

India needs to protect IPR, reduce tariffs to boost bilateral trade

By Dev Varam



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One common complaint by countries doing business with India is that the latter is still to reduce tariffs on trade to reasonable and universally acceptable levels. A recent meeting of the US-India Trade Forum that discussed the irritating issue of trade provides a striking example. The Indian side of the Forum was bluntly told that several American companies were keen to come to India but wanted the local government to reduce tariff and non-tariff barriers to trade. What bothers American companies equally bothers businessmen from other countries as well.

The Economist of London, the globally read and respected journal ran a survey of the Indian economy, praising the government's achievements. But in the same breath the weekly magazine cited the example of a truck carrying goods that took eight days to traverse a distance of little more than 2000 km from the eastern city of Kolkata to the western metro Mumbai, because of inspection and checks at numerous toll gates along the route.

A vexatious tax called "Octroi", applicable to goods carried from one city to another and imposed by respective municipal authorities, often results in long queues of trucks at the toll gates on the outskirts of cities. Incidents of agitated transporters turning violent at Octroi posts are

frequent in India. In order to avoid delays and harassment by local authorities, traders and transports have been demanding incorporation of Octroi in the single point uniform tax or Value-Added Tax (VAT), which is being introduced at the national level.

India watchers across the world are united in their unstinted praise of India's sustained high GDP growth rates and its effort to lower the poverty rate and its ability to insulate the country's economy from volatility in global markets.

They agree that it is the entrepreneur who is clearly at the centre of India's success story. India now boasts highly competitive private companies, a booming stock market, and a modern, well-disciplined financial sector.

All this happened because of the economic reforms initiated by the government since 1991 onwards. It has lowered trade barriers and tax rates, broken state monopolies, unshackled industry, encouraged competition, and opened up to the rest of the world. The pace has been slow, but the reforms are starting to add up. As a result of all this, the Indian state has been gradually moving out of the way and compelled into implementing the reforms. But analysts also fear that complacency and

resistance to reforms, especially from interested political groups, may slow India's growth and leave hundreds of millions stuck inside the vicious cycle of poverty.

Manufacturing companies and big investors from the West want India to reform labour laws. The government Prime Minister Manmohan Singh, who had initiated economic reforms in 1991 in the capacity of the then Finance Minister, has been unable to carry out the privatization of inefficient state-owned businesses.

However, the momentum from earlier reforms continues. The government has succeeded in initiating public-private partnerships in road building and other infrastructure projects.

Value-Added Tax (VAT)

Despite some resistance from the states, the government has been able to initiate action on introducing a uniform Value-Added Tax (VAT). The states' contention is that while industries, big and small are agreeable to VAT, small traders are opposed to it. The idea behind VAT is to



facilitate easy movement of goods, services and capital' by adopting rules and regulations so that trade and commerce within the country is free and unhindered. VAT is a big step forward towards a single market for the country. Another effort is that of the agriculture produce and marketing law, though its implementation, like VAT, is dependent upon the will of the States.

Negative List

When it comes to trade, the Indian government maintains a long list of negative items and takes it to the negotiating table, ostensibly to protect the interests of domestic industry, farmers or other economically weaker groups. And such a stand would often lead to a deadlock as had happened during India's talks with ASEAN nations recently.

ASEAN on its part had given a list of sensitive items on which there would be a phased tariff reduction. India on its part wanted a negative list of items on which there would be no tariff reduction to protect domestic interests.

Tariffs

For decades India's economy had been one of the most closed in the world prior to 1991, with its tariffs comparable to the highest in the world. Over the last 15 years, beginning with its economic reform programme, India has taken noteworthy steps to open its markets. A progressively more open and transparent trade regime stimulated an increase in bilateral trade, which stagnated whenever there was a lull in reform implementation as happened during spells of political instability. However, since 1998, the reform process continued uninterrupted as the successive coalition governments, despite pulls and counter pulls from ruling political groups. But India still has a long way to go.

Customs

Indian customs requires extensive documentation. Processing delays often occur. In large part the delays are a consequence of India's complex tariff structure and multiple exemptions, which may vary according to product, user, or specific Indian export promotion program. While India has reduced the average duty in every fiscal budget year after year, its tariffs remain among the world's relatively high.

Intellectual Property Right (IPR)

Another contentious issue and serious irritant that hampers trade is the lack of protection for Intellectual Property Rights (IPR). It is generally felt by countries and companies trading with India that intellectual property protection in this country is weak. Companies from across the world may be excited about opportunities in India, but a lack of strong intellectual property regime has been contributing to uncertainty. In fact, many countries' bilateral negotiations with India will be central to promoting intellectual property rights protection locally. It is feared that the services sector would be the most affected in the absence of strong IPR protection laws.

In fact, in countries like the United States, and India, the services sector contributes heavily to their respective economies and GDP growth. In order to protect IPR, a co-ordinated action is needed among officials in various departments such as customs, courts and the police. There should be awareness about IPR that to "copy is to steal." It is felt that India has good intellectual property laws but the enforcement is not effective. ■