A Compilation of News Items on WTO Available Online

INDIAN INSTITUTE OF FOREIGN TRADE
KOLKATA CAMPUS

Prepared and Circulated by
The WTO CELL, IIFT (Kolkata Campus)

For Internal Circulation to Faculty and Staff of IIFT, Kolkata Campus

Note: Articles highlighted in yellow are not directly related to the WTO, but are relevant to India’s International Trade
WEB DOCUMENTS

THURSDAY (04.10.2007) TO WEDNESDAY (10.10.2007)
CANADIAN WTO NOTIFICATION CLEARS PATH FOR RWANDA TO IMPORT GENERIC HIV/AIDS DRUG

Rwanda is on the verge of becoming the first country to use WTO procedures designed to allow poor nations to import cut-price medicines that they are unable to manufacture, after Canada last week formally notified the global trade body that it had authorised the production of generic copies of a patented HIV/AIDS drug for export to the African state.

The notification (IP/N/10/CAN/1), submitted on 4 October, noted that Canadian patent authorities had issued a compulsory licence to Apotex, a Toronto-based generics manufacturer, to legally make 15.6 million tablets of 'Apo-TriAvir', a combination of three patented medicines, for export to Rwanda over the next two years (see BRIDGES Weekly, 26 September 2007). It also provided an address for Apotex's new website describing the product, as required by the WTO.

In July, Rwanda had notified the WTO that it intended to import 260,000 packs of Apo-TriAvir from Canada (see BRIDGES Weekly, 25 July 2007).

This set in motion a process set out in the so-called '30 August Decision', which established procedures for poor countries with limited pharmaceutical manufacturing capacity to import generics produced under compulsory licence elsewhere. Agreed to by WTO Members on that day in 2003, the decision established terms for waiving the requirement for generic drugs thus produced to be "predominantly" for a country's domestic market. Although WTO intellectual property rules allow governments to suspend drug patents without patent-holders' consent in circumstances such as public health crises, the domestic-use requirement had left only limited quantities of medicines eligible for export to countries unable to make them.

Health activists complained that the administrative requirements set out in the 30 August Decision waiver were so onerous that countries would have difficulty using it at all, let alone rapidly to address emergencies.

Nearly four years passed before Rwanda became the first country to try to use the procedure - and as a least-developed country, it did not have to prove that its domestic drug making capacity was insufficient to meet its needs.

Nevertheless, with Canada's notification and Apotex's creation of a website describing the generic tablets' composition, shape and distinguishing markings
intended to prevent them from being confused with brand-name products - in addition to a pledge to provide the drug at cost - the 30 August Decision's requirements appear to have been fulfilled. Apo-TriAvir "can now be made and exported to Rwanda," said a press release issued by the WTO last week.

This does not mean that drug shipments are about to start. That is not likely until December or January, according to Elie Betito, Apotex's director for public affairs. "We're still in the final phases of developing the active ingredients" in cooperation with the Clinton Foundation, he said, with production set to commence "in the next month and a half."

Even then, Betito added, Apotex would still have to defeat potential competitors to win a Rwandan government tender for the purchase of the combination drug, expected in November or December.

Rwandan domestic law requires it to issue tenders whenever buying drugs, explained Anita Asiimwe, director of the Rwandan health ministry's Treatment and Research AIDS Centre. "Apotex can bid," she told Bridges, but it "is not guaranteed to win." Other bidders, she suggested, could conceivably come from India or other countries where the components of Apo-TriAvir are not eligible for patent protection, since they would not need compulsory licences to produce generic versions of the drug.

So why didn't Kigali simply import generics from India in the first place? Rwanda wanted to ensure that "a quality generic manufacturer was in a position to compete with other manufacturers" bidding for the tender, Asiimwe said. The Rwandan government would then award the tender based on price and quality as defined by the World Health Organization (WHO).

