Mega Regional Trade Agreements and the Indian Economy

An Analysis of Potential Challenges and Opportunities





Mega Regional Trade Agreements and the Indian Economy

An Analysis of Potential Challenges and Opportunities



Mega Regional Trade Agreements and the Indian Economy

An Analysis of Potential Challenges and Opportunities

Published by



D-217, Bhaskar Marg, Bani Park Jaipur 302016, India Tel: +91.141.2282821, Fax: +91.141.2282485 Email: cuts@cuts.org Web site: www.cuts-international.org

With the support of





© CUTS International, 2015

First published: June 2015

This document has been produced by CUTS International with the financial assistance of the UK's Department for International Development (DFID), under its Knowledge Partnership Programme (through IPE Global, New Delhi) under a project entitled, 'External Preferential Trade Agreements and the Indian Economy: An Analysis of Impacts and Counter Measures'. The views expressed here are those of CUTS International and can therefore in no way be taken to reflect the positions of DFID and IPE Global.

ISBN: 978-81-8257-235-5

Printed in India by M S Printer, Jaipur

#1526, Suggested Contribution ₹350/US\$35

Contents

Ack	now	ledgments	
Abl	brevi	ations	ii
Cor	ıtribı	utors	1
For	ewor	d	vi
Pre	face		is
Ехе	ecutii	e Summary	x
1.	Intr	oduction	1
	1.1	The Rise of Mega RTAs	2
	1.2	India's Engagement in RTAs	2
	1.3	Scope and Coverage of Mega RTAs: TTIP, TPP and EU-ASEAN FTA	3
	1.4	The Economic Exclusion from Mega RTAs:	(
		Preferential Trade Liberalisation and Beyond	{
	1.5	The Need for Studying Impacts on the Indian Economy and Structure of the Report	9
2.	Meg	ga RTAs and the Indian Economy	13
	2.1	India's Trade Engagement with Mega RTAs Member Countries:	
		Trade Agreements	13
		2.1.1 Trans-Pacific Partnership (TPP)	13
		2.1.2 Transatlantic Trade and Investment Partnership (TTIP)	13
		2.1.3 EU-ASEAN Free Trade Agreement	14
	2.2	India's Trade Engagement with Mega RTA Member Countries: Trade Flows	14
		2.2.1 Trans-Pacific Partnership (TPP)	14
		2.2.1 Trans-racine Fartnership (TTIP) 2.2.2 Transatlantic Trade and Investment Partnership (TTIP)	15
		2.2.3 EU-ASEAN Free Trade Agreement	16
	2.3	Engagement with Mega RTA Member Countries at the Multilateral Level	16
3.	Pote	ential Mega RTA Impact and Concerned Sectors	17
		Export Trade Concentration	17
		Shocks to Macroeconomic Variables	19
		3.2.1 Description of the Model and Data	19
		3.2.2 Impact on Key Variables Welfare and Poverty	20

	3.3	Trade	in Value Added in Concerned Sectors	23
		3.3.1	India's Participation in Global Value Chains	23
		3.3.2	India's Service Value Added in Global Value Chains	26
		3.3.3	India's Intermediate Trade with Mega RTA Countries	27
		3.3.4	India's Intermediate Trade with Mega RTA Countries by Sector	27
		3.3.5	Mega RTA-led Global Value Chains and Potential	
			Implications for India	28
	3.4	Effect	s of the Potential New Rules on Concerned Sectors	29
		3.4.1	Trade Standards	29
		3.4.2	Subsidies	31
		3.4.3	Trade Remedies	32
		3.4.4	Rules of Origin	33
		3.4.5	Intellectual Property Standards	33
		3.4.6	Market Access in Agriculture	36
		3.4.7	Export Restrictions	37
		3.4.8	Trade Facilitation	38
		3.4.9	Environmental Standards	39
		3.4.10	Labour Standards	40
	3.5	Implic	cations for Trade in Services and Investment Flows	40
	3.6	Stakel	holder's Views	43
		3.6.1	Perception Survey Method	43
		3.6.2	Views and Concerns of Stakeholders	43
4.	Poli	cy Imp	lications: The Space for Domestic Trade Reforms	51
	4.1	Unilat	teral Tariff Liberalisation Requirements	51
	4.2	Comp	patibility of Domestic Regulations with Advanced Mega RTA Rules	51
		4.2.1	Trade Standards	52
		4.2.2	Subsidies	54
		4.2.3	Trade Remedies	55
		4.2.4	Rules of Origin	57
		4.2.5	Intellectual Property Standards	58
		4.2.6	Market Access in Agriculture	60
		4.2.7	Export Restrictions	60
		4.2.8	Environmental Standards	62
		4.2.9	Labour Standards	63
	4.3		Facilitation Requirements and Trade Costs	64
		4.3.1	Documentation	65
		4.3.2	Customs Procedures	65
			Infrastructure	66

5.	Policy Implications: External Trade Engagements	71
	5.1 Bilateral and Regional Strategies for Engagements with Mega RTA Partners	71
	5.2 Alternative Market Opportunities	73
	5.3 India and the WTO: Recourses at the Multilateral Level	75
6.	India and the Regional Comprehensive Economic Partnership	77
7.	Conclusions: A Roadmap for Policy Opportunities	81
	7.1 Short to Medium-Term Roadmap	82
	7.2 Long-Term Roadmap	87
	7.3 The Political-Economic Situation of Mega RTAs and its Impact on India	89
	7.4 Lessons for Other Developing Countries	89
	7.5 Concluding Remarks	90
Re	ferences	93
An	nex 1	97
An	nex 2	112
An	nex 3	121
An	nex 4	123

List of Tables

Table 1:	India's Expected Export Losses and Gains	xi
Table 2:	Welfare impacts for India	xii
Table 3:	India's Trade Agreements with Mega RTA Member Countries	14
Table 4:	India's Intermediate Trade with Mega RTA Countries as Percentage Share of its World Intermediate Trade	28
Table 5:	Average applied tariffs for agricultural and non-agricultural imports, 2012	37
Annex 1		
Table 1:	India's Imports from ASEAN and the World	97
Table 2:	India's exports to ASEAN and the World	98
Table 3:	India's Imports from the EU and the World	99
Table 4:	India's Exports to the EU and the World	100
Table 5:	India's Imports from TPP and the World	101
Table 6:	India's exports to TPP and the World	102
Table 7:	India's imports from TTIP and the World	103
Table 8:	India's exports to TTIP and the World	104
Table 9:	India's exports to TPP by destination	105
Table 10	India's imports from TPP by source	105
Table 11:	India's exports to TTIP by destination	106
Table 12:	India's imports from TTIP by source	107
Table 13	India's exports to EU-ASEAN by destination	108
Table 14	India's import from EU- ASEAN by source	109
Table 15	India's exports to the EU-ASEAN and the World	110
Table 16	India's imports from EU-ASEAN and the World	111
Annex 2		
Table 1:	GTAP region aggregation	112
Table 2:	GTAP commodity aggregation	112
Table 3:	Source of India's imports	113
Table 4:	Destination of India's exports	113
Table 5:	India's share in trade partner's imports and exports	113
Table 6:	Bilateral imports by member countries in TPP	114
Table 7:	Bilateral exports by member countries in TPP	115
Table 8:	Bilateral imports by member countries in TTIP	116
Table 9:	Bilateral exports by member countries in TTIP	116

Table 10:	Bilateral imports by member countries in EU-ASEAN	117
Table 11:	Bilateral exports by member countries in EU-ASEAN	118
Table 12:	India's exports	118
Table 13:	India's imports	119
Table 14:	Sectoral output in India	119
Table 15:	Domestic market price in India	120
Table 16:	Welfare impacts for India	120
Table 16	A: Total welfare gain/loss for India	120
Annex 3		
Table 1:	India's Intermediate Exports to Mega Regional Countries as percentage to its World Intermediate Export by Sector	121
Table 2:	India's Intermediate Imports from Mega Regional Countries as percentage to its World Intermediate Import	122
Annex 4		
Table:	RTAs new rules and its implications for India	123
	List of Figures	
Figure 1.	India's Engagement in RTAs	3
	Top Exports and Export concentration to TPP	18
•	GVC participation across countries, 2009	23
-	GVC participation by industry, 2009	24
•	Exports share by trading partner, in gross and value added terms, 2009	24
•	Imports share by trading partner, in gross and value-added terms	25
	Exports share by industry, gross and value added terms, 2009	25
•	Service value added content share of gross exports, 2009	26
Ü	Service value-added content share of gross exports by industry, 2009	27

Acknowledgments

This study is a product of the hard work and dedication of many individuals. A number of stakeholders and experts from diverse backgrounds with different interests in the potential impact of mega regional trade agreements (RTAs) on the Indian economy have contributed to this work. It was greatly benefitted by those individuals through stakeholder surveys and meetings. We acknowledge their valuable inputs.

We express our sincere gratitude to IPE Global Pvt Ltd and the United Kingdom's Department for International Development (DFID) for supporting the project under its Knowledge Partnership Programme. Special thanks to Mr Sunil Mitra, Dr Geethanjali Nataraj, Ms Daljeet Kaur and Dr Ranjan Dash of IPE Global and to Mr Cedrik Schurich of DFID-India Office for their deep involvement. We look forward to continuing collaborations with IPE Global and DFID-India Office.

The study greatly benefited from a seminar on mega RTAs and their impact on the Indian economy, organised as part of our long-term partnership with the Federation of Indian Chambers of Commerce & Industry. We would like to thank Mr Manab Majumdar, Assistant Secretary General of FICCI and his colleagues, particularly Ms Saloni Jha and Ms Prerna Dani, for organising this event. Thanks to all the panellists of this event, especially Ms Sujata Mehta, Secretary (Development Partnership Administration & Economic Relations), Ministry of External Affairs, Government of India and Dr A Didar Singh, Secretary General, FICCI, for their valuable insights, and to everyone who attended for their participation.

A special thanks to Mr Rajeev Kher, Commerce Secretary, Government of India for writing the foreword.

Thanks also go to Professor A Ganesh Kumar of the Indira Gandhi Institute of Development Research for his valuable contribution, including conducting quantitative modelling and acceding to requests for additional data and analyses.

The study also benefited from unreserved assistance provided by:

- Ms Shilpi Jain, IPE Global Private Limited
- Mr Sudarshan Panda, IPE Global Private Limited
- Professor C Veeramani, Indira Gandhi Institute of Development Research
- Professor Shovan Ray, Indira Gandhi Institute of Development Research
- Mr Ritesh Kumar, Group Economist, Raymond Group
- Professor Sucha Singh Gill, Centre for Research in Rural and Industrial Development
- Mr Rajan Sudesh Ratna, United Nations Economic and Social Commission for Asia and the Pacific
- Ramesh Mohapatra, President, Utkal Chamber of Commerce & Industry, Bhubaneswar
- Dr Ashis Kumar Dash, Dy Director General, DGFT, Cuttack
- Kamal Kant Sahoo, Head, FIEO Odisha chatter, Bhubaneswar
- Dr Amitendu Palit, Institute of South Asian Studies, National University of Singapore
- Dr Ian Gillson, The World Bank
- Dr Nilanjan Banik, Mahindra École Centrale
- Mr T S Viswanath, APJ-SLG Law Offices

We are also grateful to all those involved in stakeholder meetings in Bhubaneswar, Chennai, Chandigarh, Kolkata and Mumbai. Their participation provided valuable inputs on the subject matter.

We extend our thanks to the colleagues at CUTS International for successfully completing this study: Ms Madhuri Vasnani, Mr Mukesh Tyagi, and Mr Rajkumar Trivedi for its proof-reading and layout, and Mr G C Jain, Mr L N Sharma, and Mr Sudhir Kumar for its financial management.

Finally, any error that may have remained in the study is solely our responsibility. Our dedication to this critical subject will be sustained while contributing to the current and future discourse on India's development objectives in general and its trade policy and performance in particular.

CUTS Centre for International Trade, Economics & Environment

Abbreviations

AEMM ASEAN-EU Ministerial Meeting

AGOA African Growth and Opportunity Act
APEC Asia Pacific Economic Cooperation

ASCM Agreement on Subsidies and Countervailing Measures

ASEAN Association of Southeast Asian Nations

BIS Bureau of Indian Standards
BIT Bilateral Investment Treaty

Bn Billion

BOE Bills of Entry

BPO Business Processing Outsourcing

BTIA Broad-Based Trade and Investment Agreement

CARIFORUM Caribbean Group of African, Caribbean and Pacific States

CECA Comprehensive Economic Cooperation Agreement

CFSs Container Freight Stations

CGE Computable General Equilibrium

COMESA Common Market for Eastern and Southern Africa

DEPB Duty Entitlement Passbook

DGAAD Director General of Anti-dumping and Allied Duties

EAC East African Community
EAEU Eurasian Economic Union

ECOWAS Economic Community of West African States

EDI Electronic Data Interchange

EU European Union

FDI Foreign Direct Investment

FSSAI Food Safety and Standards Authority of India

FTA Free Trade Agreement

GATS General Agreement on Trade in Services
GATT General Agreement on Tariffs and Trade

GDP Gross Domestic Product
GIs Geographical Indicators

GMO Genetically Modified Organism
GTAP Global Trade Analysis Project

GVCs Global Value Chains

HLWG High Level Working Group ICDs Inland Container Depots

ICEGATE Indian Customs and Excise Gateway

IGM Import General Manifest

ILO International Labour Organisation

IP Intellectual Property

IPRs Intellectual Property Rights

ISDS Investor-State Dispute Settlement

IT Information Technology

KPOs Knowledge Process Outsourcing

MEA Multilateral Environmental Agreement

Mega RTAs Mega Regional Trade Agreements

MERCOSUR Southern Common Market

MRA Mutual Recognition Agreement

MSMEs Micro Small and Medium Enterprises
NAFTA North American Free Trade Agreement

Nes Not Elsewhere Specified

OHIM Office for Harmonisation in the Internal Market

POVCAL Poverty Analysis Tool

RCEP Regional Comprehensive Economic Partnership

RoO Rules of Origin

SADC Southern African Development Community

SAFTA South Asian Free Trade Area
SION Standard Input-Output Norms
SMEs Small and Medium Enterprises

SOEs State Owned Enterprises

SPS Sanitary and Phytosanitary Measures

STOs Specific Trade Obligations
TBT Technical Barriers to Trade
TPA Trade Promotion Authority
TPP Trans-Pacific Partnership

TREATI Trans-Regional EU-ASEAN Trade Initiative

TRIPS Trade Related Aspects of Intellectual Property Rights

TTIP Transatlantic Trade and Investment Partnership

UK United Kingdom
US United States

WTO World Trade Organisation

YFR Yarn Forward Rule

Contributors

Aditi Roy

Aditi has completed her M.Sc in Economics from Symbiosis School of Economics with specialisation in International Trade and has completed her B.Sc (Hons) in Economics from University of Calcutta. She was engaged in CUTS International as a Research Assistant and contributed to this study by participating in fact-finding missions.

Ganesh Kumar

Ganesh Kumar is professor at the Indira Gandhi Institute of Development Research (IGIDR), Mumbai. He holds a PhD from the Indian Statistical Institute, Kolkata. He is well experienced in using computable general equilibrium (CGE) models for analysing policy issues relating to agriculture, international trade and economic development. He has undertaken several studies for the Government of India and other international agencies such as the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP), World Bank, the United States Department of Agriculture, the Carnegie Endowment for International peace, and IDRC, Canada, amongst others. He has published seven books and monographs, 25 journal articles and book chapters, and 48 project reports and working papers.

Joseph George

Joseph has an M Phil Degree in Applied Economics from the Jawaharlal Nehru University in New Delhi with specialisation in international trade, specifically in the area of trade in services. He has undertaken extensive studies and has published on the implications of the General Agreement on Trade in Services (GATS) for regulatory authorities governing financial services in India. His latest research work covers comparative analyses of the negotiating positions of South Asian countries in the Doha Development Round of multilateral trade negotiations as well as various economic and political aspects of functioning of the South Asian Free Trade Agreement.

Kyle Cote

Kyle Cote is a Policy Analyst at CUTS Centre for International Trade, Economics and Environment. He holds a Master's degree in International Relations from the University of Kent, Brussels School of International Studies with a specialisation in areas of human rights and development. He has done extensive research and published on trade and labour rights, including on the European Union's incorporation of labour standards in Sustainable Impact Assessments of free trade agreements. His research profile covers India's trade and development relations at the regional and international level.

Neeraj R S

Neeraj holds a Bachelor's degree in law (BA.LLB Hons) from Gujarat National Law University, India. His research interests include International Trade and Investment Laws, particularly relating to GATS, SPS issues, agriculture, subsidies and countervailing measures and bilateral investment treaties. His recent work focuses on regional trade arrangements in South Asia. Since December 2014, Neeraj works at CUTS Centre for International Trade, Economics and Environment as a Research Assistant.

Prashant Sharma

Since August 2013, Prashant Sharma has worked as a Programme Officer at CUTS Centre for International Trade, Economics and Environment. He has a Master's in Diplomacy, Law and Business from Jindal School of International Affairs in India. He contributed to the study by participating in fact-finding missions, organising project meetings, and ensuring compliance by way of internal and external coordination.

Purna Chandra Jena

Purna Chandra Jena is working as an Assistant Policy Analyst at CUTS International. He has a Master's degree in Economics from Jawaharlal Nehru University, New Delhi. His research interests lie primarily in the fields of agricultural economics, WTO issues related to agriculture, fishery subsidies and environment, development economics and international trade including regional trade agreements.

Sara Núñez Évora

Sara Núñez Évora holds an M Sc in Economics from Barcelona Graduate School of Economics (Pompeu i Fabra University) and an LLM in International Economic Law and Policy (IELPO) from University of Barcelona. Sara has worked on issues related to trade policy, negotiations and law in both developed and developing countries for the private sector, international organisations, governments and for CUTS International. Sara's latest work focuses on international trade in South and Southeast Asian countries, in particular Cambodia, Bangladesh and India.

Surendar Singh

Surendar holds a PhD in International Trade from Kumaon University, Uttarakhand and has also qualified for UGC-NET. He has over eight years of experience in research and teaching. His research areas include international trade, regional economic integration, WTO, trade facilitation and global value chains. He has published research papers, articles and discussion papers in national and international journals. He has also written two books on International Trade and Export-Import Management which have been adopted by Sikkim Manipal University as core books for their courses on international trade and economics.

Venugopal Ravindran

Venugopal holds a Master's degree in Economics with specialisation in international trade. His area of interest includes political economy of trade and regional trade agreements. He was a Research Assistant for this study. He contributed to the study, amongst others, by participating in fact-finding missions.

Foreword

Mega regional trade agreements (such as the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, the EU-ASEAN free trade agreement) are new features on the international trading landscape with the potential to bring about enormous changes in world trade dynamics, given their coverage and scope.

These agreements create a significant additional layer in the global trade architecture for preferential trading among prominent members of the World Trade Organisation. With tariffs already low in many of the participating countries, the focus is on rules harmonisation, achieving coherence, and removal of non-tariff barriers.

When concluded they are expected to pose some challenges to India on account of erosion of trade competitiveness as a result of reduction in tariffs among the participating countries members as well as the increased cost of compliance with the higher standards that they are expected to impose on not only trade among themselves but also with others outside those groups.

However, as this study argues, such challenges should be considered as opportunities to make the Indian economy, in general, and our trade, in particular, more competitive. India needs to find a balanced strategy to respond to the potential effects of mega regionals to advance its trade competitiveness and ensure critical development objectives.

Keeping this in mind, India is taking an active part in negotiating the other mega regional: the Regional Comprehensive Economic Partnership (RCEP) being negotiated between the ten member states of the Association of Southeast Asian Nations (ASEAN) and the six states with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand).

The RCEP provides an opportunity for India to identify and tap into some of the regional value chains. We also see it an important avenue for facilitating investment flows for stimulating trade in the region.

India realises that its gains from RCEP will be crucially dependent on complementarity between the RCEP tariff liberalisation agenda and our unilateral tariff liberalisation agenda as well as improvements in regulations to address non-tariff measures. We are also looking for better and more secured access for our service providers in those markets.

I agree with the broad recommendations of this study that India should adopt a multipronged strategy to mitigate the challenges of other mega regionals and convert them into opportunities by securing and exploring existing and new markets through free trade agreements (FTAs) and otherwise, complemented by improvements in its domestic regulatory framework for enhancing trade competitiveness; and fiscal and monetary policy measures to boost domestic demand and market access opportunities.

The Foreign Trade Policy Statement 2015 reflects the Government's thinking on FTAs and mega regionals and factors in these new developments in the Foreign Trade Policy. This should be reflected in India's current and future negotiations of free trade agreements. There is no doubt that this trend of FTAs will increase over time along with the progress of the multilateral

trading system. Therefore, we need to create institutional structures and mechanisms to get a grip on the world of FTAs on a continuing and holistic basis.

I would like to extend my best wishes to CUTS International for its future endeavours on this and related subjects.

Rajeev Kher Commerce Secretary Government of India

Preface

The steady drive of mega regional trade agreements (RTAs) in recent years, partly due to the anaemic pace of multilateral trade negotiations, has produced a level of concern for those countries excluded from these trade talks. Contemporary free trade agreements, especially mega RTAs, have moved beyond the aged tariff-only trade accords and are encompassing a wide range of trade-related issues, including services, standards, competition, intellectual property rights, and dispute settlement, amongst others.

Mega RTAs, such as the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, the EU-ASEAN free trade agreement, have the potential to alter the 21st century trade paradigm in significant ways and with it emerging economies like India, through trade diversion and setting greater standards requirements. An additional concern is that the new rules may find their way into the multilateral trading system.

In the face of these looming challenges, India, as a rising leader globally and in the Asia-Pacific region specifically on trade and economic matters, has a critical opportunity to transform the potential impacts into policy measures that will allow it to move from a rules-taker into a *rules-maker*. Indeed, India's Foreign Trade Policy of 2015-20 acknowledges trade as a tool to meet strategic objectives and development needs in the long-term.

Diplomatic and policy options at the domestic, bilateral, regional, and multilateral level will be the keys to addressing a comprehensive set of challenges. Particularly, India's active role in the Regional Comprehensive Economic Partnership (RCEP) of Asia and the Pacific is an immediate opportunity to set trade rules to its advantage and begin to upgrade its standards that will enable India to prepare for eventualities stemming from mega RTAs at the regional and multilateral levels.

Therefore and given India's aspiration to transform its growth and development story from 'export-import neutral' to 'trade and investment focused', CUTS International undertook this study on mega RTAs and their impacts on the Indian Economy in order to comprehend the expected impacts and propose a balanced approach towards addressing the challenges facing the country and opportunities for its structural transformation. In this effort, it was necessary to analyse the anticipated effects of trade diversion on commodity imports and exports, including but not limited to textiles, processed food, and other manufacturing sectors.

