A GTRI Flagship Report

Nov 2022

# FTAs:
# Fabulous, Futile, or Flawed?

An evaluation of India's FTAs with ASEAN, Japan and South Korea

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# Preface

## The scope for this work

FTAs have emerged as the trade policy tool of choice for many countries. The WTO database says that world over 355 FTAs are in force.

**But not all FTAs are a win-win game**. While few countries have benefitted, many have yet to see their exports rise post-FTA. Luckily, with three decades of datasets, **we can broadly estimate the impact of an FTA in advance** and much before they are implemented, with a fair degree of accuracy.

India has signed 13 FTAs. Of these, the three comprehensive FTAs with ASEAN, South. Korea and Japan signed in 2010-2011 are considered the most crucial. **How have these FTAs performed in the past ten years?**

Can we use the learnings from these FTAs to **assess the outcomes of the priority FTAs, India is currently negotiating?**

Also, the focus in the new FTAs is shifting from border tariff elimination to domestic policy areas of environment, labour, gender, digital trade, data governance, and many more. **Is India ready to take binding commitments in these areas?**

This report by “The Global Trade Research Initiative (GTRI)” explores answers to many such questions.

The report uses data analysis, insights derived from interaction with users, and our experience negotiating and monitoring India’s FTAs for over a decade.

This report focuses on measurable outcomes. At this stage, **it does not discuss** many important issues:

- Motivations for doing an FTA
- Negotiating vision, process, team, and preparedness
- Role of Industry chambers/bodies during negotiations

The report aims to provide an objective analysis for assisting the Government in framing policies and negotiating trade agreements that best serve the interests of India.

We would **love to get your feedback** at ajay@centrefortrade.com

**Ajay Srivastava**
**Co-Founder**
**Global Trade Research Initiative**

# Executive Summary

## 1. Overview

India's FTA journey is now at an inflection point for two reasons.

- One, **geographical focus shifting from east to west**. After completing FTAs with countries in East Asia (ASEAN, Japan, South Korea), India is now negotiating FTAs with developed western economies, including the UK, EU, USA, Canada, Israel, etc.

- Two, new FTAs would include taking **commitments in the domestic policy areas**. The new subjects include environment, labour, gender, digital trade, data governance, etc. These are in addition to traditional market access areas of Goods and Services.

The above twin shifts in India's FTA journey makes it the right time to reflect how our major FTAs have performed. And use the learning to obtain better outcomes from the new FTAs.

## 2. Performance of India's 3 key FTAs

We have analysed the trade performance of India's FTAs with ASEAN, South Korea, and Japan.

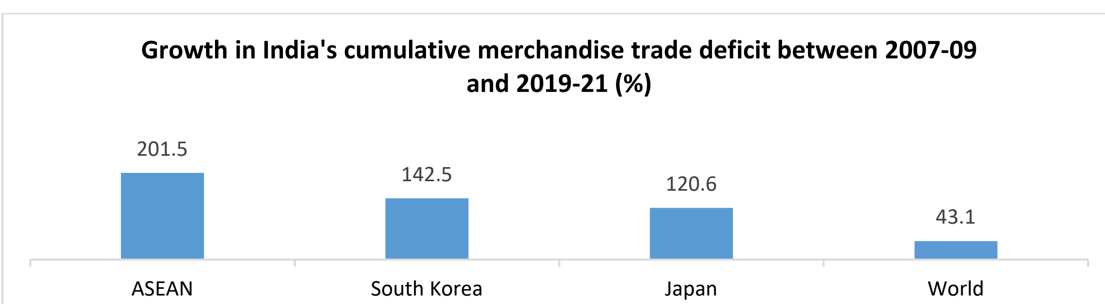
The three FTAs were signed in 2010-2011. We have more than a decade of experience and data to understand the performance.

Indian industry considers these FTAs as the most critical of India's FTAs.

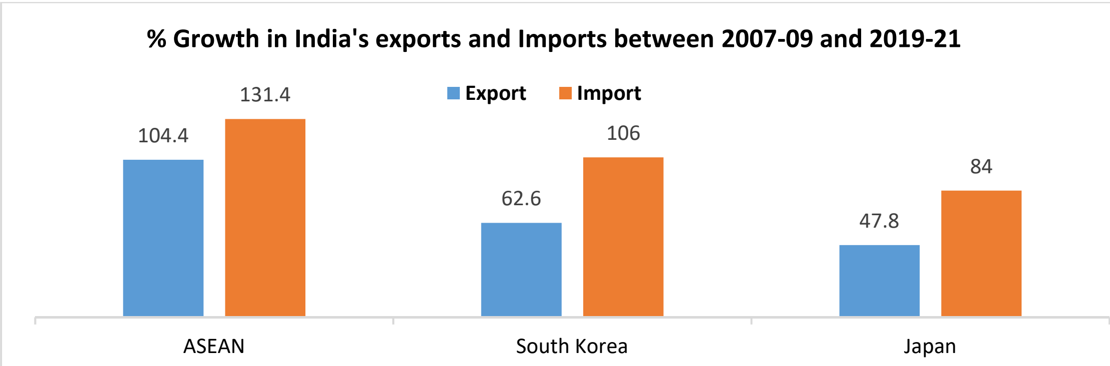
We compared India's trade with these FTA partners during the pre-FTA era (2007-09) and current trade (2019-21). We considered total trade in our analysis as preferential trade data is not in the public domain.

The results show two major trends.

One, **India's cumulative merchandise trade deficit with these 3 FTA partners increased at a much higher rate than India's global trade deficit**: ASEAN-201.5%, South Korea-142.5%, and Japan-120.6%. The deficit with the world grew by 43.1%. The period under consideration is the pre-FTA era (2007-09) and current trade (2019-21).



**Two, India's exports to the three FTA partners have grown at a rate much lower than its imports. This is** evident from the cumulative export and import growth during the pre-FTA and current periods: ASEAN (exports 104.4 %, imports 131.4%), Japan (exports 47.8%, imports 84.0%), and South Korea (exports 62.6 %, imports 106.0%).

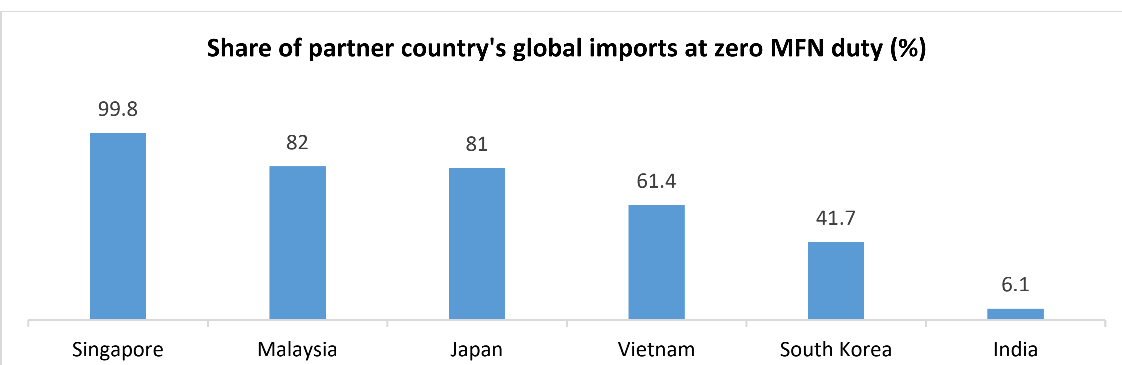



**India's weak export performance with FTA partners should not surprise us**. It happened because of high tariffs in India and significantly lower tariffs in its FTA partners. We could have anticipated the results even before the signing of the Agreements.

The reasons for weak performance are clear. **India gains little from eliminating import duties in the partner countries post-FTA, as most imports take place at zero or low MFN duties**.

For example, consider the trade weightage applied MFN duties of India's FTA partners -Singapore-0%, Japan-2.4%, Malaysia-3.5%, Viet Nam-5.3%, Mauritious-1.1%, UAE-3.5%, Australia-2.6%. **Many firms avoid using the FTA route when import duties are low as the FTA-related compliance cost does not justify the benefits arising from tariff benefits.**

In addition, most trade happens at zero MFN duties in India's partner countries. For example, we list the % of global imports happening at MFN zero duty in India's FTA partner countries: Singapore-99.8%, Malaysia-82%, Japan-81%, Vietnam-61.4%, S. Korea 41.7%. In such cases, FTAs offer no additional market access to Indian exporters.




But the reverse is not valid, as India has higher import duties. Eliminating such duties gives immediate price advantage to products from FTA partner countries.

## 3. Expectations from the FTAs under negotiation

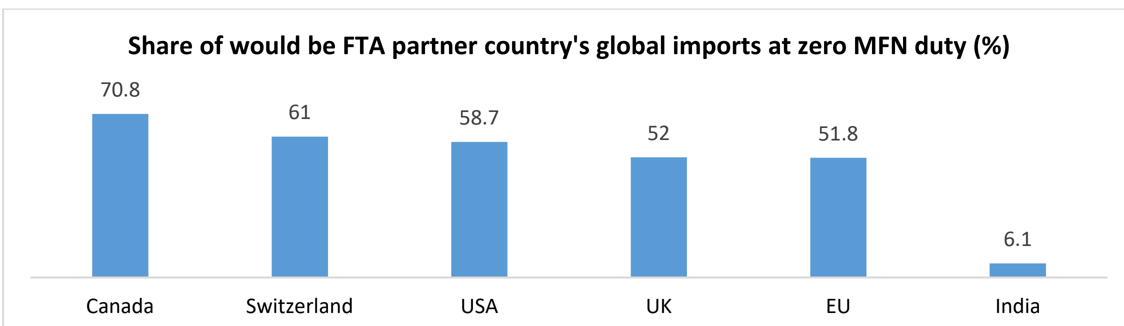
India is negotiating FTAs with the UK, Canada, USA, EU, Israel, etc. Will India's exports to these countries increase post-FTA?

We have applied the learnings from our current FTAs to understand the likely impact on India's trade with the new FTA partners.

**The factors** (low MFN import duties and most imports already at zero or low duties in FTA partner countries) **that resulted in India's weak export performance to the 3 FTA partners** (ASEAN, Japan, and South Korea) **continue to be relevant for new FTA partners as well**.

India's would be FTA partners already have low trade weightage applied MFN duties, as evidenced from the following: United Kingdom- 4.1%, Canada-3.3%, Israel-3.7%, United States of America-2.3%, and European Union-3.2%. On the other hand, India's trade-weighted MFN duty is 12.6%.

Also, a substantial share of their imports is already at zero MFN duties, as would be clear from the following details: Canada- 70.8%, Switzerland- 61%, USA- 58.7%, UK- 52%, EU- 51.8 % In contrast, in India only 6.1 % of global imports are undertaken at zero MFN duty**.**




The above data shows that **India's exports post FTA may gain little** as the partner countries' MFN duties are low, and most imports already happen at zero or low MFN duties.

The reverse will not be true. **India's new FTA partners will gain an immediate price advantage** from duty elimination by India as India's MFN duties are on the higher side.

Also, current imports into India are low at zero or low MFN duties. Most imports take place at high import duties. Post FTA, when duties will come down, a faster increase in imports than exports from the UK, EU, Canada, etc., should not be unexpected.

## 4. Modest gain to labour intensive exports

India’s 60 percent apparel and made up exports go to the USA and the EU. Indian textiles industry expects that FTAs with developed countries will help in a significant jump in India's exports. These countries charge high 4-18% import duties on labor-intensive products like Textiles and apparel, and eliminating import duties should boost India's exports. The duty elimination in the EU or UK will help Indian exports, but the for significant increase we need to strengthen our product profile.

We had similar expectations while negotiating FTAs with another developed country, Japan.

Japan charged a 10% MFN import duty on apparel and, at India's request, eliminated duties post-FTA. But this did not lead to a jump in India's exports. Indian apparel exports in the past 12 years grew from US$ 121 million to just US$ 197 million—a CAGR of 4.1%.

India's textiles and apparel exports to Japan increased by just 43.1% in 12 years. In contrast, India's global exports grew at a much higher rate of 67.9% during this time. The numbers are for cumulative growth and not annual growth.

