



Trade Negotiations for Automotive Sector

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Introduction

- Original tariff rates in India as shown in Table 1 for Motorcycles are 59.7% (SEA) and 48.2% (ROW)... for Auto: SEA = 16% and ROW = 11%....
- A reduction of tariff to zero, leading to an increase of imports from SEA (360%) and ROW (196%) following a reduction in India domestic demand of local MC(54.7%)...
- Initial question: Is India willing to have huge imports penetration? Can all countries be better off ?

Analysis: Welfare (EV)

100%

R004		R004	
1 SEAsiaOther		2731,48	
2 INDIA		36,60	
3 ROW		-1452,62	
Total		1315,46	

ROW suffers a lot!

ROW's lost is minimized BUT overall welfare drops!

50%

R001		R001	
1 SEAsiaOther		1482,50	
2 INDIA		28,96	
3 ROW		-463,14	
Total		1048,31	

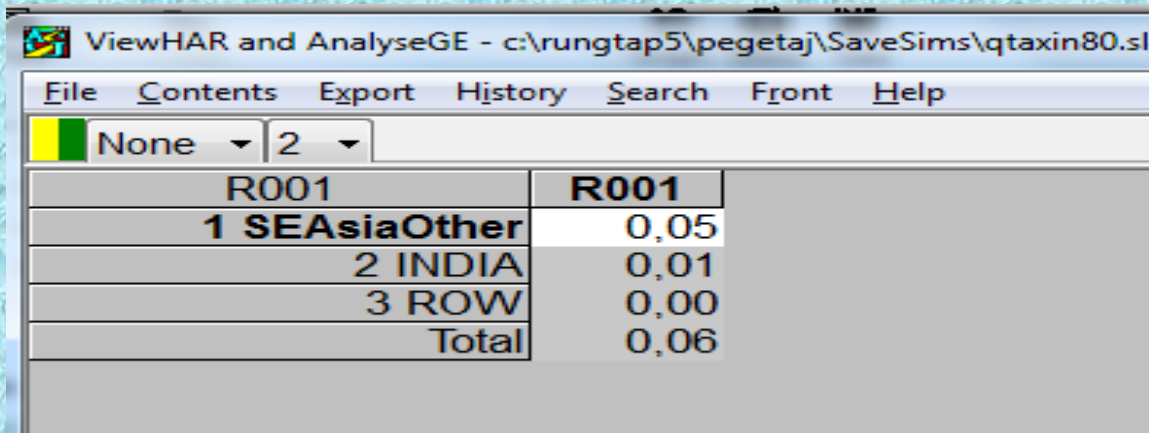
87.5%

R001		R001	
1 SEAsiaOther		2456,35	
2 INDIA		37,87	
3 ROW		-1140,17	
Total		1354,04	

World enjoys highest welfare at NONE ZERO tariff!

Analysis: Welfare (GDP Decomp)

100% or 87.5%



The screenshot shows a software window titled "ViewHAR and AnalyseGE" with a menu bar containing "File", "Contents", "Export", "History", "Search", "Front", and "Help". Below the menu bar, there are two dropdown menus: the first is set to "None" and the second to "2". The main content area displays a table with two columns, both labeled "R001". The table lists the following categories and values:

R001	R001
1 SEAsiaOther	0,05
2 INDIA	0,01
3 ROW	0,00
Total	0,06

No significant change in GDP!

Why (1): Demand Structure?

	SEA	INDIA	ROW
	Pre-Lib		
DOMESTIC	0,73	0,94	0,65
EXPORTS	0,27	0,06	0,35
	87.5% Reduction		
DOMESTIC	0,69	0,91	0,643
EXPORTS	0,31	0,09	0,357
	100% Reduction		
DOMESTIC	0,69	0,90	0,64
EXPORTS	0,31	0,10	0,36

1. No significant change in demand structure for pre- and post-liberalization!
2. Demand is mainly by domestic market!

Why (2): Automative Share?

	SEA	INDIA	ROW	World Ratio
	Original = after 100% Tariff Reduction			
Food	0,019	0,003	0,06	0,083
AutoIndustry	0,009	0	0,029	0,039
Autorms	0,036	0,002	0,091	0,129
Energy	0,004	0,001	0,019	0,024
Mnfcs	0,039	0,002	0,077	0,117
Svces	0,126	0,007	0,476	0,609

- 1. No significant change in production structure for pre- and post-liberalization!**
- 2. Ratio of Auto Industry is too small (4% ONLY!!)**

Conclusion

- Automotive sector should not should not be the primary focus in any trade negotiations...