

Global Trade and Barriers

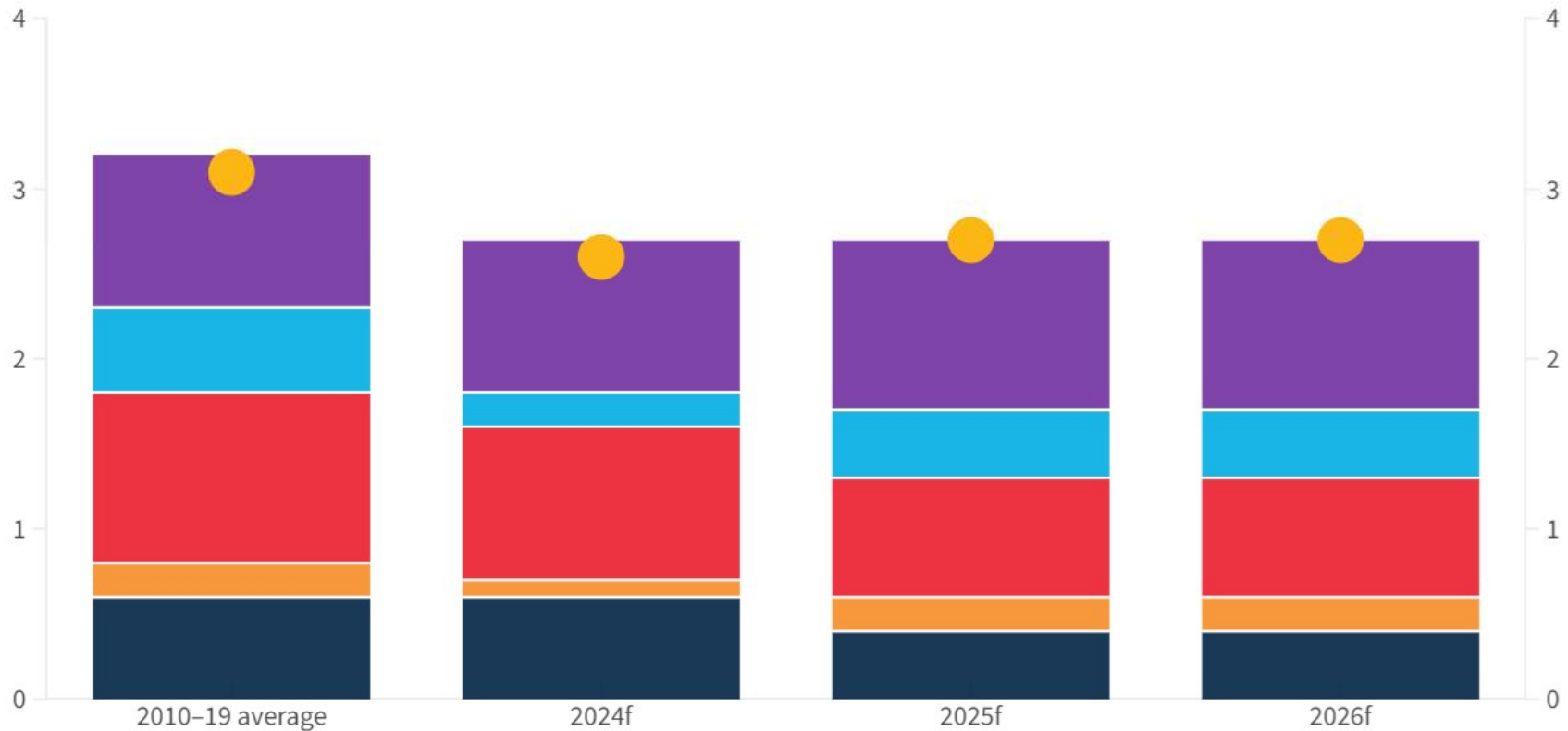
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Contributors to Global Growth

