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Trade Policy Reforms in India: What is missing in Recent Literature?

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Abstract

India is globally accepted as a reformed economy in recent past. Most of the economist outside admits that trade policy reforms are an integral part of the India's Macro-Economic reform package in 1991. The paper presents a review of the recent work on trade policy reforms in India with a substantive review of other papers which fits with this theme at global level. The main aim of this paper is to help the public policy bodies, academicians and other stakeholders to point out that vacuum in the recent literature on the trade policy reforms.

Keywords: Trade, Trade Policy, Export Promotion, Import Substitution

Introduction

Trade makes a country more productive by allowing it to produce the things it is good at producing and then to sell them to other countries in return for things it is not as good at producing within the country. From this perspective, trade is like a form of technology. Although trade does not literally convert one good into another in the way that a piece of technology such as loom converts yarn into cloth, the effect is essentially the same (Weil, 2009**).** The advantages of international trade follows from the fact that it benefits the national economy by enabling a country to specialize in the production of those goods and services which is best suited to produce looking to its endowments of natural resources, labour and capital.

Few advantages of trade are as follows: monetary gains to the respective country indulging in trade, more variety and better quality of goods, competition both at the international level as well as domestic level, closer ties between nations, exchange of technical know-how, producers will try to improve the quality of domestic products, increase in domestic employment. Economist do argued the disadvantage of trade. Few disadvantages argued are as follows: domestic production may suffer, domestic industries may be overshadowed by their international competitors, rich countries may influence political matters in other countries and gain control over weaker nations, ideological differences may emerge between nations with regards to the procedures in trade practices. But the benefits of international trade were so high that in 1995 around 140 countries were members of international trade. Country can't trade without a proper policy.

Trade Policy

Trade policy is a collection of rules and regulations which pertain to trade. Every nation has some form of trade policy in place, which is most appropriate for country. The purpose of trade policy is to help a nation's international trade run more smoothly, by setting clear standards and goals which can be understood by potential trading partners. In many regions, groups of nations work together to create mutually beneficial trade policies.

Rules like tariffs, inspection regulations, and quotas can all be part of a nation's trade policy. Nations attempt to protect their local industries placing a heavy burden on import, allowing domestic producers to get ahead through subsidies and tax holiday/tax reduction. Others eschew trade barriers, promoting free trade, in which domestic producers are given no special treatment, and international producers are free to bring in their products.

Different nations have different regulations about product safety, and when goods are imported into a country with stiff standards, representatives of that nation may demand the right to inspect the goods, to confirm to the product safety standards. Security is also a tool, with nations wanting to protect themselves from potential threats while maintaining good foreign relations with frequent trading partners.

When nations trade with each other regularly, they often establish trade agreements. Trade agreements smooth the way for trading, spelling out the desires of both sides to create a stronger, more effective trading relationship. Many trade agreements are designed to accommodate a desire for free trade, with signatories to such agreements making certain concessions to each other to establish a good trading relationship. Regular meetings may also be held to discuss changes in the financial climate, and to make adjustments to trade policy accordingly.

Trade/ Free Trade in Theoretical Framework

Krugman and Obstfeld (2009) studied Trade Policy Reformsin developing countries and reported that trade policy in developing countries is concerned with two objectives viz promoting industrialization and coping with the uneven development of the domestic economy. There was asymmetry growth over the past 50 years; this is because government has consistently favoured industry over agriculture, through both *protectionism* and *subsidies*. Despite the policies favouring industry and capital intensive production a large section of people are employed in agriculture rather than industries. In the 1990s India embarked on economic reforms that produced some deregulations of the industrial sector.

Before 1990s Government policy promotes industrialisation. This has often been justified by the *infant industry* argument, which establishes the fact that new industries need a temporary period of protection from competition from established competitors in other countries. Using the infant industry argument as justification, many less-developed countries have pursued policies of *import-substituting industrialisation* in which domestic industries are created under the protection of tariffs or import quotas. Although these policies have succeeded in promoting manufacturing, by and large they have not delivered the expected gains in economic growth and living standards. Many economists are now harshly critical of the results of *import substitution*, arguing that it had fostered high-cost, inefficient production. Beginning about 1985, many developing countries, dissatisfied with the results, developing countries grow rapidly, and the share of manufacturing goods in exports rose. The results of this policy change in terms of economic development, however, have been at best mixed.