The reasons could be competition from other countries for the Japanese market, new conditions introduced by Japan, India's weak synthetic apparel profile, etc. These factors would continue to be relevant in FTAs with the EU, Canada, the UK, etc. **India needs to look into specific factors for promoting labour-intensive exports.**

## 5. New issues

In the FTAs under negotiations, India is discussing many new subjects not directly related to trade. The subjects have been included at the request of developed countries. These are Environment, Labour, IPR, Data governance, Digital trade, Gender, SMEs, Anti-Corruption, Good Regulatory Practices, Sustainable Food Systems, etc.

Most of these subjects are important and are being discussed in the specialized multilateral and regional institutions where most countries, including India, are active participants.

Commitments on these issues in FTAs may prove too onerous and would increase the cost of manufacturing and services.

The FTA texts would provide legal justifications to India's FTA partners for imposing non-tariff barriers on imports, ostensibly for promoting sustainability. Thus, the market access that India might expect under the FTA could be undermined by the partner country imposing restrictions for promoting sustainability.

For example, if India's exports fail to meet the stringent environment or labour obligations specified in the FTA, India's apparel exports may become ineligible for benefits under the FTA.

Similarly, taking commitments in data flows and digital trade when the domestic policy frameworks are not ready may not be in India's best interests.

Taking commitment on these may restrict domestic policy space for creating vibrant domestic industry in different sectors, including the digital sector and climate-friendly products.

While India is committed to sustainability and green energy goals, it cannot afford to have the same stringent labour and environmental standards as the advanced countries. For example, very high emission standards can backfire if they lead to fewer jobs and greater poverty.

Even mere reaffirming of international commitments in an FTA empowers the FTA partner to take action in case of failing to meet the goals. This is because the obligations at global forums like those on sustainability are on the best endeavour basis, while in an FTA, they are binding.

**India must do extensive public consultations before taking commitments on these issues.**

Thus, FTAs with developed countries in the present format is double whammy. They offer no significant additional market access to India because of their low MFN import duties. Further, nontrade issues would empower them to impose many NTBs to discourage exports from India.

## 6. Myths surrounding FTAs

**FTAs have given rise to many myths, many of which have no connect with reality**. This report dispels the eight myths surrounding FTAs.

- Most world trade happens through FTAs
- FTAs weaken the WTO
- FTAs lead to accelerated increase in exports
- FTAs promote Domestic Manufacturing
- Countries are rushing to do FTAs
- FTAs lead to enhanced participation in GVCs
- FTAs promote investment
- FTAs lower price

## 7. How much of my product's/country's exports increase post FTA?

Can we make a fair assessment of how much will exports increase post-FTA? Yes, to a fair degree.

All countries before saying yes to new negotiations must make this assessment.

We introduce the concept of Real Additional Market Access (RAMA) to develop a common sense understanding of the likelihood of an increase in exports post-FTA.

The best part is that RAMA can be calculated easily from publicly available trade data by a person using MS Excel.

RAMA can be used in addition to usual tools like smart simulation, Gravity model and GTAP etc.

## 8. Key Messages

**A. Current FTAs**

- Despite its manufacturing and services capabilities, **India, unlike its east Asian neighbours, has been unable to take advantage of its critical FTAs**. The key reason was higher import duties in India compared to FTA partners.

- Indian exports to FTA partners have gained little from the FTA-led elimination of import duties by the partner countries. Thus, **India's FTAs need to improve in the primary objective of promoting exports.**

- As high import duties in India came down post-FTA, **India's FTAs have provided immediate and sharp price advantage to partner country firms exporting to India**, over their competitors. But Indian firms exporting to partner countries had no such luxury as MFN duties were zero or low in most partner countries. This led to a high trade deficit. Hence we say FTAs served partner countries and not our interests.

- Duty-free imports via **FTAs have not led to a reduction in prices**.

**B. New FTAs**

- The increase in trade deficit pattern as noticed in the FTAs with ASEAN, Japan and South Korea will continue in the new FTAs. The key reason would remain higher import duties in India compared to new FTA partners.

- India's already weak FTA outcomes may worsen if it takes obligations in the new issues. Like many developing countries, India has an evolving regulatory framework on most new issues. International commitments must be taken only after the domestic regulatory framework is in place. And both must be in sync.

- New nontrade issues may serve as NTBs and hamper our exports in the future.

- Administrative ministries leading such negotiations must do adequate consultations.

**C. Trade Strategy**

- Due to the noise created by FTAs, we forget that less than 20% of world trade is preferential. To repeat, 80% of world trade happens at non preferential MFN duties.

- Hence, India needs additional strategies to promote trade happening outside of the FTAs' preferential route.

- Most large trading powers have grown by enhancing product-firm-country level competitiveness and reducing MFN import duties. India must focus on these.

**D. No significant harm yet FTA do not serve India’s interests**

- Overall about 10% of India's imports come through the preferential route. This is because most large import products like Petroleum, Gold, and electronics come from non-FTA partner countries.
- **An increase in India's trade deficit with crucial FTA partners does not mean that these FTAs have harmed us in any significant way.**
- Imports from ASEAN, Japan, or S. Korea may have increased even without FTAs considering the efficient product profile of FTA partners.
- But no harm point does not justify them as gains are not balanced and are against India. **The FTAs still need to meet the objective of increase in exports.**
- They have led to significant revenue loss. Also, an increase in imports under a few product groups has harmed many firms.

# The Report

# 1. Introduction-India's 3 key FTAs

## 1.1 FTA selection

We have selected India's three key FTA partners: ASEAN, Japan, and S. Korea, to understand the impact of the FTAs.

India sighed FTAs with these countries in 2010 (ASEAN and South Korea) and 2011(Japan).

We have more than a decade of data and anecdotal experience.

Also, the Indian industry considers these three the most critical of India's FTAs.

This report does not include FTAs with neighbouring countries. India has a positive trade balance with Bangladesh and other neighbouring countries (>US$28 billion in FY2022).

This report also does not include FTAs with Mauritius and UAE, as these have been signed recently, and we do not have adequate information to assess their impact. Mauritius implemented in 2020 and UAE in May 2022.

FTA with Australia has yet to be ratified.

## 1.2 Data limitation

The Indian Government captures the **preferential import data**, but it is not in the public domain.

Since preferences are finalized by importing country customs, no exact mechanism exists to capture **preferential export data** in the country of export. It has to be obtained from the partner country. These are also not in the public domain.

This report uses publicly available total trade data published by DGCI&S, COMTRADE, and WITS.

# 1.3 Outline and trade data

## 1.3.1 ASEAN- India Free Trade Agreement (AIFTA)

### 1.3.1 (a) Overview

ASEAN is a significant trading partner for India. India-ASEAN merchandise trade exceeded US$ 105 billion during 2021-22.

ASEAN’s ten member countries are: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

India - ASEAN- CECA is a set of three agreements on Goods, Services, and Investment.

- Trade in Good agreement was signed on 13th August 2009. Various ASEAN countries started implementing it during Jan 2010-Aug 2011.
- Agreements on Services and Investment were signed in November 2014. These were implemented w.e.f. 1st July 2015.

### 1.3.1 (b) Tariff concessions

In Trade in Goods track, India made one consolidated offer to ASEAN, while each ASEAN member made separate offer to India. India eliminated import duties on about 74% of tariff lines and reduced duties on further 14% tariff lines. ASEANs tariffs offer to India is as follows:

**Table 1-ASEAN tariffs offer to India (% lines)**

| ASEAN member | Elimination | Total Offer |
|---|---:|---:|
| **Brunei** | 80.1% | 84.7% |
| **Cambodia** | 84.1% | 92.0% |
| **Indonesia** | 50.1% | 70.4% |
| **Laos** | 77.5% | 88.5% |
| **Malaysia** | 78.1% | 86.2% |
| **Myanmar** | 73.4% | 81.3% |
| **Philippines** | 75.6% | 88.1% |
| **Singapore** | 100.0% | 100.0% |
| **Thailand** | 75.6% | 85.4% |
| **Vietnam** | 69.7% | 82.2% |

Source: Calculations based on FTA schedules available on the www.commerce.gov.in and ASEAN websites

## 1.3.1 (c) ASEAN-India trade in the past 15 years

**Table 2-India's trade with ASEAN-(US$ Billion)**

| S.No | Years | Export | Import | Deficit | Share of ASEAN in India's Global Exports (%) | Share of ASEAN in India's Global Imports (%) |
|---|---|---|---|---|---|---|
| **1** | 2007 | 13.8 | 21.0 | 7.2 | 9.5 | 9.6 |
| **2** | 2008 | 19.4 | 26.7 | 7.3 | 10.7 | 8.5 |
| **3** | 2009 | 17.9 | 24.0 | 6.1 | 10.1 | 9.0 |
| **4** | **2010** | **23.0** | **29.6** | **6.7** | **10.4** | **8.5** |
| **5** | 2011 | 34.5 | 40.3 | 5.8 | 11.4 | 8.7 |
| **6** | 2012 | 32.3 | 42.7 | 10.4 | 11.2 | 8.7 |
| **7** | 2013 | 37.9 | 42.3 | 4.4 | 11.3 | 9.1 |
| **8** | 2014 | 31.3 | 44.5 | 13.2 | 9.9 | 9.7 |
| **9** | 2015 | 26.4 | 41.5 | 15.1 | 10.0 | 10.6 |
| **10** | 2016 | 26.4 | 38.2 | 11.8 | 10.1 | 10.7 |
| **11** | 2017 | 35.4 | 45.3 | 9.9 | 12.0 | 10.2 |
| **12** | 2018 | 36.1 | 69.4 | 33.3 | 11.2 | 11.2 |
| **13** | 2019 | 34.2 | 57.0 | 22.8 | 10.6 | 11.9 |
| **14** | 2020 | 29.6 | 44.0 | 14.4 | 10.8 | 12.0 |
| **15** | **2021** | **40.7** | **64.8** | **24.2** | **10.3** | **11.4** |

Source: DGCI&S Data available at www.commerce.gov.in

## 1.3.2 India-South Korea CEPA

South Korea is an important trading partner for India. India-Korea merchandise trade exceeded US$ 24 billion during FY 2021-22.

India-South Korea Comprehensive Economic Partnership Agreement (CEPA) was signed on 7th August 2009. It came into effect in January 2010.

The agreement covers Trade in Goods, Investments, Services, and Bilateral Cooperation in areas of common interest.

### 1.3.2 (a) FTA related exchange of tariff concessions

**Table 3-Tariff concessions (% tariff lines)**

| India's offer (% tariff lines) | | South Korea's offer (% tariff lines) | |
|---|---|---|---|
| **Elimination** | Total Offer | Elimination | Total Offer |
| **68.3%** | 83.5% | 87.0% | 95.7% |

Source: Calculations based on FTA schedules available on the www.commerce.gov.in

### 1.3.2 (b) India- South Korea trade in the past 15 years

**Table 4-India's trade with South Korea (US$ Billion)**

| S.No | Years | Export | Import | Deficit | Share of S. Korea in India's Global Exports (%) | Share of S. Korea in India's Global Imports (%) |
|---|---|---|---|---|---|---|
| **1** | 2007 | 2.5 | 5.4 | 3.0 | 1.7 | 2.5 |
| **2** | 2008 | 3.8 | 8.4 | 4.6 | 2.1 | 2.6 |
| **3** | 2009 | 3.8 | 8.2 | 4.5 | 2.1 | 3.1 |
| **4** | **2010** | **3.6** | **9.9** | **6.3** | **1.6** | **2.8** |
| **5** | 2011 | 4.5 | 12.4 | 7.8 | 1.5 | 2.7 |
| **6** | 2012 | 4.1 | 13.7 | 9.6 | 1.4 | 2.8 |
| **7** | 2013 | 4.5 | 12.4 | 7.9 | 1.3 | 2.7 |
| **8** | 2014 | 4.8 | 13.4 | 8.6 | 1.5 | 2.9 |
| **9** | 2015 | 3.6 | 13.1 | 9.5 | 1.4 | 3.3 |
| **10** | 2016 | 3.5 | 12.2 | 8.7 | 1.3 | 3.4 |
| **11** | 2017 | 4.4 | 16.1 | 11.7 | 1.5 | 3.6 |
| **12** | 2018 | 4.8 | 19.7 | 14.9 | 1.5 | 3.2 |
| **13** | 2019 | 4.7 | 16.1 | 11.5 | 1.4 | 3.4 |
| **14** | 2020 | 4.5 | 12.2 | 7.7 | 1.6 | 3.3 |
| **15** | **2021** | **7.1** | **17.1** | **10.0** | **1.8** | **3.0** |

Source: DGCI&S Data available at www.commerce.gov.in

## 1.3.3 India-Japan CEPA

India and Japan are part of QUAD and the Supply Chain Resilience Initiative. India-Japan merchandise trade exceeded US$ 20 billion during 2021-22.

