A one day seminar on "Managing India's trade Deficit with major trading Partners: Lessons and Prospects" was organized by Indian Institute of Foreign Trade in partnership with the Knowledge Partnership Programme of IPE Global Ltd and DFID India on 23rd September 2015 in New Delhi with an objective to disseminate the study findings and provide a set-of policies to reduce India's trade deficit. Delivering the welcome address, Mr. Sunil Mitra, Team Leader Knowledge Partnership Programme (KPP) pointed out that India's trade deficit with China, South Korea and Indonesia has reached around $70 billion in 2014-15 and together these three countries accounted for more than 45 per cent of India's overall trade deficit.

The analysis of current account deficit of India indicates that under the given structure of trade, the current account deficit is unsustainable in the long run and requires urgent steps. He pointed out that India's exports are dominated by primary products and imports are dominated by capital goods and intermediate goods that are generally high technology intensive. This remains the root of the problem. He emphasized that India needs to diversify its export basket and undertake domestic reforms aimed at increasing India's competitiveness and enable it to reduce its trade deficit with these countries. He hoped that the conclusions of this study would be helpful for other developing countries which are structurally similar to India.

Delivering inaugural address, Mr. Rajani Ranjan Rashmi, Additional secretary, Ministry of Commerce, Government of India pointed out that India's trade deficit with large trading partners is very topical and the study report is useful for the ministry of commerce. He said that high trade complementarity between India and China is the major take way from the study report indicating that there are large opportunities in Chinese market for Indian products. He pointed out that diversifying the export basket by replacing primary products with high technology intensive products and moving up in the value chain are major challenge for India. In his address, Dr. Surjit Mitra, Director General, IIFT emphasized on a three pronged strategy such as reducing tariff and Non-tariff barriers (NTBs) in China, Korea and Indonesia, diversifying India's commodity basket, and simplifying tax structure to reduce trade deficit with China, Korea and Indonesia. Mr. Cedirk Schurich, Advisor, Global Trade Team, DFID India pointed out that India has been running consistently high trade deficits with its major trading partners and this study is a timely one. He hoped this learning process of India would be helpful for other LIC countries.

After the inaugural session, there were two technical sessions; the first one was chaired by Prof. Abhijit Das, IIFT. Presenting the study findings Dr. Sunitha Raju, Professor, IIFT, noted that the reason for low penetration into Chinese and South Korean markets is due to high tariff and non-tariff barriers (NTBS') faced by India on products and preferential treatment given to the competing countries. She also pointed out that India needs to focus on 24 commodities where India has supply capability and enough demand in China.

In addition, India needs to focus on supply side factors such as restrictive labour laws, land and tax issues, inadequate infrastructure to increase export competitiveness. Therefore, she emphasised export and import strategy to reduce unsustainable trade deficit with these countries. Presenting policy response of government, Mr. Sanjaya Chadha, Joint Secretary, Ministry of Commerce pointed out that government is concerned about rising trade deficit with China and, taking possible measures to reduce the same. He noted that the Chinese market for India is stagnating and many NTBS are affecting Indian exports to China. In particular, he noted that, pharmaceutical products and services sector face lot of NTBS in the Chinese market. Similar is the case of Indian exports to South Korea. He hoped that this study report would help in renegotiating Comprehensive Economic Partnership Agreement (CEPA) with South Korea

Presenting views of Ministry of External Affairs (MEA), Mr. K. Nagaraj Naidu, Director, Ministry of External Affairs noted that there has been a significant increase in trade deficit between India and China from around 1.5 billion in 2003 to 49 billion in 2014-15. He finds that major NTB's (including stringent regulatory system) are the main hindrance for India's service exports to China. In this context, there were many suggestions given to Chinese authorities at a Joint working Group meeting and so far no action has been taken by the Chinese authorities.

Mr. Atul Lall Deputy Managing Director & CEO, DIXON, provided an industry perspective on India's trade deficit and emphasized on providing level playing field for Indian manufacturers to compete with Chinese and Korean business man in electronic and machinery products. He noted that, Information Technology Agreement (ITA-1) has proven to be detrimental for the India Industry. Dr. Pravakar Sahoo, Associate Professor, Institute of Economic Growth, provided critical comments on the study report and suggested a few steps to increase India's export competitiveness. These included strengthening IPR regime, improving supply-side bottlenecks, review of India's FTA agreements and export processing Zones. Mr. Manab Majumdar, FICCI emphasized on finding how other countries are able to penetrate Chinese markets and Indian companies are not able to. He suggested that India should select top five to ten commodities where Chinese investment could come into India.

The second technical session was chaired by Prof Biswajit Dhar, Centre for Economic Studies and Planning, JNU and Former Director General, RIS .Presenting the Korean view Dr. Choongjae Cho, Head, South Asia Team, Korea Institute for International Economic Policy noted that trade imbalances between Korea and India are structural in nature and cannot be corrected in the short-run. He emphasized that India should not worry about the trade deficit and rather It should focus on becoming part of global value chains. He pointed out that the India Korea Utilisation rate remains low and therefore India should utilize more of the CEPA and export services to counter the deficit in trade. Similarly, presenting the Chinese view, Dr. Shunli Yao, Director, Institute for Applied International Trade, China noted that India's high trade deficit with China is mainly due to rise in imports of electronic goods. However, there have been rise in components and parts under the electronic goods indicating India's integration with Global Value Chains (GVCs).

Mr. Ashish Jain, Director General & CEO, Federation of Indian Export Organizations (FIEO) presented his suggestions to improve trade imbalance with China and emphasized on continued engagement with China for seeking better access for Indian Pharma and IT products. In addition, he also suggested for opening more bank branches and conducting more trade fairs with China which would help in reducing the trade deficits.

Mr. Deepak Bhardwaj, Vice-President - Strategy, Investment & Corporate Affairs, Samsung, South-west Asia emphasized on building domestic capacity in India to benefit from globalization. In her presentation, Dr. Geethanjali Nataraj, provided few suggestions for improving India's trade deficit with its Asian neighbours. These are: encouraging export oriented FDI, removing supply bottlenecks, better utilization of FTAs and creating country-wise FDI desks. Mohammad Saqib, Secretary General, India China Economic and Cultural Council, also provided a few suggestions to improve domestic problems related to FDI and asked for greater government support to Industry. More than 60 participants from Industry, trade chambers, and academicians participated in the Conference.

Supported by

Knowledge Partnership Programme

IPE GLOBAL
Expanding Horizons. Enriching Lives.

UKaid
from the British people