The view that economic development must take place via import substitution-and the pessimism about economic development that spread as *import-substituting industrialization* seemed to fail–have been confounded by the rapid economic growth of a number of Asian economies. These High Performance Asian Economies (HPAEs) have industrialized not via import substitution but via exports of manufactured goods. They are characterized both by very high growth rates. The reasons for the success of the HPAEs are highly disputed. Some observers point to the fact that, while they do not practise free trade, they do not have lower rates of protection than other developing countries. Other assigns a key role to the *interventionist industrial policies* pursued by some of the HPAEs. Recent research suggests, however, that roots of success may lie largely in domestic causes, especially high saving rates and rapid improvements in education.

Todaro (2009) explained the trade strategies for development i.e. *Export promotion* versus *Import Substitution*. By contrast, *inward-looking development* policies stress the need for *Least Developed Countries* (*LDCs)* to evolve their own styles of development and to control their own destiny. This means policies to encourage indigenous *learning by doing* in manufacturing and the development of indigenous technologies appropriate to a country's resource endowments. Proponents of *inward-looking trade policies*, stress that greater *self-reliance* can be accomplished only if "trade, the movement of people and communications are restricted and if multinational enterprise are kept out, with its wrong products and wrong want-simulation and hence it's wrong technology."

Basically, the distinction between these two trade-related development strategies is that advocates of *Import Substitution* (IS) believe that *Least Developing Countries (LDCs)* should initially substitute domestic production of previously imported simple consumer goods (first-stage IS) and then substitute through domestic production for the wider range of more sophisticated manufactured items (second-stage IS)—all behind the protection of high tariffs and quotas on these imports. In the long run, IS advocates cite the benefits of greater domestic individual diversification (balanced growth) and the ultimate ability to export some previously protected manufactured goods as economies of scale, low labour costs, and the positive externalities of learning by doing cause domestic prices to become more competitive with world prices.

By contrast, advocates of *Export Promotion* (EP) of both primary and manufactured goods cite the efficiency and growth benefits of free trade and competition, the importance of substituting large world markets for narrow domestic markets, the distorting price and cost effects of protection, and the tremendous successes of the East Asian export-oriented economies of South Korea, Taiwan, Singapore, and Hong Kong. They stress that firms in these economies, and more recently in China, have learned a great deal from the firms in the United States, Japan and other economies that have been their long-term customers.

Todaro also explained the need for reform in the trade policies of developing countries. Over the years before 1990s there were major obstacles to LDCs export expansion, whether in the area of primary products or manufactures, has been the various trade barriers erected by developed nations against the principal commodity exports of developing countries. In the absence of economic integration or even in support of that effort, the prospects for future LDC trade and foreign-exchange expansion depend largely on the domestic and international economic policies of developed nations. Unfortunately, the rapid integration among North American Free Trade Agreement (NAFTA) and EU members may itself pose one of the biggest impediments to LDC exports to North America and Europe. Although internal structural and economic reform may be essential to economic and social progress, an improvement in the competitive position of industries in which LDCs do have dynamic comparative advantage will be of little benefits to them or the world as a whole so long as their access to major world markets is restricted by rich country's trade policies.

Developed countries economic and trade policies are most important from the perspective of future LDC foreign-exchange earnings in three major areas: tariff and non-tariff barriers to LDC exports, adjustment assistance for displayed workers in developed-country industries hurt by freer access of labour-intensive, low-cost LDC exports, the general impact of rich-country domestic economic policies on developing economies

OECD Policy Brief (2009) study the rapid integration into world market by six of the largest non-OECD economies (Brazil, Russia, India, Indonesia, China and South Africa, together known as BRIICS) was an important component of globalisation during the past two decades. In recent decades, all of the BRIICS have opened their economies significantly and improved their connectedness to world trade networks. The substantial reductions in the trade barriers at the border can be seen, for example, in the decline of the average applied tariffs on non-agricultural products. India had the highest tariffs among the BRIICS in the late 1980s, but implemented ambitious tariff cuts in the 1990s and 2000s – greater than those in the OECD area during the Uruguay Round of trade negotiations. OECD analysis of trade and growth patterns in the BRIICS indicates that those countries and the sector that have opened the most enjoyed the largest growth spurts.

Openness, liberalization and trade performance are capitalised by several BRIICS as on opportunities offered by world service markets. For example, India's recent impressive growth relied appreciably on the emergence of efficient international service providers, especially in the IT sector, but this sector was relatively young and thus unregulated. Trade and output in more regulated service sector did not grow as fast. Overall, the BRIICS have become more integrated with world intermediate inputs, final goods and services markets, as underscored by their growing shares in world trade, trade-to-GDP ratios and shares of exported value added. There are similar developments across a wide range of other countries around the world. If global and third country influences are separated from factors specific to the each of the BRIICS, such as trade and domestic reforms, it becomes clear that over the last two decades the BRIICS have been expanding their exports much faster than the leading developed countries.