■ World (RHS)
 ■ United States
 ■ Euro area
 ■ China
 ■ Other AEs
 ■ Other EMDEs

Percentage points

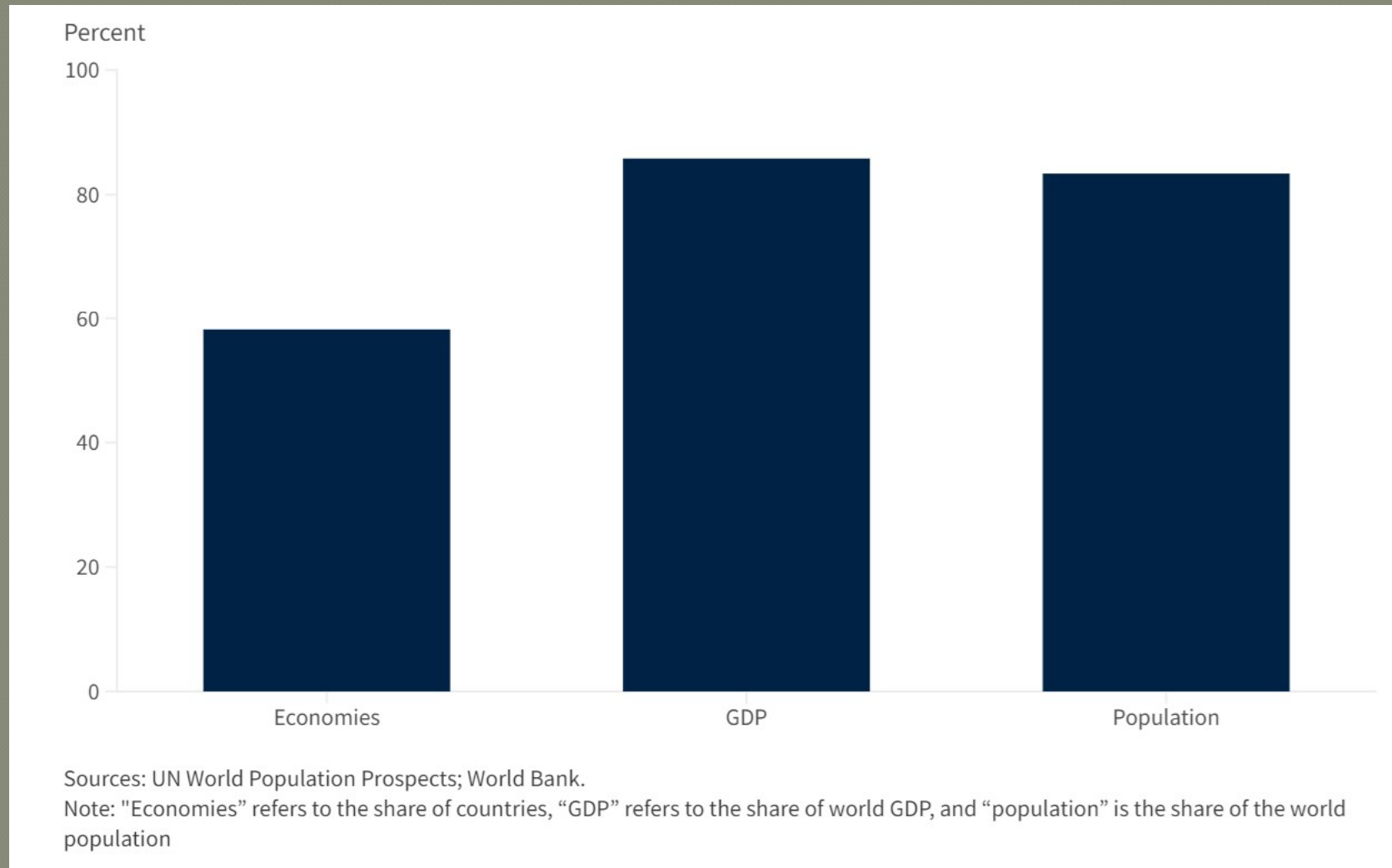
Percent



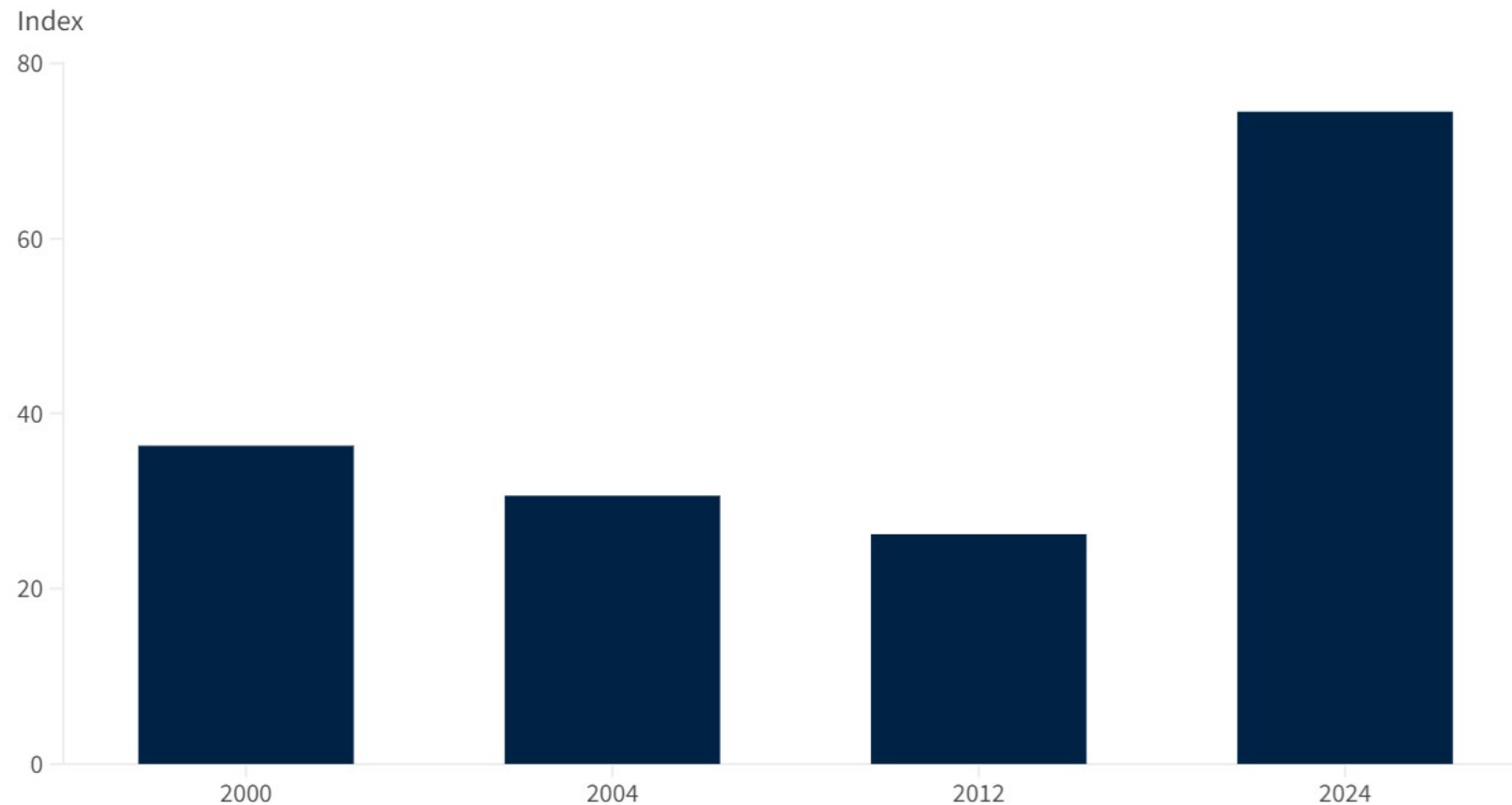
Source: [World Bank Group](#)

Note: f = forecast; AEs = advanced economies; EMDEs = emerging market and developing economies. GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.

