

Trade Policy

30. Trade policy reforms embodied in the EXIM Policies since 1992 have sought to address the tasks of phasing out various impediments to trade and providing an environment conducive for increased exports. The EXIM Policy 1997-2002 while building upon the gains made earlier, continued the process of trade liberalisation and procedural simplification. In light of the slow-down in exports during the current year, various measures were announced in August and September 1998 :

- In order to ensure export competitiveness, exports under all export promotion schemes were exempted from the applicability of the special additional duty (SAD) of 4 per cent introduced in the Union Budget for 1998-99. Similarly, SAD is taken into account for establishing duty drawback rates.
- The scope of Export Promotion Capital Goods scheme at zero duty has been extended further to certain specified bio-technologies and small scale engineering industry.
- Manufacture-exporters with unblemished record have been permitted to furnish a legal undertaking instead of bank guarantees against import of duty-free raw materials
- Reduction in interest rate on pre-shipment and post-shipment export credit in Rupees from 11 per cent to 9 per cent.
- Payment of interest on dues to exporters for delays in duty drawback/refund of duty beyond two months.
- Simplification of bond-furnishing procedure for exporters.
- Promotional measures/procedural changes like extension of tax holiday for EOU/EPZ to 10 years, sub-contracting facility for Domestic Tariff Area (DTA) and permission to set up Private Software Technology Parks.

- Hotels, travel agents, tour operators, and tourist transport operators have been made eligible for recognition as Export House/ Trading House/Star Trading House/Super Star Trading house on earning free foreign exchange at a lower threshold limit.

31. With a view to promote trade among SAARC countries, India unilaterally removed all quantitative restrictions on imports of around 2300 items from SAARC countries with effect from August 1, 1998. The move is expected to give considerable boost to the eventual establishment of a South Asia Free Trade Area (SAFTA). Further in this direction, a Free Trade Agreement was concluded on December 28, 1998 between India and Sri Lanka which will result in zero import tariffs for most commodities on both sides by 2007.

32. Strengthening of the domestic institutional machinery for identifying cases of dumping is necessary to support and protect domestic industry against illegal dumping by firms in other countries. Accordingly, a separate Directorate General of Anti-dumping and Allied Duties has been established in the Ministry of Commerce to handle anti-dumping cases expeditiously. To date, preliminary or final duties have been recommended in 31 cases, and 7 cases are presently under investigation, while another 3 cases are under review. It has also been decided to create a Facilitation Cell in the Ministry to assist domestic industry on information, procedures and other technical aspects of such cases. Furthermore, a Directorate General of Safeguards has also been established in the Ministry of Finance to facilitate safeguard action against imports of any commodity which causes/ threaten to cause serious injury to domestic producers of like or directly competitive products. This Directorate has so far given final findings in five cases in pursuance of which the Government has imposed safeguard duties in four cases.

BOX 6.2

Our commitments to the World Trade Organisation (W.T.O.)

- India is a founder member of both G.A.T.T(1947) and its successor organisation, the W.T.O., which came into effect from 1.1.1995. By virtue of its W.T.O. membership, India automatically avails of Most Favoured Nation and National Treatment from all W.T.O. members for its exports, and its participation in this increasingly rule-based system is aimed towards ensuring more stability and predictability in the governance of international trade.
- As a member of the W.T.O., India has **bound** about 67 per cent of its **tariff** lines whereas prior to the Uruguay round only 6 per cent of the tariff lines were bound. For non-agricultural goods, with a few exceptions, ceiling bindings of 40 per cent ad valorem on finished goods and 25 per cent on intermediate goods, machinery and equipment have been undertaken. The phased reduction to these bound levels is being undertaken over the period March, 1995 to the year 2005. In textiles, where reduction will be achieved over a period of 10 years, India has reserved the right to revert to duty levels prevailing in 1990, if the integration process, envisaged under the **Agreement on Textiles and Clothing**, does not materialise in full or is delayed. Under the **Agreement on Agriculture**, except for a few items, India's bound rates range from 100 to 300 per cent and no commitments have been made regarding market access, reduction of subsidies or tariffs.
- **Quantitative Restrictions (QRs)** on imports are currently being maintained on Balance of Payments (BOP) grounds for around 2300 tariff lines at the eight digit level. In view of the improvement in the BOP, the Committee on BOP Restrictions had asked India for a phase out plan for these QRs. Based on presentations before this Committee and subsequent consultations with our main trading partners, an agreement was reached with these countries, except U.S.A., to phase out the QRs over a period of six years beginning 1997. The U.S has filed a dispute and the Dispute Settlement Process is currently in progress in the W.T.O.
- The Agreement on **Trade Related Intellectual Property Rights (TRIPs)** establishes certain minimum standards concerning the availability, scope, use and enforcement of IPRs and extends the basic principles of non-discrimination and transparency to these spheres. A transition period up to 1.1.2000 for implementing these obligations is available, except in the case of provisions relating to National Treatment and MFN. In addition, for areas of technology, where product patent is not currently available, a further period of up to 1.1.2005 is available. However, in the latter case, means to receive product patent applications in the field of pharmaceuticals and agricultural chemical products and grant of Exclusive Marketing Rights on fulfillment of certain conditions needed to be provided from entry into force of the W.T.O. Agreement, i.e., 1995. India has agreed to amend its domestic laws in line with these obligations by 19 April, 1999. In the light of adoption of decisions of the Dispute and Appellate Panels by the Dispute Settlement Body of the W.T.O. in the Indo-U.S dispute on this issue, a Bill to so amend the Patent Act was introduced during the 1998 winter session of the Parliament and has already been passed by the Rajya Sabha on 23.12.1998. This has been followed up by a Presidential Ordinance on 8 January, 1999, bringing the domestic legislation in conformity with our obligations under Articles 70.8 and 70.9 of the TRIPs Agreement.
- Under **Trade Related Investment Measures (TRIMs)**, India has already notified the TRIMs maintained by it. These have to be eliminated by 1.1.2000. Under the **Information Technology Agreement (ITA)**, tariffs have to be brought down to zero on 95 lines by the year 2000, on 4 tariff lines by 2003, on 2 tariff lines by 2004 and on the balance 116 tariff lines in the year 2005. India is also committed, under the **Agreement on Technical Barriers to Trade and Sanitary and Phytosanitary Measures**, to establishing and administering national standards and technical regulations, keeping in view the basic precepts of MFN, National Treatment and Transparency.
- The **General Agreement on Trade in Services (GATs)** has a "positive list" approach, thereby allowing W.T.O. members to take on obligations in the sector of their choice. India has made commitments in 33 activities, as compared to an average of 23 activities for developing countries. Our objective in service negotiations has been to offer entry to foreign service providers in which entry was considered to be most advantageous for us in terms of capital inflows, technology and employment.
- India's legislation on customs valuation, **the Customs Valuation Rules, 1998**, has been amended to bring it into conformity with the provisions of the W.T.O. Agreement on implementation of Article VII of GATT 1994 and the Customs Valuation Agreement.