More generally, the analysis suggests that globalisation has not led to the polarisation and marginalisation of lesswell connected countries. On the contrary, the world trade network has become more multilateral. This means that some BRIICS economies could play increasingly valuable roles in international trade organisations like the WTO. While closer integration with world markets over the last two decades served the BRIICS well, several challenges remain.

Generally, progress in opening markets has been achieved mostly through reductions in applied-border measures, or so called “first-generation” reforms. These reforms are easier to implement than “second-generation” reforms that tackle cumbersome domestic, but trade-related, regulations. For example, India reduced its border measures dramatically, but it struggles with a set of regulations and product and labour market policies that prevent the realisation of economies of scale and improvements in productivity. Labour market rigidities and regulatory differences across Indian states hinder inter-state and inter-sector mobility of resources and thus impede trade.

During the period of financial turmoil and a general downturn of a magnitude is also experienced by the BRIICS. At the times, the crisis has been blamed on a failure of markets and free trade; as a result, anti-market sentiment and calls for protectionist policies are growing. Indeed, calls for higher tariffs and more restrictive behind-the-border regulations have intensified. Instead, the immediate and paramount lesson is to resist protectionism and to pursue appropriate policy reforms as adopted by the developed countries of the world. These include reducing remaining tariff barriers; implementing trade-related regulatory reforms; opening of service sectors; and lowering undue safety, technical and harmonisation standards. Such reforms would likely strengthen the BRIICS economies to the extent that they could emerge from the crisis with improved trade positions and more robust performance than would otherwise have been possible.

Further liberalisation can proceed on a unilateral, regional or multilateral basis. In the past, the BRIICS have relied mostly on unilateral liberalisation to open their economies to the world. But unilateral liberalisation has stalled or slowed down. In practice, GATT/WTO commitments have contributed little to liberalisation in the BRIICS except in South Africa and china. As is true of many OECD countries, the BRIICS have been engaging in preferential trading agreements, but there is some concern that these accords are driven more by foreign policy than commercial strategy. These arrangements may create complications for business and for the development of the multilateral rules, and it is unclear whether they are likely to spur regional or global integration.

The study suggests that estimating the gains arising from different approaches to liberalisation. The BRIICS economies would gain a great deal more from multilateral free trade than they would from extensive preferential trade agreements, even agreements with large trading blocs like the EU, US and Japan. These estimates tend to exaggerate the benefits of preferential trade agreements associated with the fragmented negotiation process. Unilateral trade policy liberalisation turns out to be far more valuable for the BRIICS economies than preferential trade agreements, than and almost as valuable as multilateral free trade.

Bhagwati (2002) establishes the importance of Free trade in an Open economy and reported in favour of free trade or economic globalization which is under siege in real context. This was due to the conventional arguments for protectionism. Chiefly, he argues in support of multilateralism and advances a withering critique of recent bilateral and regional free trade arrangements (including North American Free Trade Agreements NAFTA) as preferential arrangements that introduce growing chaos into the world trading system. He also makes a strong case for 'going it alone' on the road to trade liberalization and endorse the re-emergence of unilateral liberalization at points around the globe.

Bhagwati (2008) studied a critical light on Preferential Trade Agreements (PTAs), as they fragment the world trading system. Under non-discrimination, each country has a single tariff rate applied to the import of a product, regardless of its origin. But with PTAs, the tariff depends on the specific PTA arrangement the country has with the country of origin of the good. Potentially, the country may apply as many tariff rates to a product as the number of trading partners. Rapidly increasing, these preferential trade agreements, many taking the form of Free trade agreements, have re-created the unhappy situation of the 1930s, when world trade was undermined by discriminatory practices. Where this was the result of protectionism in those days, ironically it is the result misdirected pursuit of free trade today.

The growth of PTAs led to the deplorable consequences which include the near destruction of the non-discrimination which was at the heart of the post war trade architecture and its replacement by what he has called the *spaghetti bowl* of a maze of preferences. He also reported that PTAs have undermined the prospects for multilateral freeing of trade, serving as *stumbling blocks* instead of *building blocks*, for the objective of reaching multilateral free trade. In short, he demonstrated that PTAs are termites in the trading system.
Stiglitz and Walsh (2002) studied and dramatized the importance of multilateral and interconnected trade relations through an example of construction of a Ford Escort in Europe. The parts that go into an Escort come from all over the world. The ingredients for the making of a modern automobile i.e., Ford Escort is gathered from all over the world is given in Table 1. This is the good example of multilateral trading system. The Import liberalization made Europe Escort more competitive firm in the world. This is also an example of intra-industry trade model and outward looking trade development strategy.

