

Trade Policy

6.42 In Union Budget 2005-06, peak rate of customs duty for non-agricultural products was reduced from 20 per cent to 15 per cent. An additional 108 items, including 30 items in the category of textile products, including hosiery, were identified for de-reservation from the ambit of small-scale industries to help textiles and clothing exports in the post-quota regime. The emphasis on infrastructure development continued with the decision to set up a special purpose vehicle (SPV) for large infrastructure projects. Stress on diversification of agriculture towards fruits, vegetables, flowers, dairy, poultry and fisheries was a move supportive of exports of agriculture and allied products.

6.43 The FTP 2004-05 announced in August 2004 had the twin objectives of doubling India's share in global merchandise trade and of acting as an effective instrument of economic growth, especially through generation of employment opportunities. The policy also aimed at unshackling controls and creating an atmosphere of trust and transparency by bringing down transactions costs and identifying and nurturing focus areas to develop India as a global hub for manufacturing, trading and services. The Annual Supplement to the Foreign Trade Policy 2004-09, announced in April, 2005 incorporated additional policy initiatives and further simplified the procedures. State governments would be actively involved in providing an enabling environment for boosting international trade, by setting up an Inter-State Trade Council. Different categories of advance licences were merged into a single category for procedural facilitation and easy monitoring. The Supplement provides renewed thrust to agricultural exports by the extension of Vishesh Krish Upaj Yojna to poultry and dairy products, and removal of cess on exports of all agricultural and plantation commodities. As per the Supplement, the incremental direct and total (direct plus indirect) employment generated by exports in 2004-05 was ten lakh and one crore, respectively. Achievement of the US\$150 billion target would generate another one crore jobs. Government also

decided to set up a National Export Insurance Account to provide export credit risk cover to large value export transactions and project exports.

6.44 The Special Economic Zone (SEZ) Bill was passed by Parliament in June 2005. To implement the provisions of the SEZ Act, 2005, SEZ Rules have been framed and notified. The Act provides for very attractive fiscal incentives and tax concessions for the developers as well as manufacturers. Other salient features of the Act relate to establishment of free trade and warehousing zones to create world class trade-related infrastructure; establishment of an Authority for each SEZ to impart greater administrative autonomy; and designation of special courts and single enforcement agency to ensure speedy trial and investigation of notified offences committed in SEZs. The Act will provide confidence and stability to domestic and foreign investors and signal the government's commitment to SEZ policy framework. At present there are 15 functional SEZs, and in principle approval has been given to 62 others.

6.45 Contingency trade policy and non-tariff measures (NTMs) have become significant barriers to exports from developing countries. Such barriers are considerably stiffer for products with lower value addition and technological content (e.g. agriculture, textiles, and leather products), which are of major interest to developing countries like India. Keeping this in view, India has been actively pursuing for negotiations on NTMs in WTO. Use of contingent protection measures like anti-dumping duties and countervailing duties has increased over time. With its diversified manufacturing base, India has been one of the major users as well as one of the major targets of anti-dumping measures in the world (Table 6.11).

6.46 Between January 1, 1995 and June 30, 2005, India initiated 412 anti-dumping investigations against 51 countries, including China, EU, Taiwan, Korea, USA, Japan and Singapore. Chemicals and petro-chemicals, pharmaceuticals, fibers/yarns, steel and other

Table 6.11 : Top ten users of anti-dumping measures, 1995–2005

Country	1995	1998	1999	2000	2001	2002	2003	2004	2005 Jan- June	1995 June 2005
India	6	27	65	41	79	81	46	21	13	412
United States	14	36	47	47	75	35	37	26	4	358
European Community	33	22	65	32	28	20	7	30	15	318
Argentina	27	8	23	45	26	14	1	12	1	193
South Africa	16	41	16	21	6	4	8	6	17	191
Australia	5	13	24	15	23	16	8	9	2	174
Canada	11	8	18	21	25	5	15	11	0	133
Brazil	5	18	16	11	17	8	4	8	3	119
Mexico	4	12	11	6	5	10	14	6	4	82
China, P.R.	0	NA	Na	6	14	30	22	27	11	110
All countries	157	256	355	292	364	312	232	212	96	2743
Source : WTO										

metal and consumer goods are the major sectors on which anti-dumping duties have been levied. Cases initiated by India, after peaking in 2001 (79) and 2002 (81), came down steeply in 2003 (46) and further in 2004 (21). Internationally, during the first half of 2005, South Africa reported the highest anti-dumping initiations (17) followed by the EU (15) and India (13). As regards the final measures (definitive duty), the US reported the highest number of measures (13) followed by China (10) and India (7). India is also one of the major targets of anti-dumping investigations. During 1995-2005 (till June 2005), 115 investigations were initiated against India, which included 27 by EC, 20 by South Africa and 18 by the United States.

6.47 Contingency trade measures allowed under the WTO Agreements on Anti-dumping

Subsidies and Countervailing Measures are aimed at allowing Members to liberalize trade without being threatened by the fear of being subjected to unfair trade practices like dumping and the entry of subsidized imports. While more awareness building about the specific provisions of these Agreements among the domestic industry is called for, trade and industry also needs to maintain proper records of cost related to production and marketing in a systematic manner so that they can effectively face any anti-dumping investigations that may be initiated against them. Under the provisions in the WTO Agreement on Safeguards, 18 cases have been investigated by India since 1998. While six of these cases were investigated in 1998, no case has been initiated in January-June, 2005.