Trade Policy and WTO Newsletter

ICRIER

July 2012

In This Issue

Multilateral Trade Talks - Recent Developments

Anwarul Hoda

At the Eighth Ministerial Meeting of the WTO (MC8), held in December 2011, ministers agreed to advance negotiations on specific elements of the Doha Development Agenda to reach provisional or definitive agreements earlier than the full conclusion of the single undertaking. Since then, ministers and ambassadors have been taking every opportunity to push the negotiations forward on individual items. There appears to be a gathering momentum in favour of trade facilitation although Brazil, India and South Africa continue to oppose the proposal.

Trade Facilitation

Trade facilitation figured prominently in the conference of G20 Trade Minsters held at Puerto Vallarta, Mexico, from April 19-20, 2012. The oral summary statement of outcomes and conclusions made by Secretary Ferarri mentioned that trade facilitation was recognised as one of the most important actions that would enable smooth operations of regional and global value chains, benefiting developed and developing countries alike. Secretary Ferarri gave his assessment that there was a shared sense that an agreement on trade facilitation was a low hanging fruit, which could be harvested with renewed efforts at Geneva., and that the G20 ministers had provided strong political guidance to foster the Geneva process. Minister expressed readiness to address the requirement of LDCs for financial and technical assistance to enable them to implement trade facilitation measures.

At an informal meeting of 17 WTO Members, including the major players (the European Union, Japan, the United States, Brazil, China and India), held at Corfu (Greece) from May 3-5, 2012, the ambassadors considered further the conclusions reached at the G20 Trade Ministers Meeting at Puerto Vallarta.

The idea that an agreement could be reached on trade facilitation in the WTO trade talks received a boost at the OECD Trade Ministers meet held at Paris on May 23, 2012. It was argued that trade facilitation would benefit all countries equally and an element of reciprocity for all members was inherent in trade facilitation. It was, therefore, not necessary to link discussions on trade facilitation with results in the more contentious subjects of agriculture and industrial tariffs. Ministers pleaded strongly for an early agreement on trade facilitation.

However, Brazil and India maintained their stand that trade facilitation could not be de-linked from other aspects of the Doha Round. The position taken by India and Brazil does not seem to be related to any basic difficulty with trade facilitation, but arises from strategic concerns in relation to the deadlocked negotiations on agriculture. They would like to have a broader package that includes some elements from negotiations on agriculture, such as elimination of export subsidies on which there is already a tentative agreement pending a final settlement.

Improvement in customs procedures and border measures is in the interest of all WTO Members, and an agreement would lead to concerted action by all of them to facilitate trade. Economic operators in India will gain not only from the improvements in other jurisdictions but also from the improvements in India itself. The situation regarding clearance of goods at ports that obtains in India compares unfavourably with that in other countries. It, therefore, would be in India's interest to fall in line with the rest of the WTO membership and back a standalone international accord on trade facilitation.

Three other proposals have been discussed actively after MC8, although they are not directly linked to the Doha Development Agenda. These are facilitation of WTO accession of LDCs, expansion of the Information Technology Agreement and negotiation of a plurilateral agreement in trade in services.

LDC accession to WTO

It was agreed at MC8 that the WTO sub-committee on LDCs would 'develop recommendations to further strengthen, streamline and operationalize the 2002 guidelines by, inter alia, including benchmarks, in particular in the area of goods, which take into account the level of commitments undertaken by existing LDC Members.' In the Geneva negotiations, the trade off between coverage of bindings and the average bound level has been under discussion but differences have remained. At the OECD meeting, ministers showed a new resolve to bring the matter to a conclusion before the summer break.

The news from Geneva is that on July 6, 2012, an agreement has been reached on the benchmark in relation to goods. Acceding LDCs would be required to bind all agricultural tariffs at an average rate of 50 per cent and 95 per cent of industrial tariffs at an average rate of 35 per cent. If the LDC concerned wants a higher average level of bindings, it would have to move towards comprehensive binding coverage.

Although the mandate given in MC8 did not cover specific commitments in services, members have agreed on certain broad parameters. LDCs would not be required to undertake specific commitments at a level higher than what has been committed by existing LDC members.
The agreement reached by members on July 6 needs formal approval of the General Council at its meeting scheduled for July 25-26. The agreement on LDC accession is a rare accord reached in the WTO and is to be welcomed. It would benefit 10 LDCs, which are negotiating accession presently.

Expansion of Information Technology Agreement (ITA)

The question of expansion of the product coverage under the Information Technology Agreement has been under discussion in the past. On May 2, 2012, six WTO Members, the United States, Canada, Japan, Singapore, South Korea and Taiwan, circulated a formal proposal in this regard. They proposed inclusion of new product categories including products capable of processing digital signals, products that can send or receive digital signals with or without lines, ICT manufacturing equipment and related components, attachments, and parts. In justification of the proposal, the proponents stated that the original list in the ITA had been drawn up on the basis of the 1996 Harmonized System (HS) tariff nomenclature. The subsequent revisions of the Harmonized System have reflected the technological developments since 1996 and new products that have entered the market but the product coverage of the ITA has not been expanded.

While the proponents want exclusive focus of the negotiations to be on the expansion of the product coverage, the European Union wants the negotiations to address non-tariff measures as well. It has pointed out that product standards, conformity testing and export controls cause significant obstacles to trade in hi-tech goods and these also need to be addressed. More recently, the EU has signalled some flexibility in this regard and this development is likely to provide stimulus to the ITA talks for expansion.

The proponents have been holding exploratory talks with other important players in information technology products such as the EU, Australia, China, Hong Kong, Malaysia and Thailand. India alone is known to be resolutely opposed to the expansion. India's position is understandable to some extent because its hardware industry is still at a nascent stage. However, in a highly globalised industry such as information technology, it may be counterproductive to maintain tariffs on new products and on manufacturing equipment, as it would drive away both foreign and domestic investment in the sub-sector. It may be better to support the agreement to expand the list but to obtain a limited transition period to phase out existing tariffs.

Plurilateral services agreement

In our April issue, we reported that a group of 16 (now 18) WTO members had styled themselves as real good friends (RGF) of services liberalisation and joined an initiative of the United States to negotiate a plurilateral agreement on services under Article V of the General Agreement on Trade in Services (GATS). We had commented that the proposal had opened another front to weaken multilateralism, but that it could still be turned around to make it a stepping-stone towards an eventual multilateral pact. This could happen if the plurilateral agreement was modelled on the Information Technology Agreement and adopted an unconditional MFN approach. We had added that the alternative of following the restricted conditional MFN approach and confining the benefits to the signatories would be a retrograde outcome, even though it would still be consistent with the GATS.

In April, the Peterson Institute published a policy brief on the elements of a services plurilateral agreement, which proposes exactly the legal framework, that we had suggested the RGF group should abhor – a closed-door agreement. Indeed, it is worse, as it suggests that it should not be an agreement outside the WTO framework as permitted under Article V of the GATS but that it should be attached to the WTO Agreement like the GPA. In order to obtain approval of such a plurilateral agreement from the full WTO membership, the authors suggest that it should be made part of a grand bargain for concluding the Doha Round with elements on which there is broad consensus. Another paper published earlier by the Institute had suggested the possibility of such a bargain on five elements, viz., trade facilitation agreement, duty free quota free treatment of LDC exports, agreement for locking in reform on agricultural export subsidies, commitment not to impose export controls on food and reform of the dispute settlement system. There are worrisome indications that the United States would adopt the line of the Peterson Institute on the legal framework of the plurilateral services agreement.

Towards a Transatlantic Free Trade Area

Anwarul Hoda

In our January 2012 issue, we had reported the build up of public opinion in the European Union and the United States in favour of greater economic integration between the world's two major economies. We had also reported that at the EU-USA Summit held on November 28, 2011, at Washington D.C., the leaders had established a joint High Level Working Group on Jobs and Growth, to be co-chaired by the European Commissioner for Trade and the US Trade Representative. The working group has been mandated to identify and assess options to strengthen the EU-US economic relations and submit its report by the end of 2012, with an interim report expected in June 2012. The interim report of the high level working report has been submitted and has been put in the public domain.

The interim report emphasises that the aim should be to strive for a comprehensive agreement encompassing conventional as well as "behind the border" non-tariff barriers. Furthermore, it lays stress on exploring opportunities for enhancing the compatibility of regulations and standards and for enhancing co-operation for the development of rules and principles on global issues. One other issue to which the interim report attaches importance is relationship with third countries. Obviously, countries like China, Russia, India and Brazil are much too important to be overlooked even as the EU and the US move to solidify bilateral relations.

Tariffs

On tariffs, the report envisages a three-step exercise. First, there would be substantial elimination of tariffs at the time of entry into force of the agreement. Second, all but the most sensitive tariffs would be eliminated in a short time frame. It is stated that both sides would consider options for the treatment of the most sensitive products. It is clear that the question of outright exemption of products from tariff elimination or reduction is at the back of the mind of the members of the high-level group. As negotiations unfold, the traditionally protected products in the United States - dairy, sugar and groundnutsare likely to be candidates for being treated as sensitive products.