Olena (2009) points out that International Trade Policy which is concentrated to the protection of the interests of domestic producers. Since trade policy has been more complicated or evolving at present, when it is being employed to deal with various globalized trends and examined how trade policy should be formulated to protect a country's economy from disruptions in the rest of the world. Given the increasing interdependence of countries across the globe, understanding the welfare implications of uncertainty in a trade environment is undoubtedly a necessary condition for the formulation of effective trade policy. Olena examined with the revisiting of the welfare analysis of tariff protection, employing both theory and empirics. It studied the diversification motive for tariffs when countries experience an uncertain trade environment.

Revisiting Literature on India's Trade Policy

In the beginning of 1991 reforms, India was possibly the least open and most heavily regulated market economy but not effectively in the world. In this context, liberalization was adopted for removing or loosening a variety of legislative and discretionary restrictions and withdrawal/adjustments of concessions that made suboptimal scale of operation profitable. Globalization led to the opening up the economy to international trade in goods, services, and investment, and, in turn, removal/loosening of a variety of complex and often internally inconsistent regulations on the current and capital account transactions in the balance of payments.

Prior to 1991, India was the archetypical import substituting regime with *one of the most complicated and protectionist regimes in the world*. Hence, following steps were taken to unshackle its trade regime; India's simple average tariff rate has come down significantly from128 percent in 1991 to about 34 percent in 2000. The trade weighted tariffs declined from 87 percent in 1997, having hovered at 355 percent (Rajan, 2002).

A major development in India's Trade Policy was the removal of all import restrictions maintained for balance-of-payments reasons. Thus, the customs tariff has become the main form of border protection. There have been significant recent efforts to rationalize the tariff, but, with numerous exemptions based on end-use, it remains complex and applied tariffs, which averaged some 32% in 2001/02, remains relatively high. As a result of additional bindings taken by India in the WTO, the share of tariff lines that are bound has increased since the previous Review (1998), from 67% to 72%. The average (final) bound rate is 50.6%, higher than the applied MFN rate; this gap provided ample scope for applied rates to be raised recently on a few agricultural products.

India provides at least MFN treatment to all WTO Members. It has been a strong advocate of multilateral, rather than regional, trade initiatives and is party to few regional trading agreements. Efforts are nevertheless being made to strengthen regional agreements to which it is party, such as the South Asian Association for Regional Cooperation (SAARC) and the Bangkok Agreement. Under the South Asian Preferential Trade Agreement (SAPTA), the members of the SAARC have completed three rounds of trade negotiations and expect to complete the SAPTA in 2002. In addition, India maintains bilateral trade agreements with several of its neighbours, including Bangladesh and Nepal; under a free-trade agreement with Sri Lanka, in effect since 1 March 2000, India grants duty-free access for over 1,000 tariff lines and a 50% margin of preference for the rest of the tariff, except for a negative list. Negotiations to conclude bilateral trade agreements with several other trading partners are presently under way.

The report concludes that India's economic reform programme resulted in strong economic growth throughout the 1990s. The recent slowdown, although partly due to the overall slowdown in the world economy, also demonstrates the necessity of continuing these reform efforts. In particular, difficult decisions are required to redress the fiscal imbalance, by reducing subsidies, completing the process of tariff and tax reform, and stepping-up privatization of state-owned enterprises.

Trade Policy Review: India (2002) reported that the Indian economy has grown rapidly over the past decade, with real GDP growth averaging some 6% annually, in part due to the continued structural reform, including trade liberalization, according to a WTO Secretariat report on the trade policies and practices of India.

Recognizing the important linkages between trade and economic growth, the Government has simplified the tariff, eliminated quantitative restrictions on imports, and reduced export restrictions. It plans to further simplify and reduce the tariff. However, the level of protection through the tariff remains relatively high and the anti-export bias inherent in imports and other constraints still remains. To help counteract this anti-export bias, export promotion measures have gained in importance. The Government has recently announced a further increase in these measures and plans to continue reforms of the tariff and other taxes.