Lower average GDP growth in 2024–25 compared to 2010–19



Global Trade Policy Uncertainty in Years



Sources: Caldara et al. (2020); World Bank.

Note: Panel shows the average trade policy uncertainty index in the first five months of each year in which elections were held in countries cumulatively representing more than 30 percent of global GDP. Last observation is May 2024.

Policies Disrupting Trade

- ◉ Inflation Reduction Act, 2022
- ◉ The CHIPS and Science Act, 2022
- ◉ Defense Production Act, 2022
- ◉ The Carbon Border Adjustment Mechanism Regulation, 2023

Trade and Poor Countries

- The world's 45 least developed countries may only account for 1% of global merchandise trade but they are home to a quarter of the world's population, some of them the world's poorest people.
- They have limited domestic markets and, because of historical trade (including colonial) relations, typically rely on EU markets and supply chains for around 15%-20% of their exports.

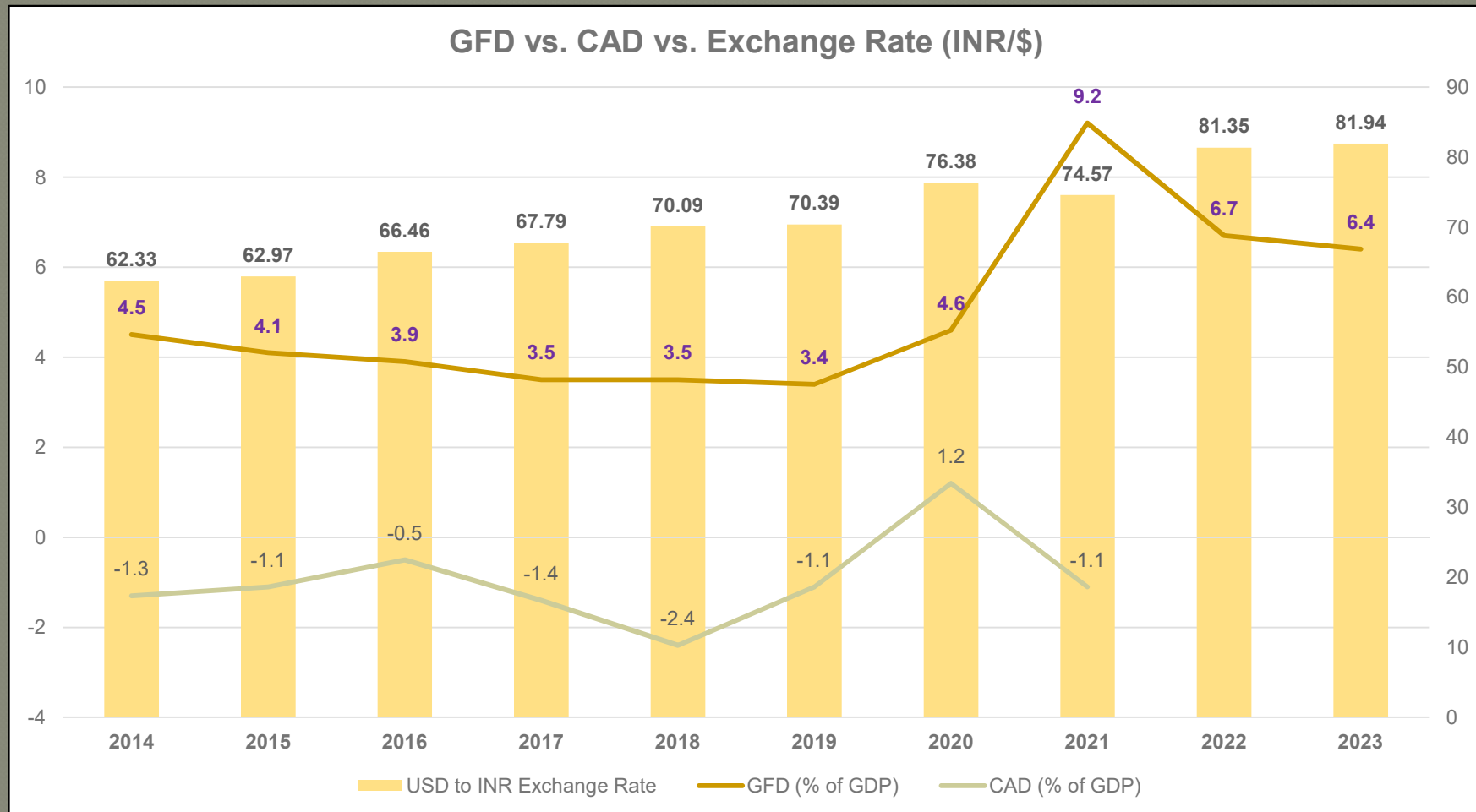
Policies impacting Trade

- The developed countries “green squeeze”, costing potentially hundreds of millions in new compliance costs. For instance, new EU deforestation regulations alone could set some of the poorest countries’ exports back by 10% and reduce an individual country’s GDP by 1%.