Regulatory Issues and Non-Tariff Barriers

The interim report envisages ambitious Sanitary and Phytosanitary (SPS) -plus and Technical Barriers to Trade (TBT)-plus chapters, while stressing the right of governments to regulate in a manner that ensures the protection of health, safety, and the environment at the level that each side determines to be appropriate. In addition, after consulting the stakeholders, the two sides would develop concrete action plans to reduce unnecessary regulatory costs and promote regulatory compatibility.

In the past, SPS restrictions have been a big challenge for US-EU relations. Long-standing problems such as the EU's ban on imports of poultry washed in chlorine have not been resolved. The two sides have made attempts to resolve problems on a sector-by-sector basis but without success.

Services, Investment and Government Procurement

In services, the idea appears to be to build on the substantial level of liberalisation, which is already embodied in existing FTAs, but sensitivities are also recognised, laying the ground for exemption or shallow liberalisation in areas such as shipping in the United States and audio-visual services in the European Union. There is special mention of the objective to streamline licensing and qualification requirements and procedures.

Investment liberalisation and protection would be pursued on the basis of the highest level of investment liberalisation and protection that the two sides have in agreements with third countries. In the past, a possible US-EU compact on investment was difficult because both the European Commission and member states had jurisdiction on the issue. However, the task of the Commission has been made easier because under Article 207 of the Lisbon Treaty, the competence for investment rests entirely with the European Union. However, there is some difficulty still as foreign direct investment is not defined in the Treaty. For a good agreement on investment to be negotiated by the two sides, the member states and the EU would have to agree on a definition.

In government procurement, the idea appears to be to go substantially beyond the commitments made in the WTO Government Procurement Agreement (GPA). The commitments in the GPA are already limited in their applicability to a subset of WTO members, mainly OECD countries. The EU-US agreement to deepen commitment on government procurement would be applicable only to the two major economic powers.

Intellectual Property Rights

A unique feature of the interim report is that it declares that it would not be feasible to seek to reconcile across the board differences in the IPR of the two sides. It mentions in low key that the two sides would consult on possible approaches to deal with IPR matters.

A long standing difference between US practice, which relied on the first to invent principle for grant of patents, and the EU (and in fact the rest of the world), which relies on the first-file principle has been narrowed down with the passage of the America Invents Act in September 2011, which replaces the first-to- invent rule with a modified first-to-file rule. However, many differences of approach remain in the intellectual property regimes of the two jurisdictions.

Rules

The idea also is to develop rules to govern trade relations between the two partner economies. The areas that have been provisionally identified for evolving '21st century' rules are (a) trade facilitation/customs; (b) trade-related aspects of competition and state-owned enterprises; (c) trade-related aspects of labour and environment; (d) horizontal provisions on small and medium-sized enterprises; (e) strengthening supply chains; and (f) access to raw materials and energy. The interim report mentions that the rules would be relevant not only for bilateral relations but also 'contribute to rule-making in third country policies and trade agreements and at the multilateral level'.

Bilateral and plurilateral economic integration arrangements no doubt result in benefits to participating countries, although for a holistic evaluation, it has to be seen to what extent trade creation exceeds trade diversion. However, third countries experience only trade diversion and when two major economies join up, the deleterious effects are bound to be large. The EU-US objective is to negotiate agreements in some controversial areas such as trade and labour and environment, and to use the agreements in the negotiations at the multilateral level. Other countries cannot but view this development with apprehension. A rule making area, which is absent from the list is subsidies on agriculture, domestic support and export subsidies. It is true that an agreement in this area may not be workable in the bilateral context, but a tariff free agreement on agricultural products would also not be workable without an agreement on disciplines in the area of subsidies.

Annual Supplement of the 2009-14 Foreign Trade Policy

Anwarul Hoda

The broad framework of India's current trade policy is described in the 2009-14 Foreign Trade Policy statement that was issued in August 2009. Since the policy regarding changes in import and export duties, if any, is announced by the Finance Minister while submitting the annual budget, only quantitative restrictions on import and export and export promotion measures are covered by the foreign trade policy statement. The policy on quantitative restrictions is also relatively stable, except for notifications made from time to time imposing restrictions, or withdrawing them, on foodstuffs and essential raw materials. This leaves only changes in export promotion measures to be covered by the annual supplement to foreign trade policy. This is essentially what the latest annual supplement released on June 5, 2012, is about. The 2012 annual supplement makes small incremental changes in existing export promotion programmes while, in some cases, temporary programmes have been extended. We first summarise the new announcements and then offer some critical comments.

Subsidy on interest on export credit

A temporary scheme of two per cent interest subvention on pre-shipment credit was announced along with fiscal stimulus measures in the wake of the financial and economic crisis in 2009. As the stimulus measures were withdrawn, the scope of interest subvention on export credit was progressively reduced until it covered only handlooms, handicrafts, carpets and SMEs. The new policy envisages extension of this benefit up to March 31, 2013, as well as its expansion to cover toys, sports goods, processed agricultural products and ready-made garments. The SME manufacturers of these items were already covered, and the only implication is that now medium and large manufacturer exporters would also be entitled to the subvention.

EPCG scheme

The export promotion capital goods (EPCG) scheme has been an important component of India's export promotion programme for a long time. Under the scheme, import of capital goods is allowed at the lowered customs duty of 3 per cent, subject to an export obligation equivalent to eight times the duty saved on capital goods imported under the scheme. In addition, the Foreign Trade Policy (2009-14) had introduced a zero duty EPCG scheme, initially valid up to March 31, 2011, allowing import of capital goods subject to an export obligation equivalent to six times the import duty saved, applicable to certain dynamic areas of Indian exports that were listed. This scheme has now been extended by another year up to March 31, 2013.

The exporters who have availed of the benefits under the Technology Upgradation Fund Scheme (TUFS) and recognised export and trading houses (status holders), which have received status holders incentive scrips (SHIS) in the form of duty credit up to 1 per cent of the FOB value of past exports, are at present not eligible for the EPCG scheme. It has now been clarified that if the benefits under TUFS or SHIS are surrendered, the zero duty EPCG can still be availed of.

Status House Incentive Scrips (SHIS)

Status holders, who export agricultural products, receive SHIS duty credit scrips equivalent to 10 per cent of the FOB value of the exports, which can be utilised for import of capital goods and equipment for cold storages and pack houses. The announcement, made on June 5, lists out 14 specified types of equipment, which can be so imported.

Status holders use SHIS (which entitle them to duty credit @1 per cent of the FOB value of exports) for import of capital goods to promote investment in up-grading technology in sectors like leather, textiles and jute, handicrafts, engineering, plastics and basic chemicals. The latest announcement enables them to use up to 10 per cent of the value of the scrips to be utilised to import components and spares of capital goods imported earlier.

Focus Market and Focus Product Schemes

Under the Focus Market Scheme at present exporters are entitled to duty credit scrips equivalent to 3 per cent of the FOB value of exports to certain markets in Latin America, Africa, Asia- Oceania and the CIS countries. Seven new markets have been added to the list, namely, Algeria, Aruba, Austria, Cambodia, Myanmar, Netherland Antilles and Ukraine.

Under the Special Focus Market Scheme, the entitlement for duty credit scrips has been increased to 4 per cent to neutralise the additional freight cost on account of greater geographical distance. In the 2012 policy, seven new markets have been added: Belize, Chile, El Salvador, Guatemala, Honduras, Morocco and Uruguay.

The Market Linked Focus Products Scheme entitled exporters to 2 per cent duty credit if exports of high export intensity/employment potential were made to the linked markets not covered by the Focus Market Scheme. This scheme is also being extended to March 31, 2013. In addition, 46 new items have been added and the coverage of the scheme broadened to 12 new markets. Importantly textiles and clothing items exported to the USA and the EU have been added to the list.

Under the Focus Product Scheme, an entitlement to duty credit scrips of 2 per cent is available for exports of certain value added and non-traditional products. The 2012 policy adds a list of 110 items to the products eligible for this incentive.

Evaluation of the Annual Supplement

For the most part, the 2012 policy envisages clarifications or small incremental changes in the export promotion policy. Much of it could have been covered through notifications issued by the DGFT and certainly did not deserve to be included in the highly publicised policy announcement.
Furthermore, even though the changes are incremental, they are in the direction of granting more subsidies to exports. This is hardly justified when there has been more than 10 per cent depreciation in the exchange rate of the rupee during the current year. This depreciation has had a hugely positive effect on the competitiveness Indian exports and the opportunity should have been taken to notify the sunset of long-standing schemes such as EPCG, Focus Products and Focus Markets. This opportunity has been missed. Further, substantial additional export subsidy benefits have been given to readymade garment exports by bringing the larger exporters within the ambit of the 2 per cent interest subvention on export credit and giving the benefit of 2 per cent duty credits under the Market Linked Focus Products scheme to garments exported to the US and the EU. This new benefit has come at a time when the flexibility given to India under the WTO Agreement for using export subsidies on manufactures is in its final phases.