Also, given that much of global tariff levels are already generally low, the probability of higher trade standards and rules may have a more impactful effect on India's trade. Thus, it was essential to identify, using the available information at hand, the gaps between potential standards in mega RTAs and India's current regulatory status.

In this study, we have articulated various options that India can and should consider, including using RCEP as a stepping stone to set balanced trade rules and upgrade India's standards, forming new and alternative trade relations, and playing an active role in the regional and multilateral trading systems. The findings and recommendations are based on extensive literature review, stakeholder consultations, and quantitative modelling analysis.

As mega RTAs progress and may come to their eventual conclusions, with the potential for their standards to be placed at the World Trade Organization, CUTS International will continue the vital work on this subject through research, advocacy and networking.

The project was undertaken with the support of IPE Global Private Limited and the United Kingdom's Department for International Development under its Knowledge Partnership Programme. I thank them for their support and look forward to future partnerships.

I would especially thank my colleagues and external reviewers for contributing to this study with their knowledge and experience on the subject matter. I hope it will be read widely and generate a constructive debate among policy-makers over the future of India's trade and its contribution towards its growth and development.

Pradeep S Mehta Secretary General CUTS International

Executive Summary

An Overview

Due to a multitude of factors, none the least the stagnation in multilateral trade negotiations under the aegis of the World Trade Organisation (WTO), mega regional trade agreements (mega RTAs) are gaining momentum. The three main mega RTAs concerning India are the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), and the free trade agreement (FTA) between the European Union (EU) and the Association of Southeast Asian Nations (ASEAN).

The TTIP accounts for about 60 per cent of global trade where about 30 per cent is global trade in goods and 40 per cent is global trade in services. TPP will encompass 40 per cent of global gross domestic product (GDP) with a population of 800 million. Both agreements intend to emphasise greater trade openness, high '21st century standards', and regulatory harmonisation that provides a competitive trade and investment environment for deeper economic and trade linkages.

These mega RTAs create opportunities and challenges for excluded countries like India. As noted in both the Economic Survey¹ and new Foreign Trade Policy,² India must recognise the emerging challenges from mega RTAs. Potential effects that India may sustain stem from loss in market access due to exclusion from preferential treatment and unattainable higher trade standards. India can take these challenges and transform them into opportunities for serious economic growth and development. India will have the opportunity to update and upgrade its domestic regulations on tariffs and non-tariff issues, reach out to new markets and perhaps benefit from an increase in global economic growth. For India to gain the greatest benefit from these opportunities, it will require a balanced approach between market liberalisation and support for domestic industries.

There is abundant space for new and alternative markets in Latin America, Central Asia and Eastern Europe, and Africa. Domestic reforms can address gaps in specific trade regulations where there is potential for streamlining and stimulating trade competitiveness. Its encouraged role as a rule-setter in the Regional Comprehensive Economic Partnership (RCEP) of Asia and the Pacific would provide India a stepping stone to strategically craft trade rules in preparation for possible pressure from mega RTA members and even higher standards placed at the multilateral level.

Indian industry can be encouraged to integrate deeper into value chains both in mega RTA regions, particularly in ASEAN, and elsewhere by producing high-value products that, with the assistance of domestic reforms and more comprehensive trade agreements, will satisfy the increasingly high standards based on mega RTAs. Importantly, India needs to assess the advantages that accrue from participation at the technology-intensive, highly profiting top end of the value chain as well as the labour-intensive, small and medium enterprise (SME) mobilising, job-generating bottom end of the value chain.

Accordingly, it needs to optimise its tariffs and arrive at a balanced policy while engaging in future bilateral/regional trade agreements. Similarly, domestic policy tools, such as the 'Make in India' programme,³ can assist India in broadening its portfolio at both ends of the value chain.

This study assesses the potential impact of the three mega RTAs on the Indian economy, with particular focus on the TPP and TTIP. In detailing the forecasted implications, it provides a series of recommendations as to how India should adapt its trade policy and strategy, efficiently embrace the opportunities arising from this new international trade regime and minimise the potential negative impacts. These recommendations include unilateral measures that India could carry out by changing its own domestic regulations and other bilateral, regional and multilateral measures that will include RTA members but also non-traditional markets which are also excluded from these mega RTAs.

Trade Diversion and Macroeconomic Variables

Based on scenarios created using the Global Trade Analysis Project (GTAP) model combined with the poverty analysis tool (POVCAL),⁴ the net-effect of trade diversion expected from mega RTAs on India's exports and imports were found to vary across commodities and scenarios both in terms of the magnitude and direction of change.

In general, the impact on exports was largest when all three mega RTAs were in force. Table 1 below summarises the expected export losses and gains in certain commodities from all three mega RTAs as a change from the current status quo scenario.

Table 1: India's Expected Export Losses and Gains (% change from BASE)

Export	Losses	Export Gains		
Commodity	All 3 RTAs in force	Commodity	All 3 RTAs in force	
Grains and crops	-0.2 per cent	Extraction	0.3 per cent	
Processed food	-1.6 per cent	Utility and construction	0.4 per cent	
Textiles and wearing apparel	-1.7 per cent	Transport and communication	0.7 per cent	
Light manufacturing	-0.2 per cent	Other services	0.9 per cent	
Heavy manufacturing	-0.2 per cent			

Source: Authors

The extent of the impact for both export and import is significantly larger and more favourable under the scenario where there is full global free trade as per multilateral trade liberalisation under the WTO compared to all other scenarios. In particular, under this scenario, aggregate welfare improves by 1.7 per cent of total GDP, inequality falls by over half a percentage point and poverty head count decreases by 12.3 per cent.

Furthermore, the welfare gains arising from multilateral liberalisation appear to be more favourable than the scenario where India takes unilateral tariff liberalisation. According to the model analysis, India stands to make welfare gains of about US\$ 7.5bn, compared with US\$ 21bn under the multilateral scenario. Much of these gains would come from extraction (US\$ 3bn) and processed food sector (US\$ 2.2bn). India is also expected to see welfare losses in meat and livestock, textiles and wearing apparel, and light and heavy manufacturing.

Table 2: Welfare impacts for India (% change from BASE)

-	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
Aggregate welfare (US\$ millions)	-322	-408	-336	-757	21216
Welfare as % of GDP	-0.03	-0.03	-0.03	-0.06	1.68
GINI index	0.0036	0.0041	0.0029	0.0082	-0.0666
Poverty head count	0.3	0.5	0.2	0.8	-12.3
Poverty gap	0.5	0.5	0.5	1.2	-16.0
Poverty FGT index	0.8	0.8	0.8	1.6	-17.9

Source: Authors

Note: Aggregate welfare is reported in US\$ million and as a % of GDP in the scenario. The inequality and poverty measures are percentage change from BASE levels.

The changes in India's exports under different scenarios may affect demand for domestically made products with associated consequences on outputs, product prices, factor prices, factor returns, and income generation, which in turn can trigger second round impacts on domestic demand, outputs, and prices.

Similarly, changes in imports affect domestic availability, domestic prices and hence demand for various goods. The model took these effects into account.⁵ However and importantly, the dynamic effects of any trade policy change, whether in India or external to the country, and the impact of standards and non-tariff measures were beyond the scope of this GTAP analysis.

Policy Recommendations [Refer to Chapter 3.2 & 7 for details]

- The results of the modelling simulations suggest that India should continue advocating for global trade rules to be negotiated and agreed in a multilateral platform, i.e. the WTO
- In parallel to the multilateral level, especially considering the slow rate of progress in the Doha Round of multilateral trade negotiations, India should aggressively pursue new and comprehensive trade agreements, in addition to current arrangements, with members of the three mega RTAs, such as the on-going RCEP negotiations.
- These agreements should go beyond tariffs and trade in goods, and should cover trade in services, investment, competition, intellectual property rights (IPR), among other areas.

Stakeholder Views

In conversations and interviews with about 60 stakeholders⁶ in Mumbai, Chennai, and Kolkata, where about 70 per cent of India's trade takes place, the study gained valuable insight from those with high exposure to the TPP and TTIP regions. The sectors included textiles, automobile, and agricultural products.

Although small traders demonstrated minimal knowledge about the mega RTAs; policy-makers, government officials, researchers, and trade bodies proved to have a good understanding of the agreements. Large traders even have dedicated research divisions for global trade developments. However, utilisation of trade agreements was still found to be low, where traders used traditional markets and well-established contacts instead. Many stakeholders pointed out that due to India's bilateral trade relations with many TPP member countries, India may not be as drastically impacted.

Both policy-makers and government officials raised the concern of outflow of capital and relocation of production from India into TPP members. Given the size of the market, both the TPP and TTIP

will have influence on the sentiments of the global investing community. Foreign direct investment (FDI) flow could be redirected to these regions that may have a more conducive trade and investment environment stemming from mega RTAs.

Government officials, trade bodies, and policymakers also stated that there are a large number of non-tariff barriers which Indian products are facing from TPP and TTIP countries. Higher regulatory standards negotiated under these mega RTAs will act as further barrier to India's exports. Moreover, the influence of mega RTAs may result in the creation of a dual regulatory regime in developing countries, one for mega RTA members and another for the rest of the world.

Under these circumstances, large exporters will likely have the resources to adopt the complex regulatory standards in these markets while small exporters will face much more difficulties in adhering to these standards. This may be detrimental to a large number of small and medium enterprises (SMEs) in India that play a pivotal role in the Indian economy.

Policy Recommendations [Refer to Chapter 3.6 & 7 for details]

- There is the need to ensure greater participation of various stakeholders and improvement of their knowledge base about bilateral/regional preferential trade agreements through outreach, capacity building activities, and participatory initiatives with the government.
- The imperative is to build inclusive coalitions at the multilateral and even regional level, with members and non-members of mega RTAs that share similar concerns as India, to promote a more balanced international trade regime that works towards opening markets and supporting domestic industries that require time to prepare for greater foreign competition.
- By creating an enabling environment in the domestic market, India can improve the competitiveness of the Indian industry and hence, greater participation in regional and global value chains (GVCs) by moving beyond commodities and intermediate goods and producing high-value products.
- Much work is needed at the multilateral level through the recently concluded Trade
 Facilitation Agreement and at the national and local level to improve trade-related
 infrastructure, including ports, roads and railway networks. In doing so, India can
 reduce transaction costs incurred by Indian traders while responding efficiently to
 international market demands.
- India's approach to open new and expanded trade ties with countries needs to realign with the objectives of India's trade policy and other macroeconomic policies.

New Trade Rules and India's Domestic Reform Opportunities

The mega RTAs portend an overhaul of the language of market access by redefining the extant rules of trade. They propose to be comprehensive in their coverage by disciplining areas which are not presently dealt by the WTO. It is now becoming abundantly clear that, for the excluded countries, the shocks caused by further tariff liberalisation will be far less palpable than those transmitted by these 'WTO-plus' and 'WTO-extra' rules. The pressure of adhering to these new rules can be used by India as an opportunity to upgrade and harmonise certain domestic rules and standards which will facilitate and increase trade.

Mega RTA rules on sanitary and phyto-sanitary (SPS) measures and technical barriers to trade (TBT) will assimilate the burgeoning class of voluntary standards which have already started guiding procurement decisions in value chains and consumer preferences in advanced countries. Emphasis will be placed on regulatory coherence which would entail systemic changes to the bureaucratic

structure. There are proposals to completely prohibit export subsidies and trim subsidies that have negative externalities on the environment. There might be stricter rules to determine countervailability and/or anti-dumping action.

The Rules of Origin (RoO) at the TPP will be determined in a manner that will ensure fuller integration of the United States (US) in regional production networks of Asia and the Pacific. The value addition threshold, pre-empting the possibility of trans-shipment through China or India, will be restrictively defined. With regard to market access in farm products, it is unlikely that the US or EU would change their farm policies considering that they see mega RTAs as a sort of backdoor rule-making with minimum compromises in areas where they have defensive interests.

Mega RTA rules pertaining to export restrictions seek to undercut the General Agreement on Tariffs and Trade (GATT) exceptions to the ban on quantitative export restrictions. This could severely limit the policy space to impose checks for price stabilisation or domestic supply shortages. The rules will also try to break new ground in the area of social standards. Other than delineating the ambiguous relationship between trade sanctions contained in Multilateral Environment Agreements (MEAs) and WTO laws and ensuring enforcement of core labour standards contained in International Labour Organisation (ILO) conventions, social standards could well be the key determinants of accessing the markets of mega RTA countries.

The TPP chapter on trade facilitation would seek to improve the efficiency of border procedures with the use of cutting-edge technology and by dismantling unnecessary bottlenecks. Broadly, the mega RTA rules will bring an increased emphasis on risk management techniques, advance rulings, and uniformity in appeal procedures.

Intellectual Property (IP) provisions in TPP will most likely upset the balance that was achieved by the WTO TRIPS Agreement and the Doha Declaration on TRIPS and Public Health. It is expected that the TPP will go beyond the extant multilateral legal framework in areas like data exclusivity, patent linkage, trademarks, and trade secrets. The proposal made by the US and Japan with regard to the 'subject matter of patentability' specifically targets India's domestic law (Section 3(d) of Patents Act, 1970) that prevents the practice of patent ever-greening and reduces the patentability threshold of an invention. Similarly, IP-related border measures envisage seizure of 'confusingly similar goods' that are in transit. Such measures could impede the legitimate trade in generic drugs. On the other hand, the TTIP is unlikely to have a comprehensive chapter on IP provisions. Instead of attempting to harmonise their IP regimes, the EU and US may focus on enforcing their IP rights in third countries.

The TPP and TTIP negotiations are aiming to administer regulatory disciplines in service sectors that were hitherto left untouched such as air traffic rights, maritime transport, and some professional services. It will delve into cross-cutting issues which have ramifications across sectors and treat the different modes of delivery separately. The investment chapter will direct capital flows to countries which are party to mega RTAs with strict investment regimes, which can afford better protection to investors and have liberalised capital account regimes.

While dealing with the impact of mega RTAs, there are several critical issues that India has to consider. India should remain cautious of the direct effect on trade diversion caused by these new rules but also of the efforts by advanced countries to capitalise on these early agreements by making them a template for future discussions and negotiations at the multilateral level. The extent to which TPP and TTIP rules would influence negotiations at RCEP, to which several members of TPP are also party, is yet another important matter to ponder over.

India has to look at the potential challenges emanating from mega RTAs as a window of opportunity to undertake sweeping institutional and organisational reforms at the domestic level to ensure unobstructed and improved market access. It has to leverage the mega RTAs to initiate these reforms to attract investment, promote the transfer of technology, upgrade its standards regime, integrate into value chains, and set the stage for an export- and FDI-oriented growth. In short, there is an opportunity to transform India's trade and trade-related FDI regime from being export-import neutral.

Policy Recommendations [Refer to Chapter 3.4, 4 & 7 for details]

- A strategic roadmap for standards that is harmonised with 'Make in India'.
- The government should prioritise sector-specific regulations to ensure mandatory compliance with SPS and TBT requirements.
- The aspirations of industries, exporters and other relevant stakeholders should be assimilated while setting standards. India should also focus on gathering economic intelligence on standards that the industries or governments of advanced countries are developing.
- A uniform approach while formulating RoO in India's trade negotiations could considerably improve the utilisation rate of FTAs and strengthen India's pursuit to become integrated into global production networks.
- By gradually phasing out export subsidies and rationalising export promotion schemes, India could transform its irregular subsidies into environmentally-sound subsidies and better targeting of the beneficiaries.
- A stable agricultural trade policy that is predictable and not reacting to the vagaries of global markets can give further impetus to India's food processing sector. Being a crucial player in certain farm products, India will have to exercise caution in its use of export prohibition and quotas.
- New dimensions in anti-dumping jurisprudence could find reflection in India's trade
 policy and trade agreements. A distinction could be drawn between discriminatory
 price policies that are driven by predatory, monopolistic tendencies and those that
 could be beneficial to consumers in the long run by enhancing productivity and
 efficiency.
- Electronic filing of bills of entry (BOE) and declarations should be made the norm and the customs gateway (ICEGATE) could work toward seamless and undisturbed connectivity to traders for uploading their documents.
- Reforms to road and rail infrastructure targeting bottlenecks that impede freight transportation through the route of public-private partnership can be actively pursued to step up infrastructure development.
- Keeping in mind India's development objectives and its role as the 'pharmacy of the developing world', India should refrain from aligning its IP provisions with the mega RTA standards.
- India's FDI policy and the Reserve Bank's monetary policy should be accordingly attuned to address the capital requirements in infrastructure.

External Trade Engagements

A multi-pronged approach at the bilateral, regional and multilateral level to update its trade standards on its own terms, rather than pressured from mega RTAs, could give India the diplomatic flexibility to negotiate standards that are proportional to what can realistically be achieved based on pertinent economic and development needs. These markets can also be tapped as suppliers of intermediate goods and inputs that could complement India's manufacturing and trade policy.⁷ Strategic external trade engagements can also give the Indian economy and affected stakeholders adequate timeframes to implement necessary reforms.

Bilateral and regional engagements with mega RTA partners

India has 15 active trade agreements; another 14 are being negotiated. In the context of the looming challenges from mega RTAs, India has the opportunity to remain engaged through its existing

FTAs as well as deepen relations with mega RTA members, including integration into ASEAN production networks that address market access on trade in goods and advance its partnerships in trade in services and investment. India's future RTAs with TPP countries like Australia, Canada, and New Zealand provide an opportunity to align its trade standards and modalities as well as propose mitigating measures while maintaining realistic expectations for India's industry. Importantly, though, will be the effective implementation and follow-through for all agreements and their individual modalities.

India's active participation in the G20 provides an opportunity to engage with many members of mega RTAs. This and other plurilateral forums, such as the Asia Pacific Economic Cooperation (APEC) and Pacific Alliance, can provide the space for dialogues on India's stance concerning the impact of mega RTAs on non-member countries. Opportunities exist to integrate further with the Pacific Alliance group through a Comprehensive Economic Cooperation Agreement (CECA) once preconditions are met.⁸

Alternative market opportunities

There is significant opportunity for new and expanded markets and for entering regional and global value chains in many regions, including Latin America, Central Asia, Eastern Europe, and Africa. This can be done while remaining engaged in India's established trade relations with partners involved in mega RTAs.

Currently, India's trade agreements in Latin America are with Chile and the Southern Common Market (MERCOSUR). Preferential trade agreements have been proposed or under consultation with Colombia, Peru, Uruguay and Venezuela. Countries such as Colombia, Mexico, and Trinidad and Tobago are key energy exporters, with India being Colombia's second largest oil export destination.

The Eurasian Economic Union (EAEU) and Central Asian countries offer India another opportunity for greater economic integration in new markets. India is about to enter into negotiations with the EAEU for a Comprehensive Economic Cooperation Agreement. India should fully exploit its access to the International North-South Trade Corridor to enhance its trade and investment relations with the EAEU and Central Asian countries including through long-term, product-specific agreements to access strategic commodities such as oil and natural gas, uranium and potash.

Finally, there is a wealth of opportunity in trade with many African nations and regional economic communities in Africa, including the East African Community (EAC), the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). Specific products and services originating in India can gain better access to numerous markets in Africa and potentially contribute to development agendas in African countries and regions. Thus deepening political and cultural relations for a sustainable future partnership. The recently negotiated Tripartite FTA among the EAC, COMESA and SADC is an opportunity that India should explore.

Opportunities at the multilateral level

The WTO is the most optimal forum for India to put forward its concerns, preferably collectively in issue-specific coalitions, and work with trade partners to find balanced, multilaterally agreed deals on various trade and development-related issues. The WTO platform provides India with an equal voice to raise its concerns and propose solutions to trade and development-related issues. With the comprehensive structure of the Doha Development Round, India has a stage at the multilateral level to ensure its economic interest and development needs are heard.

Mega RTA rules might eventually be imported into the multilateral platform of the WTO. This will reduce the space for negotiations by countries excluded from mega RTAs as they have to negotiate a text already agreed by many influential WTO members at another level.

Policy Recommendations [Refer to Chapter 5 & 7 for details]

- Comprehensive feasibility studies of potential FTAs will be required to assess the likely benefits for India's economy and development needs in deepening trade relations with mega RTA members.
- Potential markets and opportunities in Latin America include accessing energy products (e.g. Costa Rica, Mexico, Nicaragua, and Panama), gagro-industry machinery as well as tapping into certain countries knowledge of conditional cash transfer programmes for low-income families (e.g. Brazil's 'Bolsa Familia' programme).
- Trade in services, especially information technology (IT), is also an area where India can deepen its trade relations with Latin America.
- India should actively pursue its CECA negotiations with the Eurasian Economic Union and should fully exploit its access to the International North-South Trade Corridor.
- India should aggressively pursue linking its services industries, where it has strong comparative advantages, with manufacturing and commodity processing in the Central and Eastern European regions.
- Many African countries are rich in natural resources, which can help India in sourcing strategic commodities on a sustainable basis, including oil, natural gas, coal, coking coal and uranium, as well as provide its high-skilled services to facilitate trade in those commodities.
- India's trade policy should focus on balancing its participation in GVCs between high-value, high-skilled sectors and low-value, low-cost sectors of the value chain, thus broadening its trade portfolio at both ends of the value chain.
- Through active engagement and even leadership in the G-20 and G-33 group of developing countries at the WTO and building coalitions toward finalising negotiations based on the Bali Ministerial decisions and other issues of the Doha Development Round, India should pursue a balanced, multilaterally-agreed trade regime in the context of the potentially threatening new standards and rules being developed in mega RTAs.
- India's diplomatic strategy at the WTO should take into account the possibilities of upgraded, and even exclusionary, mega RTA-influenced standards becoming engrained in the multilateral system.

Regional Comprehensive Economic Partnership of Asia and the Pacific

Currently, India is playing a major role in the crafting of the Regional Comprehensive Economic Partnership (RCEP) agreement among 16 countries of Asia and the Pacific. ¹⁰ In the context of the looming impact of mega RTAs, and considering that not all issues of trade-related development interests are being addressed in those negotiations, the RCEP is another crucial opportunity for India to incrementally meet the higher standards promoted in mega RTAs while ensuring support for its domestic constituencies and development dimensions of trade. India is encouraged to play an active role in setting the trade rules to place itself in a strategic position for upgrading its own standards as well as start to prepare for the eventuality of higher mega RTA-influenced standards brought to the WTO.