Apo-TriAvir made by Apotex has received 'pre-qualification' status from the WHO, indicating that it meets certain quality, safety, and efficacy standards. So has an identical triple-drug combination produced by Hetero Drugs Limited, an Indian company, according to information on the WHO website.

Last month, Richard Elliott, executive director of the Canadian HIV/AIDS Legal Network, welcomed the compulsory licence for Apotex, but reiterated a call for simplifying Canada's three-year old legal regime for exporting affordable drugs under the 30 August Decision. If Canada is serious about wanting to facilitate the provision of medicines to developing countries, he said, it should transform the barely-used regime into a 'one-licence solution' that would authorise a company to produce the same drug for export to any country that submits notifications to the WTO.

Apotex's Betito made a similar argument, noting that if another country sought to import Apo-TriAvir, the company would have to repeat the entire process, right
down to seeking voluntary licences from the brand-name manufacturers that hold the patents on the components of the drug.
Prospects for a deal in the troubled Doha Round of trade talks grew dimmer still this week, after an acrimonious debate on industrial tariff cuts between a large group of developing countries and the US left some trade diplomats wondering if an agreement was even possible.

Developing countries accounting for over half of the WTO's Membership, including Argentina, Brazil, India, and South Africa, formally argued that they should not be required to cut their bound manufacturing tariff rates more deeply than industrialised nations, in a paper submitted to a 9 October meeting of the WTO General Council. Calling agriculture the "unfinished agenda of the Uruguay Round," the group stressed that the depth of farm reforms should be the benchmark for future industrial tariff reduction.

The US, which is seeking greater access to developing country goods markets in return for farm subsidy cuts, slammed the proposal. US Ambassador Peter Allgeier said it was a "formula for failure" to negotiate as if manufactured goods and services "are simply residuals to be calculated after the dust has settled on agriculture."

"This could be the beginning of the end of the round," Sean Spicer, a spokesperson for the US trade representative's office, told the Associated Press. "This is a gigantic step backward. Are they trying to find a successful outcome or are they trying to light a fuse to blow up this round?"

**Same disagreement, more acrimony**

The disagreement was hardly new: the NAMA-11 has long argued that the Doha mandate for "less than full reciprocity in reduction commitments" by developing countries means that they should cut their bound industrial tariff rates by less than the percentage for industrialised countries. And the EU and the US have countered that such tariff cuts would not be deep enough to 'bite' into developing countries' applied duties - which are much lower than their bound ceiling rates - to create new trade flows. They say that the "less than full reciprocity" mandate would be fulfilled by letting developing countries emerge from the Doha Round with a higher tariff ceiling.

What was unusual was the bitter tone of the debate, particularly given that it came after weeks of incremental - but nonetheless positive - progress in the
agriculture negotiations. Governments have generally tended to save the finger-pointing until after failed attempts to reach breakthrough compromises.

In fact, just before the rancorous exchange, WTO Director-General Pascal Lamy had praised delegations for demonstrating "engagement and readiness to look for compromises" in the agriculture negotiations.

The US and the EU criticised the African, Caribbean, and Pacific (ACP) group, the African Group, the group of Small and Vulnerable Economies (SVEs), and the NAMA-11 - the joint sponsors of the new paper - for failing to accept the parameters for a non-agricultural market access (NAMA) deal set out by the chair of the negotiating committee in July. They said that countries should follow their lead and accept that paper as well as a companion draft text on agriculture as a basis for negotiations.

The NAMA-11 group, which includes Argentina, Brazil, Egypt, India, and South Africa, has expressed dissatisfaction with Canadian Ambassador Don Stephenson's NAMA text from the outset, arguing that the tariff cuts it provides for are too demanding of developing countries, too easy on industrialised nations, and out of all proportion to the farm subsidy reform provided for in the draft agriculture text (see BRIDGES Weekly, 1 August 2007).

Stephenson's text suggested that Members might reach an agreement that would cap developed country tariffs at 8-9 percent and developing country tariffs between 19-23 percent, with duties reduced correspondingly across the board.