India-Japan Comprehensive Economic Partnership Agreement (CEPA) was signed on August 16, 2011. It came into effect on August 1, 2011.

The agreement covers Trade in Goods, Investments, Services, and Bilateral Cooperation in areas of common interest.

### 1.3.3 (a) Tariff concessions

**Table 5-Tariff elimination offers (% tariff lines)**

| India's offer to Japan | Japan's offer to India |
|---|---|
| **85.9%** | 89.0% |

Source: Calculations based on FTA schedules available on the www.commerce.gov.in

### 1.3.3 (b) India- Japan trade in the past 15 years

**Table 6-India's trade with Japan (US$ Billion)**

| S.No | Years | Export | Import | Deficit | Share of Japan in India's Global Exports (%) | Share of Japan in India's Global Imports (%) |
|---|---|---|---|---|---|---|
| **1** | 2007 | 3.3 | 5.8 | 2.6 | 2.2 | 2.7 |
| **2** | 2008 | 3.6 | 7.8 | 4.2 | 2.0 | 2.5 |
| **3** | 2009 | 3.2 | 6.7 | 3.5 | 1.8 | 2.5 |
| **4** | **2010** | **4.8** | **8.3** | **3.5** | **2.2** | **2.4** |
| **5** | 2011 | 5.6 | 11.2 | 5.6 | 1.9 | 2.4 |
| **6** | 2012 | 6.4 | 12.4 | 5.9 | 2.2 | 2.5 |
| **7** | 2013 | 7.3 | 10.5 | 3.2 | 2.2 | 2.3 |
| **8** | 2014 | 5.8 | 10.0 | 4.2 | 1.8 | 2.2 |
| **9** | 2015 | 4.5 | 9.6 | 5.1 | 1.7 | 2.5 |
| **10** | 2016 | 3.8 | 9.8 | 6.0 | 1.5 | 2.7 |
| **11** | 2017 | 4.5 | 10.5 | 6.0 | 1.5 | 2.4 |
| **12** | 2018 | 4.7 | 15.2 | 10.4 | 1.5 | 2.5 |
| **13** | 2019 | 4.8 | 12.7 | 7.9 | 1.5 | 2.7 |
| **14** | 2020 | 4.0 | 10.2 | 6.2 | 1.5 | 2.8 |
| **15** | **2021** | **6.1** | **14.4** | **8.3** | **1.5** | **2.5** |

Source: DGCI&S Data available at www.commerce.gov.in

# 2. FTA Performance

## 2.1 Summary Data

We have compared India's merchandise trade performance with the 3 FTA partners for Pre FTA (2007-2009) and Post FTA (2019-2021) periods.

The following table captures the key parameters

**Table 7-Increase in Trade Deficit with all 3 FTA partners**

| India's trade with FTA partners | US$ Billion | | | | Percentage |
|---|---|---|---|---|---|
| | Average Exports | Average Imports | Average Trade Deficit | Increase in Deficit (20070-09 vs 2019-21 | % Increase in Deficit (20070-09 vs 2019-21 |
| **ASEAN** | | | | | |
| Pre-FTA (2007-09) | 17.1 | 23.9 | 6.8 | | |
| Post FTA (2019-21) | 34.8 | 55.3 | 20.5 | 13.6 | 201.5 |
| **S. Korea** | | | | | |
| Pre-FTA (2007-09) | 3.3 | 7.3 | 4.0 | | |
| Post FTA (2019-21) | 5.4 | 15.1 | 9.7 | 5.7 | 142.5 |
| **Japan** | | | | | |
| Pre-FTA (2007-09) | 3.4 | 6.8 | 3.4 | | |
| Post FTA (2019-21) | 5.0 | 12.5 | 7.5 | 4.1 | 120.6 |
| **World** | | | | | |
| (2007-09) | 168.2 | 266.9 | 98.7 | | |
| (2019-21) | 331.2 | 472.4 | 141.2 | 42.5 | 43.1 |

Source-DGCI&S Data available at www.commerce.gov.in

**Table 8-Cumulative Growth (%) – During Pre-FTA (2007-09) and Post FTA (2019-21) periods**

| Trade with | ASEAN | Japan | S. Korea | Global |
|---|---|---|---|---|
| **India's exports** | 104.4 | 47.8 | 62.6 | 96.9 |
| **India's imports** | 131.4 | 84.0 | 106.0 | 77.0 |

Source-DGCI&S Data available at www.commerce.gov.in

## 2.2 Lower export growth and Higher import growth

**A country's exports to partner countries are expected to rise at a substantially higher rate post-FTA** due to tariffs and other concessions.

We have calculated India's cumulative export growth during the Pre-FTA (2007-2009) and Post-FTA (2019-2021) periods with the 3 FTA partner countries and the world.

**India's exports to the three FTA partners have grown at a much lower rate than its imports.**

Consider the cumulative export and import growth during the pre-FTA and current periods:

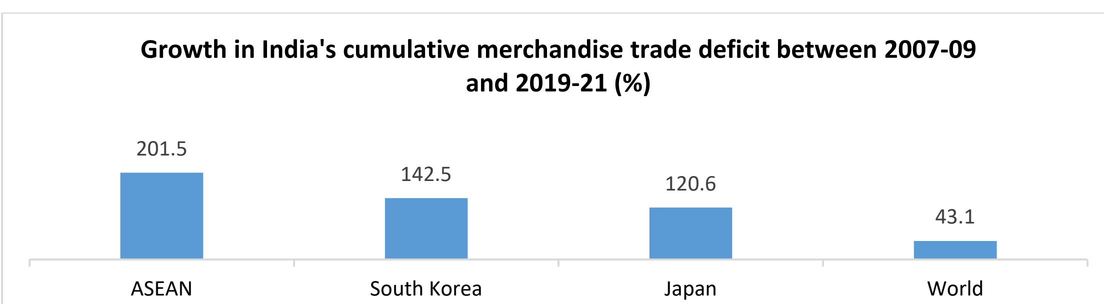
- ASEAN (exports 104.4 %, imports 131.4%),
- Japan (exports 47.8%, imports 84.0%),
- South Korea (exports 62.6 %, imports 106.0%).


## 2.3 Sharp rise in Trade deficit

We have calculated India's cumulative trade deficit growth during the Pre-FTA (2007-2009) and Post-FTA (2019-2021) periods with the 3 FTA partner countries and the world.

India's trade deficit with the 3 FTA partners increased at a much higher rate than its deficit with the world.

- World-43.1%
- ASEAN-201.5%
- S. Korea-142.5%
- Japan-120.6%



# 3. Reasons for weak performance

## 3.1 Little advantage due to import duty elimination

India has a lower growth in exports, higher growth in imports, and a rise in trade deficit with the 3 FTA partners we have studied. This should not surprise us.

A country's exports increase for two broad reasons:

I. Price advantage gained from FTA-led elimination of import duties by the partner countries

II. A general rise in the competitiveness of a product due to the low price arising from economies of scale, innovation, high quality, depreciation of the currency, etc. This leads to an increase in overall exports, including to the FTA partner.

Indian exports to FTA partners have gained little from factor I above (FTA-led elimination of import duties by the partner countries).

Most export growth is due to factor II only.

India gains very little from the elimination of import duties in the partner countries as their MFN duties are low, and most imports happen at zero or low MFN duties.

The reverse is not true, as Indian duties are higher. India's FTA partners gain an immediate price advantage from duty elimination by India as India's MFN duties are on the higher side. Also, imports into India at zero or low MFN duties are low.

## 3.2 Low MFN duties in FTA partner countries

FTA partner countries have low trade weightage MFN duties, and most trade happens at zero or low duties. FTAs offer little market access in such cases. Here are specific details:

### 3.2.1 Low Trade weightage applied MFN duties

Most of India's trade partners have low trade weightage applied MFN duties.

When already low duties come down to zero, margin of profit are low.

| | | | |
|---|---|---|---|
| **Singapore- 0%** | **Philippines- 5.3%** | **S. Korea- 8.9%** | **Australia- 2.6%** |
| **Japan- 2.4%** | **Viet Nam- 5.3%** | **Mauritius- 1.1%** | |
| **Malaysia- 3.5%** | **Thailand- 7.1%** | **UAE- 3.5%** | |

## 3.2.2 Zero MFN duty trade

Most of trade happens at zero MFN duties in India's partner countries. No benefit of FTAs for India in such cases.

- Singapore allows 99.8% of its global imports at zero MFN duty.
- Malaysia allows 82% of its global imports at zero MFN duty.
- Japan allows 81% of its global imports at zero MFN duty.
- Vietnam allows 61.4% of its global imports at zero MFN duty.
- South Korea allows 41.7 % of its global imports at zero MFN duty.

India's FTA partners gain disproportionately from duty elimination by India, as it allows only 6.1 % of its global imports at zero MFN duty.

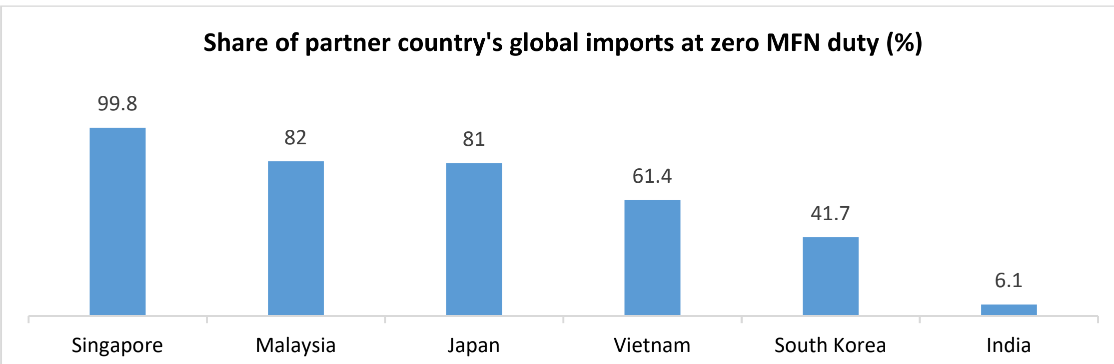


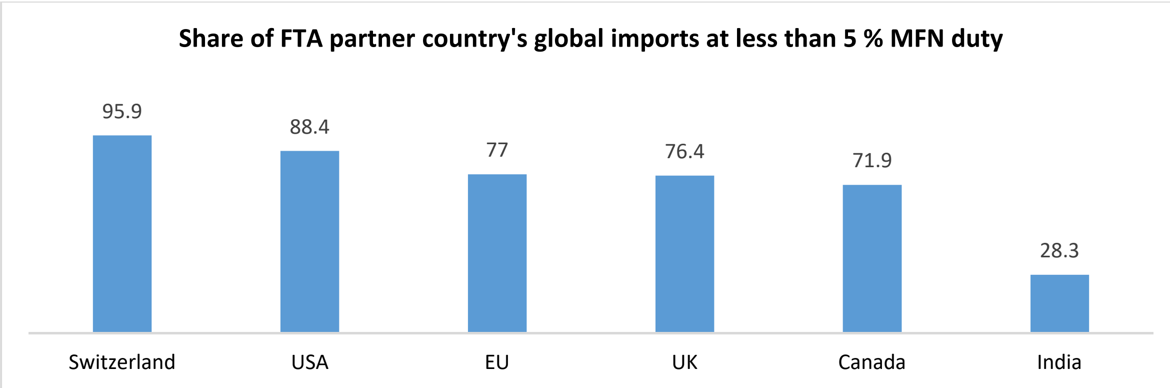

Table 17 gives sector wise details of the share of zero duty imports in the Global imports of India and it's FTA partner countries

## 3.2.3 Low MFN duty trade

Small firms do not use low duty preference of an FTA due to complex Rules of Origin and other FTA conditions.