India has indicated its interest in increasing trade in services, removing non-tariff barriers as well as specific interest in trade in goods, such as pharmaceuticals and textiles, and attracting investment inflow and outflows.¹¹

As negotiations currently stand, India is prepared to reduce tariff rates to 70 per cent of tariff lines for ASEAN members, while the rest of the RCEP members would receive 40 per cent tariff

lines cut. ¹² To assist domestic industry in adapting to new tariff cuts, categories of tariff lines could be reduced in an agreed timeframe over multiple intervals, similar to that of the India-Korea FTA. Furthermore, India's comparative and competitive advantage in many service sectors has not been met with adequate coverage in its existing FTAs and that is to be ensured in RCEP.

Preparing for the eventual stringent regulations on IPRs, India can begin to upgrade its own domestic IP policy, for example by beginning to relax copyright rules on certain products such as music or film while ensuring continued support for its generic medicines through reasonable patent lifetimes. India can act as a rule-setter on this specific area.

Moreover, agreeing to more open RoO criteria than its previous FTAs¹³ and including product-specific rules for targeted items could give India the balanced approach to liberalise its markets while continuing to support certain domestic industries.

Policy Recommendations [Refer to Chapter 6 & 7 for details]

- India can include extended phase-in periods in the agreement of tariff reduction as a
 way to encourage competition and domestically address various types of anticompetitive market distortions while supporting domestic industries by giving them
 time to adapt.
- India can negotiate for greater openness in trade in services in all four Modes, particularly finding expanded avenues of trade (in addition to traditional IT and IT-enabled services) in tourism and hospitality services as well as business and cultural relations, including free movement of professionals and educational exchanges.
- In working with its RCEP partners on rule of origin, India can agree on criteria used by the majority of the RCEP membership, specifically allowing an option of either value-added content or change in tariff classification rather than the dual criteria requirement.
- India can offer product-specific Rules of Origin on a case-by-case basis that will prudently leverage support to India's manufacturing policy, such as 'Make in India'. Such specific rules may also aim to funnel other quality material from its RCEP partners that support its domestic producers and eventually tie with India's export of intermediate and finished products.
- India can begin to upgrade its own domestic IP policy through relaxation of targeted copyright rules and ensure continued support for its generic medicines by addressing patent lifetimes and other measures.

Conclusions

Due to the comprehensive and expansive mandate undertaken by the TPP, TTIP, and EU-ASEAN FTA, mega RTAs have the potential to impact India through trade diversion and erosion as well as placing pressure on India to liberalise markets for trade in goods and services, and raise standards where it may not be prepared to do so.

Considering that TPP and TTIP members account for more than 40 per cent of both India's imports and exports, tariff preferences created by these mega RTA are likely to divert trade from non-members to trade among mega RTA countries resulting in loss of market share for India. This scenario is supported by the economic modelling in the study. It reveals that the impact is generally less severe than expected, although particular products in which India relies on mega RTA countries substantially for trade have the potential to experience greater market loss, such as grains and other crops, processed food, textiles and wearing apparel, and light and heavy manufacturing. Furthermore,

given India's links to GVCs through service exports, even in the case of mega RTA-led value chains, there is a high level of potential implications particularly related to market access of services.

Since many of the mega RTA countries already enjoy low tariff rates with their trade partners, significant impact is expected to come from the new and upgraded trade standards and regulations promoted in these agreements. Mega RTAs may re-orient standards of trade that advantage their members by paving the way to easing of compliance, streamlined customs administration, and improvements in infrastructure as well as higher labour and environmental standards that would likely to divert Indian exports that cannot comply with such standards of mega RTA members.

Finally, given that almost 60 per cent of India's GDP is tied to the services industry, a large portion being in IT and IT-enabled services, the regulatory harmonisation expected to be enacted in mega RTAs could greatly harm India's competitive edge in these sectors. Competitors in Southeast Asia such as Indonesia, Malaysia, and the Philippines will have the opportunity to develop stronger IT sectors under such favourable conditions that trade in services from India could be diverted.

In this context of impending challenges from mega RTAs, including the potential for higher standards incorporated at the multilateral level, there is enormous opportunity for India to go beyond general economic growth and move towards deeper integration into regional and global value chains to produce high-value products, create new trade relations, craft structural reforms, and enhance domestic standards while maintaining support for India's industry, its workers, and other vital development objectives such as poverty reduction.

Indeed, for the first time, the Foreign Trade Policy 2015-20 views trade as a significant part of achieving security and strategic objectives in the long-term, and integrates trade into India's national development policies.¹⁴

As India embarks on diplomatic and policy recourse towards the potential impact of mega RTAs, other developing countries could find lessons from India's case and create their own opportunities for economic and development growth. Similar to India, other low-income, resource-poor developing countries (including least developed countries) will need to strategise liberalising their markets while continuing to support domestic industries. Further study will be needed to identify which sectors of each economy are prepared for greater competition and which require time for development. In sub-Saharan Africa, Latin America and Central Asia, economic communities and customs unions can be advantages for greater integration to help mitigate potential trade diversion. Through domestic policy reforms and with the assistance of programmes such as Aid for Trade and direct aid initiatives from mega RTA members, developing countries can identify where they need to upgrade their trade standards and improve infrastructure to cut cost. In this respect, India can offer 'knowledge' and, therefore, other than trade and investment, 'knowledge-sharing' should become an important component in India's future comprehensive economic cooperation agreements with many of those other developing countries.

To conclude, a balance will be required in both domestic reforms and India's engagements at the bilateral, plurilateral, and multilateral levels to ensure that India is well-placed to partake, and indeed prosper, in the international trading system while maintaining strong support for its domestic industries and development objectives. India can achieve this through its active participation as a rule-setter in the RCEP through targeted domestic policy reforms, improved trade infrastructure, continued with alternative bilateral and regional trade engagements, and building an inclusive coalition of developing and least-developed member countries at the WTO to address the evolving international trading system that encompasses mega RTAs, including RCEP.

Endnotes

1 Chapter 1: Economic Outlook, Prospects, and Policy Challenges, Economic Survey 2015-2015, pp. 34-37.

- 2 Foreign Trade Policy Statement, Government of India, pp. 18-19.
- 3 The Government of India unveiled the Make in India programme on September 25, 2014 to attract investments from businesses around the world, and in the process, strengthen India's manufacturing sector.
- 4 The simulations focused explicitly on effects from tariff and export subsidy elimination in merchandise trade. Analysis of non-tariff measures and investment flows were beyond the scope of the modelling tools.
- 5 Refer to Tables 14, 15 and 16 of Annex 2.
- 6 Traders, government officials, policy-makers, academician/researchers, and representatives of trade bodies.
- Foreign Trade Policy Statement, Government of India, para. 12 and 67.
- India must have three free trade agreements with Pacific Alliance members before attempting a CECA with the full group. India currently has an FTA with Chile. Other members are Colombia, Mexico and Peru. Chile and Peru are part of the TPP.
- 9 Dolezal, et al., 'The Way Forward for Renewable Energy in Central America', World Watch Institute, June, 2013.
- 10 These are: the 10 ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and Australia, China, India, Japan, New Zealand, and South Korea. It was an ASEAN initiative and has members with whom ASEAN has FTAs.
- 11 Mishra, Asit Ranjan, 'RCEP pact: India set to host regional trade deal talks in Dec', Live Mint, June 10, 2014.
- 12 Seth, Dilasha, 'India offers wider duty cuts at Regional Comprehensive Economic Partnership, *The Economic Times*, February 18, 2015.
- 13 India's FTAs with ASEAN, Malaysia, Japan, and South Korea require both value-added content and change of tariff classification.
- 14 Foreign Trade Policy Statement, Government of India, paragraphs 4 and 5.

Mega Regional Trade Agreements and the Indian Economy ◆ xxi

1 Introduction

Ontemporary discussion on trade in both developed and developing countries has pivoted to a particular focus on so-called mega RTAs. Two of the most prominent mega RTAs are TTIP, being negotiated between the US and EU, and TPP, which encompasses 12 Asia-Pacific countries. Another mega RTA of interest for a country like India is the FTA between the EU and ASEAN. These mega RTAs are heading towards deeper integration amongst some of the largest economies or groups of economies, and cover a wide spectrum of issues, including trade in services, investment, competition, government procurement, IPR, and TBT, amongst others.

Due to the wide coverage of issues and trade volume of these mega RTAs, India is justifiably concerned over the potential impact on trade, economic growth and development. India has economic interests and trades significantly with TPP and TTIP members, accounting for more than 40 per cent of both the country's imports and exports. If concluded, their impacts, in respect to India's access

TPP and TTIP members account for more than 40 per cent of India's trade

to the markets in those countries, will be mostly felt by specific sectors such as textiles, agriculture and processed food items, and automobile components. Other challenges will lie in how India's trade regime will adapt itself to high-level trade-related regulatory standards that these agreements are expected to set. As well as trade in goods and services, FDI and technology transfer are becoming more and more inter-linked and these mega RTAs are expected to pose some challenges to India's inward as well as outward FDI.

Apart from efficiently adapting its trade policies to these new international trade rules, India should take this opportunity to explore non-traditional markets that are also excluded from the mega RTAs and perhaps engage in trade negotiations with these countries, including emerging economies such as Brazil, Russia or China, and other regions like Central Asia, Africa, and Latin America.³ In addition, India's negative trade deficit, which has grown at an alarming rate in the last

few years, raises concerns over the effectiveness of India's overall strategies towards external trade engagements and calls for a review on its trade strategy and policies.⁴

This report carries out an analysis of the implications on the Indian economy from these mega RTAs and challenges therein, and corresponding domestic measures that need to be formulated by India's trade establishment to assuage their impacts. Before getting into the core analysis of this report, the following issues

India should take this opportunity to explore nontraditional markets that are also excluded from the mega RTAs

will be introduced in Chapter 1: the political and economic reasons for the rise of mega RTAs, background of India's engagement in RTAs, the relevance in terms of scope and coverage of mega RTAs, the economic theories of the exclusion of third parties to RTAs and the need to study the impact of these mega RTAs on the Indian economy.

1.1 The Rise of Mega RTAs

The proliferation of mega RTAs is due in part to the current impasse in negotiations at the multilateral level. There is no one answer for the continuing stagnation of negotiations at the WTO. It is a result of several political and economic factors, some of which are covered in this section.

One factor affecting this phenomenon is the high degree of tariff liberalisation achieved during the time of the GATT and the change in international trade patterns towards GVCs. This new scenario makes trade negotiations no longer just about tariffs but about technical regulations and

Trade negotiations are no longer just about tariffs but about technical regulations and standards which have replaced tariffs as the most potent barrier to global trade today

standards which have replaced tariffs as the most potent barrier to global trade today⁵ and not just about goods but about services and investment. As opposed to tariffs, standards cannot be removed. Consequently, the aim is not to remove standards but to set a fair and level playing field on standards. In addition, there has been a change of actors: tariffs are removed by states whereas standards are set by private agents. Traditional rules, hence, no longer respond to the needs under the new international trade scene.

Since tariffs can no longer be used as protectionist measures, many of these non-tariff barriers to trade are being used in a

discriminatory manner, SPS and TBT measures being amongst these. The WTO rules⁶ provide for the 'necessity principle' as a yardstick to measure the efficacy of a standard or regulation, i.e., whether they are *necessary* to fulfil a legitimate objective.⁷ There is considerable leeway for member countries to use discretion while setting standards and the distinction between standards that address legitimate concerns and those guided by protectionist motives has been rather elusive. By leaving this clause open-ended, the WTO rules have kept the door ajar for vagaries in domestic policymaking. Today, exporters have to navigate a plethora of standards, testing procedures, certification requirements and safety standards for gaining access to markets. Compared with this current system at the WTO, contemporary FTAs seek to refine the process by which countries develop standards, ensure speedy communication of changes, provide ample time for implementation, generate best practises and harmonise standards.

In an attempt to recover influence and to be able to write and redefine trade rules, WTO members such as the EU and US have moved to regional negotiating platforms where they have more space for manoeuvre.

From a political view point, traditional players that have dominated WTO negotiations for many decades such as the EU, US and Japan no longer enjoy this position of power. Developing countries have acquired a more firm position at the WTO by allocating strategically in different negotiating blocks as well as emerging countries such as Brazil and India and in particular the accessions of China and Russia that have altered the positions of power at the WTO. In an attempt to recover influence and to be able to write and redefine trade rules, WTO members such as the EU and US have moved to regional negotiating platforms where they have more space for manoeuvre.

1.2 India's Engagement in RTAs

India's early regional cooperation agreements include India-Bhutan Treaty in 1949, India-Nepal Friendship Treaty in 1950, the Asia-Pacific Trade Agreement (initially known as the Bangkok Agreement) in 1975, and South Asia Preferential Trade Agreement in 1995 which eventually led in 2006 to the South Asian Free Trade Area (SAFTA).

The first bilateral agreement, however, was signed in 1998 with Sri Lanka. This FTA was intended to address the geopolitical issues of South Asia. In this process, India did not conduct an ex-ante cost-benefit analysis, nor consult with stakeholders. Only a ministerial committee was constituted in order to yearly review the progress of the agreement. The success of the India-Sri Lanka FTA has

propelled both countries to engage in deeper trade discussions on services and investment through a comprehensive economic partnership agreement ongoing since 2005.

The 2003 India-Thailand FTA was the first time that a feasibility study was carried out to assess the possible impact of the proposed agreement. This study included a Computable General Equilibrium (CGE) model and the Revealed Comparative Advantage analysis. This agreement also marked the beginning of the practice of extensive stakeholder consultations prior to the signing of the FTA, which has subsequently been integrated into the preparedness strategies for FTAs.

In 2004, a Trade Negotiating Committee was set up to start negotiations towards a Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation - FTA. Negotiations are, however, still ongoing. In the following years, India signed an FTA with MERCOSUR (2004) and a CECA with Singapore (2005).

The India-ASEAN FTA (2010) was an important trial for India as it was the first time that the country negotiated a trade agreement with a regional bloc that was not a customs union. One of the challenges, for instance, was negotiating different tariff lines for

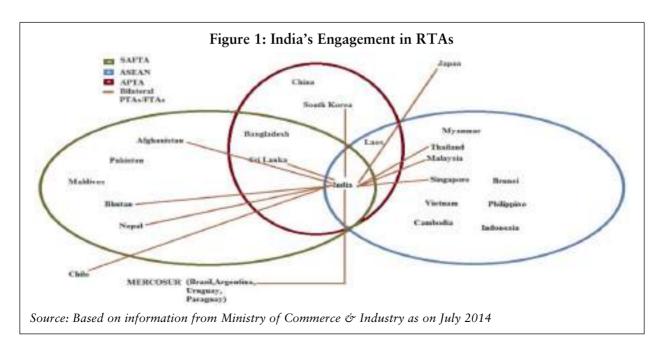
The mega RTAs aim at redefining existing international trade rules ('WTO-plus') as well as going beyond the existing WTO rules ('WTO-extra')

each ASEAN member state. In an attempt to increase integration with ASEAN, the FTA was extended in 2014 to include services and investment. In addition to this, India signed a CECA with Malaysia in 2011.

The history of India's preferential trading arrangements highlights the evolution of its foreign and trade policy from solely providing tariff preferences in goods to more deep and comprehensive arrangements which include trade in services, investments, and non-tariff barriers to trade. Over the years, India has opened the negotiation process to stakeholder participation and feasibility studies for input. More recently, India has reinvigorated its engagement with trade partners and used soft diplomacy to advance its economic and development objectives.

1.3 Scope and Coverage of Mega RTAs: TTIP, TPP and EU-ASEAN FTA

The mega RTAs are so called not just because of the participation of global heavyweights but also because they aim at redefining existing international trade rules ('WTO-plus') as well as going beyond the existing WTO rules ('WTO-extra'), 8 codifying a new textual template in ground-breaking areas which are, amongst others, regulatory coherence, investment, competition, and environment and labour standards.



The US administration has received Trade Promotion Authority (TPA), also known as fast-track, that allows negotiators to speedily conclude, amongst other tasks, the mega RTAs it is engaged in, i.e. TPP and TTIP. The authority provided by Congress sets certain negotiation objectives that promote 'WTO-plus' and 'WTO-extra' areas, including stricter IPR rules, labour and environmental standards, transparency, and advancing international recognised human rights.⁹

This section presents the scope and coverage of mega RTAs focusing mainly on those issues that are more likely to affect the Indian economy and which are the sticking points in the negotiations.

Transatlantic Trade and Investment Partnership (TTIP)

Conversations towards transatlantic cooperation and integration started already in the 1990s with the Transatlantic Declaration of 1990, the New Transatlantic Agenda of 1995 and the Transatlantic Economic Partnership of 1998; together with the proposal of a Transatlantic Free Trade Area and several parallel summits and dialogues. However, it was only in July 2013 that negotiations started under the TTIP with a clear mandate to harmonise rules and to achieve full transatlantic cooperation. This decision was based on recommendations by the US-EU High Level Working Group (HLWG) on jobs and growth, which was established in November 2011 under the Transatlantic Economic Council.¹⁰

The controversy regarding market access negotiations will lie on sensitive products The TTIP is a trade and investment agreement between the EU and US. The TTIP accounts for about 60 per cent of global trade, of which 30 per cent is in global trade in goods and 40 per cent is global trade in services. The US is the EU's main export destination accounting for about 17 per cent of total EU exports and third largest source of EU imports accounting for about 12 per cent of

total EU imports.¹¹ The EU is the US' second largest export destination and source of imports, accounting for about 17 per cent of US total exports and imports.¹² Total US investment in the EU is three times higher than US investment in all of Asia and EU investment in the US is about eight times the amount of EU investment in India and China together.¹³

Since the start of TTIP negotiations, there have been eight negotiation rounds. As with many contemporary trade agreements, these negotiations cover a wide range of issues. Provisions on market access in goods, services, and agriculture, RoO, public procurement, investment, energy and raw materials, regulatory non-tariff barriers including standards, testing and certification procedures, IPR, sustainable development, labour and environment, SMEs, dispute settlement, trade facilitation and state owned enterprises (SOEs), amongst others.

Tariffs between the EU and US are already low. Around 37 per cent of US tariff lines and 25 per cent of EU tariff lines are duty free and average tariffs for the US and EU are 4.7 per cent and 6.4 per cent respectively. The controversy regarding market access negotiations will lie on sensitive products such as dairy products, sugar and confectionery, beverages and tobacco, fish and fish products, meat, peanuts, textiles and apparel, automobiles, machinery, and chemicals. In non-agricultural sensitive products, tariffs can be as high as 15 per cent in the US and in the case of the EU they may exceed 15 per cent. In agricultural products, the EU and US impose in certain products duties that exceed 100 per cent.

The TTIP chapter on services, investment and e-commerce was leaked in July 2013. This chapter includes a section on investment, cross-border supply of services (Mode 1), presence of natural persons (Mode 4) and an extensive section on general provisions on domestic regulation and specific provisions for computer services, postal and courier services, electronic communications networks and services, financial services, international maritime transport services, air transport services, and e-commerce.

In the section on investment, there are provisions of non-discrimination on national treatment, most favoured nation treatment and economic needs test. The former two only apply to those sectors that have been listed in the schedule of commitments, following a positive list approach.¹⁷

There are also provisions dealing with expropriation issues. Both parties to the agreement are keen to include chapters regulating capital transfers and investor-state dispute settlement (ISDS). The EU has maintained that under ISDS all hearings will be open and that law aiming at legitimate public choices will not be undermined.¹⁸

In the leaked chapter regulating supply of services under Mode 1, the approach followed is a positive list approach. However, for other modes of services supply, a hybrid approach might be used.¹⁹ The chapter on e-commerce includes provisions regulating digital data flows and data privacy.

Other reports²⁰ suggest that in the services sector negotiations of financial services, especially after the financial crisis of 2008-09; audio-visuals due to the benefits given by both countries to this sector; the treatment of service providers (mainly licensing and certification of professional service providers) and the temporary movement of business people will be the most contested issues.

Regulatory issues and nontariff barriers are at the heart of TTIP negotiations

Regulatory issues and non-tariff barriers are at the heart of TTIP negotiations. There are considerable differences in industrial regulations and standards between the EU and US which have the effect of increasing production costs and impact negatively on consumer welfare. These include technical regulations, standards and procedures that relate to health, sanitary, welfare, and environmental regulations. Sectors where differences in industrial regulation between the EU and US are more acute are the automobile sector, chemicals, cosmetics, biotechnology, pharmaceuticals, and aerospace.²¹ The overall aim of both the EU and US under the TTIP is to work towards harmonising regulations to assure consumer safety and welfare by, amongst others, eliminating duplicative regulations and procedures, developing joint standards and mutual recognition mechanisms.

When it comes to health and safety, the EU follows a precautionary approach whilst the US relies on a scientific and risk analysis. The US is the leading country in producing genetically modified organism (GMO) products; however, the EU member states are in general sceptical in opening up its market to GMO products though some member states have a more relaxed approach.²² Differences on GMO regulation between the EU and US have kept both parties in long-lasting

disputes under the WTO.²³ Recently, in an attempt to reconcile the differences between EU member states on the EU's GMO legal framework, the European Commission has proposed new rules that would allow individual member states – without conflicting with the EU's scientific risk assessment on GMOs – decisional power to ban the sale of genetically modified crops in their territories based on non-scientific reasons.²⁴ The US has come out in opposition to this proposal which could potentially stifle TTIP negotiations.²⁵

Within IPR, the most controversial issue is geographical indicators (GIs). The EU protects GIs with specific GI protections while the US disagrees with the EU list on GIs and provides protection through trademark law.

The overall aim of both the EU and US under the TTIP is to work towards harmonising regulations to assure consumer safety and welfare by, amongst others, eliminating duplicative regulations and procedures, developing joint standards and mutual recognition mechanisms

Under trade facilitation, the US' main concern is that despite the fact that the EU has common rules on customs, each EU member country is responsible for its own customs administration and procedures. Hence, customs rules can be interpreted differently amongst member states. An area of concern by the EU is that the US might pass a law that requires 100 per cent scanning of maritime cargo containers. According to the EU, this will increase the time of customs procedures.²⁶

Both labour and environmental standards will be included in the TTIP. The US' approach regarding these standards in previous FTAs is to include them as binding provisions subject to dispute settlement whereas the EU has taken a consultative approach.²⁷

In this section, we have presented the scope and coverage of the TTIP and highlighted some of the obstacles on the negotiations. The TTIP is – economically, politically and legally – a huge challenge for both the EU and US. It will impact both parties positively and negatively in many areas domestically but also externally in its relationships with third parties. The EU and US are aware of the fact that they will be creating precedent and drafting the future generation of international trade rules. With the approval of TPA by the US Congress, the conclusion of these agreements is contingent upon the consent of the EU Parliament.