The new paper did not explicitly reject the NAMA chair's text. However, its core demand -- lower average bound tariff cuts for poor countries -- does not sit easily with the text's provisions. The stiffest reductions slated for the EU and the US would cut dutiable bound tariff rates by an average of roughly 40 percent; Brazil and India's substantially higher bound tariffs would respectively be slashed by over 50 and 60 percent at the very least (average applied rates would be reduced by 7 to 11 percent; see BRIDGES Weekly, 26 September 2007).

In order to approach comparable percentage cuts to bound rates, the EU and the US would have to cap their manufacturing tariffs at 5 percent or less. This would have relatively modest effects on the low duties of 2 to 4 percent that they currently levy on most manufactures - the difference would probably be dwarfed by currency fluctuation. However, it would entail very sharp - and thus unpopular - cuts to the 'tariff peaks' on the handful of industrial goods on which these countries still maintain a high level of protection. Several of the protected industries are politically influential, and manufacture the same products, such as textiles and t-shirts, that developing countries export efficiently.

'Flexibilities' for developing countries to shield some tariff lines from the full force of tariff reduction are another central issue in the talks. Stephenson's text would
allow them to subject 10 percent of tariff lines to only half of the reduction demanded by the formula (albeit limited to a tenth of total manufacturing imports), or to exclude 5 percent of tariff from cuts altogether (but limited to only 5 percent of imports).

The new paper argued that different developing countries would need varying degrees of such flexibility to address "social, economic, and labour concerns" or "to preserve the common external tariff in customs unions." Many of the sponsors of the document are not among the 30-odd relatively larger developing economies required to apply the tariff reduction formula.

More than one trade negotiator expressed surprise about the "maximalist" demands put forward by the NAMA-11, the ACP group, the African Group, and the SVEs at this juncture in the talks. One, speaking on condition of anonymity, said "If they are really going to stick to that paper - and whether they are is an open question - there is probably no room for an agreement on NAMA."

The official surmised that the sponsors were trying to send Stephenson a signal as he prepares a revised version of his draft deal to present to Members alongside a new agriculture text, possibly in November.

Nevertheless, the delegate expressed deep concern about a sort of circular paralysis in the negotiations: NAMA paralysed by the absence of progress on agriculture, and the US refusing to make clearer subsidy concessions, citing the lack of movement on NAMA.

US Ambassador Allgeier criticised the demands made by the four developing country groups. "It is time for delegations to affirm that they will negotiate on the basis of the chairs' texts in both agriculture and NAMA, including the market access ranges and flexibilities contained in those drafts," he said. EU spokesperson Peter Power also called on countries to "undertake the necessary negotiations," on the existing draft texts.

Brazil: US, EU not really committed to texts

Roberto Azevedo, a top Brazilian negotiator, argued that Brussels and Washington were not nearly as committed to the terms of the agriculture text as they seemed to be suggesting.

"The US, the EU, the other developed countries are picking and choosing the provisions of the agriculture text they can live with. On the other hand, they are asking the developing countries to take the [NAMA] text as a "take it or leave it' business which is frankly unfair, unreasonable, and irrational," he told journalists in Geneva the day after the General Council meeting, reports Reuters. "What they are essentially trying to do is put the blame on the shoulders of others if the round doesn't go forward."
The US suggested last month that it could accept the $13 to 16.4 billion cap on trade-distorting subsidies set out in the agriculture negotiations chair's text. However, it remains unclear where in this range it could go. Furthermore, 'overall trade-distorting support' has many product-specific and other components, and Washington has not explained how it might distribute spending cuts.

Azevedo, a senior official at the Brazilian foreign ministry, said that "with the level of uncertainty, with the level of ambiguity that we have in agriculture today" about how rich countries would cut tariffs and subsidies on individual products such as cotton, corn, and soy, "it is impossible for us to tell if we can live with what is in the [NAMA] text."