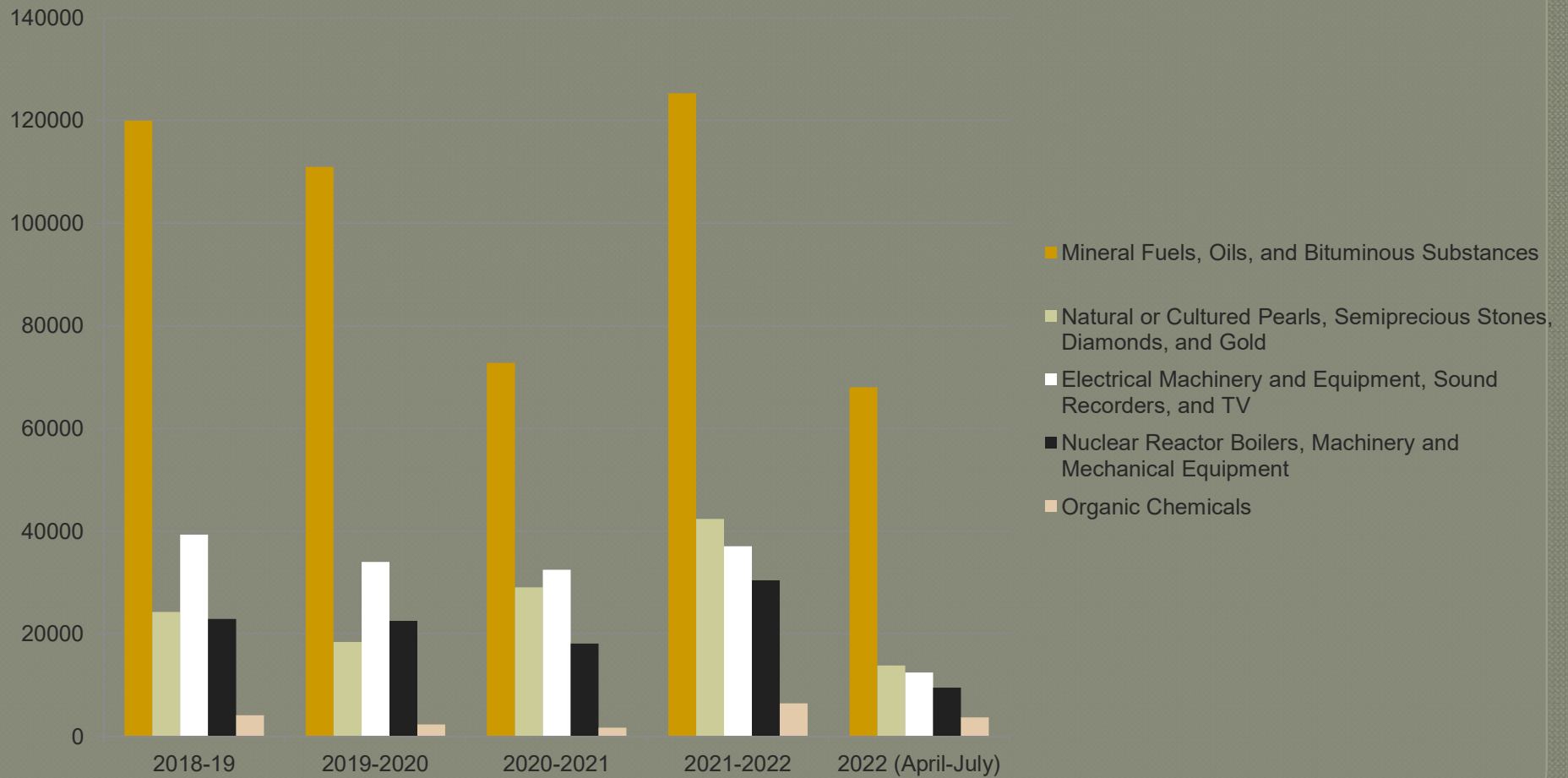
Composition of Indian Exports at 1-Digit, SITC (% share in total exports)

SITC Codes	Product Groups	1993	2002	2017
0	Food and live animals	15.2	11.6	7.0
1	Beverages and tobacco	0.7	0.5	0.5
2	Crude Materials, except for fuels	5.5	4.0	6.2
3	Mineral fuels and lubricants	2.2	4.6	16.9
4	Animal and vegetable oils	0.5	0.3	0.4
5	Chemical products	7.4	11.5	11.9
6	Manufactured goods	40.9	38.2	28.4
7	Machinery and transport equipment	6.8	8.5	14.6
8	Other mfg. items	19.2	18.4	12.2
9	Other goods classified	1.6	2.4	2.0