Mehta (2006) studied the implication of Trade policy on India during WTO regime and reported that in the Uruguay round (1986-94), India and other developing countries took part in the multilateral trade negotiations in a comprehensive way and the impact of the WTO on India's trade policy has been very significant. He observed that

- India's imports of all quantities were subject to Quantitative Restrictions (QRs) for more than fifty years. In the WTO regime, India was forced to remove all types of quantitative restrictions on its imports.
- The negotiation process in WTO is not simple or easy. In the Uruguay Round India had bound number of important agriculture items like rice, maize, millet and sorghum etc., at zero percent. Sudden sharp increase in import of these select items in QR-removal and zero-tariff regime made it necessary for India to renegotiate (zero) bound tariffs of these items.
- India's export and import has been consistently and sharply increasing since the past two decades. However its Export has been subject to large number of non-tariff barriers, by its principal trading partners. More than 40 percent of India's export to the U.S. has been subject to at least one type of non-tariff barriers. This has been illustrated by a number of anti-dumping cases against India's export in major destination partners. India has also imposed anti-dumping duties against number of imports/commodities.
- The removal of Multi-Fibre Agreement (MFA) has provided opportunities and challenges to India's exports of textile and clothing sector. The result shows that the removal of MFA has been advantageous to India's export. India's export of textile and apparel has significantly improved in the post-MFA regime. It has not only captured increased import demand of developed countries, but has also captured market share of other countries in destination markets of developed economies.

Tendulkar and Bhavani (2007) presented in various issue in the post-1991 reforms process and reported that at the fundamental level, the hesitant economic policy reforms of the 1980s and wide-ranging systematic ones since 1991 have brought regulatory economic policies in line with the existing institutional environment. This has resulted in a remarkable transformation of the Indian economy from a slow-growing one till 1980 to ranking among the top ten fastest growing economies in the world since then. The Indian economy however, is, not alone in undertaking these reforms. Many other economies have also undertaken them for the same and similar reasons or in response to external shocks with varying success rates.

Tendulkar and Bhavani in Reforms in Perspective: General Issues for India reported that the earlier slow-growth phase (1950-80), the constraints on economic growth had been internal and policy–induced rather than external, the internal constraints imposed by the policy and the society and not the external factors continue to restrain the current faster growth trajectory as well and the attainment of the consequential societal goals of reducing poverty and improving living conditions.

Trade Policy Review: India (2007) reported for the need of reform for further economic growth. India's economic performance has continued to be impressive since 2001/02 and growth has been particularly rapid since 2003/04 averaging over 8.5% with over 9% expected for 2006/07. This performance is largely due to unilateral trade and structural reforms, in particular in services, according to a WTO Secretariat report on the trade policies and practices of India. Rapid economic growth has also resulted in an improvement in social indicators such as poverty and infant mortality.

Recognizing the importance of continuing its economic reform and especially its trade aspects, India has pushed ahead with further reductions in the tariff: the overall applied MFN rate fell from 32.3% to 15.8% between 2001/02 and 2006/07. There has also been simplification of the tariff, although it remains complex. The Government is targeting higher export growth in order to sustain India's high levels of economic growth and has put in place a complex set of schemes to reduce the anti-export bias of the trade regime for exporters.
India also offers tariff preferences under its regional trade agreements. However, apart from the agreement with Sri Lanka and preferences to LDC members of SAFTA, the preferences do not appear to be significant. The use of import restrictions has declined, with around 3.5% of tariff lines subject to such measures. Another 300 sensitive imports are monitored, while the policy with regard to state trading remains essentially unchanged since the previous Review.

Panagaria (2008) reported major issues relating to trade policy which include moving forward unilaterally to liberalize trade in industrial products and services. India must keep lowering the tariffs, begin removing export subsidies, and take various trade facilitation measures to speed up the movement of goods into and out of the country. In agriculture, it may be potentially more prudent to pursue liberalization as a part of the Doha Round negotiations. Finally he reported critical view of the preferential trade area arrangements, favouring liberalization through unilateral and multilateral routes, which are both non-discriminatory.

He also studied Phase III (1981-88): Liberalization by Stealth and Phase IV (1988-2006): Triumph of Liberalization and reported that according to some scholars, India grew (5.6

percent) almost as rapidly in the 1980s as in the 1990s and since liberalization started only in 1991, any positive contribution of liberalization to India's growth is in doubt. However he argued that a careful look at the data and policy changes contradicts both the growth experience and the policy regime as described by the scholars. Though the aggregate growth during 1981-91 was 5.6 percent, growth during 1981-88 was only 4.8 percent. It is only beginning with 1988-89 that the growth rate shifted significantly, with the average during 1988-91 jumping to 7.6 percent. From 1988-2006, there has been acceleration of growth in the GDP, foreign trade and foreign investment. At the aggregate level, the growth rate during1988-2006 was 6.3 percent, compared with 4.8 percent during 1981-88. During the period from 2003-04 to 2005-07, the country's GDP at factor cost grew at the impressive rate of 8.6 percent.