- Singapore allows 100% of its global imports at less than 5% MFN duty.
- Malaysia allows 86.4% of its global imports at less than 5% MFN duty.
- Japan allows 91.9% of its global imports at less than 5% MFN duty.
- Vietnam allows 73.9% of its global imports at less than 5% MFN duty.
- South Korea allows 66.5 % of its global imports at less than 5% MFN duty.

India’s FTA partners gain as India allows only 28.3 % of its global imports at less than 5% MFN duty.




## 3.3 Low usage by exporters and high usage by importers

FTAs lower the import duty, but if it is already zero, FTAs offer no benefit. This is the biggest reason for Indian firms not using FTAs for exports.

For example, MFN duty in Singapore on all products except alcoholic beverages and tobacco products is zero. India’s exports of alcoholic beverages and tobacco products to Singapore were US$ 68 million in FT2022. Indian exporters of these products would use the FTA route to export to Singapore at zero duty. Others would not use the FTA route as FTA does not offer any benefit. Thus only 6 percent of India’s total exports of US1115 million to Singapore in FY2022[1] would use FTA.

On the contrary, India’s MFN duties are high. When these come down to zero under an FTA, importers get high margins leading to higher utilization of India’s FTAs. On average, India’s FTAs use by importers ranges between 60-70%. While for exports, the usage is estimated in the range of 20-30%. These figures are our estimates based mainly on the fact that most Indian exports end up in FTA partner countries at MFN zero or low duties. The only accurate way is sourcing data from the FTA partner country. Data by Indian agencies issuing certificate of Origin cannot be accurate as importing country Customs takes final call on granting preference.

Because of its high import duties, India is bound to lose the FTA game as far as the trade angle is concerned. The weak performance is mainly due to the asymmetry in tariff structures of India (typically characterized by high tariffs and concentration of most imports in bands of high tariffs) and those of its FTA partners (typically characterized by low tariffs and concentration of most imports in bands of low tariffs).

Gains may be higher with the FTA partners who have high MFN duties.

The choice of an FTA partner and negotiation subjects influences the outcome more than the negotiation process.

[1] https://tradestat.commerce.gov.in/eidb/ecntcom.asp

# 4. Will FTAs under negotiation lead to increase in exports?

## 4.1 Priority FTAs under negotiations

India is negotiating FTAs with the UK, Canada, USA, EU, Israel, and many more countries/regions.

Will India's exports to these countries increase post-FTA?

The factors (Low import duties and most imports at zero or low duties in FTA partner countries) that resulted in weak export performance to the 3 FTA partners (ASEAN, Japan, and South Korea) continue to be relevant for new FTA partners as well.

## 4.2 Low MFN duties in FTA partner countries

Most countries with whom India is negotiating FTAs on priority have low trade weightage MFN duties, and most imports in these countries take place at MFN zero or low duties. FTAs with these countries offer little market access in most products.

Here are specific details:

### 4.2.1 Low Trade weightage applied MFN duties

Most of countries with whom India is negotiating FTAs have low trade weightage applied MFN duties.

- United Kingdom- 4.1%
- Canada-3.3%
- Israel-3.7%
- United States of America-2.3%
- European Union-3.2%
- India-12.6%

## 4.2.2 Zero MFN duty trade

Most of trade happens at zero MFN duties in India's partner countries. No benefit of FTAs for India in such cases.

- Canada allows 70.8% of its global imports at zero MFN duty.
- Switzerland allows 61% of its global imports at zero MFN duty.
- USA allows 58.7% of its global imports at zero MFN duty.
- UK allows 52% of its global imports at zero MFN duty.
- EU allows 51.8 % of its global imports at zero MFN duty.
- India allows 6.1 % of its global imports at zero MFN duty.

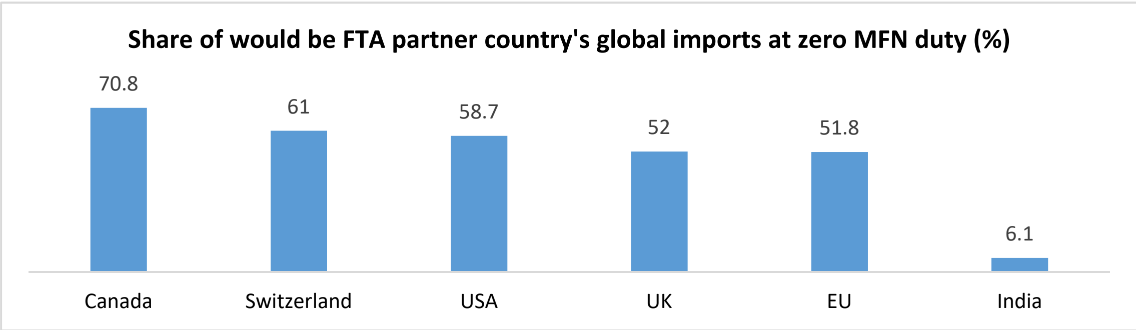
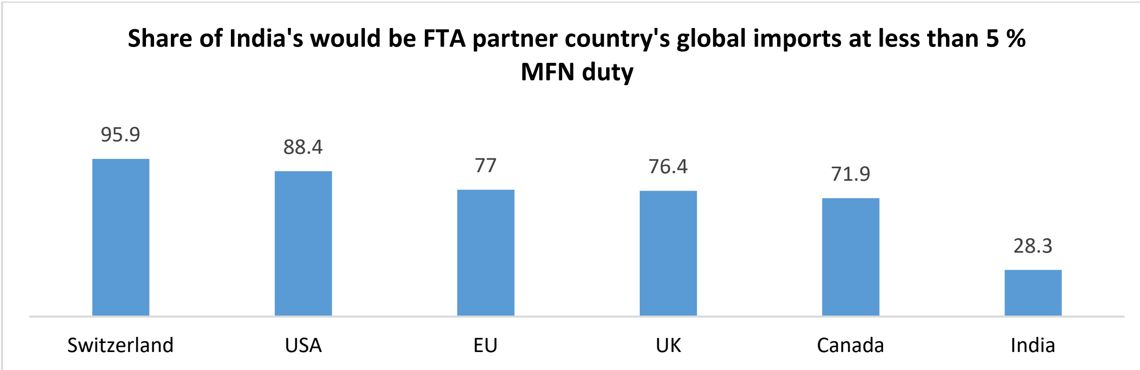



Table 18 gives sector wise details of the share of zero duty imports in the Global imports of India and it would be FTA partner countries

## 4.2.3 Low MFN duty trade

Small firms do not use low duty preference of an FTA due to complex Rules of Origin and other FTA conditions. Substantial trade in partner countries happens at zero-5% duties.

- Switzerland allows 95.9 % of its global imports at less than 5% MFN duty.
- USA allows 88.4% of its global imports at less than 5% MFN duty.
- EU allows 77% of its global imports at less than 5% MFN duty.
- UK allows 76.4% of its global imports at less than 5% MFN duty.
- Canada allows 71.9 % of its global imports at less than 5% MFN duty.
- India allows 28.3 % of its global imports at less than 5% MFN duty.




The above data shows that India will gain very little from the elimination of import duties in the partner countries as their MFN duties are low, and most imports happen at zero or low MFN duties.

The reverse will not be true as Indian duties are higher. India's new FTA partners will gain an immediate price advantage from duty elimination by India as India's MFN duties are on the higher side. Also, imports into India at zero or low MFN duties are low.

## 4.3-Labour Intensive exports

In FY 2022, India exported apparel and Made-ups (HS 61,62,63) of value US$ 23.8 billion. Of these, 60 % of exports went to the USA (US$8.8 billion) and the EU(US$5.4 billion).

Indian textiles industry expects that FTAs with developed countries will help in a significant jump in India's exports.

These countries charge high 4-18% import duties on labor-intensive products like Textiles and apparel, and eliminating import duties should boost India's exports.

For exporting to the EU markets, Indian exporters pay the full duty, while exporters from Vietnam and Bangladesh pay zero duty. Vietnam has an FTA with the EU, while Bangladesh benefits from zero-duty access due to the EU GSP scheme.

The duty elimination in the EU or UK will help Indian exports, but the for significant increase we need to strengthen our product profile. The mere signing of an FTA may not result in a rise in India's labor-intensive Goods exports. India's export of apparel to Japan is an example.

MFN duties on Apparel in Japan are 10%. During the FTA negotiations in 2008-2010, it was thought that if Japan could reduce duties to zero post-FTA, India's apparel exports to Japan would get a significant boost. Both countries agreed to eliminate duties on all apparel from day one of the entry into force of the India –Japan FTA.

But data from the past 12 years show that the expected gains did not happen.

India's Apparel exports during 2007-09 and 2019-21 increased from US$ 121 million to US$ 197 million. Due to this modest increase, the share of Japan in India's global apparel exports of about US$15 billion remains less than 1.4%.

India's textiles and apparel gained little from the FTA with Japan. India's exports to Japan grew from US$ 257.7 million in 2007-09 to US$ 368.6 million in 2019-21, a cumulative growth of 43.1%. India's global exports grew by @67.9% during this time.

So, even the modest increase in exports to Japan may be due to natural growth factors, not FTA.

Competition from more efficient suppliers from China, Vietnam, or Bangladesh could be a reason. Developed countries with high per capita income prefer high-fashion branded apparel produced in large units. While developed countries buy 70% of apparel from mixed synthetics, their share in India's exports is less than 40%. On average, India's labor-intensive manufacturing units employ 20 workers compared to 1000 in China. The imposition of new NTBs also probably slowed the growth.

The report, "**UK India FTA: UKs strategic approach**" published by the Department of International Trade, UK, mentions the following text on garments.

*"In India, the garment industry is one of the main drivers of water stress and water pollution – producing much higher rates than the Minimal National Standard. The chemicals used in textile manufacturing can contaminate water sources In India, the estimated GVA increases in the textiles and apparel sector (by 1.4 to 3.6%) are likely to increase water pollution, all other things remaining equal".*

*"The possible impact on carbon leakage is more uncertain, but estimates suggest that some risks exist in textiles and apparel. Increased market access could facilitate higher levels of trade in sectors where climate mitigation policies differ between the UK and India. These effects will depend heavily upon how the UK and India's environmental policies develop over the coming decades, as well as external factors such as technological change".*

Will the FTA provide legal justifications to India's partners for imposing non-tariff barriers on imports to promote sustainability? If this happens, the market access that India might expect under the FTA could get undermined. India must negotiate these issues carefully.

## 4.4 Why developed country FTA partners will gain more market access?

To understand, let us divide world trade in manufactured goods into two broad groups. (I) Medium- to high-tech goods that account for 70 percent of world trade, and (II) Labour-intensive goods like shirts and shoes that account for the remaining 30 percent.

Developed countries charge zero or low import duties on most medium- to high-tech goods. And high duties on shirts and shoes manufactured by developing countries.

What happens when a developing country enters into an FTA with a developed country?

The developing country gets preferential access for its shirts and shoes in the developed country. In return, it has to remove duty on most products.

The developing country gets additional market access in 30 percent of products. In contrast, the rich nation would get additional market access in 90% plus the value of products (except those kept in the negative list).

## 4.5 New FTAs will restrict domestic policy space

Most new FTAs India is negotiating cover both core subjects as well as many new subjects.