"We are ready to negotiate on all fronts, in all areas, all the time, right up to the end," he insisted.

Sources report that NAMA Chair Stephenson will meet with small groups of delegations in the upcoming weeks in an attempt to figure out how to proceed in light of the deep divisions.

Meanwhile, India, Brazil, and South Africa - all members of the NAMA-11 - are set to meet for a summit in Johannesburg and Pretoria next week.

Australia Urges Progress in Stalled World Trade Talks

Australian farmers are eager to see progress in World Trade Organization talks, they think the WTO is the best way to foster greater prosperity and open up overseas markets. Economists say that international trade barriers cost the country's farmers billions of dollars in lost earnings. From Sydney, Phil Mercer reports.

Australia provides almost no subsidies for its farmers and maintains low tariffs on most food imports.

Its farmers want to see other countries end export subsidies on agricultural products, which distort world prices.

They also want other countries to dismantle farm subsidy programs and cut other barriers to agricultural trade.

For the past decade, the World Trade Organization has tried to achieve those goals for its members. But since 2006, talks on overall trade liberalization have stalled, in large part because of disputes over how much the European Union, the United States and other developed countries will reduce agricultural subsidies.

Mick Keogh from the Australian Farm Institute says that despite its problems, the WTO offers the best chance of opening up farm trade.

"Doing it through bilateral or regional negotiations is a very slow and tedious and piecemeal approach and certainly I think the agricultural sector in Australia much prefers the multilateral approach and the rules-based environment that the WTO brings because it's certainly a better forum to resolve some of the trade disputes that occur from time-to-time than trying to sort those out bilaterally in those complicated sort of arrangements," said Keogh.

In the absence of WTO reforms, Australia is forging ahead with bilateral deals.

It has free trade agreements with New Zealand, Singapore, Thailand and most importantly the United States.

Diplomats have started exploring similar treaties with China and Japan.
Sean Turnell, an economist specializing in trade policy at Australia's Macquarie University, says that while bilateral agreements are not ideal, the government should pursue them.

"It's the route the United States is going down and many other countries. Many people have criticized that as leading to this 'spaghetti bowl' of deals, which just diverts rather than expands free trade but at the moment it's the only game in town," added Turnell. "And it does put pressure, I think, generally in favor of free trade and it's probably good but not best."

Australia has enjoyed a decade-and-a-half of economic growth.

But economists think that the lack of progress at the World Trade Organization is costing the country a fortune in lost earnings, especially in farm trade.

"Oh, it certainly runs into the billions of dollars a year, there's no question about that. I mean, is it in the five to ten billion range I suspect it is in terms of the direct and indirect costs as you say," said Richard Gibbs, the chief economist at Macquarie Bank in Sydney.

Under the current round of WTO talks, known as the Doha Round, the United States and the European Union have offered to substantially cut farm trade barriers over several years. However, agricultural powerhouses such as Australia and Brazil say the cuts are not enough.

On the other hand, the U.S. and EU say many emerging economies, such as India and Brazil, have not offered to significantly reduce barriers on trade in manufactured goods and services.

Among Australians, the World Trade Organization provokes both frustration and optimism; many farmers and economists see it as a relevant framework for increasing trade, although they are not holding their breath waiting for rapid improvements.
Members Submit Revised Proposals on Trade Facilitation

The financial and environmental costs of measures taken to cut red tape and ease the movement of goods featured prominently during WTO talks on trade facilitation last week.

In the negotiating committee, Members continue to refine earlier proposals as they work towards constructing the building blocks of a potential future accord. One revised submission by India (TN/TF/W/123/Rev.1) would place a limit on the number of times Members would be obliged to exchange information and documents about particular cross-border transactions, in response to concerns that the costs of doing so could become onerous. It also introduced a specification that information thus exchanged would be confidential.