Trans-Pacific Partnership (TPP)

What is now known as the TPP was first proposed in 2003 by Chile, New Zealand and Singapore with the goal to achieve higher levels of trade liberalisation in the Asia Pacific region. Brunei later joined in 2005. In 2008, the US, along with Australia, Peru and Viet Nam, indicated they were interested in negotiating with the original Asia Pacific countries. Canada, Japan, Malaysia and Mexico joined in consecutive years after consultation with existing members. The TPP is open to other

accessions: for instance, South Korea is currently undergoing consultation dialogues.

The TTIP is – economically, politically and legally – a huge challenge for both the EU and US. It will impact both parties positively and negatively in many areas domestically but also externally in its relationships with third parties

The 12-member TPP will encompass 40 per cent of global GDP with a population of 800 million. It intends to emphasise greater trade openness, high '21st century standards', and regulatory harmonisation that provides a competitive trade and investment environment for deeper economic and trade linkages.

In particular, TPP aims to have comprehensive market access in goods, covering most or all tariffs and quotas. There will likely be a phase-out schedule for tariff reductions, although most tariff lines will be immediately cut upon signing the agreement. Sensitive products have played a major role in the negotiations. These items include agricultural products (rice, beef, sugar, and dairy products),

automobiles, textiles, and apparel and leather products. Difficulties arose with countries like Viet Nam on labour-intensive textile products and Japan on rice and automobiles, although talks seem to be progressing towards agreement.²⁸

In the area of services, the TPP will use a negative list approach, where all services will be open to liberalisation except selected sectors. A separate chapter pertaining to telecommunications is expected and will promote access to foreign service providers and regulatory transparency. Key provisions for trade in services include non-discriminatory treatment, no limitations on number of service providers, mutual recognition and transparency.²⁹

The TPP intends to emphasise greater trade openness, high '21st century standards', and regulatory harmonisation that provides a competitive trade and investment environment for deeper economic and trade linkages

All TPP negotiating members except Malaysia and Viet Nam have opened their procurement market through trade agreements. Furthermore, the US, Japan, New Zealand and Singapore are parties to the WTO Government Procurement Agreement. The US has proposed a similar chapter on government procurement in the TPP talks based on its existing FTAs with TPP members. Thus, the main sticking point will be to get Malaysia and Viet Nam to open and align their procurement with other TPP members, especially with regard to domestic preference policies that restrict foreign bids for contracts.

The US has always advocated for strict IPR rules in its FTAs. This is one of the important objectives of its trade promotion

strategy. The proposed TPP agreement entails similar clauses, including the application of existing IPR protection to digital media and the agreement must "reflect a standard of protection similar to that found in US law". ³⁰ This provision indicates that trade talks on IPR will move beyond the level

of protection provided in the WTO TRIPS agreement. Most recently, the US has sought to have its trade partners sign the WIPO Performances and Phonograms Treaty, an agreement to which Brunei, Malaysia, New Zealand, and Viet Nam are not parties. Additionally, recently leaked documents showed the proposed IP agreement could create longer patent periods that would shut out more affordable generic medicine from reaching the market.³¹

According to the US Trade Representative, TPP countries have committed to establishing a common set of RoO for determining product origin in the TPP region. These rules could potentially have a cumulative basis where a product with input from multiple countries within the region can still claim origin and receive preferential treatment. In previous FTAs, such as the US-Korea FTA and the North American FTA (NAFTA), the US succeeded in importing the "yarn forward rule" (YFR) to determine the origin of products. The rule dictates that for a product to be considered to have originated in the FTA area, the entire manufacture of the product should have occurred within

the FTA region.³³ Some TPP countries, including Viet Nam, seek a less restrictive "cut and sew", or single transformation rule, which means that a manufacturer in a TPP country could use fabric from anywhere in the world and still have the resulting apparel qualify for TPP benefits.³⁴ The US has also proposed to include a "sunset clause" in the application of the "YFR" given the poor capacity of many TPP member countries. Furthermore, the US will give

The TPP aims to have standards of protection for foreign investors and their investments

technical and financial assistance to TPP member countries so that the potential negative effects can be mitigated.

Another important focus of the TPP will be addressing TBT issues. The agreement will try to build on the US-Korea FTA template and create a window for holding consultations with member countries while evolving or modifying standards. Both mutual recognition provisions as well as sector-specific TBT commitments are being mooted. The chapter will seek to reduce double testing by promoting confidence in conformity assessment testing institutions.³⁵

In fact, the leaked TPP chapter on Regulatory Coherence,³⁶ a cross-cutting issue which has ramifications on SPS and TBT disciplines, provides for the establishment of a central coordinating mechanism akin to the US Office of Information and Regulatory Affairs which will ensure that there is convergence among the diverse domestic regulatory bodies so that there is consistency in regulation.³⁷ It will also be tasked with the responsibility of carrying out risk impact assessments, i.e., whether a particular regulation or standard is overstepping an economic threshold and hence, is cumbersome for industries to follow. The proposed disciplines may also require prior notification to a regulatory coherence committee of the TPP about new domestic regulations.

The TPP aims to have standards of protection for foreign investors and their investments. The US has proposed the same approach as it has negotiated in its existing FTA and bilateral investment treaties (BIT), where free flow of capital has been allowed in order to facilitate trade and investment. Expected issues for discussion include non-discriminatory treatment for investors; rules on expropriation; allowing transfer of payments from the host country; and exceptions for identified nonconforming measures. The US intends to include rules on ISDS under the TPP. However, it remains to be seen how this will play out at the TPP, with countries like Australia, New Zealand, Peru and Viet Nam which are battling protracted wrangles with corporations before foreign tribunals.

TPP members are discussing language for a fair and transparent competition policy "to promote a competitive business environment, protect consumers and ensure a level playing field for TPP companies."³⁸ The focus will be on the establishment and maintenance of competition laws and authorities, procedural fairness in consumer protection, competition law enforcement, private rights of action and technical cooperation. However, the competition policy will be critical in dealing with state-owned enterprises while addressing issues of financing, transparency, and regulation, especially to protect against giving an unfair competitive advantage.

TPP countries are currently discussing disciplines for a labour chapter that include reciprocal commitments on labour rights protection and institutional mechanisms to ensure co-operation and dialogue on labour issues. There is a broad consensus on the need to enhance workers' well-being and employability, and to promote human capital development and high-performance workplaces.³⁹ Additionally, there will be reciprocal obligations on each signatory to effectively enforce domestic labour laws and acceptable conditions of work and will be enforceable under FTA dispute settlement procedures. Violations are subject to potential trade sanctions and fines.⁴⁰

The TPP chapter on environment will require members to adhere to several major multilateral agreements dealing with trade in endangered species⁴¹ as well as specific disciplines on illegal logging and marine fisheries. They will be subject to the dispute settlement mechanism and penalised for non-compliance. Furthermore, the chapter will seek commitments on domestic environmental laws. US negotiators were rather vociferous in their assertions early on that they will not acquiesce to any weak proposals at TPP.⁴²

Another related issue included in the proposed TPP talks is SOEs. This indicates that SOEs in TPP countries will not get any competitive advantages in the form of subsidies, tax relaxation, or other assistance. If such benefits are given by the respective governments, they shall be equally applicable to other private companies.

EU-ASEAN Free Trade Agreement (EU-ASEAN FTA)

In the late 1990s, EU-ASEAN relations were disrupted by disputes over human rights in Myanmar. Consequently, the ASEAN-EU Ministerial Meeting (AEMM) was suspended for several years. However, the AEMM resumed in December 2000 and in 2003. In 2003, the EU embarked on a new partnership with South Asian countries in an attempt to reshape its economic and trade relationship. This led to the Trans-Regional EU-ASEAN Trade Initiative (TREATI). The initial

Mega RTAs will inevitably alter international trade flows and create new trade routes

draft of TREATI activities focused on the facilitation of trade and investment, protection of IPRs, TBT, and industrial product standards. However, the TREATI draft was modified by considering the priorities of ASEAN countries in the process of the regional integration project. Priority areas included agriculture, fisheries, electronics, wood-based industries and cross-sector cooperation on trade facilitation and investment.

The EU and ASEAN started negotiations on an FTA in 2007. The proposed FTA between the EU and ASEAN will be based on three pillars: co-operation, trade facilitation and liberalisation. Since both regions have low level of tariff protection, the priority of the proposed FTA is negotiating issues beyond tariff elimination with a particular focus on sensitive products and non-tariff barriers to trade. Complex and lengthy customs procedures are one of the major obstacles faced by EU exporters to ASEAN. On the ASEAN front, exporters are deeply concerned about the strict technical requirement imposed by EU members on SPS and TBT measures.

The overall framework of the agreement indicates that differentiated treatment will be given to the least advanced members and priority will be given to their development considerations. In order to address these issues, technical assistance and capacity-building measures will be an integral part of the agreement which may require the creation of financial assistance mechanisms.

1.4 The Economic Exclusion from Mega RTAs: Preferential Trade Liberalisation and Beyond

Mega RTAs will inevitably alter international trade flows and create new trade routes. One of the effects of these RTAs on the Indian economy could be in the form of trade diversion which consists of the diversion of exports from RTA members to India to other RTA members which enjoy lower tariff preferences. Another effect is the erosion of India's traditional tariff preferences

vis-à-vis RTA members. The magnitude of these effects will depend on India's dependency on these markets, on India's trade shares and trade composition, and on the current barriers amongst the

group of countries that will be part of the mega RTAs. For instance, if India is import dependent on certain products from one or more RTA members, diversion of trade in such products to intra-RTA members would result in the rise in import prices, which consumers will ultimately bear. Although trade shares give an idea of the potential effects, looking at the type of product that India exports will give more precise results. If, for instance, the export basket of India is similar to that of countries included in the preferential agreement, trade diversion effects will be higher and vice versa.⁴³

A potential impact of mega RTAs on excluded countries that is difficult to quantify has to do with the diversion of trade and economic opportunities in a much broader sense than mere The magnitude of these effects will depend on India's dependency on these markets, on India's trade shares and trade composition, and on the current barriers amongst the group of countries that will be part of the mega RTAs

diversion of exports. RTAs not only create tariff preferences between member countries but also pave the way, amongst others, to easing of compliance with product standards, betterment of customs administration and allied trade in services and improvements in trade infrastructure, thereby creating new commercial channels and better connectivity among members. When barriers, both tariff and non-tariff, applied to members of the RTA are high, the trade diversion effect of relaxing these barriers on excluded countries will be higher.⁴⁴

Several studies⁴⁵ have aimed at quantifying the impact of mega RTAs on excluded countries. A study⁴⁶ that examines the effect on Commonwealth developing countries excluded from mega RTAs concludes that based on the exports baskets of these countries vis-à-vis RTA member countries, the overall trade diversion effect will be small. However, Viet Nam, Mexico and Peru's trade composition is similar to some of the Commonwealth developing countries. Viet Nam has similar export baskets with Bangladesh and Pakistan, and the US, New Zealand and Japan with India. This study also

concludes that Commonwealth excluded countries' trade with Viet Nam will be most affected since Viet Nam not only has similar export structure with Commonwealth excluded countries but also high MFN tariffs with mega RTAs members. Another study⁴⁷ which looks at the effect of mega RTAs on sub-Saharan countries finds that despite the fact that some of these countries' trade shares to mega RTA countries are more than 90 per cent of its total exports, the main exports are commodities and these are not easily substituted. The study concludes, however, that overall mega RTAs will have the effect of decreasing exports of Sub-Saharan countries mainly through the erosion of tariff preferences.

When barriers, both tariff and non-tariff, applied to members of the RTA are high, the trade diversion effect of relaxing these barriers on excluded countries will be higher

1.5 The Need for Studying Impacts on the Indian Economy and Structure of the Report

As discussed in detail above, the conclusion of the TPP and TTIP may have economic and regulatory implications on India's economy, including its domestic regulation and external relations. Forecasting the implications of these mega RTAs will provide a series of recommendations as to how India should adapt its trade policy and strategy, efficiently embrace the opportunities arising from this new international trade scene and minimise the potential negative impacts. These recommendations include unilateral measures that India could carry out by changing its own domestic regulation and bilateral and regional measures with RTA members but also with non-traditional markets excluded from the mega RTAs.

Chapter two of this report focuses on India's relationship with mega RTAs members both with regard to trade flows and trade agreements. Chapter three carries out several quantitative and qualitative analyses that aim at foreseeing the impact on India's economy. In particular, whether India will be able to comply with the new rules being negotiated; how India could adapt to these new rules; the implications on trade in services and investment flows as well as a CGE model that measures the impact of mega RTAs on trade diversion, and a series of macro-economic variables; and the perspectives of various stakeholders regarding mega RTAs and its potential implications. Chapter four, five and six present India's policy implications arising from mega RTAs and recommend a series of unilateral, regional and multilateral trade strategies. Chapter seven lays out a list of policy recommendations and concluding remarks.

Endnotes

- 1 The US, Canada, Chile, Mexico, Peru, Australia, Japan, New Zealand, Brunei, Malaysia, Singapore, and Viet Nam.
- 2 Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.
- 3 For further information, see Chapter 5.2 of this report.
- The 2006-2011 period saw a lukewarm growth rate of 2 per cent in India's trade with its co-signatories in FTAs as a share of India's total trade.
- 5 K E Maskus, J. S. Wilson, and T. Otsuki, "An Empirical Framework for Analysing Technical Regulations and Trade: Quantifying Trade Effect of Technical Barriers: Can it be done?", University of Michigan Press, 2001.
- WTO Agreement on Technical Barriers to Trade, Annex 1A to the Agreement establishing the World Trade Organisation, 1994.
- 7 Art 2.2 of WTO Agreement on Technical Barriers to Trade, 1994.
- 8 Categorisation by Henrik Horn, Petros C. Mavroidis and Andre Sapir, "Beyond the WTO? An anatomy of EU and US preferential trade agreements", Bruegel Blueprint Series, 2009.
- 9 ICTSD. 'Trade Promotion Authority Secures Approval in US Congress', Bridges, Vol. 19, No. 23, 25 June 2015.
- Shayerah Ilias Akhtar and Vivian C. Jones, "Transatlantic Trade and Investment Partnership (TTIP) Negotiations", Congressional Research Service Report, February 2014, p. 3.
- European Commission, Directorate General for Trade, available at: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf.
- European Commission, Directorate General for Trade, available at: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf.
- 13 European Commission, Directorate General for Trade, available at: http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/.
- Seshadri, V. S, "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013, p. 6.
- Shayerah Ilias Akhtar and Vivian C. Jones, "Transatlantic Trade and Investment Partnership (TTIP) Negotiations', Congressional Research Service Report, February 2014, pp. 12 and 13.
- Seshadri, V. S, "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013, p. 6.
- 17 'Positive list' approach: only those sectors that are scheduled will be liberalised. 'Negative list' approach: all sectors will be liberalised except for those listed.
- 18 Seshadri, V. S., "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013, p. 9.
- 19 Ibid, p. 7.
- 20 Shayerah Ilias Akhtar and Vivian C. Jones, "Transatlantic Trade and Investment Partnership (TTIP) Negotiations", Congressional Research Service Report, February 2014, pp. 15 and 16.

- 21 Seshadri, V. S, "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013, p. 13.
- 22 Shayerah Ilias Akhtar and Vivian C. Jones, "Transatlantic Trade and Investment Partnership (TTIP) Negotiations", Congressional Research Service Report, February 2014, p. 22.
- Measures concerning meat and meat products (hormones), measures affecting poultry meat and poultry meat products from the United States and measures affecting the approval and marketing of biotech products.
- European Commission, 'Review of the decision-making process on GMOs in the EU: Questions and Answers', Fact Sheet, April 22, 2015.
- 25 Matthew Dalton, "EU proposes allowing states to ban biotech crops", The Wall Street Journal, April 22, 2015.
- Shayerah Ilias Akhtar and Vivian C. Jones, "Transatlantic Trade and Investment Partnership (TTIP) Negotiations, Congressional Research Service Report", February 2014, pp. 36 and 37.
- 27 Ibid, p. 37.
- 28 ICTSD Bridges, 'End of Trans-Pacific Trade Talks "Coming into Focus," Leaders Say', Vol. 18 No. 38, 13 November 2014.
- Ferguson, Ian F, Mark A. McMinimy, and Brock Williams. "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service, R42694, March 20, 2015.
- 30 Ibid.
- Wikileaks, "Updated Secret Trans-Pacific Partnership Agreement (TPP) IP Chapter (second publication)", October 16, 2014.
- 32 Office of the United States Trade Representative, "Outlines of TPP", Fact Sheet, November 2011.
- The rule gets its name from the textile industry, which is a highly import-sensitive sector. Setting restrictive rules will promote US business interests in that area.
- Ferguson, Ian F, Mark A McMinimy, and Brock Williams. "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service, R42694, March 20, 2015
- 35 Seshadri, V S, "Trans Pacific Partnership", Research and Information System for Developing Countries, 2013
- 36 "New Cross-Cutting Limits On Regulation Of Goods And Services", Citizens Trade, October 2011.
- 37 Seshadri, V S, "Trans-Pacific Partnership What It Portends", Economic and Political Weekly, 2014.
- Ferguson, Ian F, Mark A McMinimy, and Brock Williams. "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service, R42694, March 20, 2015.
- 39 Office of the United States Trade Representative, "'Trans Pacific Partnership (TPP) Trade Ministers' Report to Leaders", November 12, 2011.
- 40 Ferguson, Ian F, Mark A. McMinimy, and Brock Williams. "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service, R42694, 20 March 2015.
- 41 V S Sheshadri, "Trans-Pacific Partnership", Research and Information System for Developing Countries, Discussion Paper No. 182, 2013, p. 8.
- 42 Ambassador Michael Froman, Trade Winds blog post, January 2014.
- 43 Max Mendez Parra and Jim Rollo, The Trans-Pacific Partnership and Excluded Commonwealth Developing Countries, Trade Hot Topics, The Commonwealth, Issue 109, 2014, page 2.
- 44 *Ibid*.
- World Economic Forum, Mega-regional Trade Agreements: Game-Changers or Costly Distractions for the World Trading System?, Global Agenda Council on Trade and Foreign Direct Investment, July 2014; Chunding Li, Jing Wang and John Whalley, China and Global Mega Trade Deals, Working Paper No. 201416, June 31 2014, Li Chunding, Jing Wang, and John Whalley (2014), "General Equilibrium Analysis of China's Impacts from Global Mega Trade Deals" Li, C. and J. Whalley. 2013. "China and the Trans-Pacific Partnership: A Numerical Simulation Assessment of The Effects Involved". World Economy, December 2013.
- 46 Max Mendez Parra and Jim Rollo, "The Trans-Pacific Partnership and Excluded Commonwealth Developing Countries, Trade Hot Topics", *The Commonwealth*, Issue 109, 2014, page 2.
- Guimbard, Houssein and Maëlan Le Goff, Mega-deals: What Consequences for sub-Saharan Africa?, Working Paper, CEPII, No 2014-28 December.



2

Mega RTAs and the Indian Economy

Beginning with its economic reforms in the 1990s, India has increased its engagement in international trade. This growth can be shown by both India's conclusion of trade agreements and the movement of trade flows.

2.1 India's Trade Engagement with Mega RTAs Member Countries: Trade Agreements

India currently has a total of 15 active trade agreements notified to the WTO and another 14 are in the negotiation process. As shown in Table 3, India is exhibiting promise with active or negotiating trade agreements with many countries involved in mega RTAs.

2.1.1 Trans-Pacific Partnership (TPP)

The US has not agreed or entered into negotiation with India on an FTA. Optimism is high, however, with recent visits and meetings between the two countries' leaders. While there is renewed economic diplomacy between India and the US, including through the India-US Trade Policy Forum, clear movement toward any formal agreement is still absent. India is exhibiting promise with active or negotiating trade agreements with many countries involved in mega RTAs there is renewed economic diplomacy between India and the US

India has concluded CECAs with Japan, Malaysia, and Singapore and an RTA with Chile. As is typical with CECAs, India agreed to open trade in goods, services, and investment. These are also key negotiating areas of the mega RTAs.

At the moment, India is negotiating trade agreements with Australia, Canada, and New Zealand. India and Australia have strongly indicated their intention to complete their FTA in 2015. The FTA would deal with additional issues outside of goods and services, including non-tariff barriers and investment. Both Canada and New Zealand talks are on schedule, both of which also target goods, services, and investment. Also, a trade agreement has been proposed between India and Peru.

No agreements exist or have started between India and Brunei, Mexico or Viet Nam. Nevertheless, with four trade agreements active with TPP member countries and at least three currently being negotiated, India can strategise greater trade flow from within the TPP region, despite potential trade erosion.

2.1.2 Transatlantic Trade and Investment Partnership (TTIP)

The EU-India FTA, which has been stalled since 2007, has recently received stronger encouragement from the Europeans and talks are expected to pick back up in 2015. Although, bilateral discussions will have to address higher standards required from the EU side. Such sticking points include India's offer on insurance, government procurement, and market access for automobiles and

The EU-India FTA, which has been stalled since 2007, has recently received stronger encouragement from the Europeans and talks are expected to pick back up in 2015

certain alcohol as well as the EU's stance on data security and ease of movement of Indian professionals. Regardless, both sides have communicated their willingness to compromise and taking a 'positive' stance.

2.1.3 EU-ASEAN Free Trade Agreement

The EU and ASEAN have been working on an FTA since 2007. Within the group of Southeast Asian countries, India has CECAs in effect with, as mentioned, Malaysia and Singapore and an FTA signed with Thailand. While India launched negotiations for a CECA with Indonesia in 2011, it has no other trade agreements with ASEAN members.

India has a FTA with ASEAN in goods as well as an agreement on services and investment, the later coming into force in 2015. This recent example demonstrates India's ability to agree not only to tariff cuts, but also more substantive areas that, amongst others, allow professionals and capital freer movement across borders.

TPP member countries **EU-ASEAN Member Countries TTIP Member Countries** USA Brunei Brunei --Cambodia EU Mexico ----Negotiating US Laos ----Viet Nam Myanmar ----Peru Proposed Philippines Australia Negotiating Viet Nam Canada Negotiating EU Negotiating Negotiating New Zealand Indonesia Negotiating Chile RTA Thailand FTA signed Malaysia CECA Malaysia CECA Singapore CECA Singapore CECA CECA Japan **CEPA ASEAN** Services and Investment Agreement (2015)

Table 3: India's Trade Agreements with Mega RTA Member Countries

Source: Asia Regional Integration Centre, Asia Development Bank²

2.2 India's Trade Engagement with Mega RTA Member Countries: Trade Flows³

For the last several years India has been a net importer with a marked trade deficit. In 2013, India's total exports to the world were US\$ 336 billion (bn) while imports were US\$ 466bn. Although,

the growth of India's export growth since 2009 has shown a slightly faster rate of 17.47 per cent compared to 15 per cent import growth.