Gross Fiscal Deficit (GFD), Current Account Deficit (CAD), and Exchange Rates



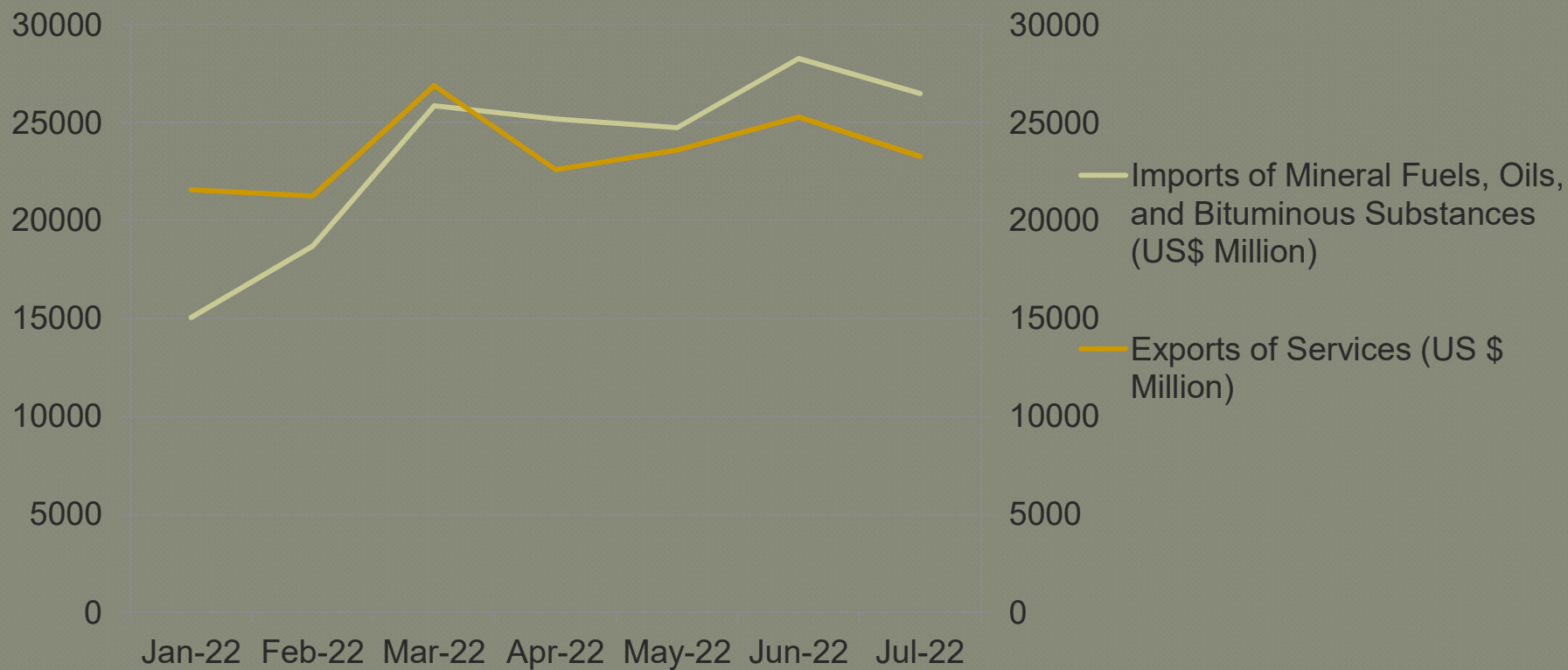
Main Drivers of CAD in India



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HS CODE	Commodity	2021-2022 Share in total Imports	2022-2023 (April – July) Share in total Imports	2021-2022 Share in total Exports	2022-2023 (April – July) Share in total Exports
1	Mineral Fuels, Oils, and Bituminous Substances	31.8%	40.9%	16.5%	22.96%
71	Natural or Cultured Pearls, Semiprecious Stones, Diamonds, and Gold	13.3%	10.7%	9.3%	8.4%
85	Electrical Machinery and Equipment, Sound Recorders, and TV	10.2%	8.3%	4.8%	5.2%
84	Nuclear Reactor, Boilers, Machinery and Mechanical Equipment	8.2%	6.9%	6.0%	5.6%
29	Organic Chemicals	4.6%	4.4%	5.2%	4.8%
72	Iron and Steel	2.0%	1.8%	5.4%	3.8%
Total % Share in Merchandize Trade		70.1%	73.0%	47.2%	50.8%.

Comparing Services Exports and Imports of Mineral Fuels, Oils, and Bituminous Substances



Source: Trade Statistics, Government of India.

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Best and Worse Practices

Apple iPhone

Global Value Chain		
Manufacturer	Component	Cost
Toshiba (Japan)	Flash Memory	\$24
	Display Module	\$19.25
	Touch Screen	\$16.00
Samsung (Korea)	Application Processor	\$14.46
	SDRAM-Mobile DDR	\$8.50
Infineon (Germany)	Baseband	\$13.00
	Camera Module	\$9.55
	RF Transceiver	\$2.80
	GPS Receiver	\$2.25
	Power IC RF Function	\$1.25
Broadcom (USA)	Bluetooth/FM/WLAN	\$5.95
Numonyx (USA)	Memory MCP	\$3.65
Murata (Japan)	FEM	\$1.35
Dialog Semiconductor (Germany)	Power IC Application Processor Function	\$1.30
Cirrus Logic (USA)	Audio Codec	\$1.15
Rest of Bill of Materials		\$48.00
Total Bill of Materials		\$172.46
Manufacturing costs		\$6.50
Grand Total		\$178.96

Primary Products

Non-Tariff Measures	Types	Rationale
	Antidumping measures	Predatory Pricing
	Countervailing measures	Foreign Subsidies
	Government procurement	Infant Industry Argument
	Sanitary and Phytosanitary measures	Health

Source: Rassweiler (2009). Also see, Moran, Theodore and L Oldenski, (2013); and Banik, N (2005).