For assisting exports, what need to be addressed more purposefully are factors that make our exports uncompetitive, such as the high freight costs and low level of logistics efficiency of Indian ports. When will the situation improve enough to enable mother vessels to come to the ports on India's eastern seaboard and obviate the need for transhipment via Colombo or Singapore? Movement of export consignments by road from the interior to the ports is hindered at interstate borders and elsewhere as well. All this increases the transaction cost of the Indian exporter. While there has been some improvement in trade facilitation, we still have some way to go before trade documentation can be handled solely through electronic means, without the need for physical interface between the agent of the exporter or importer and the customs official. The annual announcements of the Minister for Commerce should include measures taken or even attempts made to bring about improvements on these aspects rather than small changes in existing export promotion schemes.

Evolution of India's Tariffs on Agricultural Products

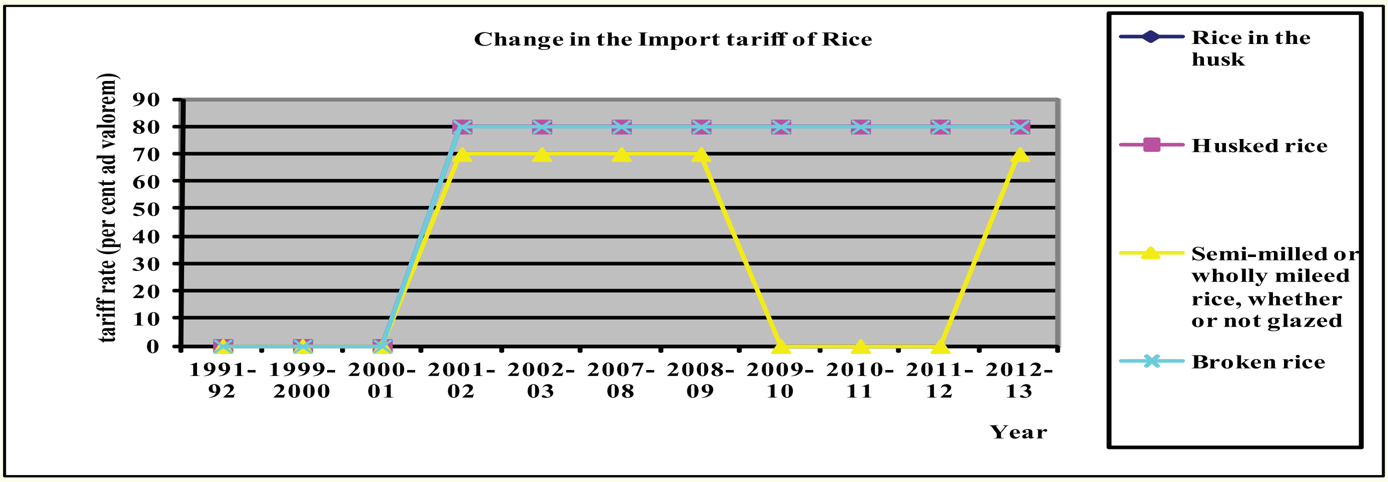
Pritha Banerjee

The objective of this article is to examine the trends in the evolution of basic customs tariff for important agricultural products in India since the introduction of economic reforms in 1991. What has been the pattern of changes in tariff levels and to what extent do the trends reflect the spirit of the reforms?

Rice:

Having been bound at zero at the time of GATT negotiations in 1947, the import duty on rice was nil up to 2000-01, when it was renegotiated under the WTO Agreement. Before that, India maintained import restrictions for balance of payments reasons and it was not necessary to use tariffs to protect domestic production. In 2000-01, consequent upon an improvement in the balance of payments position, India had to eliminate quantitative restrictions and therefore, it became necessary to renegotiate upward the level of bound tariffs in the WTO. Thereafter, it has become possible for India to raise tariffs up to the new bound level. In 2002-03, import duty on rice in the husk (heading 100610), husked (brown) rice (heading 100620) and broken rice (heading 100640) was increased to 80 per cent ad valorem and that of semi-milled or wholly milled rice (heading 100630), was increased to 70 per cent ad valorem. For three years, viz., 2009-10, 2010-11 and 2011-12, import duty on semi-milled or wholly milled rice (heading100630) was exempted. But in 2012-13, a 70 per cent ad valorem duty was imposed again.

Figure1: Evolution of the Import Tariff of Rice



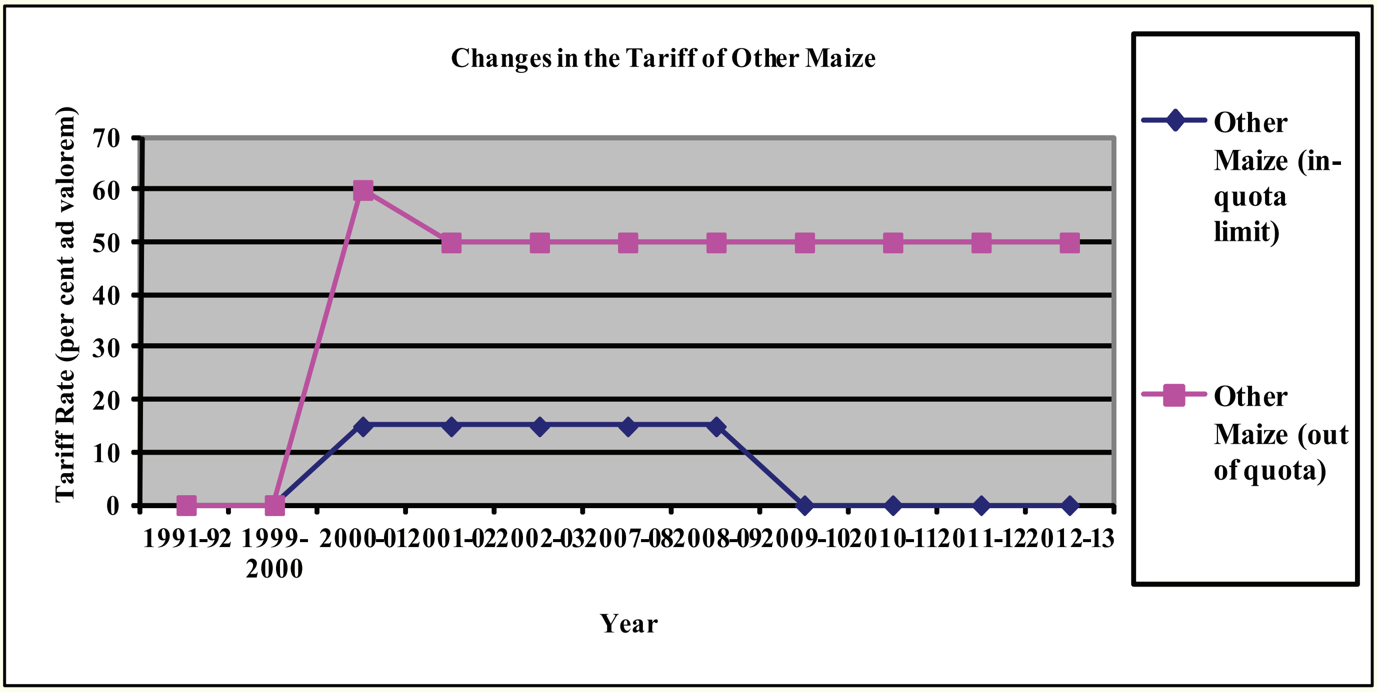
Wheat:

In the 1990s, no import duty was levied on wheat as domestic production was protected by import restrictions maintained for balance of payments reasons. In 2000-01 however, a standard rate of 100 per cent ad valorem rate was levied on wheat (under heading 1001). Among different kinds of wheat, mainly those under the product code 10019020 (other than Durum wheat), 10019039 (other Meslin) are imported in India. The standard rate on them has been at a high level of 100 per cent ad valorem although Government of India, from time to time, through various exemption notifications had either exempted or lowered the duty on wheat imports.

Maize (Corn):

Like rice and wheat, no import duty on maize was levied in the 1990s. In 2000-01, after some tariff rates were re-negotiated with WTO, the bound rate on other maize (product code 100590) was set at 60 per cent ad valorem. Also, a global tariff rate quota (350000 MT in 2000-01, rising to 500000 in 2004-05) was committed at an in-quota rate of 15 per cent. (Hoda and Gulati 2008; 67). Pursuant to the commitment made during renegotiations a global TRQ was established in that year at the agreed in-quota rate. Subsequently in 2009-10 the in-quota rate was eliminated. Import duty outside TRQ was set at 50 per cent at that time.