**Table 9-Important subject cover under FTAs**

| Core subjects | Additional subjects |
|---|---|
| **Focus on Market Access** | **Focus on harmonizing Domestic regulation** |
| • Trade in Goods<br>• Trade in Services<br>• Rules of Origin<br>• Technical Barriers to Trade (TBT) and Sanitary and Phyto-sanitary (SPS) measures<br>• Customs Procedures and Trade Facilitation<br>• Trade Remedies<br>• Legal & Institutional Issues<br>• Movement of Natural Persons | • Environment (Sustainability)<br>• Labour (Sustainability)<br>• Geographical Indications (GIs)<br>• Intellectual Property Rights (IPRs)<br>• Digital Trade<br>• Government Procurement<br>• Competition<br>• Gender<br>• SMEs<br>• Anti-Corruption<br>• Transparency<br>• Innovation<br>• Trade & Development Cooperation<br>• Good Regulatory Practices<br>• Animal Welfare<br>• Sustainable Food Practices<br>• State Owned Enterprises<br>• Energy and raw materials |

**Who is pressing for inclusion of new issues in trade agenda?**

The demand for linking new issues with trade in the agenda of every forum, including WTO, G20, and FTAs comes from two key groups: (i) Developed country based lobbying groups that want to blunt the competition from developing countries by raising production costs there ; and (ii) The morally-driven groups that wish to see higher standards abroad.

**India at the forefront in opposing inclusion of new issues at the WTO**

Even though the environment and labour protection are worthy goals for countries to pursue locally, there exist specialized multilateral and regional institutions where developing countries like India are contributing as active participants. Hence, these "trade and…" discussions are, at best, unnecessary and, at worst, an attempt to legitimize trade protectionism.

In Nov 1999, at the WTO Ministerial in Seattle, developing countries including India resisted start of negotiations in new areas such as environment, labor standards, competition policy, and government procurement. They felt that taking obligations on these subjects would erode their domestic policy space, limit the use of the technology available, and restrict exports.

**Sustainability and green energy goals**

India is a signatory to many international environmental conventions like Global Multilateral Environmental Agreements (MEAs). These obligations are like guidelines; the Partner country may impose no penalty if others fail to achieve the agreed targets. However, if such commitments are reiterated in an FTA, they become binding obligations. The same logic applies to sustainable development, labor, gender, and other issues.

Nothing wrong with the higher environmental standards followed by the USA or EU, except they are made for countries with a US$50,000 per capita income. Most economic activity will halt if countries with a per capita income of US$ 2000 use the same standards. Hence, while India is committed to sustainability and green energy goals, it cannot afford to have the same stringent labour and environmental standards as the advanced countries.

Further, the best strategy to attain higher environment/labour standards is through growth and economic development.

**Limit on use of technology**

AT IPEF, members may negotiate accelerated deployment of clean energy technologies, de-carbonization, and methane emissions. Agreeing to standards disproportionate to development levels may limit the use of a particular technology or set limits on emissions.

**Labour standards**

In the United States-Mexico-Canada Agreement (USMCA), an auto component must be made by workers earning at least $16 per hour. Notice that the minimum wage in Mexico is $8 per hour. Most exports will disqualify.

**Patents**

The US pushes its FTA partners to take onerous TRIPS Plus obligations to ensure greater IPR protection for its pharma and technology firms. The US government report, The Economic Impact of Trade Agreements, released by the United States International Trade Commission (USITC) in June 2021, says that the effects of such provisions are ambiguous. This contradicts most academic writings that say TRIPS has spurred trade in IPR-intensive sectors, and TRIPS Plus provisions fare better. But in FTAs, the push may be for the ever-greening of patents at the behest of large pharma. If agreed upon, such provisions will affect the generics business of Indian firms and hurting poor across the world through high prices.

**Digital Trade**

Taking commitments in data flows and digital trade when the policies are evolving may not be in India’s best interests.

It will curtail the ability of the government to implement catch-up policies, and consequently, India may fail to leverage its data advantage.

**Reaffirming international commitments has implications**

Even reaffirming international commitments in an FTA provides a justification to the FTA partner for imposing NTBs on the grounds of sustainability.

**The UK report**

The report, “UK India FTA: UKs strategic approach” published by the Department of International Trade, UK, mentions the following text on garments.

“In India, the garment industry is one of the main drivers of water stress and water pollution – producing much higher rates than the Minimal National Standard. The chemicals used in textile manufacturing can contaminate water sources In India, the estimated GVA increases in the textiles and apparel sector (by 1.4 to 3.6%) are likely to increase water pollution, all other things remaining equal”.

“The possible impact on carbon leakage is more uncertain, but estimates suggest that some risks exist in textiles and apparel. Increased market access could facilitate higher levels of trade in sectors where climate mitigation policies differ between the UK and India. These effects will depend heavily upon how the UK and India’s environmental policies develop over the coming decades, as well as external factors such as technological change”.

Will the FTA provide legal justifications to India’s partners for imposing non-tariff barriers on imports to promote sustainability?

India must do extensive public consultations before committing to new issues.

# Myths Surrounding FTAs

Most world trade happens through FTAs

FTAs promote Domestic Manufacturing

FTA lead to enhanced participation in GVCs

Countries are rushing to do FTAs

FTAs lead to accelerated increase in exports

FTAs promote investments

FTAs have weakened the WTO

FTAs lower Prices

# 5. Myths surrounding FTAs

Here are 6 myths surrounding FTAs. **And the real picture.**

## 5.1 Most world trade happens through FTAs

No.

It is erroneously believed that most world trade happens through the FTA route. In reality, **less than 20% world trade is preferential.**

- Though about 40% of global trade happens among FTA partners, half of this trade happens outside of FTA rules at MFN duties. Estimates suggest that less than 20% world trade takes place through the preferential route. 1
- **Over 50% of world trade takes place at zero MFN duty.**
- About 30% of world trade takes place at low MFN duties.
- Over 60 percent of intra-developed countries' trade occurs at the zero MFN duty.
- 20% of intra-ASEAN trade is preferential- with over **70% of intra-ASEAN trade at MFN zero rate.**

## 5.2 FTAs have weakened the WTO

In his 2008 book titled "Termites in the Trading System: How Preferential Agreements Undermine Free Trade," **Economist Jagdish Bhagwati lamented how an ever-increasing number of FTAs are a threat to the world trading system**. Bhagwati has criticized the FTAs mostly because they lead to trade diversion and trade creation effects.

While the FTAs had the potential, **they could not dent the multilateral trading system as far as standard trade instruments like tariffs are concerned**. Reason: Most (about 83-85 percent) of the world trade takes place outside the FTAs using the MFN duties agreed under the WTO rules.

But, currently, developed countries are using FTAs to get partner countries to take WTO plus obligations in new issues like intellectual property, environment, gender, labour, sustainability, etc. The new FTA obligations will be WTO plus, leaving WTO weak and irrelevant.

[1] https://cepr.org/voxeu/columns/how-preferential-world-trade#:~:text=How%20much%20of%20world%20trade,from%203%25%20to%202%25.

## 5.3 Countries are rushing to do FTAs

Not true.

FTAs are enthusiastically embraced mainly by East Asian economies or countries that have lowered their MFN tariffs close to zero.

Major industrial countries/regions do FTAs selectively.

### The USA

The USA has no FTA with significant economies like E.U., China, Japan, ASEAN, or India.

It has not joined TPP, placed the T-TIP negotiations on hold.

U.S. has renegotiated NAFTA signed in 1994 into USMCA in 2020, making exports from Canada and Mexico to the USA more challenging.

It has also renegotiated its FTA with South Korea.

The new IPEF, under negotiation with India and others, does not include Market Access through tariff elimination.

### The E.U.

The E.U. currently has 41 trade agreements. But these represent just 32% of the E.U.'s external trade. Most of its FTAs are with raw material suppliers and small countries.

No FTA with USA, ASEAN (only with Vietnam), Russia, or China (except on Investment)

## 5.4 FTAs lead to accelerated increase in exports

Not true for India

Since less than 20% of world trade is preferential, we need additional strategies to promote 80% of trade outside of the preferential route.

Also, the mere signing of an FTA does not guarantee an increase in exports. Chances of an increase in exports due to the signing of FTAs are low if import duties in the partner country are low. From this count, FTAs are of minimal use for increasing exports to Singapore, or Hong Kong, as regular (Most Favoured Nation) import duties, are zero. FTAs with Malaysia, Japan, Australia, New Zealand, Brunei, etc., benefit a few product groups only as most imports into these countries happen at zero MFN duty for all countries. There is little additional market access.

The share of ASEAN in India's export was 10.4% in 2010, the year of the signing of the agreement. The share has remained almost the same, even after over a decade.

During this period, India's deficit with ASEAN has expanded from US$6.7 billion to 24.2 billion.

A quantum jump in India's export will require enhancing competitiveness at all levels and changing the product profile of Indian exports.

## 5.5 FTAs promote Domestic Manufacturing

Due to supply chain disruptions post-Covid, many countries are strengthening domestic manufacturing.

The US has an active Make in USA program. The US, in the new IPEF agreement, under negotiation with India and others, does not include Market Access through tariff elimination to protect its industry.

In India, programs like Production Linked Incentive Scheme (PLI), Phased Manufacturing Performance (PMP) recommend zero or low-duty import of inputs and high duty on finished goods to support indigenous production.

**Zero-duty imports of finished Goods from the FTA partners may disrupt many domestic manufacturing programs.**

## 5.6 FTA lead to enhanced participation in GVCs

No.

For example, **GVCs in the East Asian region stabilized by 2005, much before most regional FTAs were signed.**

A successful GVC production requires repeated free movement of components, products, and subassemblies across countries. The precondition is zero import duties across a broad range of inputs and quick passage through Customs and shipping.

Zero MFN duties provide the best conditions for the free movement of Goods across countries. FTA duties must satisfy complex rules of origin and are the second-best option.

The WTO's Information Technology Agreement (ITA-I), signed in 1996, made countries commit to zero duty on many electronics and computer-related products. The ITA-I, with no rules or origin requirements, contributed more to GVC trade in electronics and computer products than any FTA.

The China-ASEAN-Japan-Korea region developed an integrated GVC mainly after implementing the ITA agreement, and much before FTAs among them were signed. FTAs only provided top-up effects.

ASEAN, Japan, and Korea constitute the core of the Asian regional value chain. Despite FTAs with these countries, India has a weak presence in the electronics, machinery, or apparel value chains.

The actual GVC activities are time critical. A country can only become a significant part of such value chains if it has efficient ports, customs, shipping, roads, and regulatory compliance infrastructure.

## 5.7 FTAs promote investment

Evidence is mixed.

**Does a lower import duty regime help in getting significant investments?**

The examples of the automobile industry in Australia and India provide some clues.

Australia, in 1987, produced 89% of the cars it used. It protected the car industry through a high 45% import duty. But the share of locally produced vehicles decreased as Australia reduced the duties gradually. Today, Australia imports nearly all cars as tariffs reached a 5% level. Most manufacturers, such as Nissan, Ford, General Motors, Toyota, Mitsubishi, etc., which produced vehicles in Australia shut shop. Australian Auto industry got wiped out due to inadequate import tariff protection.

On the other hand, India could attract significant car sector investments on account of high import duties (60-125%). This resulted in the development of an indigenous car and auto component industry. Today automobile sector provides for a third of the manufacturing GDP of India.

Most investments result from the package offered by the host country, such as tax cuts, cheap land, power, etc.. **If a country is not the most efficient economy, some import wall level helps get external investments**. Without an import wall, many firms may shift production to the more efficient FTA partner countries for exporting back to the home market.

The quality of investments increases as a country moves towards becoming a more efficient economy. Such countries are in an ideal position to become manufacturing and services hubs.

## 5.8 FTAs lower prices

Do importing country consumers gain from low-priced imports from FTA partners?

Rarely. Not enough literature, evidence.

**The immediate visible effect of an FTA is the transfer of money (otherwise charged as duty on imports) from importing country (India) customs to partner country exporters, with no gains to Indian consumers.**

Let us consider the case of a commodity, say, Copper, where India's import tariff is 20% (hypothetical). Assuming the world price of Copper to be $1000 per ton, the tariff-inclusive price in India would be $1200 per ton. The FTA with Indonesia/ASEAN would allow Indonesia's copper exporters tariff-free access to the Indian market, allowing them to displace some of the Copper previously imported from other countries. However, as Indonesia cannot supply all Copper required by India (that would be worse), some copper would continue to be imported from other countries. Hence, India's domestic price would remain unchanged at US $1200. Other countries will continue to receive US $1000 per ton for Copper, and the Indian customs will collect $200 in duty, and buyers must pay US $1200. However, Since ASEAN copper is exempt from the duty, Indonesian exporters can now receive an extra US$ 200 per ton in revenue. What used to be tariff revenue collected by India now becomes additional revenue for ASEAN firms.

