment for the large numbers joining the work force each year and work on the acute infrastructure deficit. At the same time government also has to maintain fiscal discipline and this calls for a very delicate balancing act.

### **NEW BEGINNINGS**

The last year has been a year of new beginnings. We have charted out a brand new agenda for reform, growth and investment. This is a model of better governance with less government. While the business of government will be to keep government out of business, we are committed to improving the ease of doing business, simplifying procedures, facilitating industry, trade and business to be efficient and, most importantly, passing on the benefit of the growth process to the common man by creating jobs.

There is a new dynamism in the Indian economy. Government clearly recognizes the critical importance of the manufacturing sector to boost and sustain economic growth by driving mass production and production by the masses. A flagship initiative of the government is "Make in India" which aims to facilitate investment, foster innovation, create jobs, develop a skilled workforce and develop high quality manufacturing infrastructure. All these FDI reform measures have been consolidated and can be accessed online.

To ensure that India's products are of world standard, we have developed a roadmap on measures required to protect consumers, raise the quality of the merchandise produced and enhance India's capacity to manufacture products which can meet the requirements and standards of even the most discerning markets.

Similarly many services sectors have been identified for internal reforms aimed at raising their competitiveness and quality with a view to enhancing India's engagement in international trade in services. We recently hosted a successful Global Exhibition on Services which served as a platform to strengthen our engagement in trade in services and attract FDI inflows into the services sector. This will be an annual event.

There is a special emphasis on improvement of physical infrastructure, for which a new National Infrastructure Investment Fund has been set up.

We have very liberal Foreign Direct Investment (FDI) norms across sectors. The FDI limits have been raised in insurance, railways and defence production.

A major focus area of our reform agenda is the ease of doing business. An "e-Biz", Government to Business portal has been set up to serve as a one-stop shop for delivery of services to investors and to address the needs of business and industry from inception through the entire life cycle of the business. The portal has a provision to apply and pay online for a list of selected Central Government services, to which we are adding more every day. Several State Governments are also part of this project.

A major transformative reform is the Goods and Services Tax (GST) slated to be introduced from the next financial year. The implementation of the GST would remove multiple layers of taxation and make Indian trade and industry more competitive by integrating markets, reducing inflation and the cost of production.

We want to foster a culture of innovation, R&D and scientific research in India. As a step in this direction, a corpus fund was created in this year's Budget. By taking broadband connectivity to all parts of the country, the Digital India programme will also contribute to making India a knowledge and innovation based society. A Self-Employment and Talent Utilisation mechanism and an Innovation Mission have been established to nurture entrepreneurship and innovation.

The Annual Budget of the Government of India has delivered on some pressing issues for micro, small and medium enterprises (MSMEs), such as providing access to funding and addressing the inverted duty structure in some key segments.

India's demographic advantage is well known. The challenge is to provide gainful employment to large numbers being added to the workforce every year, through job creation and skill upgradation. A dedicated Department has been set up to promote skill development and entrepreneurial activities.

Along with the challenge of creating jobs, we are mindful of the need for bringing existing labour laws in tune with market demands, while ensuring labour protection and welfare measures.

For a large country like India, financial inclusion poses a big challenge. We have an important new programme in place for fostering financial inclusion. This envisages universal access to banking facilities with at least one basic banking account for every household. Over 150 million accounts have been opened under this programme. Better financial inclusion will support initiatives for transfer of benefits directly to the people in time.

Major reforms have been initiated for improving transparency, efficiency and better enforcement. The recently conducted transparent coal and spectrum auctions are two such examples.

Apart from its transformative economic effect, the GST will bring in greater transparency and enable better administration by removing multiple layers of taxation.

India has a three-tiered governance architecture which makes policy formulation and implementation a challenging exercise. To facilitate decentralized and more efficient planning, states have now been made equal partners in nation building in a spirit of cooperative and competitive federalism. To put this into effect, a much larger proportion of Government revenues will now go to the States. We are creating an institutional framework to enable states to play a greater role in promoting trade.

## TRADE POLICY

We have put in place a new Foreign Trade Policy (FTP) for the period 2015-20 which seeks 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. While India's foreign trade policy does keep in view domestic supply concerns, it has rarely been used for this purpose. In fact, it has steadily moved over the years, towards greater liberalisation.