Major Exports and Major Buyers of Indian Products

India's First 5 Product Groups and First 5 Countries (5x5)
for the period April 2020 - Oct 2020

	USA	CHINA P RP	U ARAB EMTS
Petroleum Products	645.63 (4.67)	598.24 (4.33)	1479.01 (10.70)
Drug Formulations, Biologicals	4269.21 (39.27)	25.20 (0.23)	122.83 (1.13)
Pearl, Precs, Semiprecs Stones	2864.41 (37.02)	39.71 (0.51)	459.27 (5.94)
Iron And Steel	89.26 (1.28)	2,189.29 (31.30)	477.25 (6.82)
Electric Machinery And Equipment	1,622.54 (35.56)	85.65 (1.88)	186.71 (4.09)

Source: Department of Commerce, Government of India

Share in Total Exports

	Sub Total Of Export Of 5 Countries	Total Export Of Commodity
Petroleum Products Biologicals	4,906.30 (35.51)	13,816.64 (100.00)
Drug Formulations, Biologicals	4,480.49 (41.21)	10,872.45 (100.00)
Pearl, Precs, Semiprecs Stones	6,187.21 (79.96)	7,737.65 (100.00)
Iron And Steel	2,863.83 (40.94)	6,994.69 (100.00)
Electric Machinery And Equipment	2,177.82 (47.72)	4,563.37 (100.00)
Sub Total Export Of 5 Commodity	20,615.64	43,984.80

Some Facts

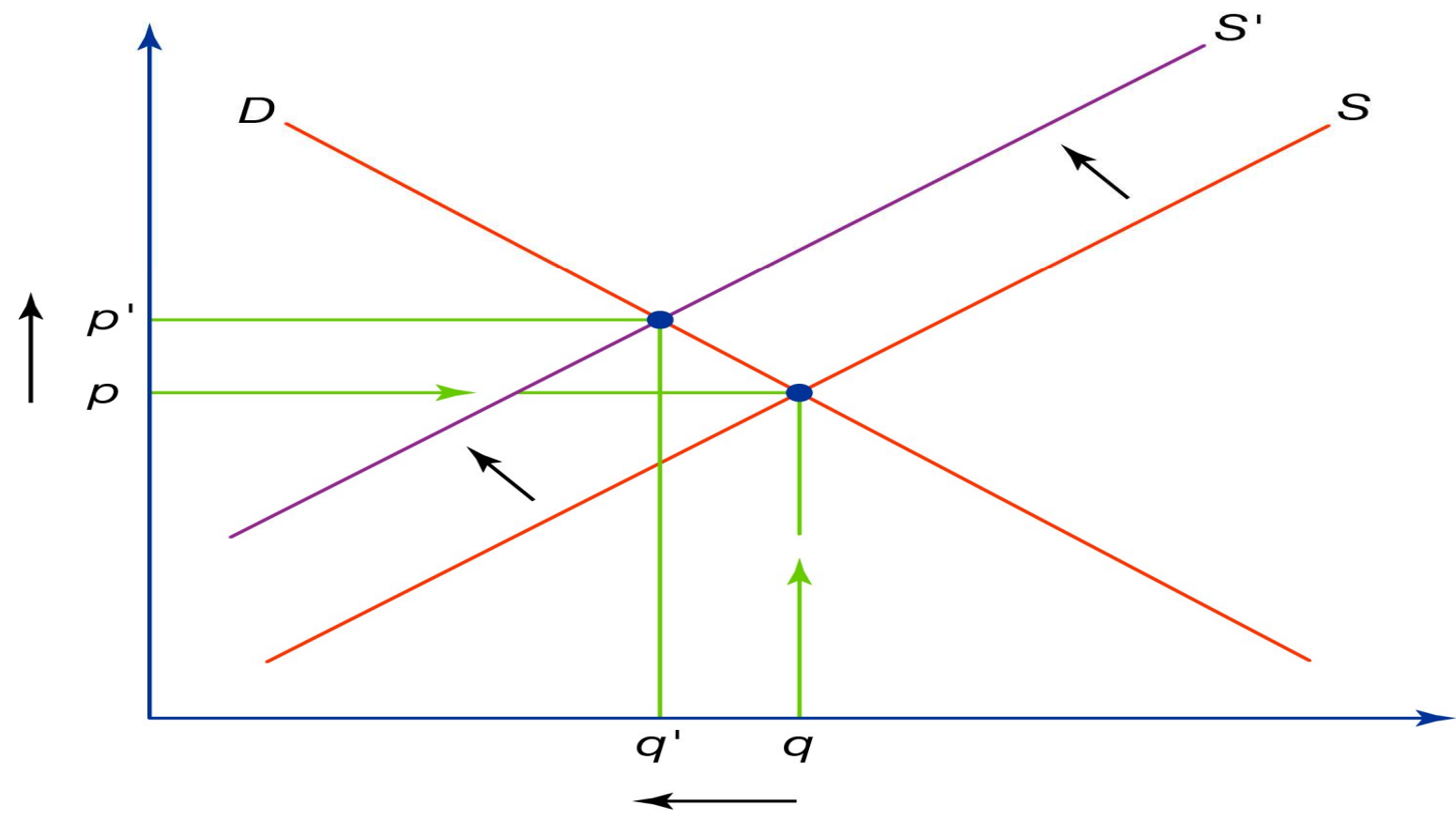
- What 'We' (academics) Think?
- What 'They' (exporters/importers) Think?
- What 'You' (policymakers) Think?