In products where FTA imports face competition from domestic firms, the FTA supplier may offer better terms to importers or reduce prices just enough to have the upper hand in the market. In no case, full margins arising out of duty elimination are passed to consumers.

Worse may happen in products where an FTA partner has a near monopoly. For example, Indonesia imposed an export duty on crude Palm oil sold to India under FTA. So while importing country reduced duty, the exporting country tried earning revenue instead of letting its exporter benefitting from it. Consumers in importing countries continue to pay the same price.

Table 19 contains a partial list of products where ASEAN charges higher prices (unit values) for exports to India than to China and the World. It shows that for many products, ASEAN charges higher prices from Indian importers, compared to China and the world, despite the FTA-led duty elimination/reduction. The analysis is carried out using WITS data for the HS6 digit level. This is the highest level where comparable international data is available. Table 19 data confirms that FTAs do not necessarily lead to lowering prices. However, interested researchers may conduct a product-level analysis for a more precise understanding.

# 6. Assessing likely increase in a product's export post FTA?

Can we make a fair assessment of how much will exports increase post-FTA? Yes, to a fair degree.

We introduce the concept of **Real Additional Market Access (RAMA) to develop a common sense understanding of the likelihood of an increase in exports post-FTA**.

The best part is that RAMA can be calculated easily from publicly available trade data by a person using MS Excel.

RAMA can be used in addition to usual tools like smart simulation, Gravity model and GTAP etc.

Let us understand the three related terms.

- Normal Market Access (NMA)-Total export value
- Additional Market Access Potential (AMAP)-The export value of products where Non zero MFN duty becomes zero post-FTA
- Real Additional Market Access (RAMA)- The export value of products where Non zero MFN duty becomes zero post-FTA, and as a result product becomes cheaper than the price charged by the nearest competitor

An example will illustrate the calculations.

Let us say Country A exports only three products to Country B: shoes ($10 billion), shirts ($20 billion), and cars ($30 billion).

Import duties in B on shoes, shirts, and cars are zero, 5, and 10 percent, respectively. We say A's current NMA in B is $60 billion.

Now, if A and B enter into an FTA and B ends duty on all products, A will get an AMAP of $50 billion for exports of shirts and cars. FTA will not benefit shoes as they already enter B at zero duty. FTA has just created the possibility of more exports of shirts and vehicles from A to B. But this remains a potential.

In reality, more exports will only occur if these products become cheaper (Lower unit values on account of the Customs duty elimination) than similar products supplied by competing countries.

Let us say just cars have become cheaper. Now, there is a real possibility of an increase in the export of vehicles from A to B. So, the baseline RAMA for cars is $30 billion. It should increase over time.

**Table 10-Calculating RAMA: Exports to FTA partner country**

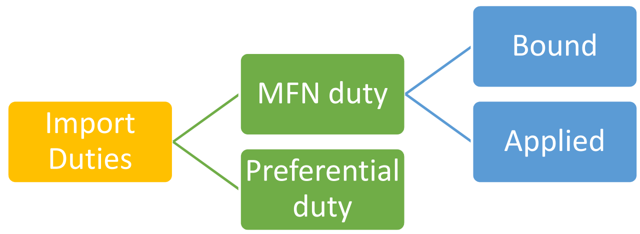
| Product | Exports to partner country | MFN duty in partner country | FTA duty | NMA | AMAP | RAMA | Remarks |
|---|---|---|---|---|---|---|---|
| **Shoes** | 10 | 0 | 0 | 10 | 0 | 0 | No additional Market Access as MFN duty is zero. |
| **Shirt** | 20 | 5 | 0 | 20 | 20 | 0 | No additional Market Access as the unit value of shirt remains higher even after duty elimination compared to Unit Value of nearest supplier |
| **Cars** | 30 | 10 | 0 | 30 | 30 | 30 | Possibility of additional Market Access as the unit value of cars becomes lower due to FTA duty elimination compared to Unit Value of nearest supplier |
| **Total** | 60 | | | 60 | 50 | 30 | |

- **A high RAMA level creates high possibilities for an increase in exports post-FTA.**
- **Finalizing and implementing FTAs with low MFN duty countries does not improve RAMA sufficiently.**
- **Countries entering FTAs must calculate RAMA to understand export and import growth post-FTA.**

# 7. FTA-Basics

## 7.1 Import duty types/ method of calculation

### 7.1.1-Types




| Duty | Types | Meaning | Example, Duty (%) |
|---|---|---|---|
| MFN duty | | MFN refers to Most favoured Nations.<br>MFN duty simply means that for a product, the same duty must be charged on import from all WTO member countries. It's a WTO requirement.<br>MFN duty is of two types: Bound and Applied | |
| | MFN Bound Duty | The bound duty is the maximum MFN tariff for a given commodity.<br><br>Countries agree to bound tariff rates while joining the WTO or while negotiating tariff with each other during trade rounds. | 40 |
| | MFN Applied Duty | Actual imports take place at applied duty.<br>MFN Applied Duty is standard duty charged on import of a commodity from all countries.<br>It could be lower than or equal to bound duty for a commodity. | 20 |
| Preferential duty | | Preferential duty is charged on imports from countries granted preferences under FTA etc.<br>This is lower than the MFN applied duty. | 0 |

### 7.1.2-Method of calculation

| Type of duty | Description or method of calculation |
|---|---|
| **Simple average final bound** | Simple average of final bound duties for all tariff lines excluding unbound tariff lines. |
| **Simple average MFN applied** | Simple average of MFN applied duties for all tariff lines. |
| **Trade weighted average** | HS six-digit MFN tariff averages weighted with HS six-digit import flows. |

## 7.2 FTAs

An FTA is an arrangement between two or more countries where they agree to end or reduce tariffs and non-tariff barriers on a significant value of imports from partner countries. Modern FTAs include provisions on 10-30 subjects.

Over 350 FTAs are currently in force. Most countries have signed one or more FTAs.

## 7.3 FTA Variants-Alphabet Soup

There is no standard rule for choosing the particular acronym for an FTA.

The WTO uses the abbreviation RTA (Regional Trade Agreement) to denote all preferential engagements.

India has so far followed the following convention for naming its FTAs.

**Table 11-Different types of FTAs**

| S.No | Acronym | Name | Coverage |
|---|---|---|---|
| **1** | **PTA** | Preferential Trading Agreement | Tariff reduction on a limited number of tariff lines. May cover small part of bilateral trade. Example, India-Mercosur PTA. |
| **2** | **FTA** | Free Trade Agreement | Tariff elimination/ reduction on most tariff lines. Covers substantial bilateral trade. Example, India- Sri Lanka FTA. |
| **3** | **CECA** | Comprehensive Economic Cooperation Agreement | Such Agreements include subjects in addition to Goods. The subjects could be Good, Services, Investment, Mutual Recognition, Intellectual Property etc. Examples: India-Singapore CECA, India Korea CEPA, India-EU BTIA, India-Australia ECTA |
| **4** | **CEPA** | Comprehensive Economic Partnership Agreement | |
| **5** | **ECTA** | Economic Cooperation and Trade Agreement | |
| **6** | **BTIA** | Broad based Trade and Investment Agreement | |

## 7.4 India's trade with FTA partner countries

**Table 12-India's Trade with FTA Partner Countries-US$ Billion-FY2022**

| S.No | Partner country/region | Export | Import | Trade Balance |
|---|---|---|---|---|
| 1 | ASEAN | 42.3 | 68.1 | -25.8 |
| 2 | South KOREA | 8.1 | 17.5 | -9.4 |
| 3 | JAPAN | 6.2 | 14.4 | -8.2 |
| 4 | UAE | 28.0 | 44.8 | -16.8 |
| 5 | MAURITIUS | 0.7 | 0.1 | 0.6 |
| 6 | SAFTA | 34.2 | 5.5 | 28.7 |
| | **Trade with FTA countries** | **119.6** | **150.4** | **-30.8** |
| | **India's Total** | **422** | **613** | **-191** |
| | **% Share of FTA countries** | **28** | **25** | **16** |

## 7.5 India's trade with 3 key FTA partner countries: ASEAN, Japan, South Korea

**Table 13-India's Trade with all 3 FTA partners and the world in FY2022 (US$ Million)**

| S. No | Country / Region | Region/FTA | Export | Import | Trade Balance |
|---|---|---|---|---|---|
| 1 | **S. KOREA** | | **8,085** | **17,477** | **-9,392** |
| 2 | **JAPAN** | | **6,177** | **14,400** | **-8,223** |
| 3 | **ASEAN** | | **42327.6** | **68081.4** | **-25753.9** |
| | Singapore | ASEAN | 11,151 | 18,962 | -7,812 |
| | Indonesia | ASEAN | 8,472 | 17,703 | -9,231 |
| | Malaysia | ASEAN | 6,995 | 12,424 | -5,429 |
| | Thailand | ASEAN | 5,751 | 9,333 | -3,581 |
| | Vietnam | ASEAN | 6,703 | 7,439 | -736 |
| | Philippines | ASEAN | 2,107 | 729 | 1,378 |
| | Myanmar | ASEAN | 893 | 1,002 | -109 |
| | Brunei | ASEAN | 43 | 394 | -351 |
| | Cambodia | ASEAN | 198 | 95 | 103 |
| | Lao | ASEAN | 15 | 1 | 14 |
| 4 | **Total of above FTA countries** | | **56,589** | **99,958** | **-43,369** |
| 5 | **India's Total** | | **4,22,004** | **6,13,052** | **-1,91,047** |
| 6 | **% Share of FTA countries** | | **13** | **16** | **23** |

# 7.6 List of India's FTA/PTA/Under Negotiations FTAs

India has an ambitious FTA agenda.

India has signed 13 FTAs and six limited-scope Preferential Trade Agreements (PTAs).

In addition, India is negotiating sixteen new FTAs/ PTAs.

Negotiations with the UK, Canada, USA (IPEF), European Union, and Israel are in Fast Track Mode.

## 7.6.1 List of India's 13 FTAs

**Table 14-List of India's FTAs**

| S.No. | Name of the Agreement | Region |
|---|---|---|
| **1** | India - Sri Lanka FTA | **Immediate neighbours** |
| **2** | Agreement on SAFTA | |
| **3** | India Nepal Treaty of Trade | |
| **4** | India - Bhutan Agreement on Trade Commerce and Transit | |
| **5** | India - Thailand FTA - Early Harvest Scheme (EHS) | **ASEAN** |
| **6** | India - Singapore CECA | |
| **7** | India - ASEAN- CECA - Trade in Goods, Services and Investment Agreement | |
| **8** | India - Malaysia CECA | |
| **9** | India - South Korea CEPA | **Japan, S. Korea** |
| **10** | India - Japan CEPA | |
| **11** | India-Mauritius FTA | **Recently signed** |
| **12** | India-UAE FTA | |
| **13** | **India-Australia ECTA** | |

## 7.6.2 List of India's 6 PTAs

| Table 15- List of India's PTAsS.No. | Name of the Agreement | Number of countries excluding India |
|---|---|---|
| 1 | Asia Pacific Trade Agreement (APTA) | 5 |
| 2 | Global System of Trade Preferences (GSTP) | 43 |
| 3 | SAARC Preferential Trading Agreement (SAPTA) | 6 |
| 4 | India - Afghanistan PTA | 1 |
| 5 | India – MERCOSUR PTA | 4 |
| 6 | India – Chile PTA | 1 |

## 7.6.3 List of FTAs under Negotiation

### 7.6.3 (a) Priority FTAs

- India-UK FTA
- India Canada FTA
- Indo Pacific Economic Framework (IPEF)-Does not include negotiations on tariff reduction
- India-EU Bilateral Trade & Investment Agreement (BTIA)
- India Israel FTA