Taking the TPP membership in aggregate for 2013, India's exports to the group totalled US\$ 83.5bn while it imported US\$ 75.7bn

2.2.1 Trans-Pacific Partnership (TPP)

Taking the TPP membership in aggregate for 2013, India's exports to the group totalled US\$ 83.5bn while it imported US\$ 75.7bn. Encouragingly, India's exports to TPP members since 2009 have grown at an annual rate of 21.5 per cent compared with 10.7

per cent import growth (See Table 9 and 10 of Annex 1).

Notably, India's partners with which it has active CECAs recorded higher trade compared to most other TPP members. Singapore imported US\$ 14bn from India in 2013 and Japan US\$ 7 bn.

Malaysia's imports from India were lukewarm at US\$ 5.5bn. In terms of goods entering India, its three CECA partners are top exporters, followed by the US and Australia. Singapore exported US\$ 7bn to India, Japan US\$ 10.5bn, and Malaysia US\$ 9.3bn in 2013. All three countries have a positive growth rate of exports and imports with India since 2009 (See Table 9 and 10 of Annex 1).

As for the lead negotiating member in the TPP, India only accounts for about 1 per cent of US

total exports, despite its large and growing middle-class consumer population. In 2013, total imports from the US were US\$ 22.6bn while India's exports to the US, which totalled about US\$ 42bn in 2013, stood at 1.8 per cent of total goods that enter the US (See Table 9 and 10 of Annex 1).⁴ While these amounts are far larger than any other TPP member's trade flow, and despite India not having an FTA with the US, there is potential for improvement

India only accounts for about 1 per cent of US total exports

considering the minuscule total percentage of goods coming to and from the US.

The specific products traded between India and TPP member countries provide another layer of trade flow comprehension. The top three products (2-digit level) India exported to TPP countries in 2013 were: mineral fuels, oils and distillation products accounting for about US\$ 16.4bn; pearls, precious stones, metals and coins with a value of US\$ 10.2bn; and pharmaceutical products accounting for US\$ 4.4bn. India's top imports from TPP countries in 2013 were also mineral fuels, oils and distillation products with a value of US\$ 15bn; followed by machinery, nuclear reactors and boilers accounting for US\$ 8bn; and electrical and electronic equipment with a value of US\$ 6.6bn (See Tables 5 and 6 of Annex 1).

2.2.2 Transatlantic Trade and Investment Partnership (TTIP)

The TTIP includes two of the world's largest economies, the EU being one of India's top trading partners. In 2013, India exported a total of US\$ 56.3bn to the EU while importing almost US\$ 50bn. Within the EU membership, India's top export destinations in 2013 were the United Kingdom (UK), the Netherlands and Germany with exports of US\$ 10, 9, and 8bn respectively. India also took in the most goods in 2013 from the UK with US\$ 6.4bn, Germany exporting a value of US\$ 13bn and Belgium with a value of US\$10bn (See Tables 11 and 12 of Annex 1). India's trade flow with the US has been described in sub-section 2.2.1. The EU and US together imported in 2013 US\$ 98bn from India and exported to India about US\$ 72bn. The annual growth rate of India's total exports and imports to and from TTIP member countries since 2009 is 15.3 per cent and 7.3 per cent, respectively (See Tables 11 and 12 of Annex 1).

The top three products (2-digit level) India exported to TTIP countries in 2013 were mineral fuels, oils and distillation products accounting for US\$ 12.6bn; pearls, precious stones, metals and coins for a value of US\$ 12.1bn and US\$ 5.5bn of articles of apparel, accessories, not knit or crochet. India's top imports from the US and EU in 2013 were: pearls, precious stones, metals and coins for a value of US\$ 13.8bn; machinery, nuclear reactors and boilers at

The EU and US together imported in 2013 US\$ 98bn from India and exported to India about US\$ 72bn

about US\$ 11.8bn; and electrical and electronic equipment at US\$ 5.3bn (See Tables 7 and 8 in Annex 1).

Noticeably, there are many similarities between India's main exports to both the TPP and TTIP regions. The top two products exported from India to the TPP and TTIP regions are mineral fuels, oils and distillation products and pearls, precious stones, metals and coins. The second and third greatest imports from TPP and TTIP regions are machinery, nuclear reactors and boilers and electrical and electronic equipment.

2.2.3 EU-ASEAN Free Trade Agreement

Considering India's close relationship with Southeast Asia and the two recently completed trade agreements with ASEAN, India's total exports in 2013 to ASEAN, which accounted for US\$ 37.8bn, were outpaced by its imports which totalled an amount of US\$ 42.3bn. However, the rate of India's exports since 2009 is growing at 20 per cent compared to 15 per cent in imports (See Tables 13 and 14 of Annex 1).

Import and export trade flows with the EU as well as ASEAN members such as Singapore and Malaysia are described above in subsections 2.2.1 and 2.2.2.

Data on EU-India trade by top products mirrors very similarly that of its trade flows with the TTIP region with expected differences in value and share of world trade (See Tables 3 and 4 of Annex 1). A noticeable difference, however, is found in the pharmaceutical sector. In 2013, pharmaceutical products were India's fourth top exported product to the TTIP (See Table 8 of Annex 1). However, it was the twelfth top exported product to the EU, inferring that a larger portion of pharmaceuticals were sent from India to the United States (See Table 4 of Annex 1).

2.3 Engagement with Mega RTA Member Countries at the Multilateral Level

India plays an active role at the multilateral trade level and can be characterised as a strong proponent of multilateralism while maintaining a commitment to domestic needs and support. It has staunchly defended itself and other developing country positions on agricultural and non-agriculture

India plays an active role at the multilateral trade level and can be characterised as a strong proponent of multilateralism while maintaining a commitment to domestic needs and support market access issues. Alternatively, as a major actor in services trade, India has pushed for greater flow of cross-border supply and movement of professionals.

Engagement with developed countries at the multilateral level in the WTO often brings India to demand less than full reciprocity in reduction commitments for itself and other developing countries. Pressure from developed countries to greater open markets is met with request of differential treatment for India. The two main developed trade partners involved in mega RTAs are the US and EU, both of which India engage frequently at the multilateral level on important trade-related development issues, such as agriculture

and subsidies, as well as non-tariff issues including services, standards and IPRs.

India is also an active member of developing country groups at the WTO, such as the G-33, championing development driven negotiations and fair treatment. For example, India provides a high percentage rate of 85 per cent, with plans to increase it, for duty-free and quota-free tariff to least-developed countries, including Cambodia, Laos, and Myanmar – all members of the EU-ASEAN trade negotiations. It has also led in bringing issues of concern to developing countries to the forefront of the WTO membership's attention, as it did on food security at the recent Bali Ministerial negotiations.

Endnotes

- 'EU keen to restart stalled BTIA negotiations with India', The Economic Times, December 17, 2014. Arun S. 'European Union free trade agreement talks likely to resume on PM Narendra Modi push', Financial Express, May 4, 2015.
- 2 The Asia Development Bank, Asia Regional Integration Center, Free Trade Agreements by Country.
- 3 For detailed data on trade flows refer to Annex 1.
- 4 Office of the United States Trade Representative, country trade profile: India.

3 Potential Mega RTA Impact and Concerned Sectors

Chapter 3 carries out several quantitative and qualitative analyses regarding the impact of the mega RTAs on the Indian economy.

3.1 Export Trade Concentration

Although India has traditionally been a domestic demand-driven economy, its trade dependence (trade expressed as a share of GDP) has increased significantly over the last two decades.¹ This reflects the pivotal role that trade has started to play in India's growth story. The increasing economic openness has also made it vulnerable to external shocks such as those transmitted by the mega RTAs. Indeed, India's heightened trade dependence can potentially expose it to several challenges such as diversion of strategic imports,² displacement from value chains, fall in export earnings, and

a general decline in economic growth. However, the actual magnitude of mega RTA shocks will depend on India's trade concentration (trade expressed as a share of total exports) with the mega RTA members, and will also be determined by the final shape of non-tariff measures such as technical regulations, SPS measures, RoO and IPR rules.

This chapter focuses on export concentration from a trade dependence perspective, given that the impact of external shocks such as mega RTAs would be more severe in the case of export loss. The degree of exposure to such shocks not only depends on the export reliance of an economy but also on its export concentration. Export earnings finance imports and contribute to

The actual magnitude of mega RTA shocks will depend on India's trade concentration with the mega RTA members, and will also be determined by the final shape of non-tariff measures

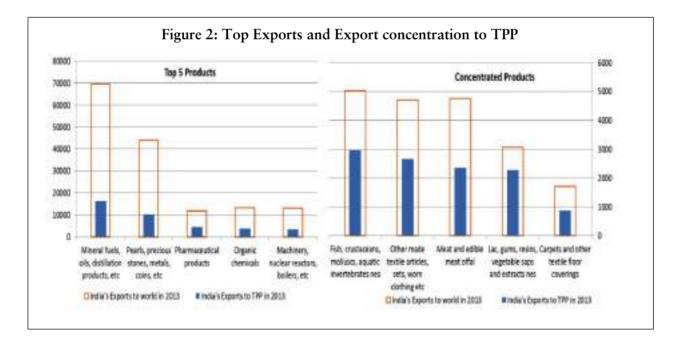
investment and economic growth in a trade-dependent economy.³ As has been identified in Chapter 2.2, India has substantial trade linkages with mega RTA members. In fact, for the year 2013-14, at the country level, the US, Germany, Indonesia and Singapore figured amongst India's top 10 trade partners. This goes to prove a relatively high share of trade with the mega RTA bloc in India's total trade to the world. In exports, six mega RTA markets- USA, Singapore, Netherlands, UK, Germany and Japan, have appropriated a major share amongst India's top 10 export markets for the year 2013-14. However in the case of imports, India has limited exposure to mega RTA countries with just three (US, Indonesia and Germany) making it to the top ten list in 2013-14.⁴

Although there is palpable trade concentration in the coalition of mega RTA countries, these figures do not fully reveal the ongoing export market diversification that India has recently embarked upon. India's export shares to Europe and America have declined in the last decade ⁻ from 23.6 per

cent and 20.1 per cent respectively in 2004-05 to 18.6 per cent and 17.2 per cent respectively in 2013-14. India's exports to ASEAN witnessed a contraction of 7.2 per cent. At the same time, India's exports to South Asia have grown by 23.8 per cent, Africa by 12.9 per cent and West Asia-GCC region by 8.8 per cent.⁵ Although, the regional aggregations do not *per se* match with the mega RTA aggregation, it clearly shows that India is diversifying its export geography into non-traditional regions. This market diversification will help India hedge against the potential risks that are concomitant with trade dependence such as exclusion from mega regional agreements.

At the product level, India has a well-diversified export basket which speaks highly of its position in the international division of labour and it's well-diversified production structure, which has no highly dependent on a single product. However, what is disturbing to note is that some of these products are over-dependent on the mega RTA markets as their export destination.

The export concentration in TPP markets is particularly striking. The exports shares of five product categories (at the HS 2-digit level) amongst the top 20 exports targeted to the TPP region are higher than 50 per cent of the total world exports of each of these products. The categories are lac, gums, resins, vegetable saps and extracts nes (74.7 per cent); fish, crustaceans, molluscs and aquatic invertebrates nes (59 per cent); textile articles, sets and worn clothing (56 per cent), carpets and other textile floor coverings (50.6 per cent), and meat and edible meat offal (50 per cent) (See Table 6 of Annex 1). None of these products, however, figure amongst India's top five exports to the TPP region (See Figure 2). This suggests, *inter alia*, that along with an increase in export volume there has also been a commensurate diversification of exports. In a similar manner, products that are over exposed to the TPP region presently need to be diversified to potential markets. The government could devise product-specific measures to boost market-oriented production and better integration into value chains.



Most of these TPP-dependant products have a similar level of concentration in other mega RTA regions. In the case of textile articles, sets and worn clothing the aggregate share of TPP and TTIP in world exports is 82.6 per cent. In lac, gums, resins, vegetable saps and extracts nes the TPP and TTIP aggregation accounts for over 81 per cent of world exports. In meat and edible meat offal 60 per cent of total exports are destined for the ASEAN region. Carpet and other textile floor coverings send 72 per cent to TTIP of which EU's share is 30 per cent. One-fourth of total exports in fish, crustaceans, molluscs and aquatic invertebrates nes go to ASEAN and 45 per cent to the TTIP

region. Although this could be due to the fact that mega RTAs have overlapping membership, the data nevertheless shines a powerful light on the indispensable need to diversify the exports of these five products.

An analysis of export concentration in other mega RTAs (TTIP and EU-ASEAN) also illustrate certain product categories which are unique to these regions and are not mirrored in the TPP. Prominent among these are articles of leather, animal gut, harness, travel goods (81 per cent of India's total exports to TTIP); articles of apparel and accessories including both knit or crochet and not knit or crochet (at 67 and 63 per cent respectively of India's total exports to TTIP); ships, boats and other floating structures (51 per cent of India's total exports to ASEAN), nickel and articles thereof (75 per cent of India's total exports to ASEAN). (See table 2, 4, 6, 8 and 15 of Annex 1).

3.2 Shocks to Macroeconomic Variables

This chapter examines the impacts on the Indian economy of the TTIP, TPP, and EU-ASEAN FTA using the GTAP model combined with POVCAL developed at the World Bank. The simulation results show that each of the mega RTAs cause considerable global trade diversion. However, the impacts on India's trade flows, domestic output, returns to factors, aggregate welfare, inequality and poverty levels are rather small. In contrast, multilateral trade liberalisation has significantly

large and favourable impacts on all these variables. In particular, under this scenario, aggregate welfare improves by 1.7 per cent of total GDP, inequality falls by over half a percentage point and poverty head count decreases by 12.3 per cent. These results suggest that the country should continue advocating for trade rules to be discussed in a multilateral platform. However, considering the current multilateral impasse, one way to protect the country's interests is to aggressively pursue preferential trading arrangements in parallel with key members of these three mega RTAs, as suggested by the results that will be discussed below.

The impacts on India's trade flows, domestic output, returns to factors, aggregate welfare, inequality and poverty levels are rather small

3.2.1 Description of the Model and Data

The analytical framework used for this analysis is the GTAP⁶ model which is a CGE model that encompasses exports, imports and trade in goods and services⁷, captures the linkages between trade flows, domestic production, income and household consumption and welfare; and the macroeconomic impacts. While the GTAP is capable of assessing the aggregate welfare impacts on all countries due to changes in trade (or any other) policy in any part of the world, the model is not directly amenable for analysing the impacts on income distribution and poverty. Hence, the outcomes of the GTAP model are combined with the POVCAL⁸ poverty analysis tool developed by the World Bank.

For the present analysis and with the use of GTAP database⁹, we have aggregated 13 regions:¹⁰ India, South Asia, Southeast Asia not in TPP, Southeast Asia in TPP, East Asia, Australia and New Zealand, Rest of Oceania, the US, North America, Latin America, Latin America countries in TPP, the EU and rest of the world. In addition, the following 10 commodities¹¹ have been included in the study: grains and crops, livestock and meat products, mining and extraction, processed food, textiles and clothing, light manufacturing, heavy manufacturing, utilities and construction, transport and communication and other services. There are six scenarios¹² that are taken into account for this analysis. Scenario referred to as 'BASE' is a business-as-usual scenario wherein none of the three mega RTAs are in place. The outcomes of all other scenarios are compared with the BASE scenario.

Other scenarios are the TPP, the TTIP and the EU-ASEAN FTA. In these scenarios, bilateral tariffs and export subsidies are set to zero amongst the RTA members. The last two scenarios are

where all three RTAs are in place and where there is complete global free trade. In the latter scenario, bilateral tariffs and export subsidies between all the 13 regions are eliminated. This scenario is included to capture the trade diversion / trade creation effects, if any, of the above RTAs.

To use POVCAL in the Indian context this analysis uses data on the distribution of consumption across households as provided by the National Sample Survey Office.¹³

the simulations capture only the effect of tariff and export subsidy elimination and not the effect of nontariff measures

It must be noted that the results are based on a static CGE model where the dynamic effects of any trade policy change, whether in India or external to the country, are not taken into account. Furthermore, the simulations capture only the effect of tariff and export subsidy elimination and not the effect of non-tariff measures, which may have a far larger impact on trade flows and the economy in general. Finally, not all aspects of the RTAs are simulated, for instance, a major focus of the TTIP relates to investment flows

between the US and the EU. This is beyond the scope of the analytical tools used in this study.

3.2.2 Impact on Key Variables, Welfare, and Poverty

Trade Diversion and Reorientation

The results of this analysis are all shown on Tables 6 to 16 of Annex 2. Looking first at the bilateral trade flows of the RTA member countries, the scenarios confirm the theoretical prediction that RTAs lead to trade diversion for all the three RTAs. ¹⁴ In all cases, trade with non-member countries is displaced by trade amongst member countries resulting in loss of market share for the former. In the case of the TPP scenario, for instance, the Southeast Asian countries in TPP import significantly more from other TPP members than from non-member countries, except from Southeast Asian countries not in TPP, resulting in a loss of market share for non-members. However, at the level of individual commodities, it is not always the case that when imports from TPP members rise there will be a coinciding fall of imports from non-member countries. For example, in the case of textiles and wearing apparels imports from Southeast Asian countries in TPP from all countries are higher than under the BASE scenario. Although it is true that imports from member countries tend to rise at a greater rate than imports from non-member countries. The percentage rise / fall in imports vary across commodities and across member / non-member countries. Similarly, Australia, New Zealand, the US, Chile and Peru also increase their imports from TPP member countries resulting in a loss of market share for non-member countries.

One possible impact of the RTAs on a non-member country is the loss in market shares due to preferences being eroded by RTA member countries and their agreed preferences. The results,

In all cases, trade with nonmember countries is displaced by trade amongst member countries resulting in loss of market share for the former however, show that Southeast Asian countries which are not in the TPP do not suffer any such preference erosion, intra-ASEAN trade preferences allow for this. However, such preferences are not available for Southeast Asian countries vis-à-vis other TPP members, and consequently exports to Australia, New Zealand, US, Chile and Peru fall. Similar patterns are seen in the case of bilateral exports of TPP members wherein exports to member states rise at the cost of exports to non-member states, which is likely to put some stress on domestic availability of various commodities in non-member states.

The results also show the possible re-routing of exports from a non-member country to a RTA member country via another RTA member country. In Table 6 of Annex 2 it is seen that exports of textiles and wearing apparel to Southeast Asian countries in TPP from India and other non-member countries rise in the TPP scenario while non-member exports to the US fall simultaneously. For India, the rise in textiles and wearing apparel exports to Southeast Asian countries in TPP is about 13.5 per cent, albeit from a low base¹⁵ whereas exports to the US fall by about 3.3 per cent. Alongside,

exports of textiles and wearing apparel by Southeast Asian countries in TPP to the US rise by a significant 77 per cent. Thus, there is clear evidence that along with trade diversion, there is also a re-routing of exports to the US from various countries mostly via Southeast Asian countries in TPP. A similar re-routing of exports of meat and livestock products to the EU via Southeast Asian countries which are not part of TPP and Southeast Asian countries in TPP is also seen in the EU-ASEAN scenario.

It is possible that much of this re-routing actually reflects a change in the commodity composition, wherein more unfinished / semi-finished products within these broad commodity categories move from non-members such as India to Southeast Asian countries in TPP while more of finished products move from Southeast Asian countries in TPP to the US. This, however, cannot be verified given the high level of commodity aggregation used in the present analysis. Nevertheless, there is a case for India to become more integrated in ASEAN+5 (Australia, China, Japan, New Zealand and South Korea) production networks so as to mitigate the potential negative impacts of TPP on its market access. At the same time, this integration to ASEAN+5 production networks should balance India's need for new employment generation with that of going upwards in value/supply chains. Lastly, it is important to keep in mind that the results of this study are based solely on tariff liberalisation and, as explained in detail below, other factors, such as RoO, could impede the possibility of this rerouting scenario.

Impacts on India

The net-effect of such trade diversion on India's exports and imports of various commodities across the scenarios are shown in Tables 12 and 13 of Annex 2, respectively. These impacts vary across commodities and scenarios both in terms of the magnitude and direction of change.

Looking first at India's exports, in the case of TPP, the country witnesses a fall in exports of agricultural commodities, processed food, textiles and wearing apparel, and heavy manufacturing ranging between -0.1 and -0.9 per cent over BASE levels. In contrast, exports of other commodities rise in this scenario from 0.02 per cent in the case of light manufacturing to about 0.3 per cent in the

case of transport and communication and other services. These aggregate results, however, mask substantially the differences in the impacts across the bilateral trading partners for each commodity as was pointed out above in the case of textiles and wearing apparel. In general, the impact on exports is largest when all the three external mega RTAs are in force. In this case, exports decline in the case of grains and crops by -0.2 per cent, processed food by -1.6 per cent, textiles and wearing apparel by -1.7 per cent, light manufacturing by -0.2 per cent and heavy manufacturing by -0.2 per cent over their BASE levels. At the same time, the exports of extraction are higher compared to BASE by 0.3 per cent, utility

The magnitude of the impact for both exports and imports is significantly large under the scenario where there is full global free trade than under any of the mega RTA scenarios

and construction by 0.4 per cent, transport and communication by 0.7 per cent and other services by 0.9 per cent.

The impact of mega RTAs on India's imports, however, is different from that of exports. Unlike in the case of exports, imports of all commodities are lower under all the three mega RTAs, with the effect being the largest for each commodity in the combined scenario where all three mega RTAs are in force. In this scenario, the reduction in imports ranges between -0.1 per cent in extraction sector and -1 per cent in the case of grains and crops sector.

The contrasting impacts on India's trade flows of the mega RTAs and multilateral trade liberalisation scenarios are quite stark. The magnitude of the impact for both exports and imports is significantly large under the scenario where there is full global free trade than under any of the mega RTA scenarios. India's exports of grains and crops, extraction sector, processed food, light manufacturing and heavy manufacturing rise under the fully multilateral scenario, ranging between 5.6 per cent and 100.4 per cent, while the exports of meat and livestock sector, textiles and wearing apparel, utilities

and construction, transport and communication and other services decline. On the import side, under the fully multilateral scenario, the country witnesses a sharp rise in all commodities ranging between 7.1 per cent in the case of utilities and construction and 88.2 per cent in processed food.

