

## India's regional & preferential trading arrangements

6.123 In the past, India had adopted a very cautious and guarded approach to regionalism. Recognizing that Regional and Preferential Trading Agreements (RTAs) would continue to feature prominently in world trade, India began concluding in principle agreements and moving in some cases even towards Comprehensive Economic Cooperation Agreements (CECAs). Some of the recent developments related to major FTAs/RTAs/CECAs are the following.

- (i) *India-EU Trade and Investment Agreement Negotiations*: A High Level Trade Group (HLTG) was set up as mandated by the India-EU Summit in New Delhi on September 7, 2005. Commencement of negotiations on a broad-based bilateral Trade and Investment Agreement was accepted by India and EU and negotiations commenced in June 2007. The third round of negotiations was held in Brussels in December 2007.
- (ii) *India-Japan EPA/CEPA Negotiations*: During the visit of the Indian Prime Minister to Japan in December 2006, it was decided to launch negotiations for concluding an Economic Partnership Agreement (EPA/CEPA) between the two countries. The Joint Task Force (JTF) constituted for this purpose held its first meeting from January 31 to February 2, 2007, in New Delhi. The terms of reference for negotiations were agreed upon in this meeting and negotiations are being held on FTA in goods, services, investment and other areas of cooperation. So far, five rounds of talks have been held and negotiations are likely to be concluded by 2008.
- (iii) *India-Korea Comprehensive Economic and Cooperation Partnership Agreement (CECPA)*: India and Korea are negotiating a CECPA covering goods, services and investment and nine rounds of negotiations have been held.
- (iv) *Framework Agreement on the BIMSTEC FTA*: The Framework Agreement on the BIMSTEC (Bay of Bengal initiative for Multi-sectoral Technical & Economic Cooperation) Free Trade Area was signed

in February 2004 by Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. The FTA in goods, services and investment is under negotiations.

- (v) *Asia Pacific Trade Agreement (APTA)*: The Asia Pacific Trade Agreement (APTA) including Bangladesh, Republic of Korea, Sri Lanka, China, Lao PDR and India had three rounds of negotiations and implemented the third round concessions from September 1, 2006. The Second Session of the Ministerial Conference was held in Goa in October 2007, and the ministers declared launching of the fourth round of trade negotiations.
- (vi) *Global System of Trade Preferences (GSTP)*: Two rounds of negotiations were held under GSTP signed in April 1998 with 44 developing countries having acceded to this agreement. The third round of negotiations, launched in June 2004, was expected to conclude by the end of 2007.
- (vii) *India-Chile Framework Agreement on Economic Cooperation*: A Framework Agreement on Economic Cooperation was signed between India and Chile on January 20, 2005. The Agreement on PTA was signed on March 8, 2006, and has been implemented in August 2007.

6.124 PTA/CECPA between India & Mauritius, Framework Agreement with South Africa Customs Union (SACU), India-Israel Preferential Trade Agreement, Framework Agreement on CECA between ASEAN and India are at different stages of negotiations and implementation. Besides the Joint Task Force between India and China, Joint Study Groups (JSGs) have also been set up for examining feasibility of CECA between India-Brazil-South Africa; India-Russia; and India-Malaysia. The reports of the JSGs are at various stages of completion.

6.125 In India's PTAs/FTAs/RTAs, the neighbouring countries of India like Bangladesh, Sri Lanka, Bhutan and Nepal figure again and again. In the case of most of the RTAs/FTAs which have been implemented, value of exports is generally higher than imports. Import and export growth rates have increased immediately after the RTAs/FTAs were implemented due to unshackling

of restrictions though import growth was generally higher. Studies also show that import growth of preferential items were higher than export growth of preferential items. However, there are other benefits like greater opportunities for investment and services exports. This is also an indication that India has to move more towards CECAs which are FTA plus arrangements.

6.126 One of the important types of preferential trading of India with developed countries is the Generalised System of Preferences (GSP). In 2006, the value of Indian exports to the United States

enjoying the GSP benefits was US\$ 5.67 billion. On the basis of an annual review of the items enjoying GSP benefits, the United States withdrew duty free treatment under GSP with effect from July 1, 2007 for a few Indian products, including gold jewellery and brass lamps. The erosion of concessions under GSP for countries like India, also points to the need for successful conclusion of more beneficial CECAs with one or two major developed countries/country groups which could help in greater inflow of FDI, removal of non-tariff barriers in goods and gain greater market access in services.