He reported growth in trade has been an integral part of India's growth story. To put the matter dramatically, merchandise exports in 1990-91 were $18.1 billion. In 2005-06, growth in exports over the preceding year exceeded this amount. The acceleration in the growth of trade in recent years has been spectacular. Exports took nine years to double from their level in 1990-91. In the recent period, they doubled in one-third of that time: from $52.7 billion in 2002-03 to $102.7 billion in 2005-06.

Trade Policy Review: India (2011) or fifth Trade Policy Review of India reported an opportunity to improve understanding of recent developments in India's trade and trade related policies, and to identify areas in which there is room for improvement.

India made solid economic performance achieved during the period under review, which had allowed GDP to grow at an impressive rate. India was continuing to reap the benefits of the trade liberalization process and of the structural reforms begun in the 1990s. It deserved praise for dealing satisfactorily with the economic crisis, without adopting any protectionist trade measures. India urged to continue to deepen the liberalization process that had been so beneficial to the country. India was also praised for having used trade policy to promote sustainable growth, and for having acted to ensure that the different levels of society would benefit from it. However, in spite of all that had been achieved, poverty reduction remained a challenge. Satisfaction result expressed with the adoption of trade facilitation measures such as the introduction of an electronic customs clearance system, and with the fact that the average MFN tariff had decreased during the period under review. India's active participation in the WTO was acknowledged, particularly in the DDA negotiations, and the fact that India was a strong proponent of the multilateral system.

Review suggests that there are ten areas of improvement in all. Some of which have been mentioned below:

- Tariffs and other import duties: While they recognized that there had been a reduction in the average MFN tariff, Members encouraged India to make its tariff regime simpler and more transparent, and to narrow the gap between the bound and applied rates. They also urged India to simplify its tax system, for example by eliminating certain additional levies and by introducing a tax on goods and services at the national level.

- Non-tariff measures: Some Members noted that imports could be subject to prohibitions, restrictions and licensing. They considered India's licensing system to be complex and lacking in transparency, and they urged India to simplify it. In general, Members suggested that India adopt a less complex import regime.
- Anti-dumping: Members noted that India was one of the WTO's most active users of anti-dumping measures, and that it had also imposed a number of safeguard measures. SPS and TBT: A number of Members questioned the scientific basis for certain sanitary and phytosanitary measures adopted by India, and pointed out that certain technical standards could constitute a barrier to trade. Members urged India to eliminate measures that impeded trade and to introduce a notification mechanism so that trading partners could be kept informed of the measures in force.
- Government procurement: While recognizing the progress made by India on certain aspects of its government procurement regime, Members pointed out that it was still possible to enhance the openness and transparency of the system. With reference to the decentralization of government procurement, certain Members expressed concern that the system would not be governed by a common law. India was urged to reconsider the costs to its economy of using preferences and set-asides, and to join the WTO Plurilateral Agreement on Government Procurement as soon as possible.
- Incentives: Members pointed out that India had a series of incentive schemes to attract investment, promote exports and protect agriculture and other less advantaged sectors, such as micro- and small enterprises. Some Members asked whether India had assessed the impact of these programmes and determined whether they were WTO-consistent, while others urged India to notify the programmes to the WTO.
- Intellectual property: Noting the actions undertaken to strengthen the enforcement of intellectual property rights, including through administrative and legal reforms, Members urged India to continue stepping up efforts in this area, which remained a source of particular concern.
- Agriculture: While recognizing the importance of agriculture for India, Members also noted the support and protection received by that sector. Mention was made of the fact that tariff protection for agricultural products was substantially higher than for industrialized goods and that very high tariffs were maintained for certain products. Members encouraged India to liberalize the agricultural sector by reducing tariffs, and by eliminating superfluous sanitary and phytosanitary measures and export restrictions on raw materials, as it had done for cotton last year.
- Services: Members urged India to open up the services market and bind any liberalization under the GATS, noting that the country stood to benefit from the further liberalization of financial and transport services.
- Investment: Members observed that most sectors were at least partly open to foreign direct investment. Members urged India to eliminate remaining investment barriers, such as permits and requirements, which reduced transparency and could end up being more restrictive than an investment cap. A number of Members emphasized the importance of foreign direct investment for India's future development in view of its infrastructure requirements.

The literature of India's trade policy reforms complements the arguments of free trade and fair trade by Bhagwati, Panagaria, WTO, OECD etc.

