

INDIA'S TRADE POLICY DILEMMA AND THE ROLE OF DOMESTIC REFORM

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India faces significant challenges in the area of trade policy—the global economic slowdown, increasing protectionism, the stalled mega-trade deals that could in time be revived, and perhaps more important, its own domestic preoccupations. For India to achieve its policy objectives, the government and industry, particularly the manufacturing sector, must prepare for opportunities and greater engagement in an evolving multilateral trade arena. India's priorities should include taking policy measures to conform to global standards and supporting the World Trade Organization (WTO) to relaunch multilateral negotiations.

The Goal

- India's Foreign Trade Policy aims to (1) increase the country's share of global trade from the current 2.1 percent to 3.5 percent and (2) double its exports to \$900 billion by 2020.
- However, India faces myriad obstacles: lack of full understanding of trade policy and its potential benefits, a poorly developed manufacturing sector, unsatisfactory results from regional trade agreements, and constrained relationships, including with its main trading partners.
- India's trade policy framework must be supported by economic reforms that result in an open, competitive, and technologically innovative Indian economy.
- The share of manufacturing in the gross domestic product needs to rise through efficient implementation of schemes such as the Make in India initiative.
- U.S. capital and innovation needs to work hand-in-hand with Indian resources and entrepreneurship.

How to Get There

- **Create an enduring global partnership with India's major trading partners, particularly the United States.** The two countries, along with other countries, must work to break down barriers to the movement of goods and services and support deeper integration into global supply chains.
- **Actively and enthusiastically participate in the Regional Comprehensive Economic Partnership and seek to join the Asia-Pacific Economic Cooperation.** Given that India is not party to any mega-trade deals (and may never be), this would be an important part of a positive trade policy agenda.
- **Immediately adjust to global standards on technical barriers to trade and sanitary and phytosanitary measures.** With some trade deals currently on hold or not moving forward in their current form, India, particularly industry, has valuable time to conform to these standards.
- **Revive the primacy of the multilateral trading system.** This revival is in India's national interest since the country is best served by most-favored-nation treatment, largely provided by the multilateral trading systems anchored in the WTO. Unlike outside plurilateral arrangements, the WTO offers the best possible setting for pursuing a development-based trade agenda.

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