

India faces five times more trade protectionist measures than what it imposed against its trade partners

The number of trade protectionist measures taken by foreign countries against India is five times more than what India has taken against other countries since 2008, shows a study by Reserve Bank of India quoting data from Global Trade Alert. Global Trade Alert is an independent trade policy monitoring initiative launched by The Centre for Economic Policy Research at London in June 2009 in the aftermath of the Global Financial Crisis.

While India adopted 1039 trade protectionist measures against its trade partners, other countries implemented 5447 measures against India between 2009 and 2020. Trade protectionist measures include tariff and non tariff measures, export incentives (interest subventions, subsidies, etc.), mandatory local content norms, trade finance, bailout or state aid measures and others.

Government of India undertook trade restrictive measures to attain various policy objectives, some of which are: to protect local industry from imports, encourage domestic manufacturing, correct inverted duty structure (such as electronics) and counter dumping practices of trade partners.

The RBI study analyses the impact of such trade restrictive measures on import of 50 commodities between 2015 and 2019. The study found that out of these 50 commodities, 37 commodities (or 70% of the sample) registered decline in imports after the adoption of trade restrictive measures. However, in case of the other 13 commodities, India's import volume grew despite the country restricting imports. These 13 commodities are hot-rolled stainless steel, fibreglass, ethyl alcohol, marble slab, veneered floorings, jute products etc.

The study also examined the impact of import restriction on domestic price levels of these commodities. It was found that more than half of the commodities, where import restriction was put in place, did not experience a rise in prices on an average during the post implementation period. It was only in a few commodities such as palm oil, soyabean oil, cold rolled and hot rolled coils and cold-rolled stainless steel products that domestic prices grew sharply in response to import restrictions.

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