Conclusion

The literature available till now has not been able to systematically present India's trade policy reforms in details. Majority of papers are either looking for some of the specific policy reforms or a link between trade-and growth in the post reforms era. Studies by WTO and Panagaria are extensive and present the empirical evidences of trade policy reforms. The general literature on trade policy reforms points out how High Performing Asian Economies (HPAEs) have industrialized not via import substitution but via exports of manufactured goods. OECD (2009) report has appreciated India's substantial reductions in the trade barriers. India had the highest tariffs among the BRIICS in the late 1980s, but implemented ambitious tariff cuts in the 1990s and 2000s – greater than those in the OECD area during the Uruguay Round of trade negotiations. OECD analysis of trade and growth patterns in the BRIICS indicates that those countries and the sector that have opened the most enjoyed the largest growth spurts. But the fact is that Trade policy reforms should not be only seen as a tool for countries as individual but it is equally important for other countries growth. Surprisingly most of the literature is silent on how to have such growth? In the current wave of financial crisis and interdependent sensitive world it is indeed important to have an extensive survey of India's Trade policy reforms. Most of the papers on trade studied literature between the period 1990 to 2000, hence there is a gap in literature from 2001 to 2011. Import tariffs rates and its reductions were also not reviewed from time to time whichis an important component in trade policy formulation. Authors hope for extensive references on trade policy reforms by the academic and government community.