The new FTP complements various new initiatives such as "Make in India", "Digital India" and "Skill India". It prepares India to respond to external challenges and to keep in step with a rapidly evolving international trading architecture. Our vision is to make India a significant participant in world trade by the year 2020. The Government aims to boost India's exports of merchandise and services and raise India's share in world exports from 2% to 3.5%.

We are also taking special measures such as outreach programmes and specialized training to help new entrepreneurs and manufacturers to participate in global trade. The FTP has a special focus on trade facilitation and the ease of doing business. Recently, the number of documents required for exports and imports was reduced to three, comparable with international benchmarks. We are also moving ahead in the direction of creating an electronic governance system in which exporters and importers would be able to submit all relevant documents online.

India has continued steadily on a path of trade liberalization and is becoming increasingly integrated in the global economy. While growth in both exports and imports slowed down during the review period, imports have been consistently higher than exports, an indicator of the openness of our market. The trade deficit has remained high in these years, reaching a little more than 190 billion USD in 2012-13, about 11% of the country's GDP and one of the highest amongst large economies.

India's tariff structure reflects the country's continuous efforts in the direction of trade liberalization. As indicated in the Secretariat Report, while the average bound MFN rate for all products is 50%, the applied rates are much lower, especially in the case of agricultural goods. The simple average MFN applied tariff is just 13% for all products and 9.5% for non-agricultural products. We have a simple tariff structure, with *ad valorem* duties on about 94% of our tariff lines. Alternate or specific duties apply to a mere 6 per cent of India's tariff lines.

## INDIA AND THE WTO

While the multilateral trading system needs to keep pace with new developments, it is well recognized that there are several asymmetries in the current trade rules which places developing countries at a disadvantage. The G-33 coalition took up one such asymmetry in the Agreement on Agriculture and was able to persuade the WTO membership to work on this issue. We must aim to achieve a positive outcome at an early date.

India is committed to assisting LDCs for their enhanced participation in international trade. We have further expanded our Duty Free Tariff Preference Scheme for LDCs which was introduced in 2008. It now provides duty free market access on 96 per cent of India's tariff lines and preferential duties on 2.2% of the lines.

At the high-level meeting of the WTO Services Council in February this year, India made an offer of preferential treatment to LDCs. This includes waiver of visa fees for LDC applicants seeking Indian business and employment visas, technical assistance and capacity building initiatives and

market access commitments. These preferences would remain valid for a period of 15 years from the date of notification by India.

In accordance with a commitment made by India in the WTO, we are running a Technical Assistance Programme for the cotton sector in six countries of Africa, namely, Benin, Burkina Faso, Chad, Uganda, Nigeria and Malawi.

We are happy to have had the opportunity to serve the training and capacity-building needs of a large number of developing countries in the Asia Pacific region by hosting the WTO's Regional Trade Policy Course for four consecutive years - 2011 to 2014.

### **INDIA IN THE EVOLVING GLOBAL TRADE ARCHITECTURE**

The world over, countries seem to be negotiating free trade pacts at a frenetic pace. India too is negotiating seven such agreements including the Regional Comprehensive Economic Partnership. Mega-regional trading arrangements are new features on the international trading landscape with the potential to bring about enormous changes in world trade dynamics. Notwithstanding these developments we should maintain the centrality of the WTO in the global commerce and trade architecture. The Doha Round may have run into one obstacle after another but it is in our collective interest to work towards a balanced approach in all pillars, keeping its development dimension intact.

Fifteen years ago India occupied a very small space on the global trade canvas. Today, foreign trade is a significant part of the Indian economy. The trade performance of a country is closely and inextricably linked with its overall economic policies. As various new initiatives of the Government start showing results, India will become more competitive in several product areas which would, in turn, open up better trade prospects.

In conclusion I would like to say that through focused efforts aimed at overcoming the challenges of poverty, unemployment and income inequality, we are confident that India will play an increasingly important role in global trade. A lot has been achieved but we are conscious that more needs to be done. India is a work in progress, an idea whose time has come.

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

Thank you.

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