Japan, Mongolia and Switzerland submitted also softened the demands of the commitments proposed in two revised papers. In one, on publication and availability of trade-related information (TN/TF/W/114/Rev.1), possibilities for multiple enquiry points (without a single primary one) were expanded, along with more choice about the means of publication. The second (TN/TF/W/115/Rev.1, co-sponsored with Hong Kong and Korea) created loopholes for "urgent circumstances and other limited exceptions" in potential obligations for Members to publish trade-related laws and legislations prior to their entry into force.

During the 1-4 October session, sources report that Chair Ambassador Eduardo Ernesto Sperisen-Yurt (Guatemala) held informal consultations on key issues including special and differential treatment, technical assistance and capacity building, and transit issues. Among the issues discussed was a Turkish-Georgian proposal (TN/TF/W/146) calling for the removal of quotas on the number of trucks that could cross a border for transit purposes. The sponsors noted that these quotas, usually determined on the basis of bilateral arrangements, were burdensome to traders and pushed up freight costs. India, the EU and Brazil, among others, said that the issue was more appropriate for the transportation sector of the services negotiations. The EU said quotas could be legitimate due to environmental or other needs to restrict capacity.

The next formal session of the negotiating committee is scheduled for early November Sperisen-Yurt is reportedly expected to hold informal consultations with delegations on how to accelerate the process.
U.S. urges Brazil to use sway to save Doha round

Wed 10 Oct 2007, 15:07 GMT

By Todd Benson

SAO PAULO, Oct 10 (Reuters) - The United States urged Brazil on Wednesday to use its influence with developing nations to ensure that the long-running Doha round of global trade talks do not end in a stalemate.

The appeal came a day after Washington said tough demands made by developing nations could derail the talks, launched nearly six years ago to lift millions out of poverty and boost the global economy by opening up world trade.

"It's time now for Brazil ... to use the significant influence that it has around the world," U.S. Commerce Secretary Carlos Gutierrez said at an event with business leaders in Sao Paulo, Brazil's financial capital.

"Brazil can persuade other advanced developing countries," he added. "To the extent that Brazil shows support and publicly states its support for the WTO agreement, and where it's going, and what they're negotiating this week in Geneva, that will have an impact on other developing economies."

The trade talks, which have hit one road block after another, gained some momentum last month on the basis of papers on agriculture and industry issued by mediators at the World Trade Organization in July.

Gutierrez declined to specify which countries Brazil could persuade to show more flexibility in the talks. But the remarks appeared to be aimed at South Africa, which on behalf of big developing nations like India and Brazil recently said Washington's offer to reduce farm subsidies was insufficient.

For a deal to be politically viable, every WTO member needs to be able to point to some gains to compensate for any sacrifices. Washington wants access to developing country markets for manufactured goods and services in return for cutting its trade-distorting farm subsidies.

"We put a good proposal on the table with regard to subsidies," Gutierrez said. "What we would like to see is a reciprocal response."
Both the United States and the European Union want to continue working on the basis of the texts presented in July. But many developing countries are unhappy with the proposals, while others such as India say they need serious revisions.

"Unless major developing countries now indicate publicly their willingness to negotiate on the basis of the texts that are on the table in Geneva, we face losing a potential deal," Gutierrez said.

Brazil, an agricultural powerhouse with a huge domestic market, has been a major player in the Doha talks from the outset. It has consistently said that a deal will not be possible unless the United States and the EU make significant concessions in agriculture.

Last month, President Luiz Inacio Lula da Silva said on a state visit to Washington that Brazil was "willing to do whatever is necessary" to reach an agreement, raising hopes for a breakthrough in the talks.

"These negotiations are at a critical juncture. This is the time to get it done. And now is the time for countries who really want this to get done to show leadership," Gutierrez said. "The stakes could not be higher, especially for Brazil."
NEW DELHI: Commerce minister Kamal Nath and US trade representative Susan Schwab will meet in London next week at the behest of WTO chief Pascal Lamy to renew efforts for reaching a breakthrough in the stalled trade negotiations.