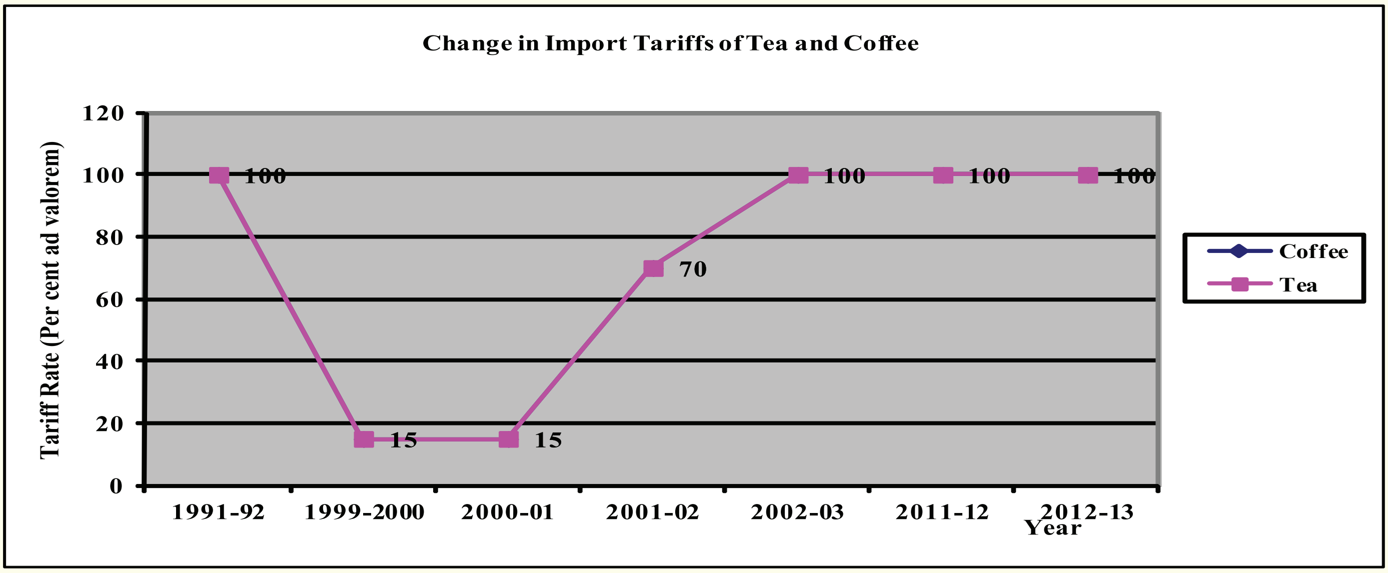
Figure2: Evolution of the Import Tariff of Maize



Tea and Coffee:

Historically, the import tariff on tea and coffee has always been very high. For both products, the import duty was 100 per cent ad valorem in 1991-92 but was reduced to 15 per cent in 1999-2000. The reduced rate was continued in the next year as well. However, there were two successive increases in the tariff rate on tea and coffee in the following years. The tariff rate was increased to 70 per cent in 2001-02 and 100 per cent in 2002-03 and has remained at 100 per cent until 2012-13.

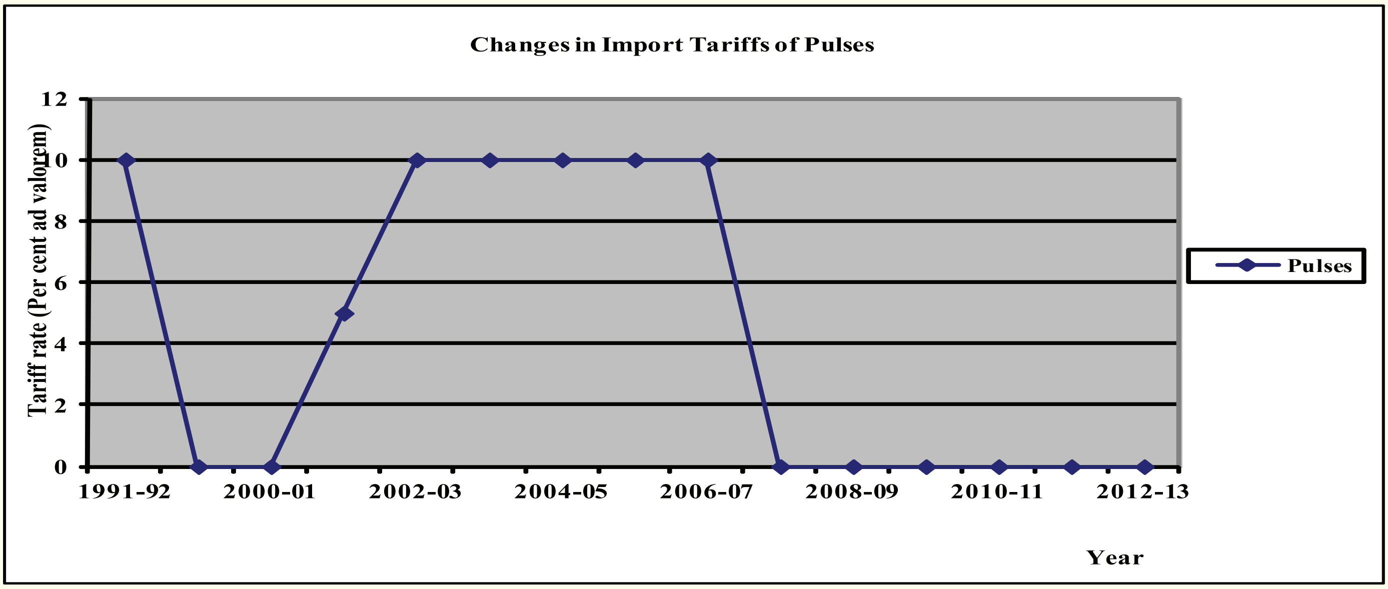
Figure 3: Evolution of Import Tariffs of Tea and Coffee



Pulses:

According to the data in FAOSTAT , in the year 2009, India was the largest importer of pulses in the world. Tariff rates on pulses were either low or exempted for the last two decades. Back in 1991-92, a basic duty of 10 per cent was levied on pulses. In 1991-2000 and 2000-01, the duty was totally exempted. It was increased to 5 per cent in 2001-02 and 10 per cent in 2002-03, and continued at this level until 2006-07. In 2007-08, the import duty on pulses was again exempted and the exemption has continued since then.

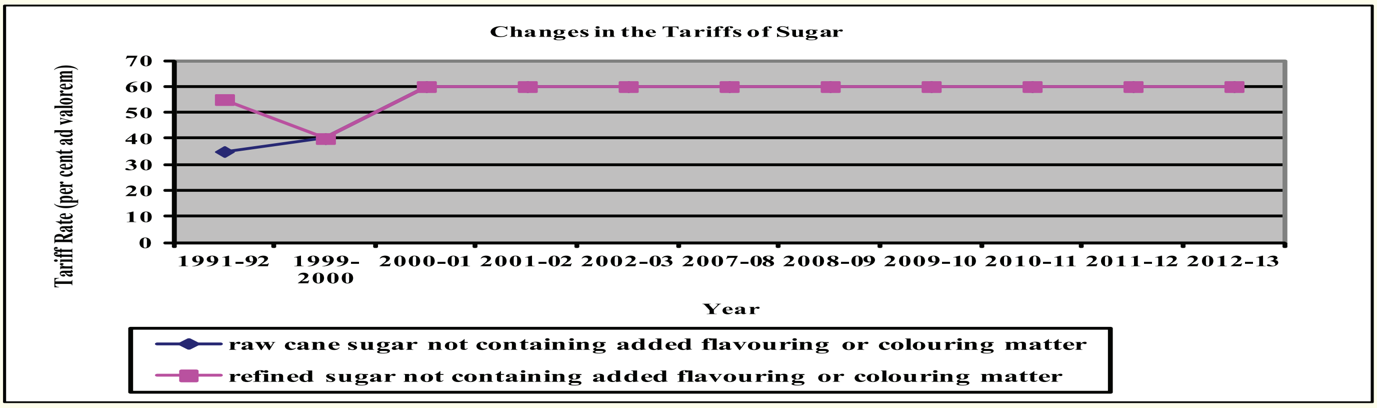
Figure 4: Evolution of Import Tariffs of Pulses



Sugar:

The main imported varieties of sugar in India are raw cane sugar not containing added flavouring or colouring matter (product code 170111) and refined sugar not containing added flavouring or colouring matter (product code 170199). These are some of the very few products that experienced a rise in import duty from duty levels prevailing in 1991-92. Import duties on these two products were 35 per cent and 55 per cent (for 170111 and 170199 respectively) in 1991-92 and 40 per cent in 1999-2000. From 2000-01 onwards, standard import duty on them was raised to 100 per cent ad valorem while the effective rate remained at 60 per cent. However, in recent times, like a few other products, the import duty on them has been exempted temporarily as per requirement through several exemption notifications by the Government of India.

Figure 5: Evolution of Import Tariffs of Sugar



Fruits and Nuts:

Apples are the most important fruit imported into India. The duty on apples was high at 100 per cent in 1991-92. It was reduced to 40 per cent in 1999-2000, but raised to 50 per cent in 2000-01, at which level it remains until today.

Amongst nuts, cashew nuts in shell, almonds and apples are imported in huge quantities in India. As cashew nut in shell is a raw material used in the local processing industry, it has been exempt from import duty for a long time. However, the import duty on shelled cashew nuts was quite high, at 200 per cent ad valorem in 1991-92. It was reduced to 40 per cent in 1999-2000, to 35 per cent in 2001-01 and 30 per cent in 2002-03. Almonds are one of the very few products on which a specific duty is levied. For almonds in shell, import duty was Rs.15 per kg in 1991-92; this was increased to Rs.55 per kg in 1999-2000 and decreased to Rs.35 per kg in the next year and has remained at that level until today. In 1991-92, the import tariff on shelled almond was Rs.50 per kg, which was increased to Rs.100 per kg in 1999-2000, only to be brought down to Rs.65 per kg in 2001-02, at which level it remains till date.