The above changes in the country's exports under different scenarios affect demand for domestic producers with attendant consequences for output, product prices, factor prices, factor returns and income generation, which in turn trigger second round impacts on domestic demand, output and prices. Similarly, changes in imports affect domestic availability, domestic prices and hence demand for various goods. The model captures all these general equilibrium effects and quantifies the final

Aggregate welfare in the country is lower in all the RTA scenarios, with the loss being highest in the TTIP scenario on an individual basis

impact on sectoral domestic output, domestic commodity and factor prices, and aggregate welfare impacts. ¹⁶ The impacts on various indicators of inequality and poverty as estimated using POVCAL are also reported in Table 16 of Annex 2.

The simulation results show that the final impacts on sectoral output under the RTAs are rather small whereas the multilateral scenario has a much larger impact on the output of several sectors. The largest output change under any of the RTA scenarios is about -0.6 per cent in the case of textiles and wearing apparel. In contrast, under the multilateral scenario the range of output loss compared

to BASE levels is -2.7 per cent in grains and crops and other services to -10 per cent in textiles and wearing apparel, and the range of output gain is 1 per cent in light manufacturing to 10.9 per cent in heavy manufacturing. Commensurate with these changes in sectoral output, aggregate output in the country (GDP quantity index) hardly changes under the RTA scenarios, while under the multilateral scenario aggregate output in the country expands by about 2.4 per cent over BASE levels. The impacts on sectoral prices in domestic market show somewhat smaller change compared to output changes under the different scenarios. However, the direction of change in sectoral output and price is not always the same, as domestic prices depend upon the level and price of imports also.

Table 15 of Annex 2 also reports changes in factor prices. Here too, the contrast between the RTA scenarios and the multilateral scenario is clear. Price of all factors except natural resources fall under the RTA scenarios, while under the multilateral scenario price of land and natural resources fall and that of labour (both skilled and unskilled) and capital rise compared to BASE levels. Moreover, the magnitude of change is also significantly larger under the multilateral scenario than in the RTA scenarios. Given the full employment specification in all these scenarios, changes in factor prices also capture the changes in payments to various factors (i.e., value added by each factor).

The welfare impacts on India of all these changes are reported in Table 16 of Annex 2. Aggregate welfare in the country is lower in all the RTA scenarios, with the loss being highest in the TTIP

Poverty head count is also slightly higher in the RTA scenarios, while in the multilateral scenario it is significantly lower by 12.3 per cent scenario on an individual basis. When all the three RTAs are in force, aggregate welfare is lower by US\$ 757 million or just about 0.06 per cent of GDP. In contrast to the RTA scenarios, under the multilateral scenario welfare in the country is higher than base by over US\$ 21bn or 1.7 per cent of the GDP.

Table 16 of Annex 2 also reports the impact on inequality and poverty as assessed using the GTAP results in combination with POVCAL tool as described earlier.¹⁸ The results show that the impact on inequality and poverty is very much in line with the above

changes in aggregate welfare. The Gini index of inequality is slightly higher than BASE level in the RTA scenarios but is more than half a percentage point lower in the multilateral scenario. Poverty head count is also slightly higher in the RTA scenarios, while in the multilateral scenario it is significantly lower by 12.3 per cent. Similar changes across scenarios are seen in the poverty gap and poverty FGT index.

3.3 Trade in Value Added in Concerned Sectors

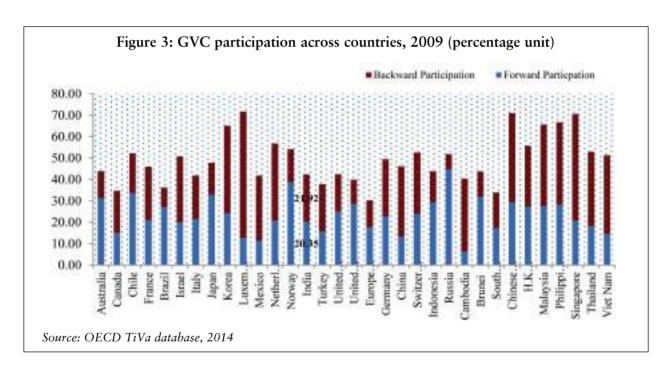
A dominant feature of international trade in the 21st century is GVCs. The sharp rise of trade in GVCs has transformed the pattern of international trade in many ways. In today's international trade, exports are much more dependent on imports, and services have emerged as an integral part of GVCs. The UNCTAD 2014 World Investment Report¹⁹ estimates that about 60 per cent of global trade is in intermediate goods and services that are part of a larger GVC. As a result, the integration of, in particular, developing countries in GVCs is an important driver for productivity, employment, and competitiveness.²⁰

In light of the above, this chapter aims at examining India's participation in GVCs and delineating India's intermediate trade with mega RTA member countries and the potential implications of these agreements on India's trade in value added.

3.3.1 India's Participation in Global Value Chains

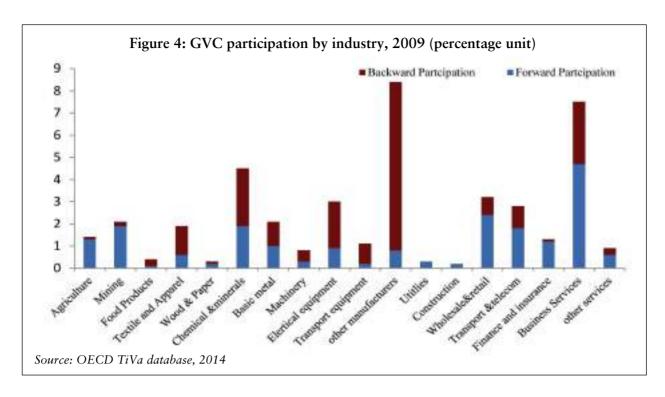
Backward and forward participation in GVCs

Figure 3 shows India's relative position in terms of backward and forward participation in GVCs. Backward participation (upstream links) refers to foreign value added in gross exports of a country and forward participation (downstream links) refers to domestic value-added exports of a country which goes into exports of another country.²¹



India's backward participation in GVCs was 21.92 per cent while forward participation was 20.35 per cent in 2009. These results indicate that overall there is a greater use of foreign content in India's exports as compared to domestic content.

Figure 4 shows that India's backward participation in manufacturing GVCs for chemicals, electrical equipment, textiles, machinery, transport equipment and other manufacturing sectors is higher while forward participation is higher in the case of agriculture, mining, wholesale and retail, transport and telecom, finance and insurance, business services and other services. This implies that overall India's manufactured exports contain more foreign value-added content while the share of domestic value added content is higher in services exports.²² These results corroborate the important role that services play in terms of value added in the Indian economy.



India's trade policy could take into account how GVCs are transforming the pattern of global trade. There should be an effort to induce regional production networks. A product-specific approach could be taken to study the gains that arise from participation in the technology and services-driven, high-value, top end of the value chain as well as labour intensive, employment generating, Micro Small and Medium Enterprises (MSME)-led low end of the value chain. The data above suggests that India, at present, has comparative advantage at both ends, including forward participating low-skill and low-cost agriculture and mining sectors. This balance needs to be maintained while optimising tariffs and formulating RoO in future bilateral, regional, and multilateral engagements. Furthermore, India can assess the potential for expanding its domestic value-added portfolio through targeted support in certain sectors that are currently forward participating; the 'Make in India'²³ initiative focusing on manufacturing could be an option.

India's exports share in gross and value added terms by trading partner

Figures 5 and 6 show that the US was India's largest export market in 2009 in both gross and value-added terms. It was also the largest source of India's imports when measured in value-added terms, replacing China, the largest source in gross terms.²⁴



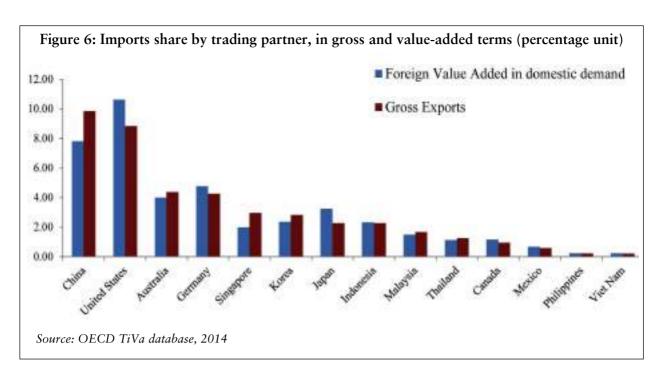
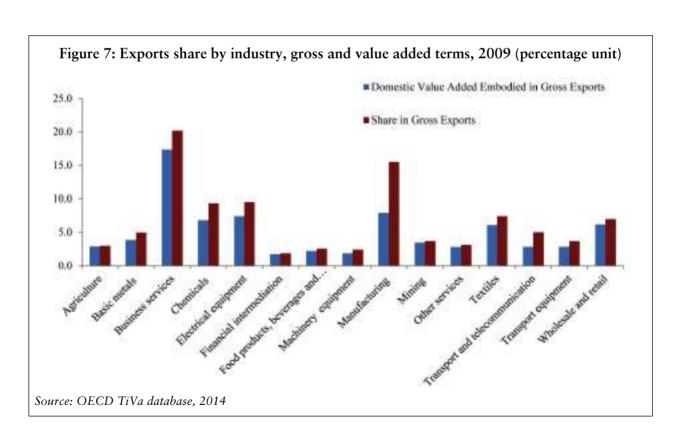


Figure 7 shows the difference between export shares on gross and value-added terms at industry level. The share of exports of the manufacturing sector is much higher when calculated in value-added terms. In business services, chemicals, electrical equipment and textiles the difference between gross exports and value added exports is less acute.



3.3.2 India's Service Value Added in Global Value Chains

According to the World Bank's World Development Indicators (2012), the share of value-added services in world GDP was 70 per cent in 2010, rising fairly steadily from 53 per cent in 1970, 57 per cent in 1990 and 68 per cent in 2000.²⁵ In the past decade, developing countries have experienced phenomenal growth in service exports and their share in global service exports has increased significantly. One estimate suggests that developing countries account for 30 per cent of global service exports.²⁶

In today's globalised world, services have become an important component of manufacturing and no activities in global manufacturing can be carried out without the use of services in both upstream and downstream sectors.²⁷ The entire value chain from the conception of a product to final consumption includes a number of activities related to services. These include design, development, marketing, warranties and after-sales service.²⁸

Services contribute almost 40 per cent to India's global exports, positioning India as an important player in trade in services in the world economy.²⁹ Figure 8 shows the contribution of service value-added content in India's gross exports. In value-added terms, the share of domestic content is higher as compared to foreign content in the gross exports of the country, indicating the importance of domestic services in gross exports. This shows that India is well placed in GVCs through service exports.

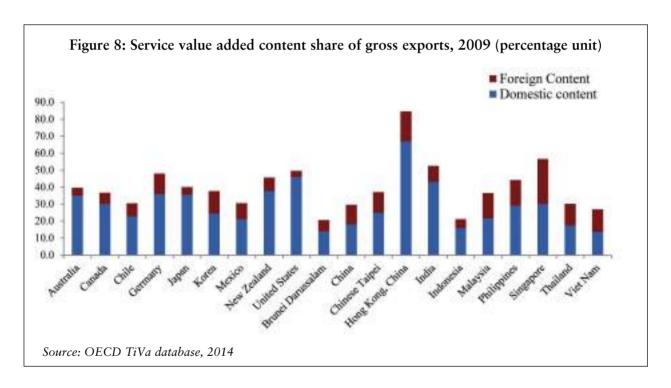
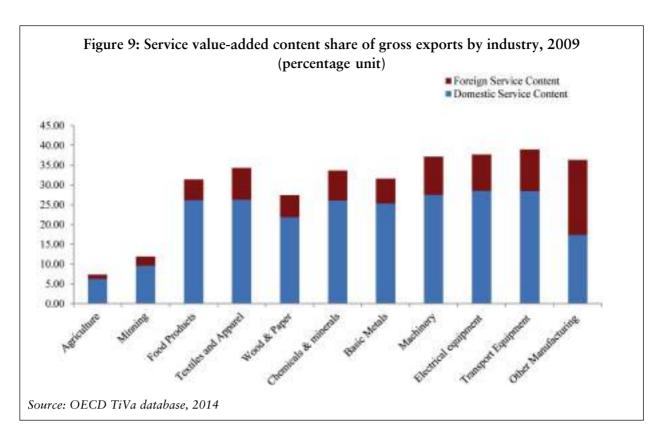


Figure 9 depicts service value-added content at industry level and shows that domestic service content contributes a significant amount of the share of gross exports. This trend is prevailing across sectors, except in other manufacturing. However, the predominant share of services in manufactured exports highlights the importance of India's potential role in the "servicification" of manufactured exports.³⁰ In other words, the blend of services and manufacturing is an emerging concept in the GVCs, which India can tap into.



3.3.3 India's Intermediate Trade with Mega RTA Countries

When it comes to trade in intermediate goods, regulatory and standard compliance is of much more importance than trade in final goods. As explained above, one of the core focus of the mega RTAs negotiations is regulatory issues, hence, these mega agreements are expected to impact India's trade in intermediate goods.

Table 4 shows the geographical distribution of India's trade in intermediate goods as a percentage of India's total trade of intermediate goods. The percentage is calculated by dividing India's exports of intermediate goods for each country by the total export of intermediate goods from India to the world. India's exports of intermediate goods is most significant with the EU, ASEAN and US and to a lesser extent with Singapore and Japan. In particular, exports of intermediate goods with ASEAN have grown from around 9 per cent in 2002 to 14 per cent in 2012. In terms of imports, India's trade in intermediate goods is most relevant with ASEAN and the EU and to a lesser extent with Malaysia, the US and Japan. Table 4 shows that from the mega RTA member countries, India has overall strong linkages in trade in intermediate goods with the EU and ASEAN.

3.3.4 India's Intermediate Trade with Mega RTA Countries by Sector

Tables 1 and 2 of Annex 3 show the share of India's total trade in intermediate goods as a percentage of its world trade in intermediate goods by industry. The percentage is calculated by dividing India's intermediate exports for each industry by India's world total exports of intermediate goods. The main intermediate goods exported to the US, EU, and ASEAN are textile, electrical machinery, stone clay, transportation equipment, pulp and paper, household electric appliances, iron and steel, chemicals, foods, general machinery and toys. Exports in intermediate goods in the food industry to Viet Nam and Japan are important and Singapore is a relevant market for exports of intermediate oil and coal products.

India imports significantly in intermediate goods from almost all industries from the EU, followed by the US and ASEAN. Intermediate imports from Singapore are large in the textile sector and in the case of Japan the most important sectors are transportation equipment and general machinery.

Table 4: India's Intermediate Trade with Mega RTA Countries as Percentage Share of its World Intermediate Trade

Country	Exports		Imports	
	2002	2012	2002	2012
Australia	0.89	1	1.43	1.99
Brunei Darussalam	0.01	0.01	0.008	0.003
Canada	1.15	1.13	0.97	0.49
Chile	0.09	0.21	0.08	0.11
Japan	3.47	3.61	4.80	3.74
Malaysia	1.1	1.62	4.39	2.92
Mexico	1.05	1.38	0.13	0.16
New Zealand	0.14	0.09	0.06	0.08
Peru	0.16	0.37	0.11	0.06
Singapore	3	8.1	3.12	2.43
USA	20	17.2	8.18	6.73
Viet Nam	0.7	0.82	0.03	0.29
EU	19.92	19.38	18.39	12.52
ASEAN	9.16	14.13	13.10	10.85

Source: RETI-TID, 2014 http://www.rieti.go.jp/en/index.html.

3.3.5 Mega RTA-led Global Value Chains and Potential Implications for India

Despite the fact that India engages in GVCs both through backward and forward participation, this practice is at a nascent stage. India has the potential of being a key player in GVCs and should draft its trade and investment policies in a way that increases India's participation in GVCs.

The sectors mentioned in 3.3.4 have a high export concentration in mega RTA markets. The concentration is particularly high in the case of intermediate goods such as household electric appliances and precision machinery to the EU; pulp, paper and wood to the US; and food intermediates to ASEAN. These sectors are relatively more vulnerable to exclusionary shocks arising from crucial export dependence. However the potential impact of mega regional agreements on India's GVC participation will hinge on the extent of tariff liberalisation and more importantly on non-tariff measures and regulatory standards. Cutting edge advances in product standards will be assimilated by these value chains and will guide procurement decisions in GVCs across the mega RTA region. Excluded countries will be in a weaker position to participate in these mega RTA-led value chains.³¹

Furthermore, India has also emerged as a leading exporter of services in global trade and its increasing share of services in international trade is equally important in the context of mega RTAs, even in the so-called phenomenon of "manuservice" in the world economy. Given India's links to GVCs through service exports, even in the case of mega RTA-led value chains; there is a high level of potential implications particularly related to market access of services.

By and large, it is clear that the new rules being negotiated under the mega RTAs will have an adverse effect on India's participation in GVCs. However, the magnitude of its effects is yet to be quantified as negotiations are still underway.

3.4 Effects of the Potential New Rules on Concerned Sectors

It is becoming abundantly clear that the shocks caused by further tariff liberalisation between mega RTA members will be far less palpable than those transmitted by the expected new rules and standards. Countries that are excluded face the risk of falling into the ever widening fault lines between WTO rules and 21st century mega regional rules. More importantly, these mega regionals have the potential to redraw the geography of international trade and if countries are unable to assimilate the new operational conditions, they face the grim reality of being disconnected from the GVCs and international trade. However, not all rules in mega RTAs will have a discriminatory nature vis-à-vis excluded countries. A structured analysis of emerging trends at the mega RTA negotiations can assist India in determining the areas where domestic reforms are imminently required to maintain its comparative advantage and prevent trade diversion.

It is important to bring out that an ex-ante analyss of new rules, especially considering the furtive nature of mega RTA negotiations, will have to draw heavily on certain assumptions. The study presupposes that at the TPP negotiations, the US will make every effort to evolve a new template

that will be in sync with its own domestic policies and optimal for US business interests. As V S Shesadri points out, there are "benefits [that] accrue from exporting one's regulations, regulatory framework and standards to a wider group of economies..." That being the case, the FTAs which the US has recently concluded will hold precedential value and unambiguously serve as models for the new template. The TTIP negotiations will try to harmonise the rules of trade and behind-the-border regulatory measures so as to obviate transaction costs between the two territories on either sides of the Atlantic.

It is becoming abundantly clear that the shocks caused by further tariff liberalisation between mega RTA members will be far less palpable than those transmitted by the expected new rules and standards

In chapter 1.3 we introduced the scope and coverage of the mega RTAs, the negotiations' main sticking points and sensitive

issues, and the form that rules will potentially take in the final text of mega RTAs. Based on the issues raised in chapter 1.3, this chapter analyses the impact of the rules being drafted at TPP and TTIP platforms on the Indian economy. This exercise has proven to be particularly challenging due to the secrecy surrounding mega RTA negotiations. The analysis is based on leaked negotiation text and FTA templates of some of the main players in mega RTAs.

3.4.1 Trade Standards

The post-GATT period has witnessed a significant reduction in tariffs and the average applied tariff on industrial products is well below 4 per cent today. It is safe to say that in many ways tariffs no longer constitute a fundamental barrier to global trade. This also means that regulatory measures such as SPS and TBT measures have a magnified effect on market access.

Contemporary RTAs have tried liberalising SPS and TBT measures through harmonisation of norms and mutual recognition of each other's standards or testing facilities.³⁴ The factsheet on TTIP that was published by the Office of the United States Trade Representative highlighted that the US and EU will "seek to identify ways to reduce costs associated with regulatory differences by *promoting greater compatibility between [their] systems*, while maintaining high levels of health, safety, and environmental protection" (emphasis added).³⁵ The TTIP deal will focus on regulatory convergence and harmonisation or mutual recognition of standards.³⁶ The efficiency gains that will arise from liberalisation of standards could outweigh those arising from tariff reductions for member countries. The emphasis on mutual recognition will be higher at TTIP as compared to the other mega RTA arrangements because the EU and US have regulatory regimes that are fundamentally different from each other. The EU will not move away from the "precautionary principle" approach

in its regulatory regime³⁷ and there is virulent opposition to this top-down approach by the agricultural lobbies in the US.³⁸ It remains to be seen to what extent convergence will be possible at the TTIP.

At the TPP negotiations it is imperative that the US will try to export its domestic standards and regulatory framework to the wider group of Asia-Pacific economies. The TPP will likely try to build on the KORUS FTA template and create a window for holding consultations with member countries while evolving or modifying standards. This approach of 'hegemonic harmonisation'³⁹ could create a North-South aggregation within which product norms are not only cosmopolitan but also highly advanced (WTO-plus). Also it could severely impede the member states' policy discretion to respond

to domestic sensitivities.

The mega RTAs will unequivocally assimilate private standards into the negotiations. This could lead to these standards gaining de facto legitimacy and later serving as a testing ground for international standards

The provisions in the leaked TPP chapter on Regulatory Coherence⁴⁰ are deeply intrusive and can directly intervene with a state's sovereign choices vis-à-vis regulatory structure and the hierarchy of bureaucracy. They are also counter-intuitive, in as much as, while ostensibly reducing the regulatory burden on industries they impose a massive burden on the state to pursue the objective of reducing the regulatory burden. The government has to maintain and publish multiple documents, carry out assessment tests, conduct reviews, amongst other requirements.

An important development in recent years has been the increasing relevance of private standards. Private or voluntary

standards have started guiding procurement decisions across GVCs and consumer preferences in advanced countries. They tend to reflect the recent advances in production processes and performance requirements of products. They are also reflective of the heightened sensitisation, in advanced countries, on environment and labour issues. The mega RTAs will unequivocally assimilate these private standards into the negotiations. This could lead to these standards gaining de facto legitimacy and later serving as a testing ground for international standards. India's exports, which are not aligned with private standards, can face exclusion from mega RTA markets and mega RTA-led value chains.

With the importance of regulatory standards in determining market access substantially increasing as the significance of tariffs declines, ⁴¹ consumer preferences, production locations and procurement decisions in value chains are being influenced by technical and safety standards of products more than anything else. Therefore, even a small improvement or variation in product standards could have a magnified effect on a firm's access to markets. This is why the impact of mega RTA disciplines is going to be most severely felt in this area.

For all practical purposes, mega RTA standards could become de facto mandatory for all countries that wish to access mega RTA markets The standards that may be approved at the mega RTA negotiating table could achieve critical mass and very soon be multilateralised. More importantly, standards that are primarily aimed at protecting human health and safety or protecting the environment would most obviously be applied on an MFN basis so as to protect the consumers from all sub-standard goods. For all practical purposes, mega RTA standards could become de facto mandatory for all countries that wish to access mega RTA markets.