Nath would meet Schwab between October 15-17, as "Lamy believes the two countries that can take the WTO talks forward are India and the US," a highly-placed official said. The Doha Round of multilateral trade talks have remained stalled over differences between the developed and developing nations on agricultural subsidies and industrial tariffs.

Subsidies have remained a sour point in the talks with the developing nations asking the US to significantly cut its trade distorting farm payouts.

India has maintained the US would need to cap trade-distorting farm spending at comparable levels before it could contemplate any reduction in duties on industrial goods.

"I would be happy with any reduction the US is willing to do on their applied levels" of farm spending adding, "Even one dollar reduction from what they are applying today, it is a deal. We will move forward," Nath had earlier said.

India and the US, along with Brazil and European Union form the G-4 grouping. Talks between the two countries had earlier collapsed in Potsdam, Germany due to differences on the contentious issues.

Currently, negotiations are on in Geneva, the WTO headquarters, where member countries are discussing the draft texts on agriculture and industrial tariffs circulated by the respective chairs.
NEW REFERENCES ON WTO
<table>
<thead>
<tr>
<th>Title of the Paper</th>
<th>Abstract</th>
<th>Web Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of Environment related Non-Tariff Measures in the European Union: Implications for South Asian Exports</td>
<td>The main objectives of this study are: (i) to examine the coverage of the environment related to non-tariff measures (NTMs) in different product groups of the EU's imports, and the role of other NTMs in limiting the market access of developing countries, (ii) to analyze the structure of ad valorem tariff and specific tariff in different product categories of the EU, and (iii) to examine the linkages between TBs and NTMs in protecting the EU market and its implication on the export prospects of South Asian countries.</td>
<td><a href="http://www.ris.org.in/">http://www.ris.org.in/</a></td>
</tr>
<tr>
<td>Addressing Sanitary And Phytosanitary Agreement: A Case Study Of Select Processed Food Products In India</td>
<td>The paper attempts to get to the ground realities prevailing in India as far as the application of SPS measures is concerned. After detailed introduction, Section II of the study takes a quick overview of the salient features of the agro food exports and the food processing industry in India. Section III provides an examination of impact of SPS in destination markets, especially an analysis of the available rudimentary detention information. In Section IV, case studies of select processed foods and agro products are presented in order to assess the width of the Spectrum of influence consequent to SPS measures implementation. The paper ends with concluding observations that are contained in Section V.</td>
<td><a href="http://www.ris.org.in/">http://www.ris.org.in/</a></td>
</tr>
<tr>
<td>Liberalization, Firm Size and R&amp;D performance: A Firm Level Study of</td>
<td>In the present paper, it is attempted to empirically verify the impact of economic liberalization on the R&amp;D behaviour of Indian</td>
<td><a href="http://www.ris.org.in/">http://www.ris.org.in/</a></td>
</tr>
<tr>
<td>Indian Pharmaceutical Industry</td>
<td>pharmaceutical firms controlling for the effects of several firm specific characteristics including firm size. The results from the Tobit analysis for a sample of firms over the period 1989-90 to 2000-01 indicate that competitive pressure generated by liberalization has worked effectively in pushing Indian pharmaceutical firms into R&amp;D activity. A host of firm characteristics like firm age, size, profitability, intangible assets, export orientation and outward foreign direct investment are also found to be important determinants of innovative activity in the industry. The study suggests several policy measures to further indigenous technological efforts of pharmaceutical firms, which include, removing obstacles that inhibit outward orientation of firms, providing special scheme for small size firms in the overall technology policy for the industry, intensifying collaborative research efforts between private sectors and government research institution, and utilizing flexibilities in the TRIMs agreements to persuade foreign firms to relocate their R&amp;D units into the country.</td>
<td></td>
</tr>
<tr>
<td>Economic Co-Operation Between India And Singapore: A Feasibility Study</td>
<td>The paper examines the scope, extent and focus of a possible free trade agreement between India and Singapore. Section I gives an overview of the Singapore economy. A brief outline of Singapore trade policy regime is presented in Section II.</td>
<td><a href="http://www.ris.org.in/">http://www.ris.org.in/</a></td>
</tr>
<tr>
<td>Section</td>
<td>Text</td>
<td>URL</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Further sections of the paper deals with: measures affecting Singapore imports; Singapore’s trade; Indo-Singapore trade relations; foreign direct investment flows; electronic industry; information technology; and some select issues economic cooperation between India and Singapore.</td>
<td></td>
<td><a href="http://www.icrier.org/pdf/wp137.pdf">http://www.icrier.org/pdf/wp137.pdf</a></td>
</tr>
<tr>
<td>Productivity Trends In Indian Manufacturing In The Pre- And Post-Reform Periods</td>
<td>Contradicting the findings of several earlier studies, a recent study on productivity trends in Indian manufacturing by Unel (2003) has concluded that total factor productivity (TFP) growth in Indian manufacturing accelerated after the 1991 economic reforms. A relatively faster growth in TFP in Indian manufacturing in the post-reform period as compared to the pre-reform period has been reported also in a study undertaken recently by the Tata Services Limited (TSL) (2003). A close look at the methodology adopted in these two studies, however, reveals certain shortcomings, raising doubts about the reliability of findings. The paper presents an alternative set of estimates of TFP growth in Indian manufacturing in the last two decades, which have been made following by and large the methodology of input and output measurement adopted in the studies of Unel and TSL, but avoiding the methodological inadequacies noticed in these studies. The estimates indicate a slowdown in TFP growth in Indian manufacturing.</td>
<td></td>
</tr>
</tbody>
</table>
manufacturing in the postreform period, and thus do not bear out the findings of the studies by Unel and TSL. To supplement the analysis of productivity trends in the pre- and post-reform periods, the paper takes a close look at growth in employment and output in India’s organized manufacturing sector in the period since the mid-1990s. The analysis reveals that the trend rate of growth in employment in the period 1997-98 to 2001-02 was significantly negative, at about –3.3 per cent per annum. The trend growth rate in real value added in the period 1996-97 to 2001-02 was very low at about 0.5 per cent per annum. This was much lower than the trend growth rates in real value of output and the Index Number of Industrial Production (manufacturing) in this period, both exceeding 5 per cent per annum.