Figure 6: Evolution of Import Tariffs of Apples

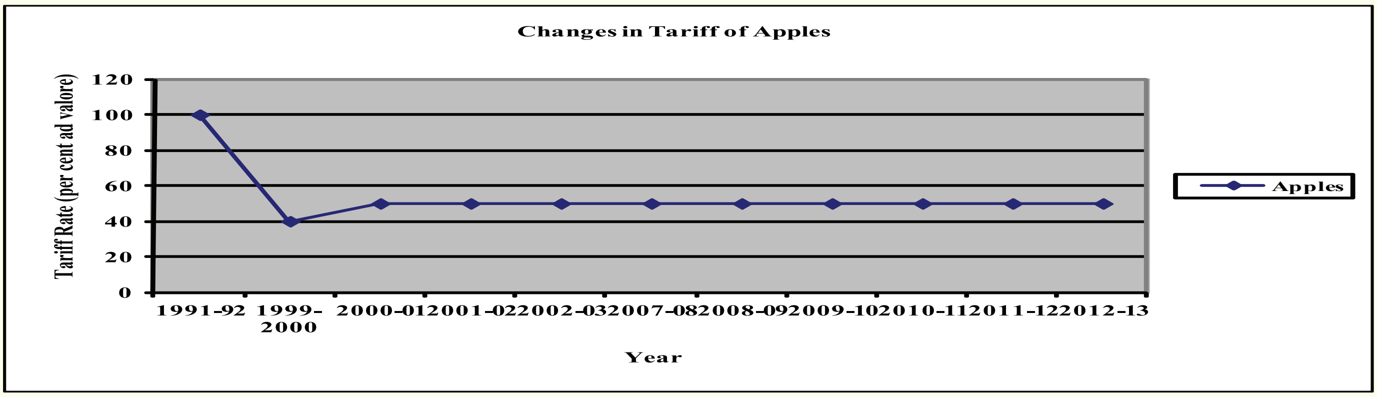


Figure 7: Evolution of Import Tariffs of Almonds

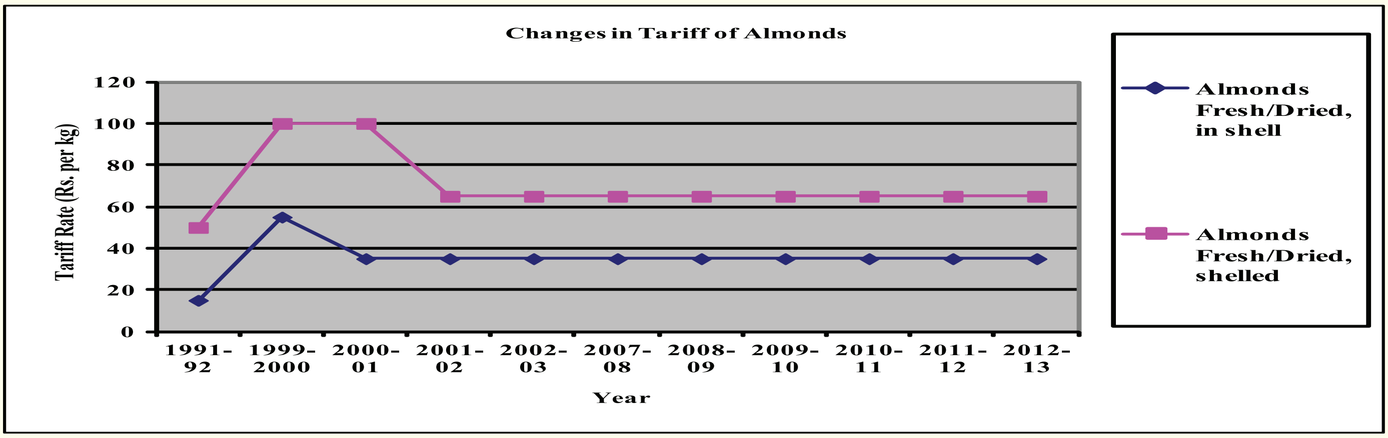
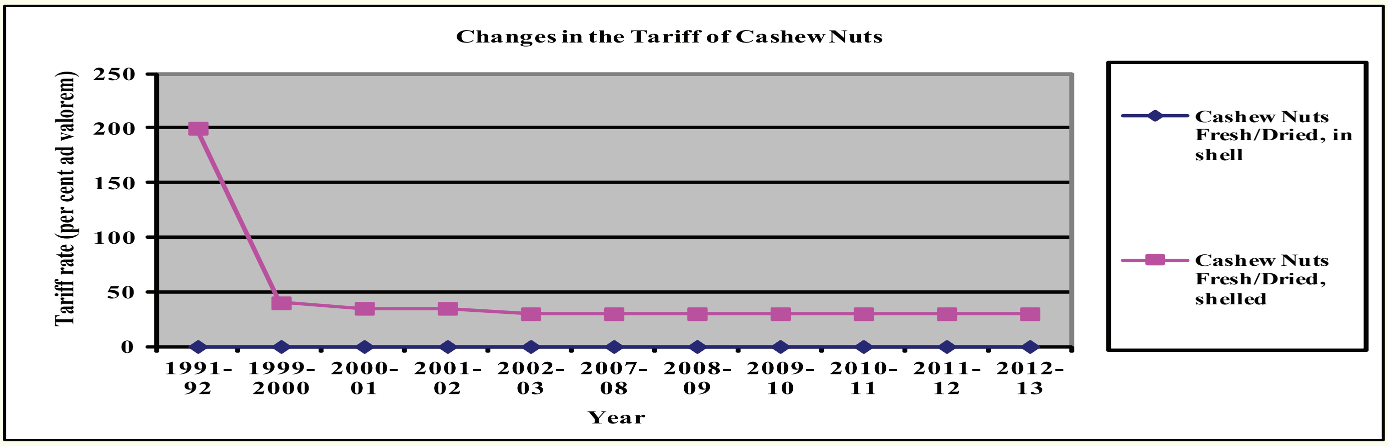


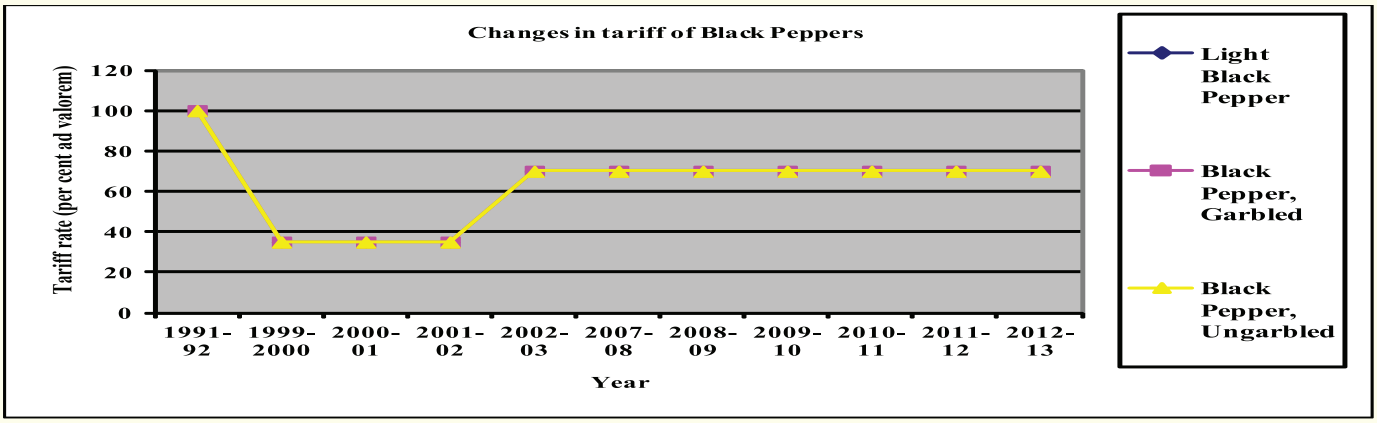
Figure 8 : Evolution of Import Tariffs of Cashew Nuts



Black Pepper:

India is a net exporter of black pepper, but it also imports large quantities of the commodity. Black pepper (Product code 090411) faces high import tariff. In 1991-92, the import duty was 100 per cent ad valorem; this was decreased to 35 per cent in 1999-2000, and then raised to 70 per cent in 2002-03, at which level it remains until today.