India's export potential, especially in the manufacturing sector, has been severely limited because of a domestic environment with negligible standards. Export prospects will be further eroded by this 'new architecture which focuses on the creation of rules, regulations and standards.'⁴² Given the likelihood of standards, unlike tariffs, being applied on an MFN basis, this may mean that:

1. The standards that India's exports will be subjected to can be no less favourable than that of other countries. In effect, the mega RTAs will raise the bar of regulatory standards from the extant WTO-set benchmark and thereafter uniformly apply it to all countries. If India adheres to these WTO-plus standards, it will have guaranteed market access.

2. If the mega RTAs succeed in mutual recognition, even Indian exports will become automatically eligible to access US market if they have met the criteria for EU market.⁴³

However, it is equally important to bear in mind that the new standards are expected to reflect the inclinations of special interest groups that have proximity to the standard setting nations. India would be relegated to the role of a standard-taker and Indian firms left with the binary option of either having to satisfy the golden standards or lose market access. The increased costs of compliance and its discriminatory impact would hamper the growth in India's exports. The impact of already existing international and private standards on the growth in exports from the clothing and textile sector has been surveyed.⁴⁴ This could perhaps be exacerbated.

The participation of Indian industry in GVCs is still in a nascent stage with great scope for expansion. 45 Key export sectors such as textiles, chemicals, pharmaceuticals, basic metals and electrical equipment are below the global average in terms of their participation in GVCs. The prospects of India's GVC participation in the coming future will pivot on whether firms are able to meet the standards that are set by mega RTA members and private firms.

3.4.2 Subsidies

The endeavour to discipline subsidies undertaken by the GATT/WTO regime has been fraught with irreconcilable disagreements at the negotiating tables. There is little doubt that the rules on subsidies, as they exist today under the WTO laws, are skewed and protect the hegemony of developed countries, especially in farm products. References to subsidies in TPP and TTIP discussions have been limited to financial contributions made by governments to SOEs and to products with negative externalities on the environment (fossil fuels, marine products). Reports suggest that TTIP negotiations might hold something out for domestic subsidies to agriculture and allied activities, but it remains shrouded in uncertainty. It

Article VI of the GATT provides that subsidies shall be used in such a way that they do not cause material injury to trading interests of other WTO members. The US proposal under the "state owned enterprises" chapter in the TPP posit that financial contributions made by the government to SOEs should be held actionable to the extent that they cause harm to its private sector competitors. The 'harm test' is also the threshold for imposing countervailing duties under the WTO Agreement on Subsidies and Countervailing Measures (ASCM). However, the TPP might formulate new methods to measure the "harm" caused to competitors which would then trigger countervailing duties. ⁴⁸ It is veritable that the disciplining of subsidies granted to SOEs will be limited to ensuring competitive neutrality and a level playing field for foreign players (by extending national treatment).

Overreaching reforms in this area are unlikely considering the high SOE presence in countries like Viet Nam, Malaysia and Singapore. The US has defensive interests here too. Federal National Mortgage Association and the US Postal Service are SOEs and provide market-oriented products. Rules pertaining to SOEs and limitations placed on the degree to which they could be subsidised have high importance for countries like India and China, in particular, if these rules are multilateralised.

With respect to marine fisheries, the TPP countries include many of the top global producers of marine fisheries products by volume as well as traders. Subsidies have been identified as one of most significant problems that have undermined efforts to conserve marine resources and diminish distortions in international trade. The US and other TPP countries will make efforts to discipline subsidies that contribute to overcapacity and overfishing, which is one of the main problems that this sector faces, as well as improve transparency regarding subsidy practices. ⁴⁹ Similarly, the TTIP negotiations will be targeting fossil fuel subsidies by administering enforceable ceilings and ensuring protections for renewable energy programs. ⁵⁰ In general, this signifies a push towards sustaining and augmenting subsidies for environmental goods and services and streamlining financial contributions that benefit goods and services that have negative spillovers on the environment. The jurisprudence behind the ASCM has been guided by the objective to prohibit subsidies that unfairly benefit domestic

producers and distort the marketplace to that extent. The current debate on subsidies indicates a shift in focus from the trade distortion element of subsidies to subsidies that cause market failures (i.e., the environmental costs of production are not reflected in the market prices). The concerns and disputes that arise from this logic are as old as the history of WTO itself. The sovereign will to

At the informal New York round of negotiations, the US indicated a willingness to completely phase out export subsidies if the other members of the TPP were to drop their demands for new disciplines on export credit

regulate polluting subsidies is a function of several socio-economic factors and also substantially depends on the local eco-system. It is doubtful whether excluded countries such as India will be able to phase out perverse subsidies with the same momentum as mega RTA members can.

The HLWG of the TTIP makes no reference to domestic support for farm products. However, in the TPP negotiations, Australia and New Zealand are trying to secure disciplines on the use of export subsidies and the use of domestic support for agricultural products. At the informal New York round of negotiations, the US indicated a willingness to completely phase out export subsidies if

the other members of the TPP were to drop their demands for new disciplines on export credit.⁵¹ The EU, however, has signalled that it does not intend to resume the use of export subsidies.⁵²

The reduction of tariffs does not result in market access, unless accompanied by the rollback of export subsidies and domestic support. Export subsidies have far-reaching distortionary effects. Import of subsidised products into India adversely affects domestic sales and results in price suppression and depression in the Indian market. The prices of farm products stand at almost half of what they were two decades back;⁵³ the net effect of this downward spiral being loss in export earnings. This is one of the reasons behind the decreasing contribution of agricultural commodities in India's export share over the years.

A complete elimination of export subsidies in agriculture seems to be in the offing, with the US indicating the willingness to phase them out unconditionally and the EU signalling that it does not intend to resume the use of export subsidies.⁵⁴ If the mega RTAs are successful in combating export subsidies, that could provide a real impetus to the Doha round of negotiations. If such rules are multilateralised, it could effectively end the oligopoly of rich countries in agricultural markets and substantially improve the export earnings of the Indian farm sector which will have direct welfare effects in the Indian economy.

3.4.3 Trade Remedies

The mega RTAs under negotiation will not affect the parties' existing rights and obligations under the WTO/GATT regime on trade remedies but will merely affirm them. The mega regional agreements will only seek to refine the rules pertinent to trade remedies in the areas of transparency

The mega regional agreements will only seek to refine the rules pertinent to trade remedies in the areas of transparency and procedural due process and propose transitional safeguard mechanisms

and procedural due process and propose transitional safeguard mechanisms. It is doubtful that the final text will go beyond this.

The US-Korea FTA can perhaps serve as a pointer to the possible trade remedy outcome in the areas of transparency and procedural due process. The KORUS FTA goes beyond WTO rules in as much as requiring the parties to afford each other a meeting or similar opportunities to amicably settle the issue. It also imposes an obligation on either parties to transmit to the other party's embassy or competent authorities written information regarding the party's procedures for requesting its authorities to consider an undertaking on price or, as appropriate, on quantity, including the timeframes

for offering and concluding any such undertaking. It is unlikely that the TPP or the TTIP text will contain zeroing provisions considering that EU, Japan and other countries are vehemently opposed to this.

India is today amongst the largest users of trade remedy instruments. The potential effects of new rules regarding trade remedies will be felt in several ways. Firstly, India's several subsidy programmes are already being countervailed against by mega RTA members, especially the US, Canada and EU. New rules pertaining to verification mechanisms, export promotion schemes, if applied on an MFN basis, could expose India's subsidy schemes to countervailability. Secondly, India's anti-dumping practises are at variance from extant WTO global practices. More often than not, price undercutting is taken as a final determinant of existence of injury. More importantly, to determine whether price undercutting exists or not, investigating authority uses the 'Non-Injurious Price' of the domestic industry, a practice that is again unique to India. If the mega RTA rules get multilateralised, it is doubtful whether India can maintain its regulatory space to impose trade remedies.

3.4.4 Rules of Origin

RoO fall under 'core negotiating issues' at the TPP discussions. These rules shall define what goods are said to have their origin in the mega RTA region and are therefore to be accorded preferential tariff treatment.

The US has proposed the "YFR" for the TPP agreement. So Such a rule would severely limit the ability of countries such as Viet Nam to use Indian yarn and fabric in apparel, home furnishings or technical textile products for the US market. Such potential fall in the export earnings of India's textile industry, which is labour intensive and unorganised, will reverse India's efforts towards poverty reduction and inclusive growth. Textile and clothing account for roughly 5 per cent of India's GDP, 15 per cent of its industrial output and export earnings and provides livelihood support to 55-60 million people directly or indirectly. The "YFR" would also affect US apparel consumers and apparel retailers to choose their suppliers and disturb global supply chains. This is the

Given the composition of the TPP, it is unlikely, however, that the "YFR" will find its place in the final text. Developing countries like Viet Nam and Brunei are not expected to be badgered into accepting such restrictive rules, especially when the US has refused to make commitments on agricultural products like sugar and dairy products

reason behind the strong opposition of retailer giants like JC Penny, Levi's and Gap Inc. and their associations like TPP Apparel Coalition to the YFR.⁵⁷

Given the composition of the TPP, it is unlikely, however, that the "YFR" will find its place in the final text. Developing countries like Viet Nam and Brunei are not expected to be badgered into accepting such restrictive rules, especially when the US has refused to make commitments on agricultural products like sugar and dairy products. Prior to the Auckland round of negotiations, US negotiators stated that there is room for "potential flexibilities".⁵⁸

3.4.5 Intellectual Property Standards

Intellectual Property (IP) provisions in mega RTAs seek to introduce a high degree of protection for IP rights holders. These standards will not only challenge the delicate balance that was achieved by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) but also require RTA parties to significantly modify their domestic IP regime, reducing the access to knowledge and making it more difficult to provide public health⁵⁹. The absence of FTA exception for MFN under TRIPS means that the IP provisions in mega RTAs will be applied in a non-discriminatory manner to excluded nations as well. This becomes crucial once it is discerned that several elements in the IP chapter under mega RTAs specifically target the domestic laws of India, as will be shown below. The analysis on the IP provisions has been strengthened by the draft IPR chapters that were leaked and published online. Several updated versions⁶⁰ have been published since the first leak four years ago reflecting a progressive ascent in standards and the weakening of dissent to most

controversial provisions. The texts also bring out that the US is the prime mover of high IP standards at the TPP negotiation table. As a net-exporter of IP it stands to benefit from provisions that afford a layer of protection which goes beyond what is extended by existing international treaties.

The TTIP, on the other hand, is unlikely to contain a comprehensive IP chapter. Rather than redrawing the substantive rights of IP holders, or harmonising rules on IP enforcement, it would simply address a "limited number of significant issues interesting for both sides." The efforts will be focused on protecting and enforcing IP rights in third countries. This section seeks to throw light on IP provisions in mega RTAs, especially the TPP, that go beyond extant multilateral rules (TRIPS-plus) and analyse the impact of these rules on India.

Patentability

The most recently leaked draft of the IP chapter in TPP from May 2014 contains proposals which could substantially reduce the threshold of patentability for an invention. Article QQ.E.1.2 *bis* provides:

"For greater certainty, a Party may not deny a patent solely on the basis that the product did not result in an enhanced efficacy of the known product when the applicant

The proposal made by the US and Japan visibly target the domestic laws in India and subverts the jurisprudence that was laid down by the Honourable Supreme Court of India

has set forth distinguishing features establishing that the invention is new, involves an inventive step, and is capable of industrial application"

The proposal made by the US and Japan visibly target the domestic laws in India, specifically Section 3(d) of the Patents Act, 1970⁶² and subverts the jurisprudence that was laid down by the Honourable Supreme Court of India,⁶³ which struck down attempts to evergreen patents by way of incremental innovations that have no enhanced efficacy. More than just diluting the patentability threshold, the new proposal makes it legitimate, for instance, to

renew pharmaceutical patents by showing an incremental innovation and obstructing the entry of generic drugs. This will undermine the development needs of countries like India by impeding access to cheap medicines.

Data Exclusivity

The provisions pertaining to data exclusivity in the TPP draft are TRIPS-plus to the extent that they grant exclusive rights over clinical test data, such as the safety and efficacy results of clinical trials. This information, which if required as a condition for granting marketing approval, will remain the exclusive property of the originator for at least five years. Subsequent applicants, such as generic drug manufacturers, are restricted from relying on or referring to the test data of prior applicants or the evidence of existing marketing approval for the same or similar product. The TRIPS Agreement⁶⁴

The TRIPS Agreement only requires members to protect "undisclosed information" whereas the TPP has extended the exclusivity to safety and efficacy information

only requires members to protect "undisclosed information" whereas the TPP has extended the exclusivity to safety and efficacy information. It is also worth noting that the August 2013 leaked draft had qualified the nature of information that shall be granted data exclusivity to that information "the origination of which involves a considerable effort". 65 This limitation does not find a place in the May 2014 draft, further relaxing the scope of data exclusivity.

If this proposal gets accommodated in the final TPP text, generic drug manufacturers will have to conduct independent clinical trials

and submit fresh safety and efficacy information so as to be considered for marketing approval. The compliance costs could get substantially increased and this will be reflected in the market price of generic drugs.

It is worth noting that the European Parliament adopted a Clinical Trials Regulation in 2014 which removed the legal framework that allowed pharmaceutical companies not to publish their trial data. In para. 68 of the Regulation provides that "for the purposes of this Regulation, in general the data included in a clinical study report should not be considered commercially confidential once a marketing authorisation has been granted, the procedure for granting the marketing authorisation has been completed, the application for marketing authorisation has been withdrawn". ⁶⁶ The regulation also requires that all drug trials in Europe are registered on the publicly accessible EU clinical trials register.

Patent Linkage

The TPP provisions also propose to link the regulatory marketing approval for a product with the status of the patent on the originator's brand name product. Article QQ.E.17 (1) of the May 2014 draft provides that where a party permits generic drug manufacturers to rely on original clinical data, it shall withhold such manufacturers from marketing their products if there is a subsisting product or process patent on the covered product. It is worthwhile to make a comparison of patent linkage provisions in the latest draft with its earlier versions. The August 2013 draft imposed an obligation on the marketing approval authority to determine whether there exists a product or process patent on the covered product and notify the concerned patent holder. Although the new draft does not expressly impose obligations on the marketing approval authority to make patent determinations, by tying the market approval process with patents, it has effectively empowered the marketing approval authority to enforce patents.

Patent linkages will have the adverse implication of equipping the marketing authorisation bodies (such as the Drug Control General of India), which are intrinsically executive bodies tasked with the function of ascertaining scientific quality and efficacy issues, with the powers of patent policing. Not only are they illequipped to make patent determinations but also encumbered with a large number of pending applications. Checking the patent status of each drug will naturally retard the process of marketing approval and delay the market entry of generic drugs.

Patent linkages will have the adverse implication of equipping the marketing authorisation bodies with the powers of patent policing

In the EU, drug regulators have not been obliged to check the patent status of the reference product while granting marketing approval⁶⁷ and therefore patent linkage is unlawful. This position has been further clarified by the EU Pharmaceutical Sector Inquiry Report.⁶⁸ Thus, the status of patent linkage under the TTIP remains unclear.

Unconventional Trademarks

The TPP extends the ambit of trademarks beyond marks that are visually perceptible to include sound marks, taste marks and scent marks. Although opposed by Brunei, Viet Nam and Mexico, Article QQ.C.1 provides that registration of a trademark shall not be denied solely on the ground that the mark is a sound or scent. In other words, if a mark fulfils other conditions such as distinctiveness, parties are obliged to grant registration even if the mark is a smell or scent. TRIPS provision (Article 15) leaves it to the discretion of the member states to determine whether to allow the registration of signs that are not visually perceptible.

The difficulty with recognising unconventional trademarks, especially smell marks, surrounds the issue of determining the distinctiveness of a mark that cannot be graphically represented. It will be a daunting task for trademark registries to judiciously determine the uniqueness of a mark when it is not visually perceptible or stored in a durable form. More importantly, they could hinder the entry of generic medicines which have a smell or taste that is similar to that of the brand product. Thus, even if the patent on a drug has been extinguished generic competition can be effectively barricaded using smell or taste marks.⁶⁹

The Office for Harmonisation in the Internal Market (OHIM), as the trademark and designs registry for the internal market of the European Union, has been unenthusiastic in encouraging taste marks. It rejected two UK-based applications citing that "the taste is unlikely to be perceived by consumers as a trademark; they are far more likely to assume that it is intended to disguise the unpleasant taste of the product." This calls into question whether the US will be able to successfully expand the scope of trademarks at the TTIP negotiations.

IP-related Border Measures

There is a proposal in the May 2014 leaked draft under border measures to allow customs officials to detain or suspend the release of 'confusingly similar trademark goods'. This proposal indicates an aggressive overreach by developed countries to deny market access for goods that are not pirated or counterfeited but simply similar to trademarked goods. It is important to note that multilateral rules

multilateral rules allow seizure of only counterfeited trademark goods or pirated copyright goods. There is a possibility that these provisions could have extraterritorial application by extending it to goods that are in transit (TRIPS; Article 51) allow seizure of only counterfeited trademark goods or pirated copyright goods. Furthermore, there is a possibility that these provisions could have extra-territorial application by extending it to goods that are in transit.

This could be tantamount to revisiting the imbroglio where Indian generic drugs bound for Vanuatu and Brazil were seized by customs officials in Germany and Netherlands respectively, citing IP infringements in their domestic regime although the goods were not meant for circulation in the latter countries. Such border measures could seriously impede India's efforts to supply cheap generic drugs to developing countries and LDCs which are bereft of manufacturing bases or R&D infrastructure.

Trade secrets

The TTIP negotiations will pay particular attention to the issue of trade-secret theft and moot for criminal enforcement provisions.⁷¹ The concern for India would be to what extent these provisions will cover technology transfer requirements contained in domestic policies. There is the possibility that restrictive clauses could be introduced in technology transfer agreements which curtail the utility and application of the proprietary technology that is transferred.

3.4.6 Market Access in Agriculture

Despite tariff liberalisation, agricultural markets, especially those of developed countries, continue to remain inaccessible and tariffs on farm products are continually high (See Table 5). The US, Japan and EU have defensive interests in specific farm products (rice, sugar, beef, dairy products, peanuts) and will seek to classify them as "import sensitive" in the trade agreements so as to exclude them from tariff reduction. Since many developing countries, including India, are major exporters of some of these goods, any tariff reduction amongst mega RTA members may, however, divert trade towards these members.

Japan has promised to reduce its tariff rates substantially and dismantle some of the import quotas.⁷² Rice exports from India, however, have managed to stay competitive even while operating in a highly distorted market. It is worth noting that six out of the 12 members of TPP are also members of the CAIRNS group, which was instrumental in advancing the cause of market access in agriculture at the multilateral forum. Developing countries like Chile, Malaysia, Peru and Viet Nam have criticised the "two-pronged approach" of the US by which it wishes to tap into the agricultural markets of developing countries without providing access to its domestic market.

Table 5: Average applied tariffs for agricultural and non-agricultural imports, 2012

Economy	Agriculture (%)	Non-agriculture (%)	
EU	13.9	4.0	
us	5.0	3.3	
Australia	14	2.1	
New Zealand	1.4	3.1	
Canada	18.1	2.5	
Japan	23.3	2.6	
Vietnam	170	8.7	
Chile	6.0	6.0	
Peru	4.1	3.6	
Malaysia	10.8	5.8	
Singapore	0.2	0.0	
Brunel	0.1	2.9	
Mexico	21.4	6.3	

Source: World Trade Organisation (www.wto.org)

It is unlikely that the US and EU under the TTIP will change their agriculture policies considering that they see mega RTAs as a sort of back door for rulemaking by making minimum compromises in areas where they have defensive interests.

Any improvement on market access for agricultural products under the mega RTAs will have an economic impact on India in the form of trade diversion. However, market access breakthroughs in agriculture at the mega RTAs, if achieved, can induce developed countries to take pliable positions at the Doha round which could infuse fresh momentum to multilateralism. A multilateral outcome of agricultural products will be beneficial for India since it will increase market access for Indian farmers and enhance the income of rural households that are net sellers of food. making tangible contributions to India's pursuit for poverty alleviation and nutritional security. Market access in agriculture, however, cannot become a possibility unless concrete steps are taken to trim farm subsidies and the manner in which SPS and TBT rules are administered.

3.4.7 Export Restrictions

Article XI of the GATT provides for a general ban on import and export restrictions but provides for some product- and situation-specific exceptions. Advanced RTAs seeking to go beyond the WTO have attempted to discipline the use of export restrictions by outlawing some exceptions to the general ban on quantitative restrictions or by imposing additional conditions which are to be met while setting such quotas.

It is expected that the TTIP will break new ground and push for rules on export restrictions that will go beyond the WTO provisions and enact stricter provisions on export tariffs and quotas. These new rules have found their place in every FTA that the US has signed. Broadly speaking, they require members to refrain from disrupting normal supplies, to ensure proportionate access to supplies for member countries in case export restraints are used,

Advanced RTAs seeking to go beyond the WTO have attempted to discipline the use of export restrictions by outlawing some exceptions to the general ban on quantitative restrictions or by imposing additional conditions which are to be met while setting such quotas

to prohibit the discriminatory use of these restraints so as to ensure cheaper access to inputs for domestic producers. Some US FTAs, such as NAFTA, provide for an express prohibition on export taxes. The EU-CARIFORUM FTA not only provides for the complete elimination of export taxes and quotas but also carves out one of the exceptions from Article XI of the GATT in paragraph 2 (a) which justifies restrictions which are placed to relieve temporary food shortages. It is supposable that a template that is similarly restrictive might evolve out of the mega RTAs being discussed.

India erected a series of barriers on rice export in 2007-08 to feed its gigantic public distribution system, which delivers food items to the marginalised population at nominal prices. This was not triggered by the motive to inflate the prices artificially - India being the second largest exporter of rice - but to ensure food security. Though these restrictions were dismantled in 2012, the recently enacted Food Security Act will require the government to step up public procurement and clamp down on rice exports again. If the export restraints disciplines achieve global relevance, emerging economies like India will lose their prerogative to regulate their exports so as to correct for domestic shortages. This can deal a heavy blow to its pursuit for food security and poverty reduction.

3.4.8 Trade Facilitation

Customs bottlenecks are comparable to a hidden inefficiency tax on imports arising from administrative delays, duplicity of procedures, uncertainties in tariff structures and other avoidable holdups. The opportunity cost of these delays is proving to be more and more burdensome with the emergence of GVCs that crisscross multiple borders. Efforts have been made at the multilateral level to streamline the customs procedures to ensure expeditious disposal of goods so as to reduce the costs for companies.