### 7.6.3 (b) Others

- India-European FTA[EFTA] Trade and Economic Partnership Agreement (TEPA)
- India- Eurasian Economic Union (EAEU) Trade Agreement
- India- Peru Trade Agreement
- India- Iran PTA
- India-Thailand CECA
- India- Indonesia CECA
- India- Gulf Cooperation Council (GCC) Agreement
- India –South Africa Customs Union (SACU) FTA
- BIMSTEC (Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation)

- India-New Zealand CECA

## 7.6.3 (c) FTAs/ PTAs under review/expansion

- India Japan CECA
- India Korea CEPA
- India ASEAN Trade in Goods Agreement
- India Malaysia CECA
- India Singapore CECA
- India Chile PTA
- India Mercosur PTA
- India – Sri Lanka Economic and Technical Cooperation Agreement (ETCA)

# Annexures

**Graph 1. % Growth in Export and Imports - Pre-FTA (2007-09) Vs Post FTA (2019-21)**

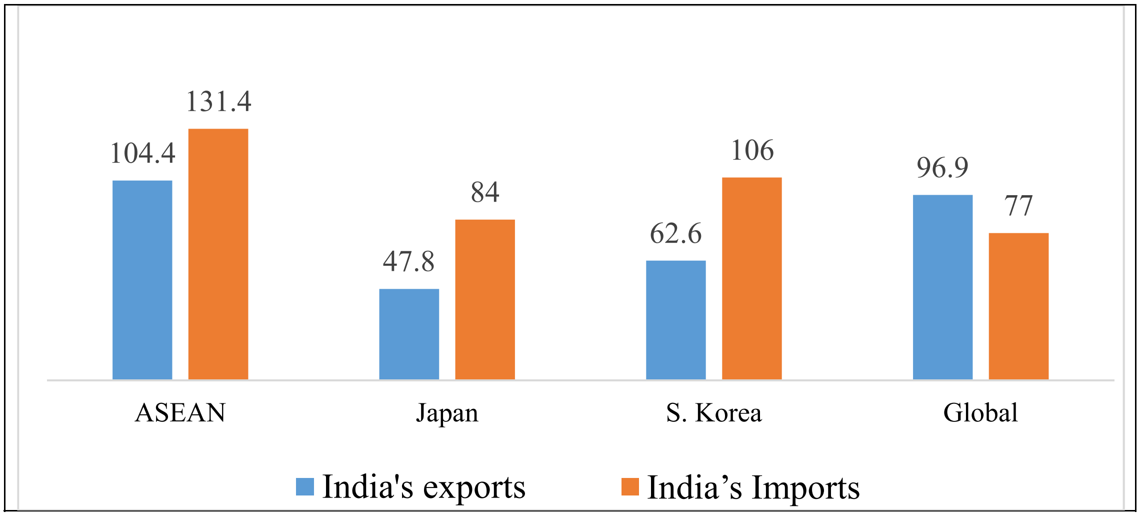



**Table 16-Tariff band wise share (%) of global imports of India’s FTA partners –All products except Agriculture**

| Group | COUNTRY | import values (in %) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Duty-free | 0 <= 5 | 5 <= 10 | 10 <= 15 | 15 <= 25 | 25 <= 50 | 50 <= 100 | > 100 |
| **ASEAN** | MALAYSIA | 82 | 4.4 | 2.5 | 2.5 | 5.4 | 3.1 | 0.1 | 0 |
| **ASEAN** | SINGAPORE | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **ASEAN** | THAILAND | 55.3 | 16 | 21.1 | 0 | 2 | 4.8 | 0.7 | 0.1 |
| **ASEAN** | VIETNAM | 61.4 | 12.5 | 7.6 | 10.6 | 6.1 | 1 | 0.2 | 0 |
| **FTA** | AUSTRALIA | 46.3 | 53.7 | 0 | 0 | 0 | 0 | 0 | 0 |
| **FTA** | JAPAN | 81 | 10.9 | 6.4 | 1.5 | 0.1 | 0.1 | 0 | 0 |
| **FTA** | S. KOREA | 41.7 | 24.8 | 29.8 | 3 | 0.8 | 0 | 0 | 0 |
| **FTA** | UAE | 42.8 | 57.1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | INDIA | 6.2 | 22.1 | 45.7 | 18.1 | 7.2 | 0.5 | 0.1 | 0 |
| **Under Negotiation** | CANADA | 70.8 | 1.1 | 23.7 | 0.7 | 3.8 | 0 | 0 | 0 |
| **Under Negotiation** | EU | 51.8 | 25.2 | 16.3 | 5.5 | 1.2 | 0 | 0 | 0 |
| **Under Negotiation** | SWITZERLAND | 61 | 34.9 | 3.7 | 0.2 | 0.1 | 0.1 | 0 | 0 |
| **Under Negotiation** | UK | 52 | 24.4 | 17.1 | 5.2 | 1.2 | 0 | 0 | 0 |
| **Under Negotiation** | USA | 58.7 | 29.7 | 6.9 | 0.9 | 3 | 0.8 | 0 | 0 |

**Table 17-Product Group wise share of zero duty imports in the Global imports of India and its FTA partner countries**

| | India Global Imports | | Japan Global Imports | | S.Korea Global Imports | | Malaysia Global Imports | | Thailand Global Imports | | Vietnam Global Imports | | UAE Global Imports | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product groups** | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free |
| Animal products | 0.0 | 0 | 2.2 | 2.9 | 1.1 | 0.0 | 0.5 | 84.7 | 0.1 | 16.5 | 0.8 | 2.2 | 0.9 | 8.0 |
| Dairy products | 0.0 | 0 | 0.3 | 16.0 | 0.2 | 0 | 0.5 | 96.5 | 0.3 | 0 | 0.3 | 8.6 | 0.7 | 0 |
| Fruit, vegetables, plants | 1.4 | 0 | 1.6 | 14.7 | 0.8 | 0.0 | 1.2 | 70.5 | 1.3 | 0.8 | 1.2 | 3.3 | 1.7 | 53.0 |
| Coffee, tea | 0.1 | 0 | 0.4 | 54.3 | 0.3 | 0 | 0.9 | 76.1 | 0.2 | 1.8 | 0.1 | 0 | 0.5 | 1.2 |
| Cereals & preparations | 0.1 | 8.4 | 1.5 | 59.6 | 1.5 | 3.5 | 2.2 | 61.5 | 1.6 | 29.6 | 2.0 | 3.3 | 1.5 | 4.7 |
| Oilseeds, fats & oils | 3.2 | 0 | 0.9 | 76.4 | 0.8 | 2.6 | 1.9 | 63.4 | 1.6 | 0.0 | 1.6 | 61.3 | 0.6 | 6.1 |
| Sugars and confectionery | 0.2 | 0 | 0.1 | 8.5 | 0.2 | 0 | 0.5 | 92.0 | 0.1 | 9.4 | 0.4 | 2.5 | 0.3 | 6.8 |
| Beverages & tobacco | 0.2 | 0 | 1.5 | 36.1 | 0.4 | 0 | 0.4 | 2.0 | 0.3 | 0.1 | 0.2 | 0 | 1.0 | 0.0 |
| Cotton | 0.1 | 0 | 0.0 | 00.0 | 0.0 | 00.0 | 0.1 | 00.0 | 0.1 | 00.0 | 0.9 | 00.0 | 0.0 | 0 |
| Other agriculture products | 0.5 | 0.8 | 0.8 | 65.9 | 0.6 | 17.1 | 0.6 | 96.8 | 0.9 | 28.2 | 0.8 | 68.7 | 0.6 | 1.0 |
| Fish & fish products | 0.1 | 0 | 2.1 | 3.8 | 1.2 | 2.0 | 0.6 | 95.5 | 1.7 | 75.5 | 0.7 | 39.1 | 0.3 | 7.4 |
| Minerals & metals | 32.7 | 0.0 | 9.8 | 91.8 | 9.1 | 45.9 | 5.9 | 68.8 | 0.6 | 54.8 | 3.5 | 44.9 | 2.5 | 1.8 |
| Petroleum | 6.6 | 0 | 8.7 | 94.0 | 2.2 | 0 | 9.5 | 98.9 | 10.2 | 83.9 | 2.9 | 49.1 | 4.6 | 0 |
| Chemicals | 3.0 | 0.2 | 2.4 | 65.1 | 1.1 | 19.7 | 10.7 | 72.5 | 1.8 | 35.3 | 2.0 | 46.3 | 8.1 | 29.8 |
| Wood, paper, etc. | 1.6 | 0.1 | 3.2 | 70.0 | 2.0 | 63.0 | 2.3 | 57.2 | 1.9 | 29.9 | 2.3 | 34.5 | 1.9 | 4.5 |
| Textiles | 1.3 | 0 | 2.8 | 6.9 | 1.9 | 7.9 | 1.3 | 31.1 | 1.9 | 2.3 | 6.6 | 3.8 | 1.5 | 0.8 |
| Clothing | 0.2 | 0 | 3.8 | 3.5 | 1.9 | 0 | 0.6 | 99.5 | 0.5 | 0 | 0.2 | 0 | 1.6 | 0 |
| Leather, footwear, etc. | 0.9 | 0 | 1.7 | 38.4 | 1.7 | 5.5 | 2.4 | 76.9 | 1.7 | 18.6 | 2.0 | 12.0 | 1.6 | 0 |
| Non-electrical machinery | 9.4 | 27.0 | 10.7 | 00.0 | 2.2 | 56.2 | 9.5 | 77.5 | 2.4 | 60.2 | 8.3 | 69.0 | 2.7 | 34.1 |
| Electrical machinery | 1.7 | 4.2 | 15.1 | 99.6 | 9.7 | 76.8 | 9.7 | 94.9 | 18.9 | 65.7 | 6.8 | 88.7 | 5.2 | 6.5 |
| Transport equipment | 3.8 | 0 | 3.9 | 00.0 | 5.0 | 22.1 | 4.6 | 54.4 | 4.9 | 16.6 | 2.3 | 10.8 | 8.2 | 2.0 |
| Manufactures, n.e.s. | 2.9 | 5.2 | 6.5 | 94.0 | 5.9 | 60.8 | 4.2 | 94.4 | 6.9 | 68.4 | 4.1 | 75.3 | 4.0 | 16.6 |

**Table 18-Product Group wise share of zero duty imports in the Global imports of India and its would be FTA partner countries**