Figure 9: Evolution of Import Tariffs of Black Pepper

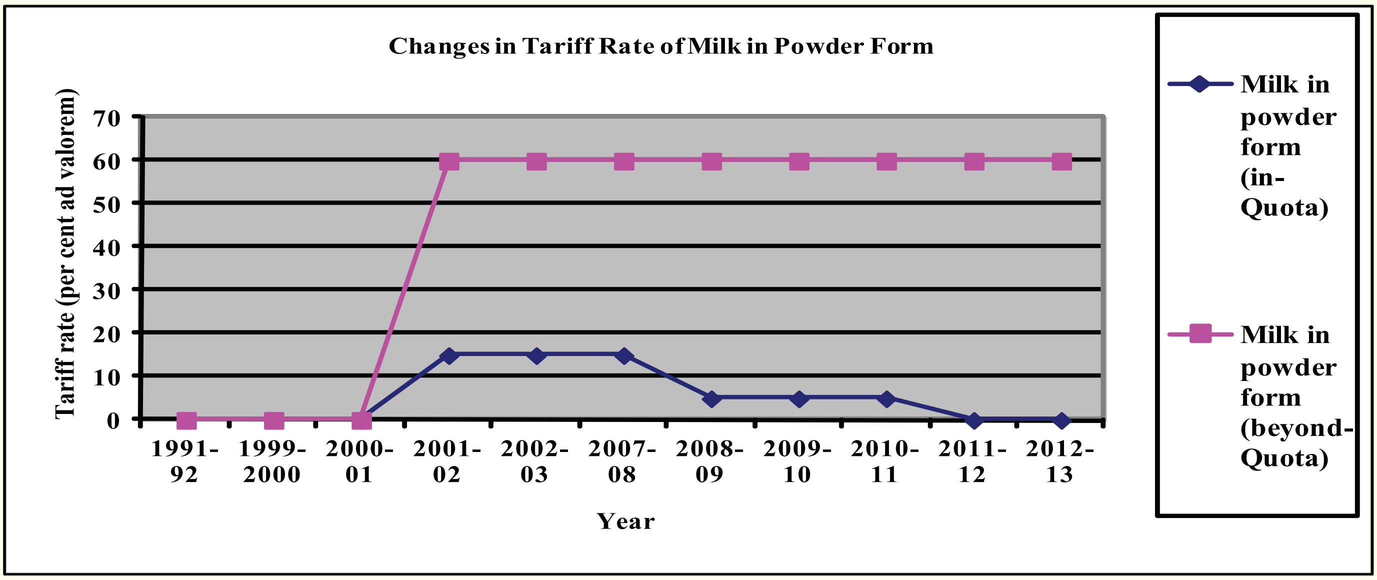


Milk Products:

The main milk product that India imports is skimmed milk powder (Product code 040210). Import duty on the product was zero until 2000-01, having been bound at that level in 1947 in GATT. The bound rate was renegotiated upwards to 60 per cent in 2000-01, when quantitative restrictions were abolished and the applied rate has been maintained at that level since then. However, a tariff rate quota (TRQ) was introduced in 2001-02 with a lower in-quota tariff. In 2001-02, the TRQ was 10,000 MT and the in-quota tariff was 15 per cent.

The in-quota tariff rate has been gradually lowered over the years while the quota limit has been increased. The in-quota tariff was reduced to 5 per cent in 2008-09 and further to zero in 2011-12. The TRQ has been raised to 30,000 MT in 2011-12 and to 50,000 MT in 2012-13.

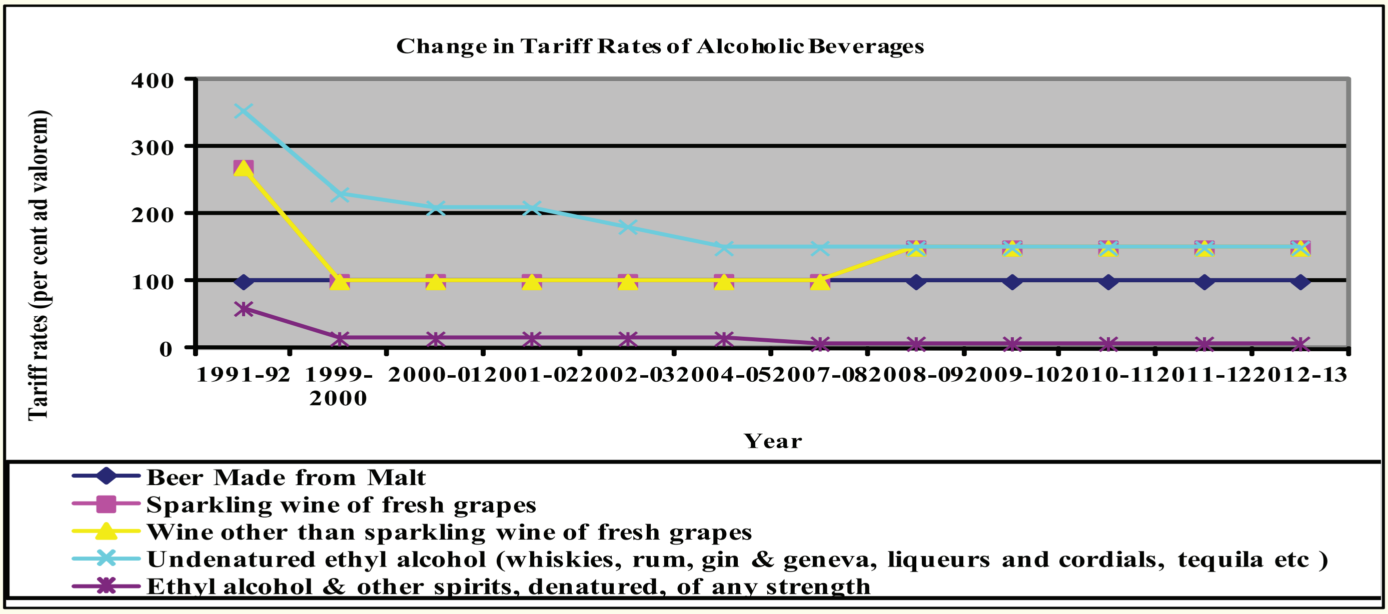
Figure 10: Evolution of Import Tariffs of Milk Products:



Alcoholic Beverages:

Among alcoholic beverages, India imports beer made from malt (Product code 2203). wine of fresh grapes (Product code of 2204), undenatured ethyl alcohol like spirits obtained by distilling grape wine or grape marc, whiskies, rum, gin etc (Product code 220710 and some products under heading 2208) and ethyl alcohol, denatured, of any strength (code 220720) in large quantities. Import tariff on these products have been historically high. In 1991-92, tariff on wine of fresh grapes and undenatured ethyl alcohol were as high as 270 per cent (or, Rs. 80 per Litre, whichever is higher) and 355 per cent (or, Rs. 200 per Litre, whichever is higher) respectively whereas that on beer made from malt was 100 per cent. Following reduction commitments made by India during the Uruguay Round, tariffs on almost all the important alcoholic beverages have been reduced progressively, except for beer made from malt, which has remained at 100 per cent. For wine of fresh grapes also, the tariff rate has remained at a lower rate of 100 per cent from 1999-2000 to 2007-08 and then increased to 150 per cent. For spirits obtained by distilling grape wine or grape marc, whiskies, rum, gin etc., it was reduced in annual instalments until it reached the level of 150 per cent committed at the Uruguay Round negotiations. The duty on ethyl alcohol, denatured, of any strength (code 220720) was also reduced from 60 per cent in 1991-92 to15 per cent in 1999-2000, 10 per cent in 2006-07 and finally to 7.5 per cent in 2007-08.

Figure 11: Evolution of Import Tariffs of Alcoholic Beverages



Oils:

Soya bean, olive, palm, sunflower seed and safflower, palm kernel and babassu, and rape and colza oils in crude form and refined palm oil are imported by India in large quantities. The evolution of import tariffs on these products is shown in the following table:

Table 1: Change in import tariffs on oils

Product Code	Description	1991-92	1999-2000	2000-01	2001-02	2002-03	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Basic Duty (per cent ad valorem)										
150710	Soya Bean Oil, Crude	45	35	45	45	45	45	40	0	0	0	0
150910	Olive oil, Virgin	100	35	45	45	45	45	45	45	0	0	0
151110	Palm oil, Crude	100	35	100	100	100	100	100	100	0	0	0
151190	Palm oil, Refined	100	35	100	100	100	67.5	7.5	7.5	0	0	0
151211	Sunflower seed and safflower oil, Crude	100	35	100	50	50	50*	50^	50#	0	0	0
151321	Crude palm kernel and Babassu oil	100	35	100	100	100	100	100	100	0	0	0
151411	Rape and colza oil, crude	100	35	75	75	75	75	75	75	0	0	0

* 50 per cent up to 1,50000MT of Safflower seed oil and 50 per cent for all sunflower seed oil

^ 50 per cent up to 1,50000MT of Safflower seed oil and 40 per cent for all sunflower seed oil

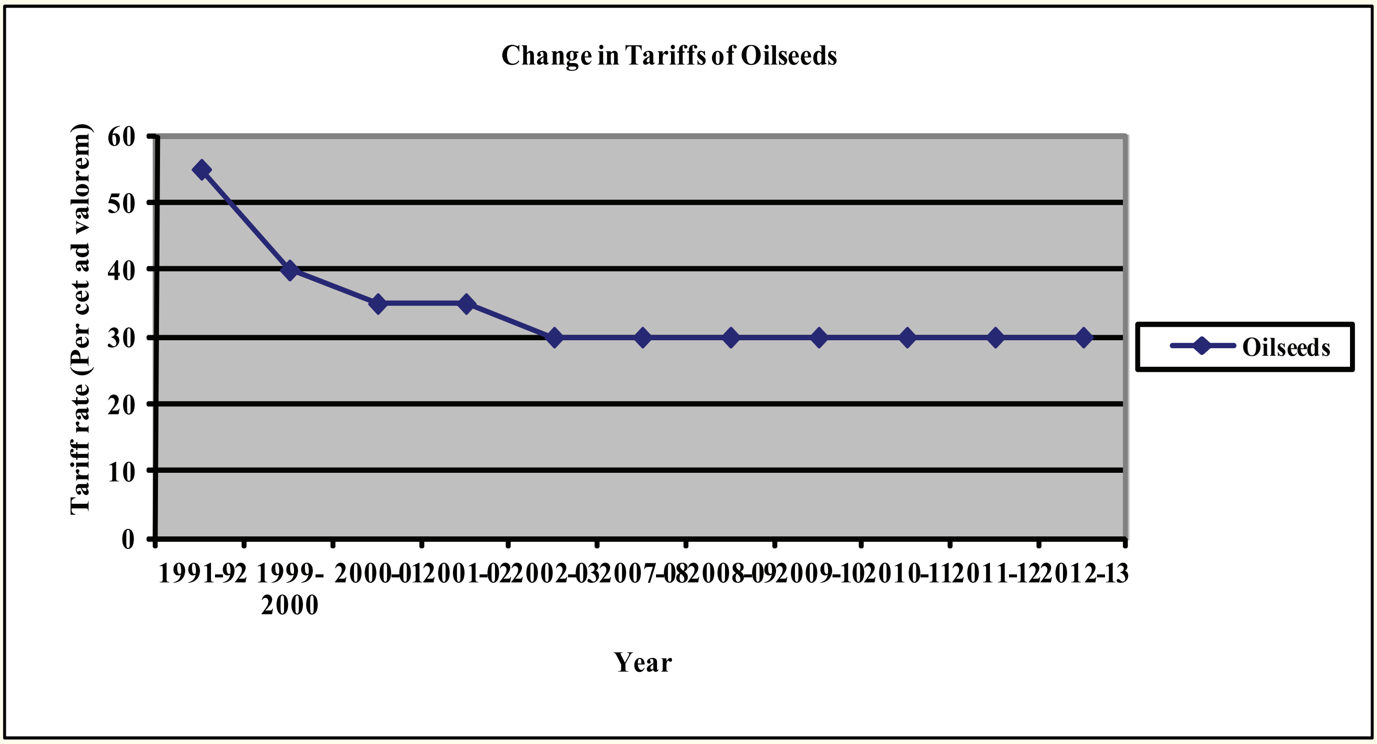
50 per cent up to 1,50000MT of Safflower seed oil and nil for all sunflower seed oil

It is apparent that in the last few years, the structure of import tariffs on crude oils has changed dramatically. Import tariff has been eliminated on all of them during the last three financial years. Among all the important agricultural products which are imported in large quantities, only crude edible oils (and refined palm oil) have experienced such an unusual decline: from 100 per cent (45 per cent for soya bean oil) in 1991-92 to total elimination in 2010-11.

Oilseeds:

The tariff on oilseeds has been reduced steadily from 55 per cent ad valorem in 1991-2000 to 30 per cent in recent years. It went down to 40 per cent in 1999-2000, to 35 per cent in 2000-01 and further to 30 per cent in 2002-03, at which level it remains until today. We must note an anomaly here in that while the duty on edible oils, a finished product of the oil pressing industry, has been eliminated, a positive duty applies at a relatively high level on raw materials used in the oil-pressing industry.

Figure 12: Evolution of Import Tariffs of Oilseeds



Silk, Wool and Cotton:

The important import goods in silk are raw silk (Product code 5002) and silk waste (Product code 5003). Import duty on raw silk was 30 per cent in 1991-92. It was 35 per cent in 1999-2000 and 2000-2001 and decreased to 30 per cent again in 2001-02. It remained at 30 per cent until in 2011-12, it was decreased to 5 per cent. Import duty on silk waste, on the other hand, was 50 per cent ad valorem plus Rs. 8.80 per kg in 1991-92 and 35 per cent in 1999-2000. It was reduced to 15 per cent in 2001-02 and is at that level to date.

Important wool import are 5101 (wool, not carded or combed) and 5102 (fine and coarse animal hair). The tariff on products under 5101 was 100 per cent ad valorem plus Rs. 10 per kg in 1991-92. This was reduced steeply to 15 per cent in 1999-2000. The tariff on products under product code 5102 was 55 per cent. This was reduced to 15 per cent in 1999-2000 and further to 5 per cent in 2003-04 and to 2.5 per cent in 2011-12.

Important cotton import are 5201 (cotton, not carded or combed) and 5202 (Cotton waste). Import duty on the former was 35 per cent in 1991-92 and was reduced to 5 per cent in 1999-2000. In 2003-04, import duty was increased to 10 per cent and the rate prevailed until 2008-09, when the duty was eliminated. For 5202, the duty was 35 per cent in 1991-92, but this was progressively reduced to 25 per cent in 1999-2000, 15 per cent in 2001-02, 10 per cent in 2009-10 and finally zero in 2011-12.