If India is unable to simplify customs procedures and reduce formalities, the consequences could lead to trade diversion and disconnection from value chains

Customs and trade facilitation has emerged as a fundamental issue at all mega RTA discussions. There is a rough consensus between the US and EU on how efficiency can be improved at the border, while improving the ability of customs authorities to strictly enforce customs laws and regulations. The TTIP chapter will seek to streamline border procedures so as to expedite the release of goods from customs control, especially express shipments. There will be stress on advance rulings on tariff classifications, refining data processing and documentation, making information available on the internet, and basing inspections on risk management techniques.

Elements related to pre-arrival processing, pre-shipment inspection, release of goods pending final payment of customs duties, risk management techniques, and the use of *de minimis* values are comparable to those found in the WTO Trade Facilitation Agreement, which was part of the recent Bali Package. Having said that, the US and EU negotiators will work to introduce novel elements in the area of mutual administrative assistance, customs co-operation and uniformity in appeal procedures. Co-operation between the customs authorities of member countries will ensure that prior notice is given before significant modifications are made to administrative policies, laws or regulations; there will be mutual assistance to prevent the entry of illegal shipments, smuggling and duty evasion.

Harmonisation of customs procedures between mega RTA parties will nurture a new symbiosis among them. India's obsolete customs procedures will pale in comparison. If India is unable to simplify customs procedures and reduce formalities, the consequences could lead to trade diversion and disconnection from value chains. Today the roads to global markets are routed through value chains and firms are consistently upping their ante to stay competitive and stay connected. The commercial players that operate in a value chain will prefer trading with firms which are located in countries equipped with cutting edge physical infrastructure and minimum bureaucratic baggage. India has 12 major ports, 36 international airports and 138 Land Customs Stations that are dotted all along India's international borders. If India has to harmonise its customs procedures with the

standards that are set by these mega RTAs it will have to incur an enormous cost⁷⁴ and those costs will be proportionate to our geographic diversity and the prevailing level of sophistication.

3.4.9 Environmental Standards

The relation between specific trade obligations contained in MEAs and WTO rules is an issue that is being negotiated under the Doha Agenda. The delineation of this relationship will have substantial import to the interpretation of extant rules of trade, especially GATT Article XX exceptions and Agreement on SPS measures. The members to the mega RTAs are negotiating environmental standards wherein they will address the contours of this relationship and determine the jurisprudence of WTO-compatible specific trade obligations (STOs), bereft of a multilateral consensus. Thus, outcomes emerging from the mega RTAs could gain traction at the multilateral level and influence the Doha discussions. Also, a wider interpretation of WTO rules would leave room for unilateral measures that have extra jurisdictional bearing.

It goes without saying that the TPP and TTIP agreements that have been christened '21st century agreements' will contain disciplines on environment conservation. There is only ambiguity on what will be its rigour and scope.

The crux of the disagreement among TPP members lies in the enforceability provisions: whether a violation of environmental standard or the non-conformity with an MEA will trigger a dispute settlement process that is akin to any other commercial dispute. Can trade sanctions be imposed if a member is, subsequently, found to be non-compliant? A text from a January 2014 leaked document suggests that Canada is mediating for a middle course: provisions for a special dispute resolution process that will not impose trade sanctions. However, the source is dubious and the implementation of this proposal remains shrouded in speculation.⁷⁵

At the multilateral level, India has traditionally taken a stand that trade liberalisation should work in tandem with the efforts to conserve and protect the environment if we are to avoid a race to the bottom. However, it has also clarified on several occasions that the WTO members, while defining the relationship between trade and environment, should not be susceptible to protectionist measures that masquerade as trade obligations. To begin with, the mega RTAs have followed a broad interpretation of "Multilateral Environment Agreements". This approach goes against India's

The TPP and TTIP
agreements will contain
disciplines on environment
conservation. There is only
ambiguity on what will be
its rigour and scope

positions which is that for an agreement to be considered an MEA, it should have been negotiated 'under the aegis of United Nations or any of its specialised agencies, should have represented the interests of countries belonging to different *geographic regions and at different stages of economic and social development*' (emphasis supplied).⁷⁶

Secondly, the mega RTAs will, in all likelihood, adopt a broad definition of "specific trade obligations" pursuant to those MEAs. This one-size-fits-all approach can culminate in protectionism without contributing to the betterment of environmental ends. India has adopted, however, a literal interpretation of "specific trade obligations" where any provision in an MEA to qualify as an STO must be "*specific* with a *trade* element and should be in the nature of an *obligation*."

The most obvious route of leveraging the rules of trade to promote environmental ends is by opening up the market for environmental goods and services. The mega RTAs are currently discussing market access commitments for eco-friendly products. They wish to go beyond tariff concessions and address potential non-tariff barriers to trade.⁷⁸ This is broadly an area (open market for environmental goods and services) that has been addressed by the Doha mandate as well.⁷⁹ A work programme was formulated in July 2008 wherein WTO members promised to identify the environmental goods that can be liberalised. Pursuant to this, India undertook extensive work in this area to identify 'environmental goods' and quantify potential market access barriers.

3.4.10 Labour Standards

Provisions that seek to administer and enforce workers' rights have been a contentious issue at both WTO and FTA negotiations. Countries, especially developing countries, have argued that a chapter on labour standards is an anomaly in a trade agreement.

In a mega RTA like the TPP, with a fair balance of developed and emerging economies, it will be worthwhile to note whether labour standards with enforceable labour provisions will actually permeate into the final text and what concessions will developing countries take away from the negotiating

In a mega RTA like the TPP, with a fair balance of developed and emerging economies, it will be worthwhile to note whether labour standards with enforceable labour provisions will actually permeate into the final text

table, as far as assistance for capacity building or flexibilities in phasing in are concerned. Countries like Viet Nam and Brunei have come with serious concerns about the labour standards provisions. 80 It is their case, and very much the case of other low wage countries like India, that compliance with such provisions will undermine their comparative economic advantage. TTIP negotiations, however, will include labour provisions and most likely result in enforceable obligations on labour standards as both parties already enforce these standards in their FTAs.

Under TPP negotiations, the US and Canada have acquiesced to meet other TPP members half way by foregoing trade sanctions in case of non-compliance. A proposal has been tabled that the

jurisdiction of the dispute settlement panel would be limited to mandating the development of an "action plan" to remedy a dispute and if the offending party fails to implement it a monetary penalty capped at \$15 million could be assessed.⁸¹

India will have to remain watchful of the spill-over of these provisions into multilateral fora and FTAs which are in the pipeline, such as RCEP and EU-India FTA. It would be worrying if in the new trade regime, parties to mega RTAs decide to trade only with those countries which have similar labour standards. This will have serious implications on labour-intensive sectors like textiles, leather and mining. India will also find it difficult to get integrated into value chains in which players prefer uniform standards throughout the chain.

3.5 Implications for Trade in Services and Investment Flows

In chapter 1.3 of this report, we highlighted the issues being discussed on services and investment under the TPP and TTIP negotiations. This section presents how the new rules on being negotiated under the TPP and TTIP will impact India's trade in services and investment flows.

Services rules under mega RTAs and their implications on the Indian economy

Given the blockage of negotiations on trade in services under the WTO and the size of the services market in TPP and TTIP countries, there will be every effort to breathe fresh air into trade in services negotiations. In addition, as described in chapter 3.3, services such as logistics, communication, finance, insurance, and research and development have become indispensable in GVCs.

Under TPP and TTIP negotiations, the aim is to administer regulatory disciplines in sectors that were hitherto left untouched such as air traffic rights, maritime transport and some professional services. It will delve into cross-cutting issues which have ramifications across sectors and treat the different modes of delivery separately.

India has been one of the developing countries that have taken advantage of the expansion in trade in services; an advantage accrued from having a young and educated yet low cost work force. This new international division of labour meant that local service providers in developed countries faced stiff competition from cost-effective service providers in developing countries. India emerged as a hub for business processing, with call centres becoming ubiquitous in Bengaluru, Hyderabad

and Chandigarh. India is currently the seventh largest player in global trade in services. The TPP can help India's competitors in East Asia becomes more competitive if it adopts provisions that liberalise cross-border supply (Mode 4) and promotes the unhindered flow of data across borders. Even without the mega RTAs, new entrants in the business processing outsourcing (BPO) industry have been gradually increasing their footprint and consolidating their position.⁸² Now several countries in the TPP can develop a vibrant service sector including Malaysia, New Zealand and Canada. The rules on investment protection, e-commerce, IP and finance "will provide a strong incentive for private service operators in these countries by enabling potentially seamless operations".⁸³

As noted above, the comparative advantage in Mode 1 delivery of services accrues from having a cheap skilled workforce. Natural laws of progression suggest that

as new countries achieve an edge in providing these services, India should move up the value chain from BPOs to knowledge process outsourcing (KPOs) by taking advantage of technological advancements and investing heavily in capacity building. The highly qualified professionals in India who can speak English fluently stand well poised to attract the KPO industry. This would mean a movement from services which carry out standardised routine tasks to those which require expert skills and knowledge of high-end processes. India should aim to multiply its market share higher up the value chain as it loses the cost-arbitrage benefits that it enjoyed lower down the value chain to countries like Malaysia, Viet Nam, Ukraine or Philippines.

India is currently the seventh largest player in global trade in services. The TPP can help India's competitors in East Asia become more competitive if it adopts provisions that liberalise cross-border supply (Mode 4) and promotes the unhindered flow of data across borders

It is also important to have a clear assessment of the potential threat that the TPP poses to India's service sector. Supporting a

vibrant BPO industry requires a massive workforce in the age bracket of 20-25 years. Very few countries in the TPP configuration have that demographic equation which would lure firms looking to offshore their processing tasks.

Investment rules under mega RTAs and its implications on the Indian economy

Investment under mega RTAs will be regulated by a chapter on investment and commitments under mode 3 (commercial presence). With these rules, mega RTA partners seek to benefit from an increase in bilateral investment flows as well as the exchange and transfer of knowledge, technology, ideas and export opportunities.⁸⁴ The growing inter-linkages between trade and investment suggest that this could be followed by trade diversion and disconnection from GVCs for excluded members.⁸⁵ In the particular case of India, a study carried out by Lehmann *et al* observes that "80 per cent of global trade is linked to Global Supply Chains, making them important sources of investment, technology and job creation, all of which are important for India." ⁸⁶ Excluded countries will have to meet this challenge by strengthening their bilateral investment rules to attract FDI. Meanwhile, they will have to keep in mind that there are various other macro-economic parameters which influence the investment climate and investors' decisions.

The state of play at the mega RTA negotiations indicates that there is a rough consensus in most areas that have been broached and a negotiating text is on the horizon. The mega RTAs will try to capture much of the language in recent FTAs and the US BIT model.⁸⁷ This entails a reiteration of the existing legal obligations such as non-discrimination, right of establishment, ban on imposing performance requirements on investments such as minimum export thresholds and local content requirements, and rules on expropriation. Two of the most controversial issues are ISDS and capital controls.

These issues become particularly pertinent considering that India is trying to usher in a long phase of economic growth propelled by a turbocharged manufacturing sector.⁸⁸ The National Manufacturing policy envisages a manufacturing sector that contributes 25 per cent of the total

GDP and can generate 100 million jobs in a decade.⁸⁹ Strict investment chapters in the TPP can cause the manufacturing investments to move to countries that are similarly placed, such as Malaysia and Viet Nam. India's investment policy should be strategised in such a manner so that it buttresses India's industrial policy and broader development objectives. However, this is incompatible with a fully liberalised investment regime.

BIT-plus commitments in mega RTAs will straitjacket several industry-related investment policies; any variation from these disciplines to synchronise it with the dynamic industrial policy will trigger investor disputes. There will be very little room to change the investment policy framework to meet changing circumstances or fine tune it in order to meet industrial policy objectives. India's BIT model has been undergoing review since early 2013 and the new version could arguably capture the language that is contained in investment chapters of 21st century RTAs. The possibility of a BIT template that could be cutting edge is enhanced by the fact that India has re-initiated backroom negotiations to hash out an investment treaty with the US.⁹⁰

The national treatment provision dilutes, unless it comes with inbuilt qualifications, the effect of policies which protect certain industries to meet national imperatives like employment generation and supporting infant industries. If FDI is allowed in small-scale industries, policies that favour indigenous MSME will need to be extended to foreign investors, which will destroy domestic jobs

India's BIT model has been undergoing review since early 2013 and the new version could arguably capture the language that is contained in investment chapters of 21st century RTAs

and livelihoods. Similarly, a prohibition on performance requirements will impede India from qualifying FDI with local content requirements, transfer of technology or export obligations. This means that any long-term benefits that arise from FDI will not be seen. Without export obligations, FDI will only deepen the current account deficit given that most of the foreign invested companies are domestic market oriented. Not only are they not contributing to India's export revenues, they are also increasingly causing net outflow of foreign exchange. 91 Without local content requirements, investors have very little incentive to recruit local labour or source raw materials/intermediates from the domestic market. The provision on capital transfers, as said earlier, will allow

foreign investors to freely repatriate investments and returns to their country. Worryingly, such an unrestricted freedom is already spelt out in India's existing BITs. The government should be allowed to regulate the capital account to curb speculative flows and to avoid explosive external debt accumulation, both of which could trigger macro-economic instability. The level of freedom given to cross-border movement of funds in the mega RTAs will erode policy sovereignty to address these issues without being dragged into investor disputes.

Lastly, it will be worthwhile to study whether a strict BIT or comprehensive FTAs which, *inter alia*, guarantees overwhelming protection for foreign investors will invariably bring investment. It is also equally important to question whether such an investment regime will square with our industrial policy objectives and development trajectory. The data of FDI flow on the basis of country of origin provides some insights. The US is the second largest investor in India although there is no BIT or comprehensive FTA between the two countries. Similarly, Brazil which has no framework for BITs is the largest recipient of FTAs in Latin America. It is submitted that although this data cannot be seen as conclusive, it at least indicates that there are several other parameters which determine investor confidence and capital infusion into an economy. On the flip side, the restrictions placed on regulatory discretions of the host country by BIT plus commitments are often arbitrary and hinder industrialisation and developmental goals.

3.6 Stakeholder's Views

3.6.1 Perception Survey Method

This chapter presents how stakeholders perceive two of the identified mega RTAs, TPP and TTIP, and how they think this will impact the Indian economy and its businesses. The data from the perception survey are the result of qualitative informal conversations, using an open-ended

questionnaire, with stakeholders. The survey was conducted in three cities in India: Chandigarh, Chennai, Kolkata and Mumbai. These cities have major sea ports through which 70 per cent of India's trade takes place. In total, about 60 stakeholders were interviewed. In each city about 20 interviews were conducted in order to capture the diverse views of respective stakeholders. The survey focused on sectors that have high exposure to the TPP and TTIP region. These sectors include textiles, automobile and agricultural products. The stakeholders selected for these interviews were: traders, government officials, policy-makers, academician/researchers and trade body representatives.

Although small traders showed little knowledge about the mega RTAs; policy-makers, government officials, researchers, and trade bodies had a good understanding of these agreements

3.6.2 Views and Concerns of Stakeholders

Knowledge of Mega RTAs

Although small traders⁹² showed little knowledge about the mega RTAs; policy-makers, government officials, researchers, and trade bodies had a good understanding of these agreements.

Unlike small traders, it was noted that large traders were aware of the external developments in the trading system as they have dedicated specific research divisions that provide information regarding global trade developments.

While interacting with traders, it was found that many did not utilise the existing RTAs to trade with their partners. Instead, trade occurred through traditional markets where they had well-established contacts. This showed that such opportunities were not promoted enough and awareness about RTA benefits is low.

Furthermore, the asymmetry in information between traders and policy-makers showed a lack of outreach initiatives. Small traders should be more aware of external RTAs that are being negotiated as well as existing RTAs to which India is a party; as such it is expected that understanding the trade agreements can improve utilisation and even benefit traders. Encouragingly, two initiatives have been put in place by the Government of India to facilitate communication with stakeholders, the Board of Trade and the Council for Trade Development and

It was also noted during the course of the survey that garment traders, especially in the state of Tamil Nadu, agreed that mega RTAs can affect them adversely. This was because the preferences extended to countries like Bangladesh by developed countries had affected them severely, prompting many manufacturers to move their production to Bangladesh.

The asymmetry in information between traders and policy-makers showed a lack of outreach initiatives

Exposure to TPP

Promotion.⁹³

Respondents in the traders' group with exposure to the TPP region included general traders and exporters of textiles, auto components, and agricultural commodities. The top 10 import sources as well as export destinations through the Mumbai port included at least five TPP countries. Also, while looking at the top products that were imported as well as exported from Mumbai, the automobile

sector had a majority share. Both textile and automobile traders shared the opinion that these mega RTAs are likely to have a significant impact on their business.

Similarly, looking at the trade exposure of the port of Chennai to the TPP region, it was seen that five out of the top 10 export destinations and import sources were in the TPP region. The goods exported from Chennai and Mumbai were mainly related to the textiles and automobile sector. Although in Kolkata, trade exposure to the TPP region was the same as Mumbai and Chennai, the composition of goods exported and imported were markedly different. Among the export destinations, the US and Singapore were the top two while import sources came from China followed by Indonesia, the US and Australia.

Domestic Issues

Many traders have pointed out that the tax system in India is very complex and there are multiple duties levied on exported goods. This has affected the export competitiveness in these markets.

Many traders have pointed out that the tax system in India is very complex and there are multiple duties levied on exported goods. This has affected the export competitiveness in these markets. Furthermore, trade—related infrastructure is very weak in the country

Furthermore, trade-related infrastructure is very weak in the country, causing unnecessary delays to many businesses. Logistics providers and traders expressed the need to improve infrastructure, especially roads and ports.

India ranks 54th in the 2014 Logistics Performance Index of the World Bank and according to a 2012 report by Deloitte, ⁹⁴ India spends 13 per cent of its GDP in logistics costs which is much higher than that of the US (9 per cent), Europe (10 per cent), and Japan (11 per cent), but lower than in China (18 per cent). The report by Deloitte showed that 20 per cent of product value in India was due to inefficient logistics, other studies put this estimate at 14-15 per cent. These inefficiencies are evident while looking at the port infrastructure and roads of India's cities. The erosion of export markets as an effect of these mega RTAs compounded with

the above inefficiencies can lead to serious macroeconomic challenges for India. All the sectors that were included in the survey were sectors that are export oriented and employ a large proportion of the population.

Expected Trade Barriers

During the survey it was observed that large textile traders who were aware of the trade agreements were more concerned about the proposed YFR⁹⁵ in the TPP agreement. They feared that this will have an adverse impact on the exports of India. Since India is a leading exporter of textile products to a number of countries in the TPP region this rule will directly affect exports from India, especially to the US which is India's largest export market. Under the "YFR", TPP member countries are

Since India is a leading exporter of textile products to a number of countries in the TPP region, the yarn forward rule will directly affect exports from India

likely to put the restriction of sourcing of raw material from nonparticipating countries. This not only affects the ready-made garments sector but also all textiles manufacturing along the value chain.

Since India is a leading exporter of textile products to a number of countries in the TPP region, the yarn forward rule will directly affect exports from India.

Trade officials and trade bodies shared that the proposed mega trade deals may create stiff competition for Indian exporters in the

US market because of the proposed low level of tariff barriers. There is an apprehension among stakeholders that the elimination of already low tariff barriers under TPP and TTIP could create trade diversion particularly in tariff-sheltered sectors like textile, agriculture and footwear. For

instance, manufacturers from Vietnam can gain huge market share at the expense of India and other excluded countries.

Government officials, trade bodies, and policy-makers also stated that there are a large number of non-tariff barriers which Indian products will face from TPP and TTIP countries. Higher regulatory standards negotiated under these mega RTAs will act as barrier to India's exports. Moreover, mega RTA influence has the potential to create a dual regulatory regime in developing countries, one for mega RTA members and another for the rest of the world. Under these circumstances, large exporters will likely have the resources to adopt the complex regulatory standards in these markets while small exporters will not be able to adhere to these standards. This will be detrimental to a large number of small and medium enterprises in India that play a pivotal role in the Indian economy.

General Observations

Stakeholder inputs point out that due to India having many bilateral FTAs with TPP member countries, India may not be impacted as drastically as envisioned. India has bilateral FTAs with

Japan, Malaysia, Singapore and ASEAN and is also negotiating FTAs with Australia, Canada, and New Zealand. Nevertheless, as noted earlier in the study, a significant amount of exports can be diverted to TPP members due to high standards and much lower preferential tariffs to member countries.

Another concern raised by policymakers and government officials was the outflow of capital and relocation of production from India into TPP members. As pointed out earlier, production

Given the size of the market, both the TPP and TTIP will have influence on the sentiments of the global investing community

of certain commodities like textiles have shifted from India to places like Bangladesh due to preferences granted to them. Given the size of the market, both the TPP and TTIP will have influence on the sentiments of the global investing community. FDI flow could be redirected to these regions that have a conducive trade and investment environment stemming from mega RTAs.

Improvement on trade facilitation issues such as procedural efficiency (e.g. customs, documentation, testing) and turnaround time will increase intra-regional trade in TPP and divert Indian imports towards those markets.

Endnotes

1 India's trade-to-GDP ratio has more than doubled in the course of a decade, from 25 per cent in 2002 to 53 per cent in 2012.

The model assumes perfect competition, constant returns to scale, a single currency and determines bilateral trade via the Armington assumption. The five factors of production in the GTAP database are land, unskilled labour, skilled labour, capital and natural resources. The model is based on the prevailing inter-sectoral input-output linkage structure of each country. Furthermore, all countries are linked through international trade flows to form a general equilibrium model in which prices and quantities supplied / demanded are determined simultaneously in

² Strategic imports are defined as the ratio of imports of energy, food or industrial supplies to GDP.

³ Export Dependence and Export Concentration Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty 8tV", United Nations Development Programme, 2009.

Top 10 trade destinations (2013-14): http://commerce.nic.in/eidb/iecnttopn.asp; Percentage share of countries in India's total exports (2013-14): http://commerce.nic.in/eidb/ecnt.asp; Percentage share of countries in India's total imports (2013-14): http://commerce.nic.in/eidb/icnt.asp. Export-Import Data Bank, Department of Commerce, Government of India.

⁵ Economic Survey, 2014-15, Ministry of Finance, Government of India.

all primary factor markets and domestic and international commodity markets. In the model, each country is represented by a regional household, which receives income from selling factor endowments to firms and from government revenue/subsidy. The regional household then spends the income according to a Cobb-Douglas utility function specified over composite private consumption, government purchases and savings. Firms in a country receive revenue from domestic sales and exports, which is used to pay primary factors, domestic inputs, imported inputs and taxes. Production technology is captured through nested production function involving primary factors that generate value added and inputs. Household commodity-demands are based on constant difference in elasticity demand system. