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Preferential Trade Agreements and India:

A Review of Issues

Debashis Chakraborty[1] and Arnab Kumar Hazra[2]

Introduction

Since the inception of WTO in 1995, the volume of intra-WTO trade has steadily increased and presently stands over ninety percent.[3]In spite of this fact, the debates over the remaining barriers at the multilateral forum are far from being over and act as a major force behind formation of a number of trade blocs in the recent years. A trade bloc allows the signatory countries to grant preferential treatment to goods (and services) of other members as compared to the excluded countries. In the present framework we denote Regional Trade Agreements (RTAs), Preferential Trade Agreements (PTAs). Customs Union (CU) and Free Trade Areas (FTAs) as trade blocs. Before proceeding further, the difference between the various trade blocs needs to be explained. CU refer to an institutional arrangement, allowing internal free (or preferential) trade among the members, and they charge a uniform tariff on the goods coming from non-member countries. In other words, establishment of CU implies convergence of two or more customs territories in a single customs territory. On the other hand, internal free trade is ensured in case of FTAs, but the members reserve the right to charge differential tariff to non-members. Clearly the latter option provides much higher policy leverages to a country, as compared to the first one.

The preferential access on intra-bloc trade could be granted either to all products across the board, or just to specific groups of products as decided among the members[4]. The number of trade blocs has increased sharply since 1995, crossed the number of WTO member countries by 2001.[5] Commenting on this trend, the WTO Annual Report (2003) notes that:

> "The rapid growth in regional trade initiatives began a decade or so ago and seems to have developed into a headlong race: virtually every WTO Member is today engaging further on the RTA track as part of its trade strategy, increasingly for defensive reasons, to protect market access.... The proliferation of RTAs, especially as their scope broadens to include policy areas not regulated multilaterally, increases the risks of inconsistencies in the rules and procedures among RTAs themselves, and between RTAs and the multilateral framework. This is likely to give rise to regulatory confusion, distortion of regional markets, and severe implementation

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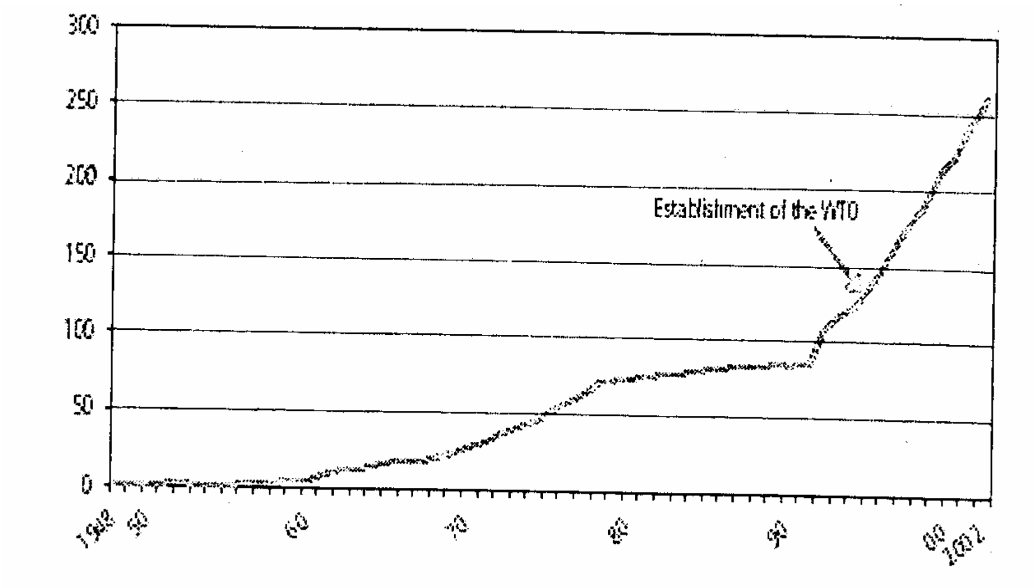
[3] WTO Annual Report (2001). p. 22
[4] For example, in the recently established India-Sri Lanka FTA, the number of products in India's "Open List' is greater than that contained in the corresponding list offered by Sri Lanka.
[5] "Eighteen RTAs were notified to the WTO in 2003, increasing the total number of notified agreements in force to 193." WTO Annual Report (2004). p. 68. Currently as many as sixty proposed RTAs are under negotiation. In June 2002, only four WTO Members, namely Japan; Hong Kong, China: Macau, China: and Mongolia were not part of any RTA. WTO Animal Report (2003). p. 26.

problems, especially where there are overlapping RTAs."[6]

Diagram 1 in the following shows the notifications of RTAs to GATT and WTO during the period 1948-2002:

Diagram 1: Evolution of Regional Trade Agreements in the world, 1948-2002



Source: WTO Annual Report (2003)

The recent drive towards regionalism is newer and much wider than the earlier period because of three reasons. First, the number of developed-developing blocs is one the rise, while in earlier period developed-developed or developing-developing blocs were more predominant. Second, the trade blocs in earlier days usually concentrated in a particular geographical region, but most of the recent ones are spread beyond the geographical boundary of one continent.[7] Third, the emergence of overlapping regionalism in recent times ('Spaghetti bowl', as termed by Bhagwati) has not been observed before.

Apart from the phenomenon of multiple-membership' of trade blocs, another distinguished feature is that most of the new blocs are WTO-plus in nature. In other words, the members of the PTAs accord higher protection or access to the partner, as compared to the same it would have given, as per its WTO commitment. For instance, in case of TRIPS, the FTA members provide higher level of protection (as compared to the corresponding TRIPS agreement) to each other's products, which is often termed as 'TRIPS-plus'.[8] Similarly, in case of services, the provision of higher market access to each other in the blocs (as compared to the GATS agreement) is actually 'GATS-plus' in nature.

Upto 2002 (i.e., the period following Doha ministerial) India depended primarily on

[6] WTO Annual Report (2003), p. 27

[7] For example, the European Union has signed RTAs with several Mediterranean countries and the United States has signed two separate agreements with Israel (1985) and Singapore (2001). It has also arrived at an agreement with Australia for establishment of the FTA. In addition, negotiations for entering into FTA with Morocco. Chile and Southern African Customs Union are going on.

[8] Khan and Debroy (2005).

multilateral liberalization for trade growth, and was not part of any active trade bloc. However, since then it has entered into negotiation on preferential trading arrangements with a number of developing countries, spread over Asia, Southern Africa and Latin America. The current paper is organized along the following lines. First, the WTO rules on RTAs PTAs are discussed in brief. The current status of negotiations on preferential agreements concerning India is presented next. Finally the potential gains from the intended trade blocs, both direct and indirect, are analyzed.

Section I

Preferential Trade Agreements: The WTO Provisions

The goal of WTO (and its predecessor GATT in earlier days) is to promote free trade and closer integration among all member countries. As seen from Diagram 1, the trend in bloc formation incresed since 1970s, and the number of operational blocs was quite large during mid 1990s. In order to put a check on potential trade-diversion (i.e., to foster higher economic ties among some members, without hurting others), an agreement on the RTAs (known as Article XXIV of GATT) was included in WTO**.** However, by their very nature of existence, RTAs provide differential treatment to member countries at the cost of non-members. In other words, it is a diversion from the MFN principle, the building blocs of WTO. According to World Bank (2000), Article XXIV requires the following:

- The purpose of preferential trade agreements is to facilitate trade between constituent territories, and not to raise barriers to other countries that may wish to trade with them. Non-member countries are, therefore, in principle, not supposed to face any discrimination with regard to regulatory procedures or other type of barriers, as compared to member countries.

- In order to avoid any unnecessarily protectionist mechanism, it is mentioned clearly that the provisions of this agreement should not violate natural advantages accorded to any non-member contracting party; or international arrangement like the Treaties of Peace. Therefore, the purpose of a CU or of a FTA is to encourage facilitation of trade between constituent territories but not raising barriers to trade flows of other contracting parties with such territories. Article XXIV also requires ensuring that the applied trade duties and other commercial regulations in the post-bloc formation period should not be higher or more restrictive than they were in the pre-bloc period.

- Several countries can enter into an interim agreement to form RTA**,** but the process should not be an open-ended one. They should follow a constructive plan and finalize the formation of the CU or FTA within a reasonable length of time. If, however, there is a substantial change in the original plan or schedule, the RTA-members have to communicate that to other countries and give them a full account of the recent developments.

In addition, provisions related to trade in services are addressed under Article V of the General Agreement on Trade in Services (GATS), which calls for nondiscrimination by RTAs on a sector-by-sector basis. It requires that services exporters from non-member countries, who were engaged in "substantive business" in an RTA territory in the pre-bloc formation period, must receive a treatment equivalent to bloc-members. However, Article V provides no clarification on what it means by "substantially all trade" other than stating that this must be "understood in terms of number of sectors, volume of trade, and modes of supply".

The WTO regulations involving developing country RTAs are known as "Enabling Clause", which was introduced in 1979. The provision significantly relaxes the conditions regarding coverage of trade, allowance of provisions for reducing tariffs on mutual trade, non-tariff measures etc. They also experience a relaxed treatment concerning the need to provide RTA treatment to non-member country firms with "substantial business" within their territories. According to the World Bank (2000), developing countries receive significant "flexibility" on the coverage ("substantially all") provisions regarding non-discrimination to non-members.[9]

To expand the scope of liberalization under RTAs, Article XXIV calls for lowering of' trade barriers' and not only 'tariff barriers', thereby including non-tariff barriers (NTBs) as well. However, it has been pointed out from time to time that there exist various loopholes in the provision, which allows the members of trade blocs to impose barriers on exports of excluded countries. First, the lack of precision regarding the coverage of trade, i.e., defining "substantially all trade", is a major point of debate. Second, the requirement of reducing "other restrictive regulations of commerce" is equally ambiguous, and leaves substantial scope for reduction of barriers even alter the self-proclaimed liberalization of the RTAs**.** Similarly without any specific explanation, the coverage of the phrase 'other' is very ambiguous. While several exceptions to this requirement are explicitly identified, a number of NTBs**,** including antidumping duties and provisions for emergency protection, are not. RTA members can thus construct domestic policies in such a manner that access of imports from non-member countries might be impeded. Third, the 'rules of origin' (ROO) requirement applicable to the value-added products from the excluded members is another major debated issue, further complicated by the use of questionable formulae and lengthy procedures by various blocs.[10]

The Evidence of Trade Inwardness: A Global Perspective

Table 1 shows the trends in intra-bloc exports over the last thirty years, which portrays a mixed scenario. While the intra-bloc export of the developed country blocs like APEC**,** EU and NAFTA are quite high, the same for developing countries are not, barring the exception of EAEC**,** which however includes Japan as a member (the details about the blocs is provided in **Annex 1).** It is observed that the trade-inwardness of the bloc members is also growing over the years. India is a member of two blocs shown in the table, Bangkok Agreement and SAARC. For both the two blocs, the

[9] Trade Bloc Policy Research Report, World Bank (2000).

[10] For example, EU's agreements with Poland and NAFTA contain 81 and 200 pages, respectively, in the ROO section. NAFTA's ROO have serious protectionist effects in some sectors and can successfully divert trade from lower- to higher-cost sources. For example, most varieties of clothing produced in Mexico gain tariff-free access to the United States and Canadian markets, only if inputs are sourced virtually 100 percent in North America. In the automobile industry, NAFTA's 62.5 percent local content requirement has induced Japanese automobile manufacturers with plants in Canada to produce components in the United States, rather than import cheaper ones from Japan. NAFTA ROO require color television tubes to be of North American origin, causing five television tube factories to be planned or established in North America by Japanese or South Korean firms, at the expense ill expansion in Southeast Asia. Trade Blocs Policy Research Report, World Bank, p. 76.

initial volume has been very moderate and trade-inwardness has increased at a slow rate. It deserves to be mentioned that most of India's major trade-partners are members of more than one trade bloc. World Bank (2000) and Bhagwati (2002) notes that Latin American and African countries have entered into multiple blocs, and often it is very difficult to understand which bloc they actively belong to. The trade-inwardness is likely to go up, with the recent expansion of EU and the completion of the negotiation on Free Trade Area of the Americas (FTAA) in coming years.[11] However, it has often been argued that trade diversion is not always an explicit result of bloc formation, as in most cases the volume of trade among the bloc-members was historically significant (i.e., even in the pre-bloc period).

Export, Imports and Competitiveness of India: A brief Overview

A Brief account of India's export and import is provided in Tables 2 and 3 respectively (the descriptions of the HS section are provided in Annex 2). In case of exports while shares of chemicals, base metals and machinery and equipments have increased, the shares of textiles and primary goods have fallen.[12] Similarly, in the case of imports while the shares of oil and gems and jewellery have increased, the share of primary goods has declined. On the whole, the relative positions of export and import shares have not changed to a great extent.

The changing face of trade direction of India also needs to be mentioned briefly. The share of developing countries in Africa. Asia and Latin America in India's exports has increased since early 1990s, at the expense of EU and former USSR. However, export share to US and Canada has also increased. A similar picture is noticed in case of imports; the share of Africa and Asia has substantially increased over this period, this time at the cost of North America and EU.

A quick look at the export performance of India would not be irrelevant here. Tendulkar (2000) discussed the Indian export performance in the light of the same by South-East Asian economies, and stressed the importance of the export-oriented policies in economic growth. Although with the completion of the ten-year transitory phase of WTO (1995-2004), the relatively competitive sectors of the economy are expected to grow at a higher rate (e.g. - for textile products, see Nordas (2004)), there are concern areas as well. Storm (1997) points out that domestic constraint might limit the growth of export potential. Last but not the least, several studies have been undertaken to measure the competitiveness of Indian industries and their exports. Kathuria (1995) and Kumar et al (2000) has shown that during the 1990s, although export competitiveness has increased for several sectors, simultaneously the same has declined for a number of labour-intensive product groups, which could hardly be considered as a positive sign. Focusing on the textile sector, Verma (2002) also came out with a gloomy picture. In other words, there is substantial scope for enhancing the competitiveness of the industries. In this background, given the incidence of NTBs on Indian exports[13] and the slow pace of multilateral trade liberalization, obtaining preferential access in export markets would be extremely crucial for Indian

[11] the Official Web-Site of Free Trade Area of the Americas", http://www.ftaa-alca.org/ Vicw_e,asp

[12] The underlying cause of this decline for textile sector is probably the incidence of MFA quota, which has imposed a constraint on this sector, causing a relative decline in export growth vis-a-vis the non-quota sectors.

[13] See Bhattacharyya (1999) and ESCAP (2000) for details.

industries.

Evolution of Indian views on RTAs

In the pre-Doha period. India was mainly reliant on multilateral liberalization for export growth and was not part of any active trade bloc. However, from 1995 onwards, the number of RTAs and PTAs were on the rise. This led to trade-diversion owing to increasing trade-inwardness of the blocs, and conflicts over rules of origin was a major point of concern.[14] India also raised its voice over circumvention of procedural liberalization undertaken due to RTAs, especially in textile products, at several occasions.[15] Its decision to stay loyal to the process of multilateral liberalization has been praised by WTO at times.[16] However, since the experience at Doha (2001), India started to get involved in various forms of preferential trade arrangements on both counts - (a) to ensure an assured export market, (b) to enhance bilateral relation with other developing countries. The Cancun (2003) experience provided a boost to this trend. Although the new government (elected in May 2004) has decided to cautiously proceed for signing of the preferential agreements, at present India is involved in a number of similar negotiations.

Even after the shift in attitude towards trade blocs, India has been vocal on various protectionist loopholes present in the current system at times. On 6 June 2003, India submitted a proposal to the WTO Negotiating Group on Rules (Document No. TN/RL/W/114). The document voiced India's concerns over the ongoing procedures under Article XXIV of GATT**,** and demanded that changes should be made so that RTAs, "complement multilateral trade liberalisation and not create complications for that goal or occur at the cost of trade or development of countries not members of particular RTAs"**.**

The document opines in favour of continuing the "Enabling Clause" framework, which it believes is extremely important for the developing countries:

> ".. any attempt to dilute the provisions of the Enabling Clause would be contrary to the spirit of the WTO framework as well as of the Doha Ministerial Declaration. The development dimension of the Enabling Clause is that while developing countries seek greater economic integration with other countries, they also need to have enough policy space to be able to adjust to greater competition in the domestic markets or to calibrate their market liberalisation to their individual level of development. It also provides them flexibility in making structural adjustments, a mechanism to build public consensus for trade liberalisation led reforms and also a laboratory to learn the lessons of market opening without paying a prohibitive price in terms of social and economic upheavals, that may, at times, be paid when such an opening up is at the multilateral level."

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[14] Bhagwati (2002).

[15] India and the WTO**.** Vol. 1, No. 8, August 1999. p. 3.

[16] The WTO Annual Report (2003) praised the believers in multilateralism by saying, "As some Members (notably Australia: Hong Kong. China: India: and Singapore) have shown, unilateral liberalization can also be in their national interest", p 11. It also stressed. "As of June 2002, only four WTO Members - Japan; Hong Kong, China; Macau. China; and Mongolia - were not party to a regional trade agreement (RTA)". p. 37

The document further talked about ensuring transparency on formation of RTAs under GATT Article XXIV, i.e., dissemination of knowledge about them. Quoting the example of Indian textile and garment industry, the problems of 'rules of origin' were highlighted in details. The concern over the issue of ROO is that the value-addition norm that a country needs to conform with in order to obtain the preferential treatment is often complex and hurts developing countries more than their developed counterparts.[17] The Indian positions are stated in the following:

- It is recognised that a complete harmonisation of preferential rules of origin would neither be practicable nor desirable as such preferential rules of origin are often derived from production and trade structures in place… Nevertheless, some of the existing provisions of preferential rules of origin have significant trade diversionary effect or create barriers to trade of non-RTA Members... The effect of such rules for non-RTA Members is very harmful, particularly for such countries, which enjoy a traditional market access for fabrics in such countries...

- Another complex origin rule identified in a RTA is that for clothing and coats to be entitled to the benefit of preferential tariff, linings should originate from the fabric stage from one of the RTA Member countries. Such rules appear to go far beyond the requirement of substantial transformation envisaged under value addition criteria.

- Another area of concern in existing PROs is the prevalence of a system of diagonal cumulation between various RTAs or for some countries vis-a-vis an RTA without any formal agreement as understood under GATT Article XXIV."

The document recommended that, "In view of this, it would be useful to arrive at an understanding that rules of origin are other regulations of commerce and that they should meet the criteria set forth in GATT Article XXIV:4 and XXIV:5, namely, that they shall not raise barriers to trade of non-Members of RTAs."

Among other concerns raised by the policy document, barriers on primary products due to RTA creation was also mentioned,"**..** putting the provisions for harmonisation of rules of recognition for SPS/TBT measures between the RTA Members on a fast track procedure or a simplified procedure, acts as barriers to exports for non-RTA Members." The document called for elimination of all such existing policies.

Section II

The Current State of PTAs India

In this section, a brief overview of the current status of the preferential arrangements

[17] In this connection it needs to be mentioned that India lodged a case against US (DS 243) complaining on the WTO-compatibility of the latter's rules of origin applicable to imports of textiles and apparel products as set out in Section 334 of the Uruguay Round Agreements Act. Section 405 of the Trade and Development Act of 2000 and the customs regulations implementing these provisions. However. India's claim was rejected as on 20 June 2003. The Panel announced that India failed to establish - "(a) section 334 of the Uruguay Round Agreements Act is inconsistent with Articles 2(b) or 2(c) of the RO Agreement; (b) section 405 of the Trade and Development Act is inconsistent with Articles 2(b). 2(c) or 2(d) of the RO Agreement: and the customs regulations contained in 19 C.F.R. $102.21 are inconsistent with Articles 2(b), 2(c) or 2(d) of the RO Agreement." WTO. Updates of Disputes, (Document No. WT/DS/OV/22. Dated 14 October 2004).

involving India is provided. Currently India is involved in two types of arrangements - preferential trade agreements and free trade agreements. In addition, the negotiations are currently on with a number of countries.

A. Preferential trade agreements

1. *Bangkok Agreement*

The Bangkok Agreement (BA) signed in 1975 as an initiative of Economic and Social Commission for Asia and the Pacific (ESCAP), is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries. Till now, six countries viz. Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic, and Sri Lanka are signatories to the Agreement. Several other countries including Pakistan, Fiji, Iran, Nepal, Vietnam, Japan and New Zealand have indicated their desire to join the proposed trade bloc.

2. SAARC Countries

For increasing intra-region trade among members for alleviating poverty and promotion of sustainable development, SAARC was established in 1985. In 1991, at the sixth SAARC summit, the idea for formation of SAARC Preferential Trade Arrangement (SAPTA) was proposed, and the framework agreement was signed in 1993, which came into force from 1997. A framework agreement for free trade between the member countries of South Asian Association for Regional Cooperation (SAARC) - India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and Maldives - called the South Asian Free Trade Area (SAFTA), was signed by the Foreign Ministers of these countries at Islamabad, in January 2004 at the 12th SAARC Summit. The SAFTA framework treaty seeks removal of trade barriers, phased elimination of tariffs and establishment of a ministerial level mechanism for administering the treaty and dispute settlement among members. The free trade agreement would allow for relaxing visa requirements within the region, and ensure smooth movement of goods, people, and services.

At the 12th SAARC Summit, along with a far-reaching document committing to a series of new steps to tackle terrorism, the leaders adopted a protocol on elimination of poverty including establishment of a regional food bank, and signed a social charter (together these are known as the Islamabad Declaration). They also decided in principle to work towards creation of a South Asian Economic Union by 2020.

The treaty is supposed to be operational by January 1, 2006. Tariffs will have to be brought down to 20 % in the non-least developed (LDC) SAARC countries and 30 % in the least developed countries.[18] India has already implemented its obligation. The tariffs will be brought further down to between 0 %-5 % in the non-LDC and the LDC countries in five years and eight years, respectively. As per the agreement, the seven SAARC countries will have to accord preferential treatment to each other's products as well as undertake additional measures, including harmonization of standards, reciprocal recognition of tests, accreditation of testing laboratories and certification of products

[18] Bangladesh, Bhutan, Maldives and Nepal are LDCs**.** while India, Pakistan and Sri Lanka are developing countries

Apart from simplifying business visa procedures, the agreement provides for making exceptions to foreign exchange restrictions, if any, relating to payment of products under the SAFTA scheme, simplification of banking procedures for import financing, removal of intra-SAARC investment barriers, simplification and harmonization of import licensing and registration procedures.

The treaty also paves the way for the creation of a SAFTA ministerial council (SMC) and a committee of experts (COE), besides having special and differential treatment for LDCs and safeguard measures. While the SMC**,** comprising commerce and trade ministers, will be the highest decision-making body responsible for administration, the COE will act as the dispute settlement body.

However, concessions granted under the SAARC Preferential Trading Arrangement (SAPTA) shall continue to be available to member countries till the completion of the trade liberalization programme. SAFTA would help the seven members to move to a free trade area based on negative lists from the present system of preferential trading based on positive lists. The agreement will also take into account the interests of the LDC members and not violate members' obligations under the WTO and other agreements.

SAARC countries are considering the adoption of a common currency to be used in the region, which was originally proposed by India. The Indian foreign minister disclosed that the SAARC meeting had pondered over the creation of a South Asian Economic Union from 2020-2050. The SAARC finance ministers will be looking into options, other than SAFTA**,** to boost free trade. The SAARC finance ministers would examine the proposal and make its recommendations in due course of time for cooperation. However, the SAARC members are not yet ready to consider a common currency.

All the seven SAARC Countries are quite optimistic about the implementation of SAFTA from its scheduled date of January 1, 2006. The differences that had persisted so far have been ironed out largely. The major stumbling block was the relation between India and Pakistan. Bilateral issues now do not seem to threaten the multilateral issue of a FTA. Now that both India and Pakistan have put the past behind in the larger interest of promoting sub-continental solidarity to reap peace dividend so as to focus on development through phased free flow of trade and investment, creation of adequate transport and transit infrastructure in the form of building expressways, bridges, roads, railway linkages, containerisation, warehousing facilities and investment-inducing measures, besides harmonization of customs facilities and simplification of rules for business visas should occupy the highest priority.[19]

The potential of trade within SAARC countries is huge. SAARC Chamber of Commerce and Industry (SCCI), the apex business organization of the SAARC region, has predicted doubling of trade among member countries after the SAFTA comes into effect.

3. *MERCOSUR Countries*

India has signed a Preferential Trade Agreement (PTA) with the MERCOSUR

[19] In this connection, it needs to be mentioned that both Bangladesh and Pakistan believes that China should also be part of SAARC and they have raised the point at times, although it has never been a major issue of discussion.

countries (Brazil, Argentina, Uruguay, and Paraguay) in January last year and hopes that it will soon be transformed into a Free Trade Agreement. Although the MERCOSUR countries as a group have signed the PTA with India, Brazil remains the main partner. Even at WTO developing countries have formed a bloc while negotiating with developed countries like the USA and the European Union and in this bloc, India, Brazil, China and South Africa are the most prominent and vocal leaders. The signing of the PTA**,** in fact, coincided with the Brazilian president Luiz Inacio Lula da Silva's visit for the Republic Day celebrations last year. A framework agreement for the PTA was signed in June 2003. India is seeking a lower duty access to the MERCOSUR region for 548 items, including auto parts, chemicals, pharmaceuticals, textiles products, engineering goods and handicrafts. MERCOSUR is seeking duty reductions on nearly 450 agricultural products in a list of 1,500 items submitted during negotiations for the PTA**.** The other products in their list are auto parts, pharmaceuticals, aircraft and aircraft spares and forest products like wood and wooden boards. India and MERCOSUR will also negotiate a FTA with zero duty access for products from both parties in due course.

The indicative trade potential is several times the current value of bilateral trade, which is presently limited to a narrow range of products. At present, 72 % of India's imports from MERCOSUR comprise agricultural products, of which soya accounts for 55 %. On the other hand, 79% of MERCOSUR'S imports from India consist of manufactured products. Based on the considerable complementarities existing in the two economies, officials believe that bilateral trade could particularly grow in non-cereal agricultural products and processed foods, marine products, ores, iron and steel products and alloys, light engineering goods, automobiles and auto-components, drugs and pharmaceuticals, textiles and clothing and software and IT**.** A study entitled 'Strategy for Quantum Jump in Exports' conducted by the Exim Bank of India says that India can achieve exports worth $ 1.8 billion to Latin American Countries by 2007 in an identified set of 100 products, provided appropriate strategies are adopted.[20]

B. Free Trade Agreements

1. *Sri Lanka*

The first Bilateral Free Trade Agreement (FTA) that was signed by India was with Sri Lanka. The Agreement was signed on 28th December 1998 and came into operation from March 2000. The Agreement aimed to establish a Free Trade Area through elimination of tariffs in a phased manner. Under the FTA India's commitment was to reduce tariffs to zero on 1350 tariff lines immediately on implementation of the Agreement. For the rest, except 429 items included in the Negative List, across the board duty-free access was given over a period of 3 years from the date of implementation of the Agreement. There is a tariff rate quota on tea for 15 million kilograms and on garments for 8 million pieces. Since 18th March 2003, India's commitment of duty reduction has been completed. The items in the Negative List of 429 tariff lines at 6 digit level of Harmonized Code (HS Code) are from various sectors like rubber and rubber products, paper and paper boards, plastics and products thereof, coconuts, alcoholic beverages and textile items, etc. Sri Lanka on the other hand committed to give 100% duty concessions on 319 tariff lines from the date of operationalization of the Agreement. In addition, it has given 50% tariff concessions on 839 tariff lines from the date of operationalization of the Agreement, which has

[20] Sec http://www.eximbankindia.com/press030827.html for details.

been deepened to 100% subsequently. For the remaining items, Sri Lanka is committed to reduce tariffs to zero percent over a period of 8 years in three phases i.e. by 35%, 70% & 100% before the expiry of 3rd, 6th and 8th year respectively. In other words, India's exports on these items get 35% duty concessions from Sri Lanka as on today. Sri Lanka's Negative List comprises of 1180 tariff lines.

The preferential trade under the FTA is governed by the Rules of Origin which specify three criteria, namely: (i) the domestic value addition should lie 35%, (ii) inputs to undergo substantial transformation at 4 digit level of customs harmonized code and (iii) a list of operations like simple packing, cutting and assembly etc. have been defined which would not qualify for duty free market access. Further, if the raw material/inputs are sourced from each other's country, then the value addition is reduced to 25% within the overall limit of 35%.

India and Sri Lanka have agreed, in principle, to include trade in services to widen the FTA ambit and a taskforce has been set up in this regard to draw up future programme. Presently both countries are tying to move from a FTA to a Comprehensive Economic Partnership Agreement (CEPA) as there exists significant scope for expansion of trade. Accordingly, a Joint Study Group **(**JSG**)** was set up to explore ways and means of deepening and widening the economic cooperation through a CEPA**.** The JSG completed its study and had submitted its report in October 2003 in New Delhi. The negotiation process is currently on.

The FTA has resulted in India becoming one of the leading investing countries in the island nation. Indian exports to Sri Lanka were worth about $840 million while that of Sri Lanka to India was in the range of $140-160 million. Since March 1, 2000, the two-way trade has grown from Rs 3,130.07 crore during 2000-01 to Rs 3,330.10 crore during 2001 -02 and to Rs 4,896.67 crore during 2002-03.

2. *Thailand*

India and Thailand have entered into an understanding on allowing a phased reduction of Customs duties on 82 items the two countries import from each other, from September 1, 2004 under what is known as the Early Harvest Scheme (EHS). Custom duty would be reduced by 50 % from September 1, 2004 to August 31, 2005, and by 75 % from September 1, 2005 to August 31, 2006. Finally, from September 1, 2006, there would be 100 % reduction of tariffs on these 82 items. All products where the applied MFN rates are zero shall remain so.

Negotiations on the full FTA and that related to investment and services have started, which needs to be completed by 2006. The full FTA will come into force from 2010. For that a negative list will be drawn up and inuring this negative list, all goods will have zero tariffs when exported to the other country. The basis for Rules of Origin (ROO) will remain the same as in the EHS and which is elucidated below. The entire list of items can be implemented in a phased manner or altogether in 2010. However, the modality is not yet finalized. Apart from these, the other areas included in economic cooperation are trade facilitation measures; sectors identified for cooperation; and trade and investment promotion measures.

Regarding ROO**,** between India and Thailand, it was agreed that, in order to qualify for exports the following should hold:

1. There should be a change in Tariff Heading' in case of the final product.
2. This should be at a 4-Digit level of classification (HS Code)
3. Moreover, at least 40 % value addition must have been made to the final product that is exported, but for some exceptions.

The value addition is 40 % in general, but it varies from product to product. For some products it is at 4-digit and for a few products it is at 6-digit level of harmonised system. It implies that, the goods imported from a third country need to undergo 'substantial transformation' so that when it is exported from either India or Thailand, it is exported as a different commodity as per the 4-digit classification level of HS Code. If the classification were at 6-digit or 8-digit, the transformation to another good would have been easier. Moreover, in the process of this 'substantial transformation' to another category the value added to the final exported product should be at least 40 % over the value of the imported good or goods. So, it is a necessary condition that the 'tariff heading' changes, but it is not a sufficient condition. The value addition should also be at least 40 %. This makes the ROO clause very strong indeed.

Nevertheless, concerns have been voiced by various domestic industries about the implementation of the FTA with Thailand and its potential impact on them. Particularly, the domestic auto component industry and the electronics goods industry are apprehensive about the FTA**.** Similar apprehensions have been voiced by industry in Thailand as well. There is no doubt that firms making electronic items, TV manufacturers and OEMs must all adjust to fresh competition, which will increase over time, as tariffs fall in stages. The FTA will also deepen the trade and investment links and help the two partners in formulating plans and programmes to expedite the implementation of co-operation in the agreed-upon sectors. Thus, domestic industry will be able to take advantage of business opportunities in Thailand. Moreover, with the stringent ROO clause, it is believed that any negative effects will be minimal and overall the FTA will boost trade between the two countries. The volume of trade is growing rapidly and is expected to touch $2.1 billion by 2006.

C. Ongoing Negotiations

1. *Gulf Cooperation Council*

India and the Gulf Cooperation Council (GCC) signed a framework agreement on economic cooperation in August 2004, as a first step towards exploring the possibility of a FTA between them. GCC is a grouping of six countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The framework is expected to give a boost to commercial and economic ties between the two regions. The framework agreement is also the first bilateral agreement entered into by the current UPA government.

The India-GCC Framework Agreement on Economic Cooperation (FAC) seeks to expand and liberalize bilateral trade relations, as well as initiate discussions on the feasibility of a FTA**.** Moreover, the agreement provides for setting up of a joint committee on economic cooperation to oversee the implementation of the framework and other bilateral agreements of protocols. Both sides are to make arrangements for setting up of joint investment projects and facilitating corporate investments in various fields.

Although GCC is negotiating as a group, individual member-states of GCC**,** notwithstanding the framework agreement, are permitted to undertake bilateral activities with India in the fields covered by the agreement. Negotiations on the FTA have started based on the Framework Agreement. There can be significant benefits for both sides if the FTA materializes. The framework agreement can lead to increased co-operation in services, investment, transportation, communication, insurance and commodities. GCC is also keen on increased co-operation in other areas like science and technology. The agreement can lead to more investments and enhance trade growth between India and GCC**.**

The agreement could act as a catalyst in India's efforts to achieve closer commercial, economic and political relationship with GCC and the Framework Agreement has elements that would enable both the trading partners to exploit opportunities to the maximum. Trade between the two regions have been rising over the last few years. Exports from the GCC countries to India have increased from $1,565.95 million in 2001-02 to about $1,889.25 million in 2002-03. Indian exports to these countries during the same period have swelled from $3,798 million to $4,913 million. Further, India's exports had grown by 43 % in 2003-04 to about $7 billion while imports (excluding oil) from GCC had risen by 72 % to $3.5 billion. Nevertheless, it is widely perceived that the existing trade is not commensurate with the potential that exists.

2. *Singapore*

India and Singapore have agreed to have a comprehensive economic cooperation agreement (CECA) in the near future. Negotiations for a framework agreement are currently on. The CECA negotiations include a Free Trade Agreement and major concessions to each other by way of market access, investment, and tax preference. Singapore is interested in genuine market access within areas like civil aviation where Singapore companies are keen to invest and have double taxation avoidance (DTA) treaty that places Singapore on par with Mauritius as a route for foreign investment into India.[21]

Negotiations for the India - Singapore Comprehensive Economic Cooperation Agreement were launched on 27th May 2003 in New Delhi. The launch of negotiations followed the signing of the Declaration of Intent on 8 April 2003. Subsequently, a Joint Study Group Report on the CECA was prepared, which served as a framework for subsequent negotiations. The Joint Study Group envisaged that the CECA would be structured as an integrated package of agreements between India and Singapore, including:

a) A Free Trade Agreement, which would include, inter alia, trade in goods and services, and investment.

b) A bilateral agreement on investment promotion, protection and cooperation.

c) An Improved Double Taxation Avoidance Agreement.

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[21] India has entered into Double Taxation Avoidance Agreements (DTAA) with 65 countries including countries like U.S.A. U.K. Japan. France, Germany, etc. These agreements provide for relief from double taxation in respect of incomes by providing exemption and also by providing credits for taxes paid in one of the countries. These treaties are based on the general principles laid down in the model draft of the Organisation for Economic Cooperation and Development (OECD) with suitable modifications as agreed to by the other contracting countries.

d) A more liberal Air Services Agreement, and Open Skies for Charter Flights.

e) A work program for economic co-operation covering areas outlined in the Joint Study report, including, inter alia, the creation of the India & Singapore Fund, the setting up of a second India Centre in Singapore and Tourism Co-operation.

Negotiations are still incomplete, although it seems to have entered the 'final stages'. Private Indian trade officials say that the remaining differences are 'minor' in nature. The pact is likely to be signed after the ASEAN summit in Laos. Under the CECA**,** Singapore is likely to invest two billion US dollars in the Indian technology, manufacturing, financial services and aviation sectors. Singapore would be getting 80 % concession on its three billion-dollar exports to India under the CECA**.** Indian tariff on Singapore's goods would be lowered over the next five years to zero level. India would also get greater access for its manpower to the services sector in Singapore.

However, certain issues are yet to be finalized including the 'Rules of Origin' issue. About 47 % of Singapore's total exports come from re-exports and Indian business is apprehensive about the possibility of 'trade diversion' to lake advantage of the FTA benefits. It is not clear whether the goods to be imported by India under CECA are manufactured in Singapore or in another country yet. Again, India cannot possibly go along with Singapore on the kind of equity liberalization that Singapore is seeking for investment in India. The extent of market access provided by India is also important.

Being CECA**,** the negotiations entail cooperation in a lot more areas than a simple FTA**.** Consequently, the question of signing a double taxation avoidance treaty (DTAT) with Singapore, on par or near about of India's DTAT with Mauritius, comes up. To this, the government is justifiably not fully open. At the same time, the Common Minimum Programme of the UPA Government calls for a review of the existing DTAT as it feels that these are potential routes of misuse by companies. Again, on issues like giving MNCs based in Singapore the same treatment, as domestic local firms would be difficult to implement. The two countries have however, reportedly agreed to improve double-taxation avoidance programme and set up a more liberal environment for open skies and air transport network, recently.

With the Indian economy on a roll and a CECA on the anvil, a clutch of Singapore companies are looking at investment opportunities in India in sectors like aviation, telecommunications, IT**,** real estate, textile, ports and banking. Singapore wishes to be the main trading hub for India in the same way as Hong Kong was for China for its trade with Southeast Asia. Singapore with 1.5 billion dollars is already the country's biggest Asian investor and third largest after the United States and Mauritius. In 2001, India was Singapore's 15th largest outward investment (01) destination, absorbing only $ 1.3 billion or 0.6 per cent of OI. China topped the list by absorbing $ 18 billion. Bilateral trade between the two countries is about five billion dollars with Singapore having an edge of about two billion dollars. The two-way trade between India and Singapore, which stood at 7.9 billion Singapore dollars in 2003, was poised for a 10 % growth this year, according to Ramakrishna Kukkila, Centre Director of International Enterprise Singapore (IES). The bilateral trade is in favour of Singapore in the ratio of 2:1 and the trend continues in 2004 too.

The Singaporean textile and garment businesses sees big opportunity for investment especially in joint ventures with Indian partners and outsourcing of fabrics and garments to facilitate their global textile trade. This was indicated by a delegation of Singapore textile and garment business leaders, which visited India to explore the scope of working together with the local textile companies and enterprises.

India, meanwhile, will gain greater access to Singapore's services industry while airlines in both countries would be looking at increasing flights and destinations. Signing of a variety of joint ventures between Singapore and Indian companies has taken place lately. India's telecom company Bharti Enterprises unveiled a 50:50 joint venture with Changi Airport to bid for the development and management of Delhi and Mumbai airports. Again, Indian Airlines signed a memorandum of understanding with Singapore Airport Terminal Services to manage ground handling for IA at 23 India airports. A lot of business and investment opportunities in the aviation sector is likely to be witnessed and is a key focus area. The financial services are identified as another major item of cooperation between the two countries in the coming days. There also lies enormous potential in the religious tourism space and so there is a need to improve flight connectivity and infrastructure facilities in India.

3. *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (formally BIMST-EC)*

In 1994, Thailand took the initiatives to explore economic co-operation on sub-regional basis involving the countries of Southeast and South Asia around the Bay of Bengal. After a number of deliberations of Inter-Ministerial Consultation with the active support of Asian Development Bank (ADB) and ESCAP, a regional economic forum was formed in 1997 comprising of four countries, namely, Bangladesh, India, Sri Lanka and Thailand. Later on Myanmar joined this sub-regional group, and it was called Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC). BIMST-EC formally came into being at its 1st Ministerial in December 1997 in Bangkok. BIMST-EC held its first Summit Meeting in Bangkok on July 30-31, 2004, where Bhutan and Nepal joined the grouping as two new members. The name of the grouping was changed to "Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation". The joining of Bhutan and Nepal into the group prompted the need to change the name. Such a change in nomenclature has effectively eliminated the chances of Pakistan becoming a member of this regional group.

Establishment of the BIMST-EC was visualized to be a 'bridging link' between two major regional groupings - ASEAN (Thailand & Myanmar) and SAARC (India, Bangladesh & Sri Lanka and now Bhutan and Nepal). The grouping is also an important element in India's "Look East" strategy and adds a new dimension to India's economic cooperation with South East Asian countries.

The main aim of this group is to fully utilize the existing potential of member countries for promoting economic co-operation in the six areas of investment, industry, technology, human resource development, agriculture and infrastructure. Each of these areas has a lead country. India is the lead country in Transport and Communications, Bangladesh in Trade and Investment, Myanmar in Energy. Sri Lanka in Technology and Thailand in Tourism and Fisheries. Moreover, it was further agreed among the members to concentrate on new areas like hydrocarbons and hydropower potential development, people to people contacts, greater air transport liberalization, short sea shipping, tourism etc. However, the mainstay of the grouping is a Free Trade Agreement. The Framework Agreement on the BIMST-EC FTA was signed on February 8, 2004 in Phuket, Thailand. The Framework Agreement includes provision for negotiations on FTA in goods, services and investment.

The countries have agreed to reduce tariffs from July 1, 2006. The terms of the FTA will be worked out in the coming months. While negotiations on tariff reduction and the dispute settlement mechanism are to be completed by December 2005, the framework agreement has set a deadline of 2007 for working out the details of co-operation in services and investments. A bulk of the issues, such as rules of origin, treatment of out-of-quota rates, non-tariff barriers and safeguard measures, have only been identified and negotiations on them are at the initial stages.

There are two routes visualized for the FTA - Fast Track and Normal Track. Under Fast Track, and for India, Sri Lanka and Thailand, when any of these countries import from the other two countries, it has to gradually reduce/eliminate the tariff (import duty) between 1 July 2006 to 30 June 2009. When any of these countries import from Bhutan, Nepal or Myanmar, it has to gradually reduce/eliminate the tariff (import duty) between 1 July 2006 to 30 June 2007. So, the commitment for a developing country like India, Sri Lanka and Thailand to open up its market is faster to imports from a less developed country like Bhutan, Nepal or Myanmar. On the other hand, for Bhutan, Nepal and Myanmar, when any of these countries import from India, Sri Lanka and Thailand, it has to gradually reduce/ eliminate the tariff (import duty) between 1 July 2006 to 30 June 2011. When any of these countries import from the other two countries, it has to gradually reduce/eliminate the tariff (import duty) between 1 July 2006 to 30 June 2009. So, the commitment for a less developed country like Bhutan, Nepal or Myanmar to open up its market is longer to imports from India, Sri Lanka and Thailand than to the other less developed countries in the agreement. Also, the less developed countries can take longer to open up their markets to a developing country than what is reciprocated.

Under Normal Track, the timeframes start a year later (2007) and stretch for three more years for India, Sri Lanka and Thailand, and stretch for six more years for Bhutan, Nepal or Myanmar.

For trade in services and trade in investments, the negotiations on the respective Agreements are to commence in 2005 and conclude by 2007. The identification, liberalisation etc., of the sectors of services / investments shall be finalized for implementation subsequently in accordance with the timeframes to be mutually agreed; (a) taking into account the sensitive sectors of the Parties; and (b) with special and differential treatment and flexibility for the LDC Parties.

On services, the countries have proposed to go beyond their existing commitments under the WTO General Agreement on Trade in Services. They have also committed to eliminate discriminatory practices governing services. According to the framework agreement, there will be an investment promotion and protection agreement, while steps will be initiated to progressively liberalize the investment regime through a positive list approach. This will mean that sectoral investment ceilings will be reviewed, based on requests from member countries.

The first Summit ended with the issuance of the Bangkok Declaration that affirmed cooperation among the group. In the first summit meeting, the member-countries agreed, besides changing the name, to enlarge the scope of the grouping beyond trade and economy. The leaders of the seven countries agreed to expedite talks on free trade area, coordinate in the tourism sector and promote sustainable use of marine resources in the Bay of Bengal after a joint survey on Bengal Gulf marine resources. Besides these, the other highlights of the discussion included transportation and communication links within the two regions as well as energy conservation.

The member-countries also agreed to set up a joint working group on counter-terrorism, and pledged not to allow use of their territory by terrorists to launch attacks on friendly Governments. The summit expressed grave concern at the continuing threat of international terrorism and transnational crime that has adversely affected the economic and social progress of the people in the region. It has agreed to give urgent priority to coordinating the efforts among member countries to combat this menace, including through the exchange of information among concerned agencies and other concrete programmes of cooperation.

The Summit also agreed to coordinate efforts to address, as a matter of priority, transnational issues that threaten the region, such as HIV/AIDs and other threats to public health. The Summit sought to promote interaction among the peoples through various programmes, such as the exchange of parliamentarians, media persons, students, sports persons as well as exchanges in the fields of arts.

The Summit decided to develop new hydrocarbon and hydropower projects and interconnection of electricity and natural gas grids among member countries. India offered to hold conferences on co-operation in the energy and tourism sectors. This indicates that India is keen to take the lead in these two key areas of economic ties in the region. The decision to set up a centre for weather in India and to share India's remote sensing data strengthened the inter-dependence and co-operation among these countries, with India becoming the focal point.

The Summit members also decided to introduce business visas for easy travel to member countries and this move is expected to strengthen economic ties in the region. The sustainable development of regional tourism is considered to be of benefit to the member countries population by bringing in foreign currencies, stimulating investment, and encouraging the transfer of technology, all of which will generate employment within the region. New Delhi was chosen as the venue for the next BIMST-HC summit meeting in 2006. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation has a huge potential to explore complimentary strengths and increase trade within the region.

4. Bangladesh

Joint Economic Council (JEC) meeting between Bangladesh and India took place in July 2003 at Dhaka, where it was decided to initiate talks on the proposed Free Trade Agreement between the two countries. Consequently, India started negotiations for an FTA with Bangladesh from October 22, 2003. As a prelude to the proposed Free Trade Agreement, India and Bangladesh have agreed on a revised draft of bilateral trade agreement signed in 1980 after resolving contentious issues. Reflecting the current global sentiment on regional trade arrangements, both countries reiterated their commitment to conclude the FTA at the earliest after the conclusion of the second round of talks in January 2004. However, no date was set for the conclusion of talks for the FTA**.**

5. *ASEAN*

India is presently negotiating a FTA with ASEAN block of countries. A framework agreement is already in place. ASEAN consists often countries Brunei Darussalam, Cambodia, Indonesia, Laos, Vietnam, Myanmar, Malaysia, Singapore, Thailand, and the Philippines. The framework agreement provides for exchange of tariff concessions to commence from November 1, 2004. There would be a common list of 105 items on which exchange of tariff concessions will take place. Tariffs will be eliminated on these items in three years between India and six of the ASEAN countries Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. In the case of Cambodia, Laos, Myanmar and Vietnam, India will remove tariffs on these items within three years while they will do so for India in six years. The FTA will be in full force from 2016.

As per the framework agreement, negotiations for free trade area in goods is slated to be finalized by June 30, 2005 and for services and investments the negotiations are slated to begin in 2005 and conclude in 2007. Negotiations on exchange of tariff concessions under EHS have begun from November 1, 2004.

India has agreed to provide special and differential treatment to ASEAN group and align its peak tariff levels. India will reduce its tariff for Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam in 2011. Correspondingly while Brunei, Indonesia, Malaysia, Singapore and Thailand will reduce their tariff for India in 2001, the new ASEAN members like Cambodia, Laos, Myanmar and Vietnam (CLMV) will do so in 2016. India will unilaterally extend concessions on 111 tariff lines to CLMV**.** Philippines, which have expressed its reservations to the FTA**,** have agreed to eliminate its tariff on reciprocal basis for India by 2016.

India assesses the FTA with ASEAN very favourably. The Union Commerce Ministry, which has carried out studies on the prospects for an ASLAN India free trade agreement, has found that there could be numerous benefits for such an arrangement. These include the huge market size, which creates opportunities for reaping economies of scale both from the supply and demand perspective.

A study by the Ministry shows that there exists strong trade complementarities, which could lead to huge trade expansion. It points to the skewed export structure of ASEAN and India in bilateral trade which points to the huge scope existing for expanding trade through diversification. The removal of trade and investment barriers is expected to bring about greater competition within the domestic market and thus give an incentive to indigenous industry to move towards becoming internationally competitive. Besides, it is felt, this will lead to more foreign direct investment from ASEAN countries. In turn, it could provide opportunities to large Indian, companies, which are now trying to achieve market access in Southeast Asia through investment rather than exports.

However, since there were some contentious issues especially pertaining to the 'Rules of Origin' (ROO) and some negative impact on the domestic industry, India wants to proceed in a gradual manner so that such issues including competitiveness of the domestic industry remains palpable. The Ministry of Commerce of the Government of

India recognizes that one of the major hurdles in the way of moving faster towards an ASEAN-India FTA is the impact on the domestic industry. As it is, the framework for the free trade agreement entered into with Thailand has caused ripples here with domestic auto component manufacturers concerned over cheap imports entering the market from that country. Similar fears have been expressed regarding other ASEAN countries. It is for this reason that the creation of FTA has been envisaged as a gradual process, taking over a decade to be finalized.

Therefore, with India taking the process in a gradual manner, the framework agreement itself, entered into with the ASEAN in October 2004, envisages that negotiations will start initially for the creation of a regional trade and investment areas (RTIA), which would then enlarge to encompass a free trade area. This would begin with goods and expand to cover trade in services and investments. It is consequently unclear and early to understand exactly what will be included in future as a host of things including consensus among ASEAN nations is critical. Presently, the framework agreement signed covers FTA in goods, services, and investments and Areas of Economic Cooperation.

India and the ten-member ASEAN grouping are aiming to increase trade from the current annual level of around 10.06 billion dollars to 15 billion dollar, in the next two years. The Free Trade Agreement will actually serve as a vehicle lo realize that potential and possibilities between India and ASEAN.

India initiated the "Look East" Policy in 1993; the ASEAN India nexus has grown from sectoral dialogue partnership in 1992 to a full dialogue partnership in 1995 and subsequently to a summit level interaction, with the first ASEAN-India Summit being held in 2002 in Phnomp Penh. The progressively closer relationship has led to strengthening of not only economic ties between ASEAN and India, but also political and security linkages, with India joining the ASEAN Regional Forum (ARF) in 1996. With the westward expansion of ASEAN to include Myanmar. Indai and ASEAN are no longer just maritime neighbours but share a land boundary of over 1,600 kilometers. India has a definitive policy thrust towards ASEAN and a FTA is a culmination of that.

An FTA between ASEAN and India makes good sense because trade and investment are the basic building blocks of Indo-ASEAN ties. However, the Volume of trade and investment between ASEAN and India still remains relatively low compared with other dialogue partners of ASEAN, with India accounting for less than 2 % of ASEAN's total trade and 0.2 % of FDI in the region. This is far below potential, considering that ASEAN and India have a combined population of 1.5 billion, a GDP of US$1.5 trillion and share the huge advantage of geographical proximity, which offers the promise of competitive exports due to shorter delivery schedules and low freight costs. An ASEAN-India FTA would thus go a long way towards helping to realize the potential of trade and investment between the two. India and ASEAN are aiming to increase two-way trade to US$15 billion by 2005 and to US$30 billion by 2007. To accelerate the process, India has offered to start negotiations on an "early harvest programme" which would identify fast-track measures for economic cooperation and trade promotion.

If one looks at India's trade with ASEAN, over 90 % of India's trade is directed to four countries, which are Malaysia, Singapore, Thailand and the Philippines and a little bit of Indonesia. Therefore, the other six countries within ASEAN stand to benefit tremendously with this FTA**,** because it will enable them to access the Indian market and allow them to selectively provide access to Indian goods and services in their own markets so that they can benefit from what India has to offer. It is interesting to understand that the trade balance between India and ASEAN is actually in ASEAN's favour. So, what this whole agreement will actually do is to provide an opportunity for diversification of trade to look, at new areas and new products.

Therefore, logically, India has an interest in Trade primarily with these four-five countries whereas ASEAN as a whole (as explained previously) would like the grouping to function cumulatively. Moreover, India is already negotiating an FTA with Singapore and have signed a FTA with Thailand. So, presently it does not seem likely that India would be keen to enter into negotiations for an FTA with other ASEAN member countries, at least in the short run.

However, the possibility remains in the medium term. This is because, ASEAN also had negotiated an internal preferential trade agreement among the ASEAN nations and there needs to be a consensus among the different countries within ASEAN on the products and the different items that will be included in this FTA**.** The consensus building is the real challenging part of it. If there is no consensus among the ASEAN countries, then there will not be a full-blown FTA**.** In that scenario, India might look at individual countries apart from Singapore and Thailand.

An FTA with India from ASEAN's point of view is partly to counter China's growing economic clout in the region. In the East Asian context today, ASEAN has a specific role that it can play and can carve out for itself in promoting the development of an East Asian Economic Community through trade cooperation and liberalization. In doing so it is not so much a matter of becoming a hub-or the hub- in East Asia, but more so to prevent it and its individual members from becoming spokes to other hubs that could endanger its cohesion.

The proliferation of FTAs in East Asia need to be seen in the context of ASEAN's strife towards deeper integration in Southeast Asia and the desire in East Asia to build an East Asian Economic Community as well as East Asia's interest in a successful outcome of the WTO Doha Development Round. Bilateral and sub-regional FTAs are being promoted on the assumption that they will produce a kind of "competitive liberalization" as economies are being challenged to undertake more ambitious market opening measures. It is also proposed that the separate agreements can become "building blocks" towards regional and ultimately global free and open trade.

6. *Southern African Customs Union (SACU)*

India and members of the Southern African Customs Union (SACU) hope lo have a "limited scope agreement" for more liberal trading by 2005. The deadline was agreed under the framework agreement that the two parties signed in November 2004. The framework agreement is the first concrete step towards a FTA**.** The FTA will be concluded in two stages. The first stage will involve the conclusion of an agreement whereby specific tariff concession on a specific list of products of export interest will be exchange between the parties. This agreement will be of limited scope. The second stage will involve the conclusion of the full and comprehensive FTA.

South Alma along with Lesotho, Swaziland, Botswana and Namibia has formed the

Southern African Customs Union with a common custom tariff policy- Since most of the imported goods enter the sub-region through South African ports, a system of custom revenue sharing is in place.

Following a bilateral meeting held between Indian and South African delegations in New Delhi in July, 2002, an in principle decision was taken lo enter into negotiation of a Preferential Trading Arrangement (PTA) with ii view to deepen the mutual trade and investment flows, between the two countries. Later Lesotho, Swaziland, Botswana and Namibia along with South Attica negotiated as a group. A Joint Working Group was consequently set up to initiate negotiations for a Comprehensive Framework Agreement, which finalized the text of the Framework Agreement. The Framework Agreement provides for a limited tariff concession in the first stage and later on graduating to a Free Trade Arrangement. The negotiations for PTA are to be completed by the end of December, 2005. There is no time frame for initiating the negotiations on FTA**.** The terms of the agreement will form the basis of future negotiations between India and SACU**,** provided it is ratified by the countries concerned.

The level of bilateral trade between India and South Africa is quite low. The market share enjoyed by either of them in each other's market is quite insignificant. Less than one percent of India's exports go to South Africa. However, in the last few years bilateral trade between the countries has recorded a double-digit growth rate. During 1998-1999 to 2002-2003, India's imports from South Africa increased by more than 54% per cent, while exports increased by more than 22 per cent. India and SACU have a great deal to gain from a mutually beneficial trade relationship, especially in the light of the many areas where the economies complement each other.

A study by the Indian Institute of Foreign Trade found that more than 50% of India's exports are subjected to a tariff of less than 10% in South Africa and only 33% are facing a tariff rate of more than 20%. On the other hand, 55% of imports from South Africa face high tariffs of more than 20% in India. Only 34% of imports from South Africa are subjected to low tariff of 10% and below. The weighted average tariffs in India and South Africa are 22.89% and 16.35% respectively. An Agreement with South Africa prima facie is of importance because of its geographical location and membership of sub-regional trade agreements. The study further suggested that a Free Trade Agreement with South Africa might also include preferential terms for bilateral investments, which may further help in promoting India's exports in whole of Southern Africa, most of which is landlocked.

7. *Chile*

A preferential trade agreement (PTA) between India and Chile is on the anvil with a proposal for such a pact under active consideration of both the Governments. The Ministry of External Affairs in its official press release noted the launch of a "process of consultations and to work towards the signing of a Preferential Tariff Agreement (PTA) leading eventually to a Free Trade Agreement (FTA) between Chile and India." Officials from both the sides were expected to meet in August 2004 towards this end. The Agreement could pave the way for a Free Trade Agreement (FTA) between the two countries at a later stage. The Chilean government has given the go-ahead for negotiations on PTA with India. Initially, about 300 products would be considered under the Agreement. Also the news came in headline during the recent visit of the

Chilean President in India when the countries sign Framework Agreement on Economic Cooperation. Negotiations on the PTA will now commence as per mutual consultations and would be concluded by 2005.[22]

Both India and Chile recognizes the potential of trade and cooperation between the two countries in the IT sector and the need to tap capabilities and opportunities in this sector in a more focused and comprehensive manner. Both countries have expressed their mutual interest in growth of investment, joint ventures, joint initiatives, technological development and markets in the IT sector. While India needs raw materials for infrastructure sector, which are readily available in Chile, New Delhi's expanding industrial and services sector could easily find a lucrative market in Chile.

India does not have many FTAs and PTAs and those that do exist are in the neighborhood. This agreement, if it materializes, will be quite a breakthrough, as it will open enormous opportunities for the two countries. For India, there are enormous opportunities in Latin America that can be explored with Chile being a platform or regional hub for operations in American countries. Chile enjoys a favourable balance of trade with India. This lopsided balance of bilateral trade can be corrected and the preferential trade agreement will definitely be instrumental in this.

Bilateral trade between India and Chile increased from $99.3 million in 1998 to about $263 million in 2002. It stood at around $320 million in 2003 and is expected to reach one billion dollar by the end of this decade.

The exports from Chile have multiplied four times during the last five years from $50 million to $225 million. If this trend continues, the exports to India might touch $1 billion in five years. India ranks 22nd as Chile's trade partner. However, India's exports to Chile during the same period have been stuck to slightly above $70 million only.

India's exports to Chile include cotton yarn, fabrics, drugs and pharmaceuticals, readymade garments, plastic products, cars, motorcycles, electrical transformers and carpets.

The imports from the Latin American nation comprise raw materials such as copper concentrates, copper cathodes, wood pulp, iodine, fresh fruits, wine, salmon fish and almonds.

8. *China*

India is studying the possibility of closer trade and economic cooperation with China, which is emerging as a major trade partner of India. Under the Bangkok Agreement, India has given tariff concessions to 106 items of Chinese exports while China has reciprocated the facility to 217 items.

India and China have formed a Joint Study Group (JSG) to examine the potential complementarities between the two countries and draw up a blueprint programme for the development of India-China trade and economic co-operation for the next five years. The JSG was constituted on the basis of a mandate contained in the first-ever

[22] ‘India, Chile sign framework agreement on economic cooperation', January 22. 2005, http://wvvw.bilaterals.org/article.php37id article=1224

India-China Joint Declaration signed during the visit of the Indian Prime Minister to Beijing.

The first meeting of the Sino-Indian Joint Study Group on trade & economic co-operation was held in Beijing on March 22 and 23. The joint study group discussed various measures to increase trade, and having a free trade agreement including the possibility of signing a comprehensive economic cooperation agreement. The two sides also discussed the framework, work contents, and other modalities of the functioning of the JSG. The 2nd meeting was held in New Delhi on July 26-28, 2004 and the 3rd meeting was held in Beijing between 8-10th November, 2004.

India-China annual trade for 2004 touched an all-time high at $13.6 billion, up 79 per cent over the total trade volume of 2003. Trade balance for the year stood in India's favour at $1.75 billion. Indian exports to China are dominated by iron ore. The two countries trade ties have also witnessed a qualitative change in recent years. The bilateral trade at the end of 2000 was $3 billion, it increased to $5 billion at the end of 2002, and in 2003 it touched $7.6 billion. This indicates the huge potential that exists between the two fastest growing economies that is China and India.

9. *Mauritius*

An India-Mauritius Joint Study Group (JSG) has been set up to examine the modalities for a Comprehensive Economic Cooperation and Partnership Agreement (CECPA). The JSG has met for four times. Negotiations will start soon on a Comprehensive Economic Cooperation (including FTA) with Mauritius.

Mauritius is keen on a FTA with India as they have obviously a lot to gain. India on the other hand still feels that a bilateral FTA with Mauritius would result in trade diversion, with Mauritius becoming a centre for re-export of goods from other countries. The emphasis of the Indian side is on trade creation and minimizing trade diversion to maximize welfare.

Consequently, India feels that a Preferential Trade Agreement (PTA) could be considered. Enhancing the competitiveness of domestic Mauritian industries or Indo-Mauritius Joint Venture by applying selective tariff concession in a WTO compatible PTA framework could be considered in order to increase bilateral trade flows and improve business competitiveness for joint exports to third markets.

Although Mauritius continues to be single largest source of FDI in India, its relative significance has been declining. FDI from Mauritius declined sharply during the last two years, constituting 26.1% of total FDI flow to India in 2003-04 as against 32.2% in 2002-03 and 62.3% in 2001-02.

10. *Republic of Korea*

India and Korea are exploring a comprehensive economic partnership in a bid to bolster trade and investment flows between the two countries. This could well include a free trade agreement (FTA) in future. As mentioned earlier India is studying an FTA with China and has set up die Joint Study Group in this regard. India and Korea have agreed to study such arrangements. The Joint Study Group is to be set up soon. South Korea is very interested to initiate discussion of FTA by January 2006, so as to conclude the discussion by 2007.[23]

The trade deficit between India and Korea is a matter of concern for India, as Indian exports to Korea amounted to just $800 million, whereas Korean imports into India totaled about $2.5 billion. India's export to Korea is traditionally limited to a few primary commodities like Cotton, oil cakes, iron ore, iron & steel, organic and inorganic chemicals, and electrical machinery & equipments. However, during the last few years, commodity composition has expanded to cover a wider range of industrial products, iron ore's share in the exports commodity basket recorded highest increase from 2001-02 to 2002-03, followed by other ores and minerals and marine products. Software & electronics exports to Korea have also increased manifold over the last few years. On the other hand, electronic goods continue to dominate the import basket from Korea, the volume being US$ 311.01 million in 2001-02 and US$ 494.9 million in 2002-03. The share of Transport equipments registered the highest increase between 2001-02 and 2002-03 followed by Electronic Goods. Imports of Korean machinery and equipment are set to grow rapidly as several Korean construction companies are engaged in highways, power plants, chemicals, petrochemicals and metro rail projects in India.

Since 1995 Korean investment in India increased remarkably. Korea's total cumulative investment in India as per FDI approvals rose from a mere US $ 2.5 millions in 1991 to us $ 2.63 billion in 2002. South Korea ranks 5th in terms of cumulative FDI approved (and seventh in terms of actual inflows) from January 1991-May 2003. Korea accounts for about 4.15% of total FDI approvals during 1991-June 2002. In terms of cumulative (actual) inflows, S. Korea accounted for 3.39 per cent of the aggregate.

The Bangkok Agreement is currently the only Preferential Trade Arrangement that provides preferential access to three of the major markets in this region i.e. China, India and Republic of Korea. The Bangkok Agreement as of now covers only tariff concessions on goods. This may be an initiative in which India and Korea could jointly broaden the scope of the agreement to deal with non-tariff barriers and trade in services.

11. *Japan*

Japan and India are also proceeding in the same lines, as is the case between India and Korea. The two countries have agreed to conclude the ongoing dialogue on economic co-operation within the current year. The talks can lead to the possibility of signing a free trade agreement in future. However, the Joint Study Group to study the feasibility of economic cooperation between India and Japan is to be set up soon. Consequently, the talks are aimed at boosting the still sluggish trade and investment between the two countries. The conclusion of the dialogue could lead to the start of negotiations in 2006 on concluding an FTA.

India and Japan have resolved to enlarge bilateral trade and investment from the current low levels and have underlined the need to evolve a suitable mechanism in this regard. There has been a "flattening out" of bilateral trade between the two countries, which declined from the level of $4 billion in 1997-98 to $3.7 billion in 2002-03. While Japan's share in India's overall trade is 3.10 %, India's share in Japan's global trade is less than 0.5 %.

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[23] "South Korea and India Free Trade Agreement'. January 31 2005. http:// www.indiadailv.com/breaking news/22992.asp

12. *Egypt*

India and Egypt have decided to proceed for a PTA in future. A Working Group to negotiate a PTA was constituted in January 2002. Subsequently a draft text of the Preferential Trade Agreement has been finalized in 2004. However, on the Rules of Origin, some differences between the two sides regarding the criteria of 'originating products' still persist. The list of goods that each country would like to see a tariff reduction in is yet to be finalized.

Egypt is the second largest economy after South Africa in the African Continent. It is a part of the COMESA Group and has also concluded a Comprehensive Economic Agreement with the European Union.

13. *Nepal*

India has an "Agreement on Trade and Commerce" with Bhutan and a "Treaty of Trade" with Nepal. Nepal's first trade treaty with independent India was concluded in 1950. Subsequently, the trade treaties were also concluded between the two countries in 1960, 1971, 1978, 1983, 1991, and 1996. The validity of the 1996 India-Nepal Trade Treaty was extended by another five years from 6th March 2002 until 5th March 2007. Nepalese products enjoy zero duty access into India. Neither customs duties nor any kind of quantitative restrictions are applied to such products, barring the exception of (1) alcoholic beverage and their concentrates, (2) perfumes and cosmetics of foreign origin, and (3) cigarettes and tobaccos. An agreed list of primary products has also been drawn up. The Protocol to the Treaty has been modified. Detailed rules of origin adopted, provides details of the value addition norms. A safeguard clause has also been inserted to permit appropriate remedial measures in tune with international norms to deal with surge in imports that may constitute injury or threat of serious injury to domestic industry. Tariff rate quotas **(**TRQs) in the case of four sensitive commodities (vanaspati, acrylic yarn, copper products and zinc oxide) are also to be introduced which would permit duty free imports of these commodities only upto a certain ceiling.

14. *Afghanistan*

India has signed a framework agreement for a PTA with Afghanistan on March 6, 2003, although the details of items or date of implementation have not been worked out.

15. *Indo-Israel Joint Study Group*

India and Israel in December 2004 have agreed to set up a Joint Study Group for a comprehensive economic partnership between the two countries. The partnership would enhance cooperation between India and Israel over a wide range of sectors, including R&D**,** bio-technology, telecommunications, electronics, etc.[24] However, nothing substantial has taken place so far.

16. *Indian Ocean Rim*

[24] Press Release. Ministry of Commerce, dated December 8, 2004.

The Indian Ocean Rim Association for Regional Cooperation was launched in Mauritius in 1997. The group consists of eighteen members - Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen. In addition, Egypt, Japan, China, France and the United Kingdom are in the group as dialogue partners. The Fifth Council of Ministers of the Association last met in Colombo, Sri Lanka, from 26 to 27 August 2004, and examined the strategies to strengthen intra-regional trade and investment.[25] However, the group is yet to have substantial trade liberalzation among the member countries.

17. *India-Pakistan: A Note*

The issue of Pakistan granting the 'Most Favoured Nation' (MFN) status to India continues to be a bone of contention between the business communities of the two countries. This difference in viewpoint emerged once again at a meeting organized by the Confederation of Indian Industry (CII) for a 70-member delegation of the Lahore Chamber of Commerce and Industry (LCCI) in New Delhi. Pakistan industry representatives said its country's providing of MFN status to India will be conditional to the latter cutting down on its both agricultural and non-agricultural subsidies. The Confederation of Indian Industry (CII) has signed a memorandum of association (MoA) with Lahore Chamber of Commerce and Industry (LCCI) to enhance trade relations between members of the two chambers.

Section III

The Potential benefits

In the final section of the analysis, we attempt to analyse the potential gains for India from the move towards PTAs. There could be both direct and indirect gains from the entire exercise. The direct gains come from trade expansion, owing to tariff reduction in the post bloc formation period. On the other hand, the indirect gains come from the increased bargaining strength at future negotiations.

A. Direct Gains

Tables 4-8 show a cross-country trend in tariff reduction, from which the potential gains of India, becomes obvious. Most of the potential partners are developing countries and LDCs. Therefore, as seen from the tariff data, most of them preferred to avail the protection of the ten-year transitory phase, and have not reduced the tariff level to a major extent. While tariff liberalization would follow in all of them, given their higher level of tariffs as compared to the same for developed countries, Indian export would be a major beneficiary. The same goes true for the potential partners, ns preferential access to Indian market would boost their export significantly. Although we do not formally identify potential export and import mens, analyzing the data obtained from 'International Trade Statistics Yearbook' it could be seen that both the primary as well as manufacturing sector would gain from the entire exercise. However, in the current context, we do not estimate the extent of these gains through an empirical analysis.

In **Table 9,** the current trade scenario (2002-03 and 2003-04) between India and the

[25] http://www.dfat.gov.au/trade/iorarc/

potential partners are analyzed. In addition to export and import shares, their ranks in India's trade basket for these particular years are also provided in the table. It could be seen from the table that the partners do not belong to a particular class; representatives from both extremes are present in the list. However, one particular point deserves attention. A number of countries placed in the top are climbing up in the ladder both in case of exports (China, Singapore) and imports (China, South Korea). As of 2003-04, the total shares of the countries mentioned in the table accounts for nearly 40 and 30 percent of India's export and import basket respectively. Therefore, preferential agreements would provide further boost to bilateral trade and investment for these partners.

B. Indirect Gains

However, we believe that the market access obtained through indirect channel, i.e., negotiations, would in long run actually outweigh the direct gains. It has been pointed out by a number of studies that developing countries stand to gain heavily by pursuing a joint proactive approach.[26] India however played a submissive role during the first two WTO Ministerial, and only since Seattle (1999) initiated the process of coordinating with other developing countries on various issues. However, the need for extensive collaboration was not explicitly felt before Doha (2001), when India was isolated on most of the points it raised. India stood against initiation of discussions at a new round before realization of the market access proposed under Uruguay Round (a developing country perspective). Surprisingly only a handful of developing countries came out in the open to support India's claim.[:27] Wiser by the experience, India started collaborating with other developing countries in the following period, spanning over issues like agriculture, industry, services and TRIPS**.** The shift in emphasis could be better observed from **Annex 3**, which shows the entire joint submissions made by India over the years. The merit of the joint negotiating strategy was realized in the Cancun (2003) ministerial, where EU and US attempted to bypass the question of agricultural subsidization. India, along with Brazil and China formed a developing country grouping called G-20, and countered the EU-US plans before and during the ministerial. India and Brazil further participated in the July 2004 meeting to arrive at a mutually acceptable line of future negotiation at Geneva.[28] It could be seen from **Table 10** that for most of the major areas of ongoing discussion, India's number of submissions has considerably increased in recent years. In other words, an explicit shift towards proactive strategy has been noticed.

Table 11 shows the NTBs faced by a number of ESCAP countries. The similarity between the barriers faced by the countries and the origin of these barriers calls for a joint approach to be followed by the affected WTO members. It needs to be noted that India is currently engaged in economic cooperation agreements or discussing it with all of these affected countries. Clearly adoption of a joint approach would help India to secure a higher market access in all the imposing countries. In this connection, **Table 12** attempts to identify the extent of cooperation between India and the potential partners. The proxy used by us here is the number of joint submissions between India and any particular country. It is observed that the cooperation is quite high for a number of African, South-East Asian and Latin American countries, and with two of the regional neighbours -Pakistan and Sri Lanka. The West Asian countries are on the

[26] See Sally (2000). Mattoo and Subramanian (2003)
[27] See Singh (2001).
[28] See Chakraborty (2004).

anvil of entering such collaboration with India in the near future. The areas, which attract maximum cooperation, are agriculture, general council (discussing industry concerns - e.g. textile and garments, increasing use of anti-dumping measures, subsidies and countervailing duties) and services. Interestingly, regional partners like Pakistan and Sri Lanka has rallied heavily behind India on the TRIPS front.

Our mention of MFA quotas among the barriers in **Table 11** is deliberate. Although the quota regime is supposed to be discarded from January 1, 2005 onwards, there is growing concern among developing countries over the actual increase in market access. Keeping this concern in view, on 14 July 2003 a number of developing countries have submitted a proposal to WTO requesting it to ensure the promised level of market access in the post-quota period (Document No. WT/GC/W/503). In other words the major exporters of textiles and garments, many of whom are already involved in PTA discussions with India, need to collaborate in the coming future over this issue.

In addition to the material areas of cooperation, institutional areas of cooperation could not be undermined, and the developing countries stand to gain heavily from the exercise as well. As noted by Chaisse and Chakraborty (2004), the working of the dispute settlement system in the interest of the developing countries is being questioned for some time. India has already asked for a systemic reform of the same at the earliest. Cooperation between developing countries is the only way to ensure this objective.

However, **Table 12** presents an aggregate picture of the submissions made over the years. The actual depth of the collaborative strategy followed by India is indirectly measured in **Annex 3,** where India's joint submissions at the WTO are noted. The last two columns note the number of WTO members signatory in the submission and the number of members currently involved in negotiations on preferential arrangements with India respectively. From the high divergence between the two numbers, it is understood that there is a huge potential to enhance the collaboration between India and the would-be partners at the WTO**.** Increased economic cooperation through establishment of the PTA would clearly be the first step to achieve that goal.

Apart from ensuring market access for the exports, India has also been quite active in ensuring sufficient protection to the domestic industries. For instance, a number of joint submissions have been submitted to WTO so far in order to ensure 'special products', 'special safeguard mechanisms' and 'special and differential treatment' for the developing countries. Clearly, a joint negotiating agenda in this field would come useful for India as well.

In that connection, we believe that India stand to gain substantially from what we call 'externalities' from indirect gains. Increased trade and development alliance would not only ensure support of the current partners at the multilateral forum, but also from some of their partner countries as well. For instance, the CAIRNS Group is quite vocal on the question of liberalization of agricultural subsidies for some time and India is currently engaged in negotiations with a number of their members. Similarly, the SACU members are part of several other preferential agreements in Africa, and increased trade with the five countries currently in negotiation, would also be instrumental in cementing ties with other African countries in the long run.

Table 1: Merchandise exports within bloc (% of total bloc exports)

Blocs	1970	1980	1990	1995	1999	2000	2001	2002
High-income and low- and middle-income countries								
APEC	57.8	57.9	68.3	71.8	71.8	73.1	72.6	73.3
CF.FTA	12.9	14.8	9.9	14.6	12.1	12.2	12.4	12.2
F.U	59.5	60.8	65.9	62.4	62.9	61.6	60.8	60.6
NAFTA	36.0	33.6	41.4	46.2	54.6	55.7	55.5	56.7
Latin America and the Caribbean								
ACS	9.6	8.7	8.4	8.5	5.6	6.4	6.5	7.1
Andean Group	1.8	3.8	4.1	12.0	8.8	7.9	10.3	9.5
CACM	26.1	24.4	15.3	21.8	13.6	14.8	15.5	II.1
CARICOM	4.2	5.3	8.1	12.1	16.9	14.7	14.0	12.5
Central American Group of four	20.1	18.1	13.7	22.2	14.6	15.1	14.8	12.8
LAIA	9.9	13.7	10.8	17.1	12.7	12.8	12.8	II.1
MERCOSUR	9.4	11.6	8.9	20.3	20.6	20.8	17.2	11.6
Africa								
Cross-border initiative	9.3	8.8	10.3	11.9	12.1	10.6	10.0	10.2
ECOWAS	2.9	10.1	7.9	9.0	10.4	9.5	9.6	10.6
Indian Ocean Commission	8.4	3.9	4.1	6.0	4.8	4.2	5.5	5.3
SADC	8.0	2.0	4.8	8.7	11.9	11.9	10.2	9.3
UEMOA	6.5	9.6	13.0	10.3	13.1	13.1	14.3	12.3
Middle East and Asia								
ASEAN	22.9	18.7	19.8	25.4	22.4	23.9	23.3	23.7
Bangkok Agreement	2.7	3.7	3.7	5.0	5.1	5.1	5.5	5.6
CAF.G	28.9	35.6	39.7	47.9	43.8	46.6	46.6	48.2
SAARC	3.2	4.8	3.2	4.4	4.0	4.1	4.3	4.2

Source**:** World Development Indicators (2004)

Table 2: export ratios by HS sections

Year	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01	2001-02	2002-03
I	4.237	3.530	3.125	3.605	4.018	4.020	4.324	4930	3.929	4.188	4.280	3.848	3.891	4.016	3613	3.405
II	14.582	10.270	10.848	97.734	9.856	6.514	8.131	7.796	11.177	9.713	9.722	11.503	8.889	7.021	6.892	7.077
III	0.136	0.063	0.285	0.270	0.406	0.313	0.472	0.603	0.848	0585	0.506	0.512	0.714	0.522	0.395	0.292
IV	2.708	2.864	3.430	3.227	3.715	4.867	4.797	3.122	3.757	5.244	4.388	2.665	2.309	2.357	3.057	2.306
V	9.118	6.926	7.629	7.543	6.991	6.336	5.628	5.028	4.543	4.227	3.439	2.450	2.194	6.382	7.247	8.111
VI	4.646	15.103	8.399	7.864	8.621	6.968	7.080	7.853	7.746	8.793	9.448	9.056	9.510	9.538	9.711	10.239
VII	0.784	0.762	1.127	1.207	1.137	1.839	2.000	2.599	2.467	2.210	2.084	1.890	1.983	2.394	2.643	2.903
VIII	5.584	4.817	5.068	5.392	4.712	5.000	4.011	4.293	3.837	3.256	3.385	3.463	2.925	3.029	3.062	2.516
IX	0.117	0.091	0.087	0.080	0.092	0.074	0.227	0.168	0.118	0.128	0.099	0.073	0.080	0.080	0.077	0.092
X	0.208	0.137	0.193	0.186	0.203	0.259	0.836	0.384	0.476	0.433	0.334	0.376	0.449	0.542	0.572	0.605
XI	26.506	20.386	23.989	27.433	27.236	28.120	25.738	27.298	25.625	27.391	26.897	27.211	26.001	26.038	23.624	22.491
XII	2.877	2.505	2.457	2.864	2.684	2.369	2.270	2.181	1.918	1.760	1.589	1.852	1.756	1.551	1.613	1.292
XIII	0.308	0.351	0.384	0.434	0.571	0.719	0.795	0.996	1.024	0.974	0.944	0.914	1.066	1.180	1.150	1.176
XIV	16.772	20.010	19.175	16.205	15.387	16.942	18.035	17.179	16.643	14.183	15.327	17.861	20.951	16.710	16.748	17.247
XV	2.409	3.255	3.987	4.088	4.541	6.065	6.243	5.528	5.583	5.827	6.203	5.380	6.249	6.677	6.525	8.036
XVI	4.707	4.860	5.293	5.230	4.849	4.311	4.349	4.656	5.047	5.555	5.826	5.310	5.401	6.121	6.464	6.020
XVII	1.622	1.652	1.957	2.218	2.769	2.927	2.659	2.933	2.815	2.889	2.664	2.293	2.226	2.378	2.327	2.538
XVIII	0.627	0.542	0.684	0.464	0.416	0.319	0.359	0.374	0.377	0.435	0.449	0.501	0.675	0.737	0.819	0.808
XIX	0.002	0.001	0.003	0.001	0.001	0.005	0.003	0:002	0.001	0.003	0.011	0.001	0.002	0.005	0.014	0.004

Calculated from the trade data at 2-digit level

Table 3: Import ratios of India by HS Sections

Year	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01	2001-02	2002-03
I	0.667	0.411	0.175	0.022	0.075	0.093	0.048	0.064	0.092	0.033	0.066	0.084	0.097	0.063	0.055	0.066
II	2.121	4.668	2.127	1.062	1.616	2.870	2.247	2.023	1.629	1.991	2.561	2.389	1.725	1.240	2.193	1.979
III	4.569	2.760	0.710	0.865	0.715	0.453	0.472	0.979	2.014	2.209	1.816	4 545	3 930	2 793	2.887	3.046
IV	1.284	0.374	0.661	0.410	0.466	0.487	0.493	3.103	0.520	0.359	0.642	0.946	0 758	0.285	0.342	0.314
V	21.34	19.33	•	30.40	32.26	31.61	28.888	25.91	24.57	30.60	25.64	20.55	30.35	3d	32.27	33
VI	8.329	10.94	11.98	9.774	13.39	12.78	11.388	13.161	16.38	11.28	12.21	11.55	10.74	8.442	9.461	8.517
VII	3.382	3.770	3.719	3.509	3.666	2.658	2.694	3.012	3.355	2.823	2.479	2.402	2.132	1 S56		
VIII	0.113	0.179	0.300	0.437	0.401	0.390	0.496	0.443	0.370	0.366	0.365	0.365	0.316	0 391	0.441	0.347
L	1.081	1.290	1.126	1.091	0.875	0.907	0.620	0.792	0.666	0.696	1.025	0.107	0.929	0.973	1.076	0.675
X	2.664	2.453	2.156	2.475	1.851	1.789	1.915	1.811	2.217	2.084	2.237	2.049	1.684	1.814	1.867	1.612
XI	2.032	2.437	2.189	2.126	1.726	2.211	2.320	2.957	2.558	2.005	2.022	2.034	2.266	2.309	2.980	2.673
XII	0.063	0.059	0.065	0.083	0.086	0.084	0.111	0.108	0.103	0.079	0.076	0.077	0070	0.069	0058	0 051
XIII	0.456	0.570	0.482	0.480	0.457	0.413	0.304	0.470	0.399	0.330	0.364	0.397	0.348	0.367	0.459	0.399
XIV	9.159	11.31	12.13	8.924	10.16	12.23	12.441	8.306	7.979	10.13	15	21.35	20.59	19.14	18.1	17.05
XV	11.55	12.78	13.31	11.49	8.668	8.600	7.741	9.193	8.592	S.79	7.847	6.056	4.972	4.223	4.969	4.333
XVI	17.48	15.60	14.73	13.82	11.51	11.79	13.015	14.99	16.66	14.96	15.56	14.15	12.42	14.06		
XVII	3.417	2.669	4.220	3.966	1.916	2.11	5.444	3.908	2.925	3.798	2.538	1.905	2.294	1.883	2240	3.092
XVII	2.266	2.452	2.565	2.573	2.030	2.290	1.997	1.893	1.995	1.543	2.020	2.252	1.968			
XIX	0.003	0.000	0.002	0.001	0.001	0.002	0.000	0.000	0.001	0.001	0.002	0.002	0.003	0 001	0.002	0.004

Calculated from the trade data at 2-disit level

Table 4: Tariff Barriers in West Asia

Country	**Year**	**All Products**		**Primary Products**		**Manufactured Products**	
		A	B	**A**	**B**	A	B
Oman	1992	5.2	5.1	7.2	14.2	5.1	5.4
	2002	7.7	6.7	9.5	31.6	7.6	6.5
Saudi Arabia	1994	12.3	11.1	12.0	9.1	12.4	11.5
	1999	12.2	12.1	12.3	12.7	12.2	11.9
	2000	12.3	11.4	11.7	7.9	12.2	11.4

World Development Indicators (Various Issues)

A - Simple Mean Tariff; B - Weighted Mean Tariff

Table 5: Tariff Barriers in South Asia

Country	Year	All Products		Primary Products		Manufactured Products	
		A	B	**A**	**B**	A	B
Bangladesh	1989	110.5	131.0	79.8	53.6	108.6	109.6
	1999	22.1	19.0	21.1	21.0	22.4	18.5
	2002	19.3	23.0	22.4	20.1	19.3	21.1
Bhutan	1996	16.1	14.4	21.2	9.7	17.0	16.8
	2002	16.3	14.3	24.4	14.3	16.4	15.0
India	1990	76.6	49.8	69.8	25.4	79.9	70.8
	1997	30.0	27.7	25.7	22.6	31.3	29.5
	2001	31.0	21.0	32.8	22.7	30.8	28.4
Nepal	1993	21.8	18.1	11.8	9.3	22.9	21.0
	1998	16.3	18.6	9.2	8.2	18.3	21.0
	2002	13.1	14.3	16.0	8.3	13.8	17.8
Pakistan	1995	50.1	45.5	43.4	24.0	51.1	50.8
	1998	46.6	41.7	43.6	30.1	46.9	44.1
	2002	16.9	15.2	17.9	11.2	17.5	19.1
Sri Lanka	1990	27.1	31.5	32.4	32.3	26.6	24.2
	1997	20.0	20.7	23.8	23.6	19.1	19.8
	2001	8.4	4.2	13.9	11.3	8.7	5.0

World Development Indicators (Various Issues)

A - Simple Mean Tariff; B - Weighted Mean Tariff

Table 6: Tariff Barriers in East and South-East Asia

Country	Year	All Products		Primary Products		Manufactured products	
		A	B	A	B	A	B
China, PR	1992	41.6	35.3	36.3	14.0	40.6	35.6
	1996	23.6	22.6	25.4	20.0	23.1	23.2
	2001	15.1	12.8	16.0	19.2	15.0	12.8
Indonesia	1989	18.7	12.0	18.1	5.9	19.2	15.1
	1996	13.0	13.8	12.3	9.3	13.2	14.9
	2001	6.0	3.9	6.0	2.4	6.2	5.2
Lao People's Democratic Republic	2000	8.7	14.5	15.6	14.7	8.6	12.6
	2001	8.6	12.2	15.9	17.3	8.8	11.9
Malaysia	1988	14.4	11.5	10.8	4.6	14.9	10.8
	1966	8.7	8.1	2.4	2.7	11.8	9.3
	2001	7.5	4.6	4.4	2.4	8.1	4.7
Philippines	1998	27.7	21.1	29.9	18.5	27.9	23.4
	1995	20.0	18.4	21.6	16.8	19.5	18.9
	2002	4.8	2.8	6.7	5.4	5.0	2.6
Republic of Korea	1988	18.7	14.7	19.3	8.2	18.6	17.0
	1996	11.1	9.5	21.0	17.0	8.2	7.8
	2002	7.9	5.7	12.0	6.1	7.4	4.7
Singapore	1989	0.4	0.2	0.2	2.5	0.4	0.6
	1995	0.0	0.0	0.0	0.0	0.0	0.0
	2002	0.0	0.0	0.0	0.0	0.0	0.0
Thailand	1989	38.7	31.7	30.0	24.3	39.0	34.9
	1993	45.6	41.5	40.3	33.9	47.2	43.7
	2001	14.7	8.7	16.2	4.7	14.6	9.7
Vietnam	1994	14.1	13.0	20.9	46.7	13.9	13.1
	1999	16.3	15.0	18.2	17.4	15.8	14.5
	2001	15.0	17.4	19.6	20.7	14.7	16.3

World Development Indicators (various Issues)

A – Simple Mean Tariff; B – Weighted Mean Tariff

Table 7: Tariff Barriers in Africa

Country	Year	All Products		Primary Products		Manufactured Products	
		A	B	A	B	A	B
Mauritius	1995	35.7	22.5	26.0	25.7	37.2	22.9
	1997	29.1	31.9	19.7	19.1	31.7	36.0
	2002	25.1	15.8	20.1	9.0	25.8	14.4
South Africa	1988	11.4	7.7	4.8	3.6	11.8	12.3
	1997	8.7	6.6	8.0	4.4	8.9	7.1
	2001	9.8	3.6	7.5	2.0	9.5	5.8

World Development Indicators (Various Issues)

A – Simple Mean Tariff; B – Weighted Mean Tariff

Table 8: Tariff Barriers in Latin America

Country	Year	All Products		Primary Products		Manufactured Products	
		A	B	A	B	A	B
Argentina	1992	14.9	13.4	8.1	5.8	14.8	13.6
	1997	11.3	11.3	8.4	5.6	11.9	12.7
	2002	14.6	11.9	10.9	8.0	14.8	12.2
Brazil	1989	43.5	35.6	31.5	18.6	44.0	37.1
	1997	11.9	14.6	8.6	7.1	12.6	16.4
	2002	14.9	9.9	10.9	4.8	15.1	12.0
Chile	1992	11.0	11.0	11.0	11.0	11.0	11.0
	1998	11.0	10.9	11.0	11.0	10.9	10.9
	2002	7.0	7.0	7.0	7.0	7.0	6.9
Paraguay	1991	16.1	13.9	14.1	3.6	15.7	14.5
	1996	9.3	8.3	8.9	6.2	9.4	8.8
	2001	13.9	12.5	12.8	3.2	13.6	11.9
Uruguay	1992	6.7	6.7	7.9	5.8	7.0	5.8
	1997	10.0	8.3	8.8	5.5	10.3	9.0
	2001	13.3	6.5	8.9	2.8	13.4	8.1

World Development Indicators (Various Issues)

A – Simple Mean Tariff; B – Weighted Mean Tariff

Table 9: The Current Trade Scenario between the proposed

(US $ Mn)

Countries	Export				Import			
	2002-03		2003-04		2002-03		2(103-04	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank
West Asia								
Afghanistan	0.1153	73	0.2279	54	0.0301	79	0,0518	69
Bahrain	0.1888	58	0.1748	59	0.1972	44	0.0954	54
Kuwait	0.475.3	37	0.4998	35	0.2923	37	0.1823	44
Oman	0.3767	42	0.4057	39	0.0225	86	0.0651	64
Qatar	0.182.3	59	0.2012	56	0,1841	45	0.2394	41
Saudi Arabia	1.7844	14	1.7595	16	0.8219	24	0.9440	21
United Arab Emirates	6.3117	*i*	8,0285	*2*	1.5583	17	2.6.358	13
South Asia								
Bangladesh	2.2307	11	2.7266	*9*	0.1010	57	0.099.3	52
Bhutan	0.0741	89	0.1402	68	0.0524	66	0.0670	63
Maldives	0.0599	95	0.0663	90	0.0005	156	0.0005	156

Nepal	0.6646	33	1.0484	25	0.4588	30	0.3660	31
Pakistan	0.3911	39	0.4494	36	0.07.30	61	0.0738	60
Sri Lanka	1.7469	15	2.0663	12	0.1479	50	0.2492	40
East And South-East Asia								
Brunei Darussalam	0.0084	155	0.0072	159	0.0005	157	0.0004	158
Cambodia	0.0376	109	0.0291	117	0.0010	144	0.0004	160
China. PR	3.7472	6	4.6287	5	4.5464	4	5,1865	3
Indonesia	1.5669	16	1.7656	15	2.2485	13	2.7154	11
Japan	35357	7	2.6773	11	2.9902	9	3.4136	9
Lao People's Democratic Republic	0.0030	175	0.0007	201	0.0002	166	0.0002	168
Malaysia	1.4214	18	1.3984	19	2.3862	II	2.6188	14
Mvanmar	0.1424	62	0.1404	67	0.5472	28	0.5234	28
Philippines	0.8953	29	0.5036	34	0.2015	4.3	0.156.3	46
Republic of Korea	1.2232	23	1.1980	21	2.4784	10	3.6202	8
Singapore	2.6965	9	3.3282	7	2.3364	12	2.6684	12
Thailand	1.3490	19	1.3027	20	0.6171	27	0.7793	25
Vietnam	0.6400	34	0.6429	32	0.0475	67	0.0489	70
Africa								
Botswana	0.0077	159	0.0105	145	0.0000	182	O.OOOI	178
Mauritius	0.3118	46	0 3180	45	0.0263	81	0.0097	103
Namibia	0.0094	149	0.0120	143	0.0053	117	0.0001	173
South Africa	0.9180	27	0.8448	29	3.4089	8	2.4302	15
Swaziland	0.0245	121	0.0455	101	0.0007	150	0.0022	1.36
Latin America								
Argentina	0.1144	74	0.1368	72	0.6581	25	0.6705	27
Brazil	0.90	28	0.43	37	0.5158	29	0.4012	29
Chile	0.1368	63	0.1.300	74	0.2724	40	0.2006	42
Paraguay	0.0130	138	0.0166	138	0.0010	143	0.0010	145
Uruguay	0.0320	114	0.0305	114	0.0076	107	0.0131	96

Source: www.commerce.nic.in

Table 10: An analysis of India's submissions at WTO[29]

[1] Submissions under service trade include informal submissions to WTO as well.

Subject Area	1997	1998	1999	2000	2001	2002	2003	2004	
Agriculture	7	7	0	5	6	1	6	7	34
Competition Policy	1	3	0	1	0	2	0	0	7
Dispute Settlement	0	0	0	0	0	4	1	0	5
Environment	2	2	0	.1	0	0	1	0	g
General Council	0	4	29	1	7	1	8	1	51
Investment	1	1	4	1	1	4	0	0	12
Non-Agricultural Market Access	0	0	0	0	0	'	4	0	5
WTO Rules	0	0	0	0	0	7	s	0	7
Services	.1	1	0	2	1	1	5	5	18
TRIPS	0	0	2	7	4	4	1	1	19

Source: Compiled from documents in http://w\v\v.commerce.nic.in/indian wtopaper.htm

[29] Submissions under service trade include informal submissions to WTO as well.

Table 11: Non-Tariff Barriers faced by Select WTO Members

United States	European Communities	Japan
India		
• Technical Standards • Environmental Regulations • SPS Measures • Anti-Dumping and Countervailing Measures • Government Procurement and Domestic Preference Legislation	• Anti-Dumping Measures • Technical Standards • SPS Measures • Child Labour	• Technical Standards
China		
• MFA Quota • Anti-Dumping Measures • SPS Measures	• Anti-Dumping Measures • Various regulations on imports from China	• Technical Standards

• Packaging Quarantine • Label requirements • Technical Standards • Environmental Regulations	• Safeguards • Technical Standards • Environmental Regulations • SPS Measures	
Bangladesh		
• Child Labour Laws • MFA Quota • Technical Standards	• Sanitary Regulations • Technical Standards	• Technical Standards
Singapore		
• Anti-Dumping Measures • MFA Quotas	• Anti-Dumping Measures • MFA Quotas	
Sri Lanka		
• Anti-Dumping Measures	• Procedural hassles	• Technical Standards

• MFA Quota • Countervailing duties	• Anti-Dumping Measures	

Source: Constructed from the analysis in ESCAP (2000)

Table 12: An Analysis of degree of Cooperation between India and potential

(Number of Submissions)

Countries	WTO Disciplines						
	A	B	C	D	E	F	G
West Asia							
Afghanistan	-	-	-	-	-	-	-
Bahrain	-	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-
South Asia							
Bangladesh	-	-	8	-	-	-	1
Bhutan	-	-	-	-	-	-	-
Maldives	-	-	2	-	-	-	-
Nepal	-	-	-	-	-	-	-
Pakistan	5	2	15	1	-	8	5
Sri Lanka	4	2	11	-	-	1	7
East And South-East Asia							
Brunei Darussalam	-	-	-	-	-	-	-
Cambodia	-	-	-	-	-	-	-
China, PR	3	-	5	1	-	5	-
Indonesia	4	1	21	-	1	5	1
Japan	1	-	-	-	-	1	-
Lao People's Democratic Republic	-	-	-	-	-	-	-
Malaysia	2	3	15	-	1	4	1
Myanmar	-	-	-	-	-	-	-
Philippines	4	-	5	-	-	5	1
Republic of Korea	3	-	-	-	-	1	-
Singapore	-	-	-	-	-	1	-
Thailand	2	-	5	-	-	5	4
Vietnam	-	-	2	-	-	-	-
Africa							
Botswana	2	-	5	-	-	-	1
Mauritius	2	-	4	-	1	-	4
Namibia	1	-	1	-	-	-	1
South Africa	2	-	1	-	-	-	1
Swaziland	1	-	1	-	-	-	1
Latin America							
Argentina	3	-	-	-	-	4	1
Brazil	3	-	2	-	-	4	4
Chile	3	-	-	-	-	4	-
Paraguay	3	-	1	-	-	1	-
Uruguay	1	-	-	-	-	-	-

Compiled from India's Proposals to WTO

A – Agriculture**; B** – Dispute Resolution**; C** – general Council**; D** – Investment**; E** – Non-Agricultural Market Access**; F** – Services**; G** – TRIPS

Annexure 1: Description of RTAs and Pressure Groups

African Group (41 countries): Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Cote d'lvoire, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius. Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia. Uganda, Zambia, Zimbabwe.

African Union/Group, ACP, least-developed countries (also known as "G-90", but with 64 **WTO** members): Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia. Cameroon, Central African Republic, Chad, Congo, Cote d'lvoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe.

Andean Group: Bolivia, Colombia, Ecuador, Peru and Venezuela.

Asia Pacific Economic Cooperation (APEC): Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, the Russian Federation, Singapore, Taiwan (China), Thailand, United States and Vietnam.

Association of Caribbean States (ACS): Antigua and Barbuda, the Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, the Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago and Venezuela.

Association of South-East Asian Nations (ASEAN): Brunei, Cambodia (from October 2004), Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand.

Bangkok Agreement: Bangladesh, India, Republic of Korea, Lao People's Democratic Republic, Philippines, Sri Lanka and Thailand.

Cairns Group: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia. Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

Caribbean Community and Common Market (CARICOM): Antigua and Barbuda, the Bahamas (part of the Caribbean Community but not of the common market), Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

Central American Common Market (CACM): Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Central American Group of Four: El Salvador, Guatemala, Honduras and Nicaragua.

Central European Free Trade Area (CEFTA): Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Cross-Border Initiative: Comoros, Kenya, Madagascar, Malwai, Mauritius, Namibia, Rwanda, Sechelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

East Asian Economic Caucus (EACS): Brunei, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan (China) and Thailand.

Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote d'lvoire, the Gambia, Ghana, Guinea. Guinea-Bissau, Liberia, Mali, Mauritania, Niger. Nigeria. Senegal, Sierra Leone and Togo.

European Union (**EU**): Austria, Belgium, Denmark, Finland. France, Germany, Greece. Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. However, in April 2004 ten East European Republics have joined the Union - Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

G-10: Bulgaria, Iceland, Israel, Japan, Korea, Republic of, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei (Also referred as "European-East Asian grouping").

G-20: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Thailand, Venezuela, and Zimbabwe.

G-33: The G-33 is also known as the SP/SSM Alliance to champion the concepts and provisions of Special Products and Special Safeguard Mechanisms. The Group comprises 42 developing countries of the WTO. They are: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Cote d'lvoire, Congo, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Mongolia, Montserrat, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, The Philippines, Peru, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

Indian Ocean Commission: Comoros, Madagascar, Mauritius, Reunion and Seychelles.

Latin American Integration Association (LAIA): Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

MERCOSUR (South Cone Common Marker): Argentina, Brazil, Paraguay and Uruguay.

North American Free Trade Area (NAFTA): Canada, Mexico and the United States.

South African Development Community (SADC): Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

South Asian Association for Regional Cooperation (SAARC): Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

West African Economic and Monetary Union (UEMOA): Benin, Burkina Faso, Cote d'lvoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. **Source:** WTO and World Development Indicator

Annex 2: Descriptions of HS setions

HS Section	Product Description
I	Live animals, animal products
II	Vegetable products
III	Animal or vegetable tats & oils & their cleavage products: animal or vegetable waxes
IV	Prepared foodstuffs, beverages and tobacco
V	Mineral products
VI	Products of the chemical and the allied industries
VII	Plastics & rubber
VIII	Hides & skins: leather products, furskins and articles thereof
IX	Wood, cork & articles thereof: manufacture of plaiting materials: basket ware & wickerwork
X	Paper & paper-board & articles thereof
XI	Textile & textile articles
XII	Foorwear, headgear, umbrellas: prepared feathers & articles thereof
XIII	Stone, cement and similar materials; ceramic products: glass & glassware
XIV	Pearls, precious and semi-precious stones/ metals & articles thereof; imitation Jewellery & coin
XV	Base metals & articles of base metals
XVI	Machinery & their parts, electrical & electronic equipment, parts thereof
XVII	Transport equipment
XVIII	Instrument & apparatus: clocks & watches; parts & accessories thereof
XIX	Arms & ammunition; parts & accessories thereof
XX	Miscelaneous manufactured articles
XXI	Works of art, collectors' pieces and antiques

Annexure 3: The submissions by India in association with other potential FTA partners at WTO

No.	Details of the proposal	Number of countries supporting the Proposal (Incl. India)	Number of countries currently Part of Preferential
Agriculture			
1	"G-33 views on the Market Access Pillar" (Document No. JOB (04V65. Dated 1 June 2004)	42	8
2	G-20 views on "The Blended Formula" (Document No. TN/AG/GEN/9. Dated 7 May 2004)	20	10
3	Agriculture - Framework Proposal (Document No. JOB(03)/162/Rev. 1, Dated 29 August 2003)	20	9
4	"Paragraph 18 of The Draft Ministerial Text'" (Document No. JOB (03)/150. Dated 29 August 2003)	12	4
5	"Strategic Products" (Document No. JOB (03)/59. Dated 20 March 2003)	12	4
6	Countries in favour of the Uruguay Round approach to tariff reductions (Document No. JOB(03)/53, Dated 11 March 2003)	60	6
7	Export Credits for Agricultural Products (Document No. G/AG/NG/W/139**;** G/AG/W/50**,** Dated 21 March 2001)	10	6
8	"Operation of the Green Box: Issues Raised by Members in AIE Papers' and Pre-Seattle Submissions - A Compilation by the Secretariat" (Document No. G/AG/NG/S/18, Dated 16 October 2000		
9	"Market Access" (Document No. G/AG/NG/W/37/Corr. 1, Dated 11 October 2000)	12	2
10	"Market Access" (Document No. G/AG/NG/W/37, Dated 28 September 2000)	11	2
Dispute Settlement			

1	"Dispute Settlement Understanding Proposals: Legal Text" (Document No. TN/DS/W/47. Dated 11 February 2003)	7	1
2	"Negotiations on the Dispute Settlement Understanding: Special and Differential Treatment for Developing Countries" (Document No. TN/DS/W/19, Dated 9 October 2002)	9	4
3 4	"Negotiations on the Dispute Settlement Understanding" (Document No. TN/DS/W/18/Add.l, Dated 9 October 2002)	8	3
	"Negotiations on the Dispute Settlement Understanding" (Document No. TN/DS/W/18. Dated 7 October 2002)	8	3
	General Council		
1	"Doha work programme on Special and Differential Treatmentand outstanding implementation issues" (Document No. WT/GC/W/528. TN/C/W/16, Dated 5 April 2004)	LDCs. and ACP countries	14
2	"Singapore Issues: The way forward" (Document No. WT/GC/VV/522. Dated 12 December 2003)	LDCs+ 15 countries	13
3	"Paragraphs 13. 14. 15 & 16. Dealing with Singapore Issues, of the draft Cancun Ministerial text contained" (Document No. WT/GC/W/514/Corr.l. Dated 4 September 2003)	16	6
4	"Paragraphs 13, 14. 15 & 16, dealing with Singapore Issues, of the draft Cancun Ministerial text" (Document No. WT/GC/W/514. Dated 28 August 2003)	16	6
5	"Anti-dumping Actions in the Area of Textiles and Clothing: Proposal for a Specific Short-Term Dispensation in Favour of Developing Members" (Document No. WT/GC/W/502. Dated 14 July 2003)	11	6
6	"Trade in Textiles and Clothing: Developing Members' concern about potential reduction in market (quota) access in 2004" (Document No. WT/GC/W/503, Dated 14 July 2003)	15	9

7	"Comments on the EC communication (WT/GC/W/491) on the modalities for the Singapore issues" (Document No. WT/GC/W/501. Dated 8 July 2003)	12	4
8	"Preparatory process in Geneva and negotiating procedure at the ministerial conferences" (Document No. WT/GC/W/471, Dated 24 April 2002)	15	5
9	"Proposal to Council for Trade-Related Aspects of Intellectual Property Rights" (Document No. IP/C/W/312, WT/GC/W/450. Dated 4 October 2001)	60	13
10	"Proposal for a Framework Agreement on Special and Differential Treatment" (Document No. WT/GC7W/442. Dated 19 September 2001)	12	4
11	"Proposal for the Establishment of a Working Group for the Study of the Inter-relationship between Trade and Transfer of Technology" (Document No. WT/GC/W/443, Dated 18 September 2001)	12	4
12	"Proposal for the Establishment of a Working Group for the Study of the Inter-Relationship between Trade and Finance" (Document No. WT/GC/W/444, Dated 18 September 2001)	12	4
13	"Proposal for the Establishment of a Working Group for the Study of the Inter-Relationship between Trade and Debt" (Document No. WT/GC/W/445. Dated 18 September 2001)	12	4
14	"Principles and Organization for the Future Work Programme of the World Trade Organization" (Document No.WT/GC/W/375. Dated 18 October 1999)	17	5
15	"Implementation Issues to be Addressed Before/At Seattle" (Document No. WT/GC7W/354. Dated 11 October 1999)	12	4
16	"'Implementation Issues to be Addressed in the First Year of" Negotiations" (Document No. WT/GC/W/355. Dated II October 1999)	12	4
17	"Transfer of technology provisions in the WTO provisions" (Document No. VVT/GC/W/327/Add. 1. Dated 28 September 1999)	6	2
18	"Transfer of Technology Provisions in the WTO Agreements" (Document "No. WT/GC/W/327. Dated 22 September 1999)	6	*2*

19	"Proposal Regarding Extension of Protection of Geographical Indications under Paragraph 9(a) (i) of the Geneva Ministerial Declaration" (Document No. WT/GC/W/208. Dated I7.lune 1999)	8	2
20	"Agreement on Subsidies and Countervailing Measures"' (Document No. WT/GC/W/164/Rcv.2. Dated 14 June 1999)	9	2
21	"Agreement on Subsidies and Countervailing Measures (Document No. WT/GC/W/164/Rev.l. Dated 4 June 1999)	9	2
Investment			
1	"Investors' and Home Governments' Obligations" (Document No. WT/WGTI/W/152, Dated 19 November 2002)	6	2
Non-Agricultural Market Access			
1	"Market Access for non - agricultural products" (Document No. TN/MA/W/31. Dated 25 March 2003)	10	3
Services			
1	"Review of Progress as established in Paragraph 15 of the Guidelines and Procedures for the Negotiations" (Document No. TN/S/W/19. Dated 31 March 2004)	18	7
2	"Joint Statement on Liberalization of Mode 1 under GAIS negotiations" (Document No. JOB(04)/87, Dated 28 June 2004)	3	1
3	"Mode 4-Transparency Issues" (Informal Paper) Document No. JOB(04)/I42, Dated 29 September 2004)	14	7
4	""Review of Progress in Negotiations, Including Pursuant to Paragraph 15 of the Guidelines for Negotiations" (Document No. TN/S/W/23, Dated 29 September 2004)	9	4
^	"'Joint Statement on the Implementation of Paragraph 15 of the Guidelines and Procedures for the Negotiations" (Document No. TN/S/W/16, Dated 25 July 2003")	18	4
6	"Proposed Liberalization or Mode 4 Under GAIS Negotiations" (Document No. TN/S/W/14, Dated 3 July 2003)	14	6
7	"Joint Statement on the Negotiations on Maritime Transport Services" (Document No. TN/S/W/11. Dated 3 March 2003	40	7

8	“Assessment of Trade in Services” (Document No s/css/w/114. Dated 24 November 2000)	10	1
9	"Elements for Negotiating Guidelines and Procedures" (Document No. S/CSS/W/h. Dated 24 November 2000)	23	10
TRIPS			
1	"The relationship between the TRIPS Agreement and the Convention on Biological Diversity (Document No. IP/C/W/420. Dated 2 March 2004)	7	2
2	"The relationship between the TRIPS Agreement and the Convention on Biological Diversity and the protection of Traditional Knowledge" (Document No. IP/C7W/403. Dated 24 June 2003)	9	2
3	"Non-violation and situation nullification or impairment under the TRIPS Agreement" (Document No. IP/C7W/385. Dated 30 October 2002)	14	5
4	"The extension of the additional protection for Geographical Indications to products other than wines and spirits" (Document No. 1P/C7W/353. Dated 24 June 2002)	21	4
5	"Work on issues relevant to the protection of Geographical Indications" (DocumentNo.1 P/C/W/308/Rev. 1. Dated 2 October 2001)	19	3
6	"TRIPS and Public Health" (Document No. IP/C/W/296, Dated 29 June 2001	58	12
7	"Extension of the protection of Geographical Indications for wines and spirits to geographical indications for other products" (Document No. llVC/W/247/Rcv.l, Dated 17 May 2001)	17	3
8	“Implementation of article 24.1 - extension of additional protection for Geographical Indications to products other than wines and spirits" (Document No. I P/C/W/204/Rev. I. Dated 2 October 2000)	12	2
9	"Extension of the protection of Geographical Indications for wines and spirits to geographical indications for other products" (Document No. IP/C/W/247.Dated 29 March 2001)	13	2
10	Implementation of article 24.1 – extension of additional protection for Geographical Indications to products other than wines and spirits" (DocumentNo.IP/C/W/204.Dated18September 2000)	9	1

Constructed from India’s joint submissions to WTO

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