Theoretical World

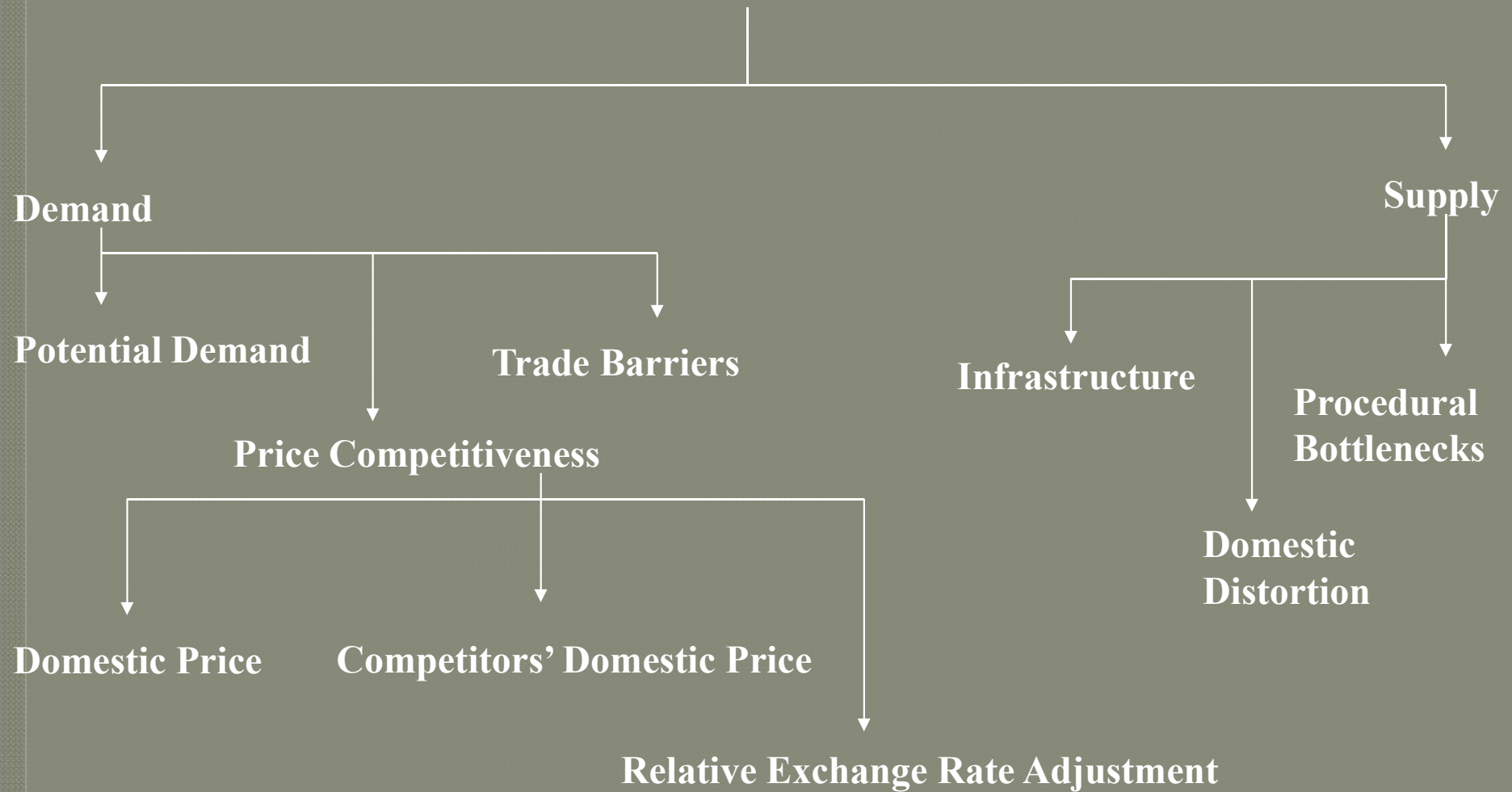
- ◉ Marginal Cost of production increases with tax. Cost to the manufacturers.
- ◉ Inverted duty structure. For example, Aluminium Industry.
- ◉ Exchange Rate Movement and Domestic Inflation.

Shift in Cost Function

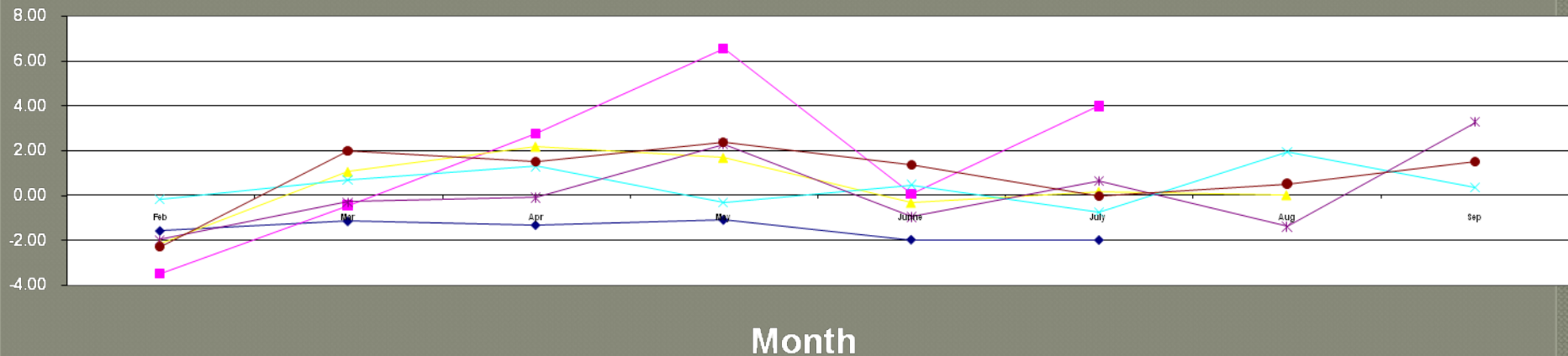
A shift in supply



Factors Affecting Exports



Price Competitiveness in 2017



—◆— China —■— India —▲— Malaysia —×— Pakistan —*— Philippines —●— Thailand

An 1% increase in India's international relative export prices could reduce export volume growth by about 0.9% for all industries and by about 1.1% for the manufacturing sector.

Source: International Financial Statistics Yearbook, IMF.

Vertical and Horizontal Policies

- Vertical policies focus on sector-specific interventions, such as subsidies and import protection. An example of such policy-making is the production-linked incentives (PLI) offered in selected sectors.
- Horizontal policies emphasize improving the economy-wide business environment by abolishing obsolete rules, regulations, and processes that undermine both domestic and international investments.

Marginal Cost and Tax

Particulars	Percentage	Amount (₹)	GST Rate (%)	GST Amount
Average selling price in domestic market		600	5	30
Net selling price	100	570		
Less: costs of goods sold on income statement	67	382		
Input GST purchase			5	19
Less: costs of goods sold on income statement			67	382
Input GST purchase				
Less: courier costs			9	51
Packaging costs			2	11
Payment gateway costs			1	6

Source: Nilanjan Banik and Misu Kim, Global Business Review, (2020)

Trade Costs

- Trade Cost – Any cost incurred in moving the good to the final consumer other than the marginal cost of producing the good.
- Trade costs in India is one of the highest in the world (11 percent of GDP). Inadequate infrastructure is responsible for holding back GDP growth by 2 percent .

Trade Facilitation

Sr.	Component Elements
1.	Transport Cost
1 a.	Cost of Bribery to Local Police and Party Workers (Associated with Parking)
1 b.	Cost related to Waiting Time and Congestion
2.	Cost of Credit and Money Exchange (not Rupee trade)
3.	Obtaining documents and Custom Clearance
4.	Testing Facilities
5.	Government Bonded Warehouse
6.	Power, Data, and ATM facilities

Trade Costs

- Cost of Capital – 5 to 7 percent higher than South East Asian neighbors.
- Power cost is three times higher than international benchmark.
- Cost of getting refund works out to be 3 to 4 percent of freight on board value.

Trade Facilitation

- Roads are highly congested, and often the containers are stranded for road up to 8 km (Opportunity Cost is High).
- In Chennai, container has to arrive 48 hours before the vessel sails.
- Total loss of 3 days – a day for entry to the port and another 2 days as part of the port requirement.

Trade Facilitation

- Parking lots are not secured (insurance cost is high).
- Prevalence of speed money
- Lack of sanitation and drinking water facilities
- No government bonded warehousing

Trade Facilitation

- No office space for C&F agents.
- Single gate for export, import, and passengers.
- Frequent strikes.
- Absence of bank collection centres.

Trade Facilitation

- Problem with ICEGATE. Editing takes around 2 days before the system update the information.
- EDI ineffective due to lack of efficient operator.
- Custom officials show up at work late?

Trade Policy Matters

- Employment potential of India's textiles and clothing industry remains grossly under-utilized. Its share in the total workforce remains low at 3.6% in comparison to agriculture at 45.5%.
- In 2021, world exports of clothing and accessories amounted to \$508 billion while those of fibre, yarn, and fabric amounted to \$174 billion

Trade Policy Measures

- Fibre, yarn, and fabric goes into the production of clothing and accessories.
- India protected the domestic market of man made fabrics (MMF) with high customs, around 20%, which is high considering the low margins with which clothing and accessories manufacture operates.

Trade Policy Measures

- Also MMF is a capital intensive sectors and often get protected in addition to tariffs measures by Non-Tariff Measures such as AD duty.
- MMF is generally manufactured by large business houses which find it easier to lobby with the government and impose AD.

Cost Factor

Cost of sending a 20 ft container containing 20,000 pieces of garments (falling under HS Code: 6204) costs \$4500 through sea route.

Whereas the standard air freight rate is Rs230 per kg. Juxtaposing the weight with costs air route costs around 10 times more.

Container shortage at the time of COVID-19 is playing a spoilsport, leading to increase in freight price by 20% to 40% depending upon destinations.

Trade Policy Measures

- From national welfare standpoint, it makes no sense to trade a small number of jobs in the highly capital-intensive upstream products such MMF, for many many more jobs in the downstream weaving, clothing, and apparel industry.

Business Friendly Trade Facilitation

Obtain tea buyer/exporter & importer registration certificate (5)

- 1 Apply for the registration certificate
- 2 Obtain payment notification
- 3 Pay for registration certificate
- ★ Pay for registration certificate (via the bank) OPTIONAL
- 3 Pay for registration certificate
- ★ Pay for registration certificate (via the bank) OPTIONAL
- 4 Submit proof of payment
- 5 Obtain registration certificate

Register as an exporter (5)

- 6 Apply to be an exporter

Contact details



Entity in charge
KENYA PLANT HEALTH



Unit in charge
BIOSAFETY & PHYTOSANITARY



Person in charge
KEPHIS OFFICER



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Unit in charge
BIOSAFETY & PHYTOSANITARY
SERVICES OFFICE

Mon: 08:00 - 13:00, 1
Tue: 08:00 - 13:00, 1
Wed: 08:00 - 13:00, 1
Thu: 08:00 - 13:00, 1
Fri: 08:00 - 13:00, 1

Recommendations/Observations

- Improve 'soft' and 'hard' infrastructure.
- Absence of political interference.
- Infrastructure issues can be addressed by widening and building roads, and with a better parking and warehouse facilities.
- Delay in export remittances and bribes need to be addressed through a transparent administration.
- Trade in local currency.

Thank You

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