India is expected to bring her tariff rates in line with the ASEAN levels in the near future. Since the level of tariff adjustment may be large and the impact on domestic industry due to such policy change could be significant, it is imperative to quantify the impact of tariff policy changes on India’s industrial sector. The present study is an attempt to gauge the impact of reductions in tariff on the Indian manufacturing sector using a multiple-equations dis-

**Impact Of Tariff Reforms On Indian Industry: Assessment Based On A Multi-Sector Econometric Model**

aggregated econometric model. An 838 equations model is estimated and solved to carry out simulations (under alternative tariff reduction scenarios) encapsulating the impact of tariff reduction on key economic variables like output, employment, invested capital stock, exports and imports. The results of the study suggest that a substantial reduction in tariff rates, say bringing down the import-weighted average rate for industrial products from about 20 percent as prevailing in the beginning of 2003-04 to about 10 percent (along with associated currency depreciation and increased market access) would have only a marginal impact on net exports, value of production and employment in the organised manufacturing sector. It seems no significant adverse impact would be there on the domestic industrial sector from the tariff cuts. Rather, a small increase in aggregate industrial production and employment might occur emanating from the efficiency enhancing effects of tariff reform. However, a detailed sector-wise analysis indicates that the impact of tariff reforms would be differentiated across products i.e. opening up of new opportunities and potential threats, with firms in some industries gaining and firms in some other industries losing in terms of net exports, value of production and
| employment. |  |