Figure 13: Evolution of Import Tariffs of Silk

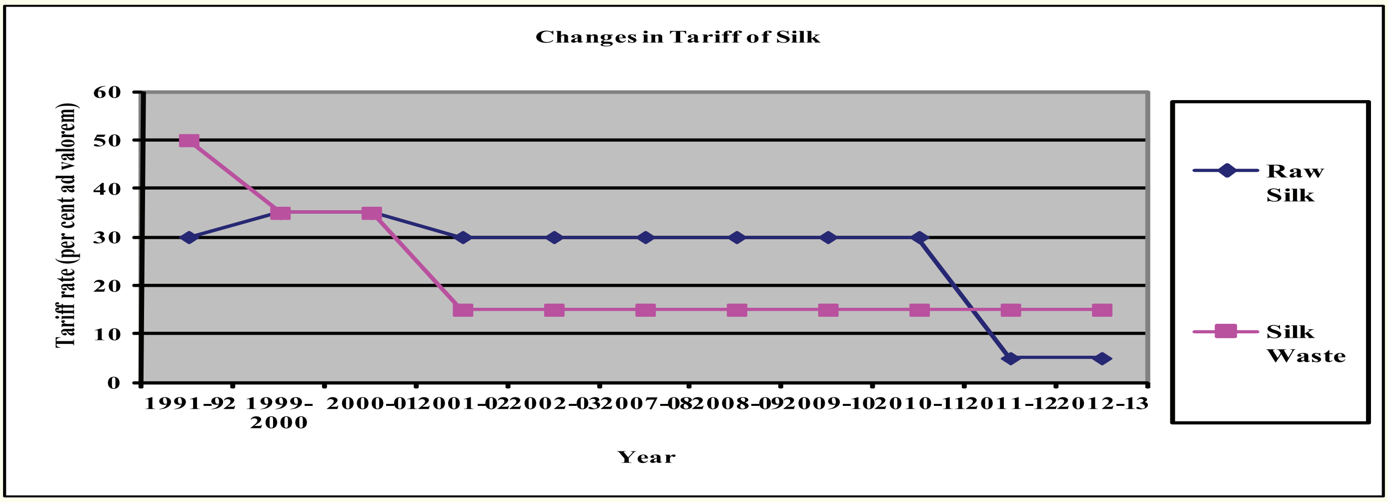


Figure 14: Evolution of Import Tariffs of Wool

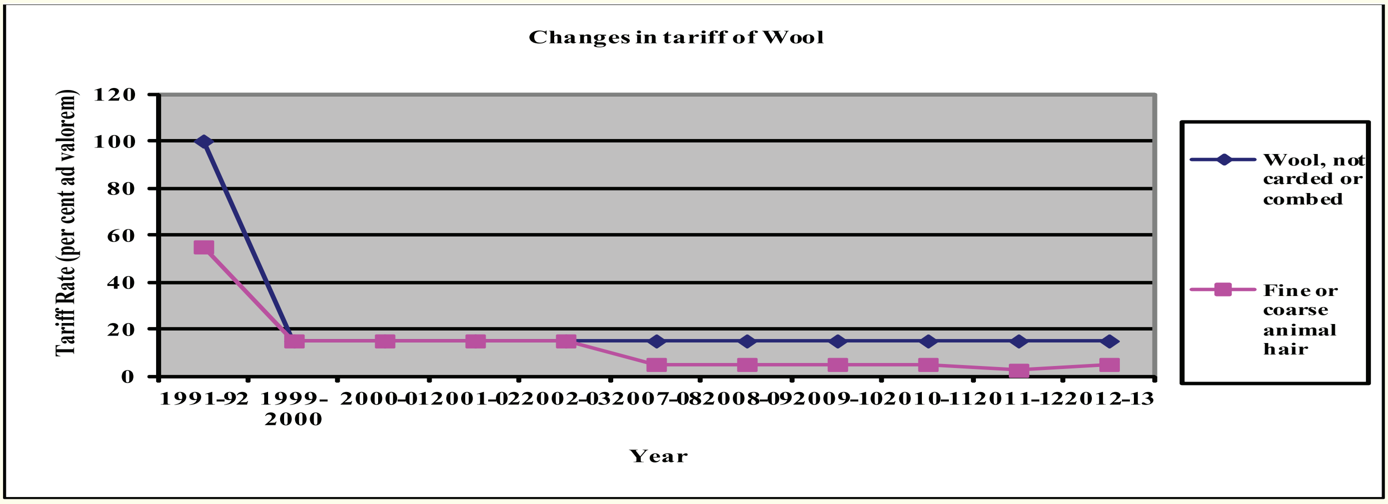
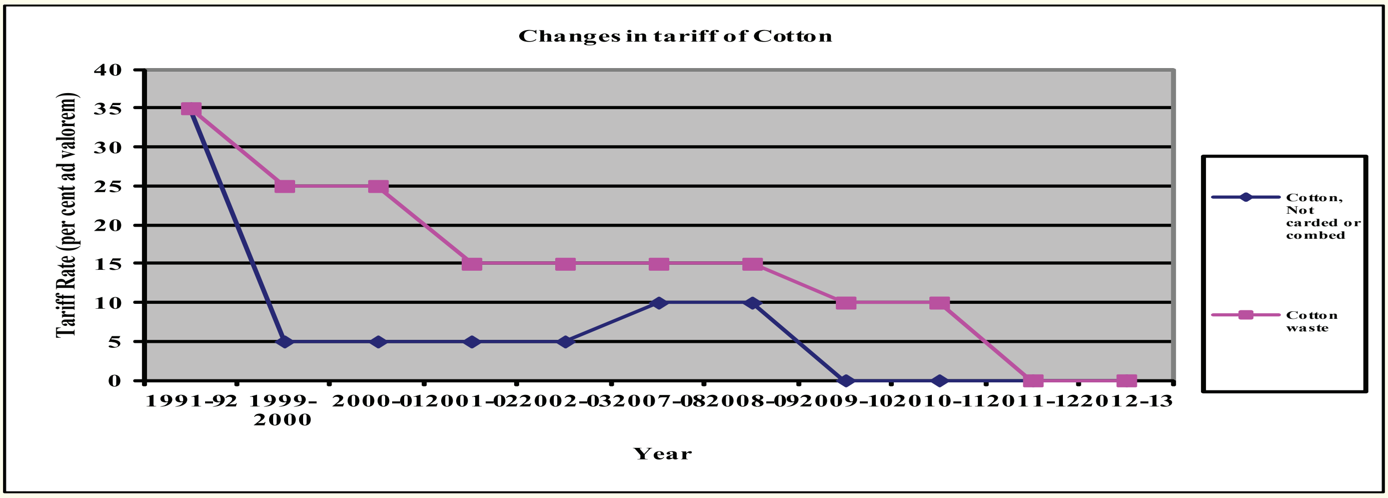


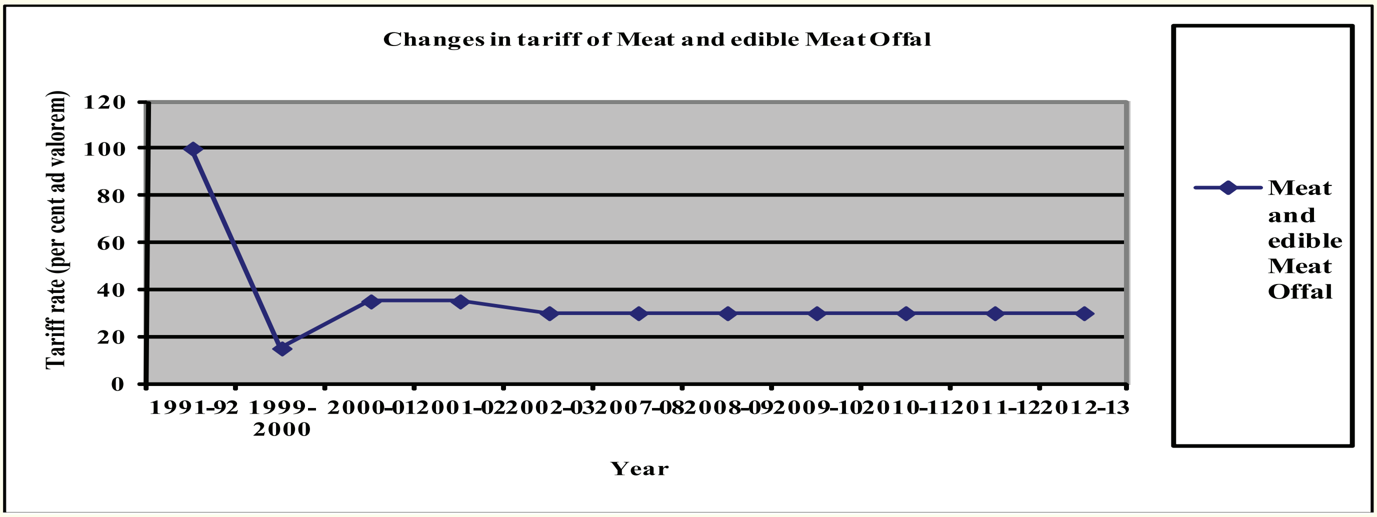
Figure 15: Evolution of Import Tariffs of Cotton



Meat and Edible Meat Offal:

Back in 1991-92, the import tariff on meat and edible meat offal was 100 per cent ad valorem. In1999-2000, it was at a much lower level of 15 per cent. However, the duty was increased to 35 per cent in 2000-01 and remained at that level in the next year as well. Thereafter, the duty was reduced to 30 per cent ad valorem and is at the same level to date. There are exceptions for only two goods under this chapter. For fresh and chilled cuts and offal of poultry (Product Code 02071300) and frozen cuts and offal of poultry (Product Code 02071400), the import duty has remained at 100 per cent since 2001-02.

Figure 16: Evolution of Import Tariffs of Meat and Edible Meat Offal:



It is evident from different articles (Mathur and Sachdeva, 2005) as well as from the tariff profiles of different countries published by WTO in various years that tariff profiles of non-agricultural products experienced a general liberalising trend since 1991-92. On the contrary, trend in the tariff profile of agricultural products is not uniform. The above analysis brings forward some interesting observations about this trend.

For most of the products, we notice a decline in or total elimination of basic import duties. These include the following:

• In the case of two food products of mass consumption, edible oils and pulses, there was total elimination of import duty in 2010-11 from a very high rate of 100 per cent in 1991-92 on edible oils. Import duty on pulses also has been exempted from 2007-08 onwards by annual notifications.

• For agricultural products which are industrial raw material as well (for example, silk, cotton and wool), the duties have been progressively brought down either to zero or to a very nominal amount of 5-15 per cent ad valorem. One anomaly is observable in the case of oilseeds. Although they are inputs of the edible oils industry and the tariff on the later has been eliminated lately, the tariff on oilseeds is still at a comparatively high rate of 30 per cent ad valorem.

• Duties on alcoholic beverages, fruits and nuts have been brought down as well. The duty on meat and edible meat offal is at a considerably lower rate than its 1991-92 level. Duty on black pepper has also decreased from the 1991-92 level but it is still high.

In the case of a few products, either the duty has been increased or remained at the same level as in 1991-92.

• On a number of basic food items including cereals like rice, wheat and maize (corn), no import duty was levied in 1991-92. However, duties on them were raised to very high levels in 2000-01 so as to make them practically prohibitive. However, whenever there was shortfall in domestic production, duty-free imports were enabled through temporary exemption notifications.

• Tea and coffee face very high import duties although the duty on them was lowered temporarily for three years.

• Import duty on sugar is also higher now than its 1991-92 level.

There has been considerable change in import tariff on the main agricultural products from 1991-92 level. However, when we consider the last ten years, it becomes clear that import duties for most of the agricultural products considered have remained same for almost a decade although some products have enjoyed exemption in import duty because domestic production (for example, pulses) has fallen short of demand while some of them (rice, wheat, maize for example) experienced an increase in tariff "to allay the fears of large-scale dumping of such products in Indian market in view of liberalisation of import policy" (Economic Survey, 2000-01; 169).

Data Source for Tariffs:
• Goyal, Arun (Ed): Big's Easy Reference Customs Tariff (Various Years).
• Jain, R.K (Ed.). 2000. Customs Tariff of India 1999-2000.

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1. Hoda. A. and A. Gulati 2008. *WTO Negotiations on Agriculture and developing Countries.* Oxford University Press. New Delhi.

2. Mathur, A.S. and A.S. Sachdeva. 2005. "Customs Tariff Structure in India" in *Economic and Political Weekly*. 40(6). pp. 535-539.

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