| Product groups | India Global Imports | | UK Global Imports | | Canada Global Imports | | EU Global Imports | | Switzerland Global Imports | | Australia Global Imports | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free | % Share in total | % Duty-free |
| Animal products | 0 | 0 | 1.4 | 7.3 | 0.9 | 65.2 | 0.3 | 10.8 | 0.3 | 2.4 | 0.4 | 89 |
| Dairy products | 0 | 0 | 0.6 | 0 | 0.2 | 0 | 0.1 | 0 | 0.2 | 0 | 0.5 | 52.6 |
| Fruit, vegetables, plants | 1.4 | 0 | 2.5 | 7.2 | 3 | 84.8 | 2 | 15.5 | 1.2 | 18.6 | 1.1 | 51.7 |
| Coffee, tea | 0.1 | 0 | 0.8 | 23 | 0.9 | 75 | 1 | 63.4 | 0.5 | 57.5 | 0.7 | 69.1 |
| Cereals & preparations | 0.1 | 8.4 | 1.8 | 6.7 | 2.1 | 24.5 | 0.8 | 27.9 | 0.8 | 3.9 | 2.1 | 34.3 |
| Oilseeds, fats & oils | 3.2 | 0 | 0.7 | 48.9 | 0.5 | 86 | 1.7 | 68.1 | 0.2 | 31.1 | 0.5 | 72.7 |
| Sugars, confectionery | 0.2 | 0 | 0.2 | 7.5 | 0.3 | 44.4 | 0.1 | 9.6 | 0.1 | 25.8 | 0.1 | 16.8 |
| Beverages & tobacco | 0.2 | 0 | 1.6 | 17.7 | 1.6 | 32.5 | 0.7 | 30.1 | 0.9 | 10.1 | 1.2 | 39 |
| Cotton | 0.1 | 0 | 0 | 100 | 0 | 100 | 0 | 100 | 0 | 100 | 0 | 100 |
| Othr agriculture products | 0.5 | 0.8 | 0.6 | 43.1 | 0.8 | 56.7 | 0.6 | 59.7 | 0.4 | 37.3 | 0.6 | 94.2 |
| Fish & fish products | 0.1 | 0 | 0.7 | 6 | 0.8 | 80.8 | 1.5 | 4.2 | 0.3 | 76.8 | 0.7 | 85.3 |
| Minerals & metals | 32.7 | 0 | 24 | 83.7 | 14.4 | 86.6 | 13.7 | 63.9 | 41.4 | 74.6 | 11.9 | 49.7 |
| Petroleum | 16.6 | 0 | 4 | 90.9 | 4.7 | 99 | 9.1 | 96.3 | 1.2 | 100 | 7.6 | 100 |
| Chemicals | 13 | 0.2 | 11.8 | 50.1 | 14.7 | 76.2 | 14.4 | 50 | 20 | 75.7 | 11.9 | 52.1 |
| Wood, paper, etc. | 1.6 | 0.1 | 4.1 | 84.3 | 4.7 | 77.7 | 2.6 | 83.3 | 3.1 | 37.3 | 4 | 13.2 |
| Textiles | 1.3 | 0 | 2.4 | 2.4 | 2.1 | 43.8 | 3.6 | 1.7 | 1.4 | 11.6 | 2.8 | 7.7 |
| Clothing | 0.2 | 0 | 3.7 | 0 | 2.3 | 6.1 | 4.3 | 0 | 2.6 | 0 | 3.2 | 2.2 |
| Leather, footwear, etc. | 0.9 | 0 | 2.1 | 6.3 | 2.1 | 29.5 | 2.5 | 10.7 | 1.5 | 0 | 2.6 | 2.3 |
| Non-electrical machinery | 9.4 | 27 | 11.2 | 38.6 | 14.3 | 95.6 | 12.2 | 48.3 | 6.5 | 37.2 | 15.2 | 43 |
| Electrical machinery | 11.7 | 24.2 | 8.9 | 57.9 | 9.4 | 91.7 | 15 | 65.6 | 5 | 55.6 | 12 | 69.1 |
| Transport equipment | 3.8 | 0 | 10.8 | 2.9 | 14.5 | 15.4 | 6.7 | 7 | 6.3 | 6 | 13.7 | 14.4 |
| Manufactures, n.e.s. | 2.9 | 15.2 | 6 | 59.2 | 5.8 | 80.7 | 7.1 | 64 | 5.9 | 63.2 | 7.1 | 69.2 |

**Table 19-A partial list of products where ASEAN charges higher prices (unit values) for exports to India than to China and World**

| S.No | HS-6 Code | Product Description | ASEAN exports to India-US$ Mn-CY2021 data | Quantity Unit | Unit value (US$/unit) of ASEAN exports in CY 2021 to world, China, India: | | | % by which India's UV is higher wrt China, World | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | World | China | India | China | World |
| 1 | 151190 | Vegetable oils; palm oil and its fractions, other than crude, whether or not refined, but not chemically modified | 1619.8 | Kg | 1.04 | 0.98 | 1.07 | 8.7 | 2.3 |
| 2 | 151620 | Vegetable fats and oils and their fractions; partly or wholly hydrogenated, inter-esterified, re-esterified | 39.9 | Kg | 1.19 | 1.12 | 1.22 | 9.0 | 3.2 |
| 3 | 230990 | Dog or cat food; (not put up for retail sale), used in animal feeding | 50.2 | Kg | 1.09 | 1.15 | 2.23 | 94.1 | 105.1 |
| 4 | 270900 | Oils; petroleum oils and oils obtained from bituminous minerals, crude | 1309.1 | Kg | 0.49 | 0.38 | 0.50 | 29.7 | 1.4 |
| 5 | 271019 | Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils | 621.5 | Kg | 0.57 | 0.57 | 0.61 | 7.6 | 7.5 |
| 6 | 290230 | Cyclic hydrocarbons; toluene | 208.4 | Kg | 0.76 | 0.74 | 0.78 | 5.4 | 2.4 |
| 7 | 290532 | Alcohols; acyclic, diols; propylene glycol (propane-1, 2-diol) | 61.2 | Kg | 1.94 | 1.90 | 2.41 | 26.9 | 24.3 |
| 8 | 290711 | Monophenols; phenol (hydroxybenzene) and its salts | 33.7 | Kg | 1.07 | 1.02 | 1.18 | 15.4 | 10.3 |
| 9 | 291532 | Acids; saturated acyclic monocarboxylic acids; vinyl acetate | 167.5 | Kg | 1.74 | 1.54 | 1.75 | 13.7 | 0.8 |
| 10 | 291611 | Acids; unsaturated acyclic monocarboxylic acids; acrylic acid and its salts | 23.8 | Kg | 1.27 | 1.26 | 1.55 | 22.4 | 22.2 |
| 11 | 291614 | Acids; unsaturated acyclic monocarboxylic acids; esters of methacrylic acid | 53.1 | Kg | 1.79 | 1.07 | 1.92 | 78.9 | 7.2 |
| 12 | 291732 | Acids; aromatic polycarboxylic acids; dioctyl orthophthalates | 14.1 | Kg | 1.72 | 1.63 | 1.77 | 8.6 | 3.1 |
| 13 | 320611 | Colouring matter; pigments and preparations based on titanium dioxide, containing 80% or more by weight of titanium dioxide calculated on the dry matter | 68.8 | Kg | 2.92 | 2.69 | 3.15 | 16.8 | 7.7 |

| S.No | HS-6 Code | Product Description | ASEAN exports to India-US$ Mn-CY2021 data | Quantity Unit | Unit value (US$/unit) of ASEAN exports in CY 2021 to world, China, India: | | | % by which India's UV is higher wrt China, World | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | World | China | India | China | World |
| 14 | 320890 | Paints and varnishes; based on polymers n.e.c. in heading no. 3208, dispersed or dissolved in a non-aqueous medium | 20.7 | Kg | 3.64 | 4.72 | 5.28 | 12.0 | 45.1 |
| 15 | 330129 | Oils, essential; n.e.c. in heading no. 3301 (terpeneless or not), including concretes and absolutes | 21.7 | Kg | 32.38 | 25.81 | 36.36 | 40.9 | 12.3 |
| 16 | 390190 | Ethylene polymers; in primary forms, n.e.c. in heading no. 3901 | 362.4 | Kg | 1.21 | 1.19 | 1.30 | 9.3 | 7.4 |
| 17 | 390330 | Styrene polymers; acrylonitrile-butadiene-styrene (ABS) copolymers, in primary forms | 18.6 | Kg | 1.77 | 1.49 | 2.12 | 41.8 | 19.8 |
| 18 | 390390 | Styrene polymers; in primary forms, n.e.c. in heading no. 3903 | 11.1 | Kg | 1.61 | 1.47 | 2.03 | 38.0 | 25.9 |
| 19 | 390530 | Poly(vinyl alcohol); whether or not containing unhydrolysed acetate groups | 12.6 | Kg | 2.69 | 2.07 | 3.03 | 46.5 | 12.3 |
| 20 | 390720 | Polyethers other than polyacetals, | 259.3 | Kg | 2.38 | 2.24 | 2.43 | 8.4 | 2.3 |
| 21 | 392010 | Plastics; plates, sheets, film, foil and strip (not self-adhesive), of polymers of ethylene, non-cellular and not reinforced, laminated | 22.8 | Kg | 2.07 | 2.42 | 2.79 | 15.4 | 35.1 |
| 22 | 400122 | Rubber; technically specified natural rubber (TSNR), in primary forms or in plates, sheets or strip (excluding latex and smoked sheets) | 491.5 | Kg | 1.68 | 1.61 | 1.71 | 6.2 | 1.7 |
| 23 | 401120 | Rubber; new pneumatic tyres, of a kind used on buses | 14.0 | Item | 97.14 | 77.02 | 98.14 | 27.4 | 1.0 |
| 24 | 410799 | Leather; further prepared after tanning or crusting, incl. parchment-dressed, of bovine (including buffalo) | 37.8 | Kg | 17.18 | 6.31 | 18.19 | 188.1 | 5.9 |
| 25 | 440349 | Wood, tropical; other than dark red meranti, light red meranti meranti bakau and teak, in the rough | 38.7 | $m^3$ | 262.52 | 181.98 | 295.61 | 62.4 | 12.6 |
| 26 | 730890 | Iron or steel; structures and parts thereof, n.e.c. in heading 7308 | 34.2 | Kg | 2.14 | 2.47 | 2.89 | 16.8 | 35.1 |
| 27 | 740710 | Copper; bars, rods and profiles, of refined copper | 54.1 | Kg | 8.26 | 4.41 | 9.60 | 117.6 | 16.2 |
| 28 | 740819 | Copper; wire, of refined copper, of which the maximum cross-sectional dimension is 6mm or less | 450.2 | Kg | 9.08 | 8.51 | 9.24 | 8.6 | 1.8 |

| S.No | HS-6 Code | Product Description | ASEAN exports to India-US$ Mn-CY2021 data | Quantity Unit | Unit value (US$/unit) of ASEAN exports in CY 2021 to world, China, India: | | | % by which India's UV is higher wrt China, World | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | World | China | India | China | World |
| 29 | 760120 | Aluminium; unwrought, alloys | 127.3 | Kg | 2.28 | 2.04 | 2.59 | 26.8 | 13.6 |
| 30 | 840991 | Engines; parts, suitable for use solely or principally with spark-ignition internal combustion piston engines (for other than aircraft) | 160.7 | Kg | 21.09 | 34.31 | 48.64 | 41.8 | 130.6 |
| 31 | 841391 | Pumps; parts thereof | 21.9 | Kg | 24.80 | 18.90 | 26.68 | 41.2 | 7.6 |
| 32 | 843143 | Boring or sinking machinery; parts for boring or sinking machinery of subheading 8430.41 or 8430.49 | 83.3 | Kg | 24.06 | 24.42 | 42.70 | 74.9 | 77.5 |
| 33 | 843149 | Machinery; parts of machines handling earth, minerals or ores and n.e.c. in heading no. 8431 | 37.4 | Kg | 6.16 | 6.62 | 7.63 | 15.3 | 23.7 |
| 34 | 844399 | Printing machinery; parts and accessories, n.e.c. in item no. 8443.91 | 152.5 | Kg | 63.31 | 56.44 | 69.17 | 22.6 | 9.3 |
| 35 | 848190 | Taps, cocks, valves and similar appliances; parts thereof | 13.0 | Kg | 24.13 | 26.17 | 31.56 | 20.6 | 30.8 |
| 36 | 853222 | Electrical capacitors; fixed, aluminium electrolytic | 22.6 | Kg | 38.39 | 38.40 | 52.74 | 37.4 | 37.4 |
| 37 | 853224 | Electrical capacitors; fixed, ceramic dielectric, multilayer | 85.7 | Kg | 168.57 | 170.81 | 249.61 | 46.1 | 48.1 |
| 38 | 870895 | Vehicle parts; safety airbags with inflater system; parts thereof | 34.6 | Kg | 21.93 | 18.05 | 22.14 | 22.7 | 1.0 |
| 39 | 903090 | Instruments, apparatus for measuring, checking electrical quantities, not meters of heading no. 9028; parts and accessories, for measuring or detecting alpha, beta, gamma, x-ray, cosmic and other radiations | 50.9 | Kg | 388.71 | 500.78 | 639.59 | 27.7 | 64.5 |

Source-WITS data

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# About Global Trade Research Initiative

GTRI aims to create high-quality and jargon-free outputs for governments and industry on issues related to trade, technology and investment from the perspective of development and poverty reduction.

Mr Ajay Srivastava is the co-founder of GTRI. He took VRS from the Government of India in March 2022. He is an Indian Trade Service officer with experience in trade policy making, WTO and FTA negotiations. He did MBA from Indian School of Business.

**Feedback**

Your feedback on this report is most welcome. Please email at ajay@centrefortrade.com.

Global Trade Research Initiative