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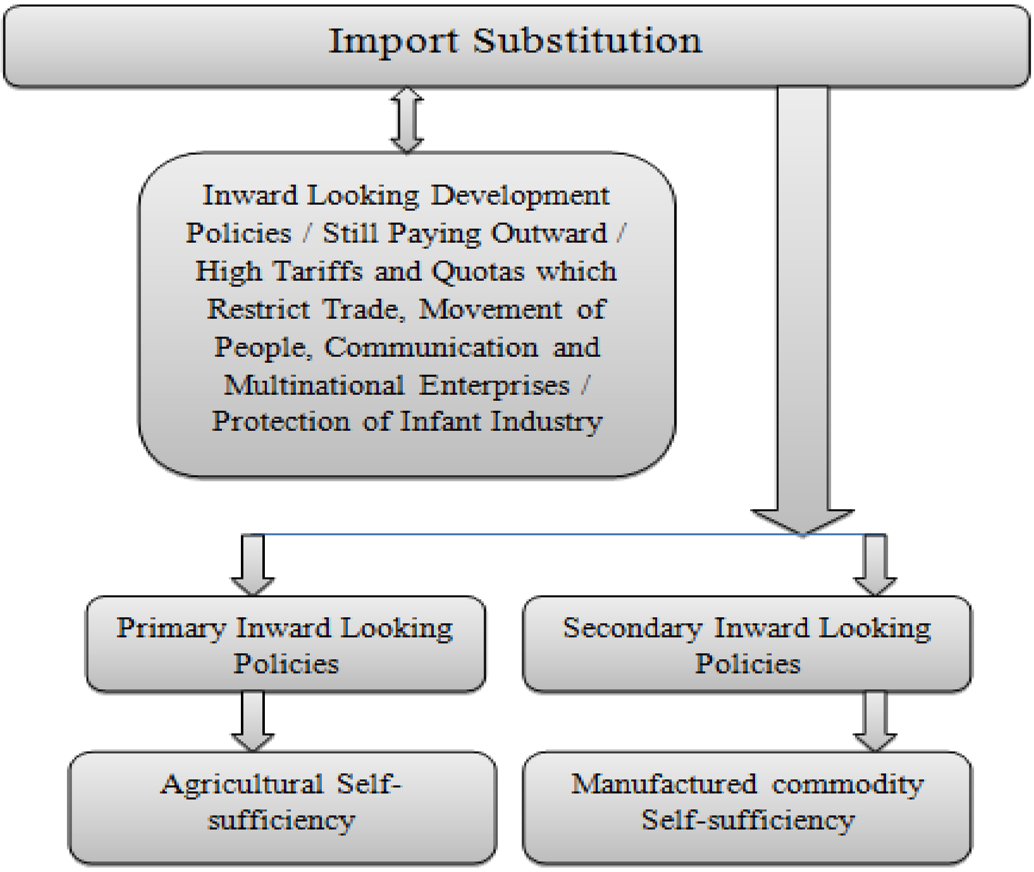
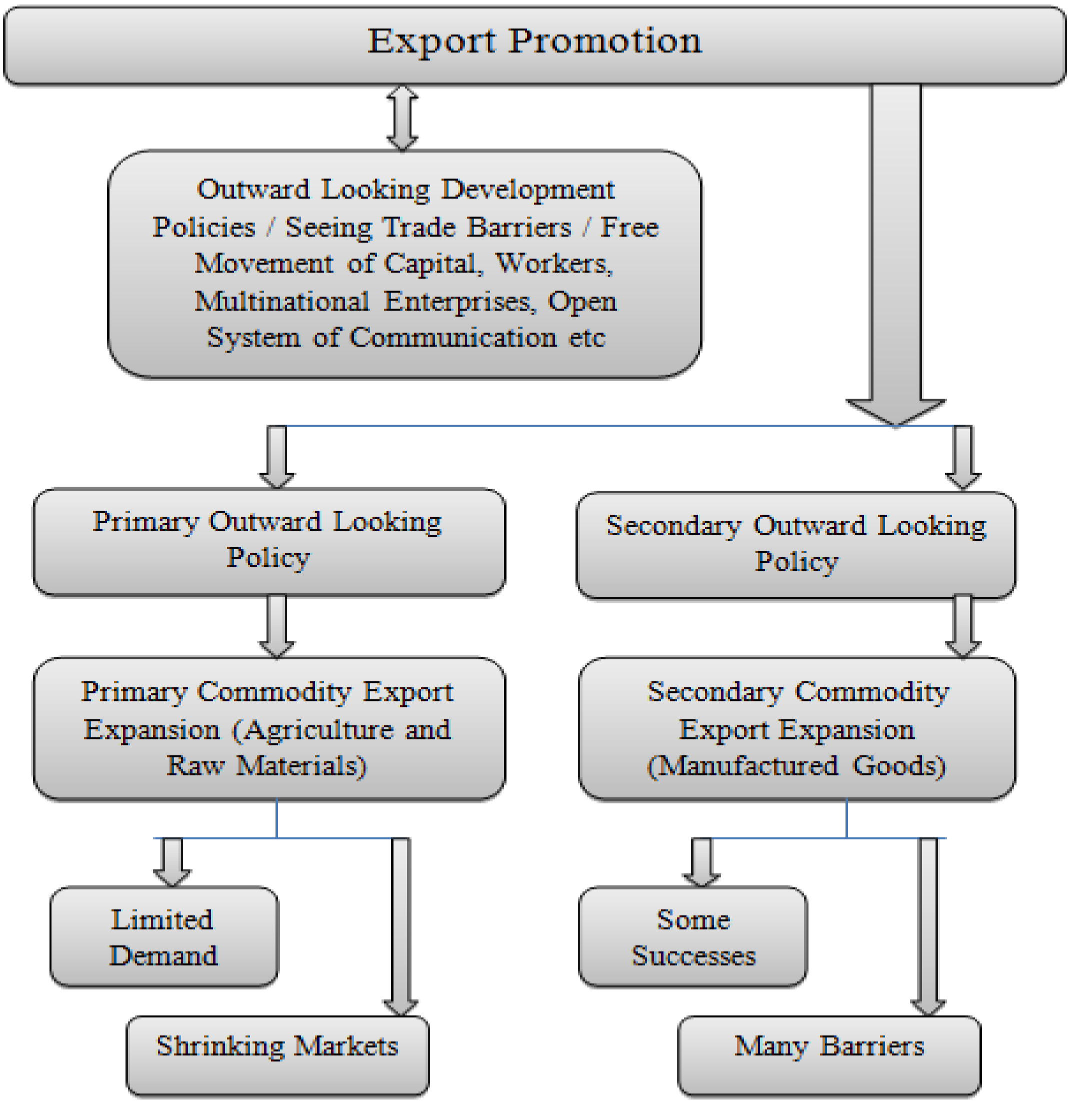
Figure-1: Import Substitution Strategy



Source: Authors

Figure 2: Export Promotion Strategy



Source: Authors

Table 1:The construction of a Ford Escort in Europe		
Serial No.	**Country**	**Products Imported**
1.	United Kingdom	Carbettor, Clutch, Ignition Exhaust, Oil Pump.
2.	Netherlands	Paints, Hardware
3.	Germany	Pistons, Front Disc, Speedometer, Fuel Tank, Etc.
4.	Belgium	Seat Pads
5.	Austria	Radiator, Heater Hoses
6.	United States	EGR Values, Wheels, Nuts, Hydraulic Tappet
7.	Switzerland	Speedometer Gears
8.	Italy	Cylinder Head Defroster Grills
9.	Spain	Wiring Harness Battery
10.	Japan	Starter
11.	Canada	Glass, Radio
12.	France	Alternator, Cylinder Head, Master Cylinder
13.	Sweden	Hose Clamps, Cylinder Bolt

Source: Stiglitz (2002)