

**Emerging Powers in
Global Trade Governance**
The Role of India

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Coverage of this Presentation

- Emergence of large developing countries in global trade
- Emergence of India
- India and the multilateral trading system
- Governance of the multilateral trading system
- India's strategic and important role in global trade governance
- The Doha Round, India and its role in post-Doha period

Emergence of large developing countries in global trade

- Rise of China, India, Brazil, South Africa
- Combined share of these countries in
 - *World GDP is more than 18%*
 - *World merchandise export is 11%*
 - *World inward FDI is 10%*
- ❑ In commercial services India and China are among world's 10 leading exporters

Emerging developing countries

Country	Share in World GDP*	Share in World FDI**	Share in World Merchandise Export***
Brazil	2.80	1.76	1.2
China	10.07	6.22	8.2
India	4.53	0.56	1.0
S. Africa	0.71	0.74	0.5
Total	18.11	9.27	10.9

Note: All figures are in percentage and pertain to 2006

** Based on World Development Indicators database, World Bank, April 2008*

*** Based on CIA Fact book, 2008*

**** International Trade Statistics 2007, WTO*

Emergence of India

A Comparison of India's Share in World Merchandise Exports with China and Japan

	1948	1953	1963	1973	1983	1993	2003	2006
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	8.2
Japan	0.4	1.5	3.4	6.4	8.0	9.9	6.4	5.5
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.0

Source: International Trade Statistics 2007

Emergence of India

Growth of Exports and Imports

	1980-90*	1990-00*	2002-07**
Export	8.1	9.3	20
Import	5.8	7.8	25

Note: Figures are in percentage and as CAGR (Compound Annual Growth Rate)

** World Development Indicators, 2002, World Bank*

*** Economic Survey 2007-08, Government of India (Based on RBI data)*

- Impact of External Sector liberalisation
 - bounced back to 0.8% share in world exports in 2003 and reached 1% in 2006
 - Between 1990 and 2000 world merchandise exports have grown annually at the rate of 6% as against 9.3% achieved by India

Emergence of India

- Share in global trade in commercial services increased from 1% in 1999 to 2.7 in 2006
- Significant trade surplus in commercial services
- Non-IT commercial services exports are increasing at a faster than IT and IT-related commercial services

Commercial Services Exports from India
(US\$bn)

2000	2001	2002	2003	2004	2005	2006
17.6	20.4	23.5	25.0	39.6	56.1	73.8
(1.2)	(1.4)	(1.5)	(1.4)	(1.9)	(2.3)	(2.7)

Note: Figures in parentheses are India's percentage share in global commercial services exports

Source: International Trade Statistics (Various Issues), WTO

India and the multilateral trading system

- A member of GATT since 1948
- Resisted pressure and avoided its GATT commitments to open its economy
- A reluctant participant until the launch of the UR
- A balance of payments crisis rather than external pressure was the trigger for opening up in 1991
- Seattle 1999 and then Cancun 2003 proved to be a turning point

India and the multilateral trading system

- Why India and many other developing countries did not take advantage of GATT?
- Instead, most of them made good use of waivers under Articles XIII, XV, and XVIII
- Refrained from setting a time limit on the use of import restrictions under Art. XVIII B

India and the MTS (Cont'd)

- Establishment of UNCTAD in 1964 and addition of Part IV in GATT in 1965
- Part IV – interpreting reciprocity concept in the context of North-South trade
- In 1971 GSP was introduced, enabling rich countries to extend preferences to developing countries
- Became part of 1979 “Enabling Clause”, which effectively made GSP permanent and further extended discriminatory preferences on an additional basis to LDCs

India and the GSP

- As per the 2008 UNCTAD's data India was enjoying GSP from 10 countries
- In 2005, 22% of India's export to USA and 11% of India's export to EU entered under the GSP

Governance of the multilateral trading system

- Trade governance (adoption and implementation of rules) is as important as tariff liberalisation
- Global trade governance is necessary to address the prevailing inequity (particularly as a result of discriminatory use of non-tariff barriers)
- Ensure more effective participation, even though participation of developing countries has increased
- How to strengthen the rule-enforcement processes of the WTO

India's strategic and important role in global trade governance

- Started making substantial contribution since Seattle 1999 – raising implementation issues
- Ending the practice of exclusion of developing countries in core negotiating groups – replacement of old Quad by new Quad
- US and EU checked from imposing their views on other members
- Created and sustained counter balancing alliances: G-20, G-33, NAMA-11

India in the Doha Round of negotiations

- India played a pivotal role in alliance building – G-6, FIP, New-QUAD
- Influencing agenda - India's tough stance aided by others saw the exit of competition, investment and government procurement from the Doha Round of negotiations
- Pro-active stance on services trade liberalisation

India's role in post-Doha multilateral trading system

- To sustain and improve South-South cooperation
- To play a proactive role in implementation will be crucial – delivering on development through increased trade
- To further strengthen trade and economic ties with LDCs – duty-free, quota-free market access
- To popularise “Trilateral Development Cooperation” for better trade-related capacity building of less-income countries

THANK YOU!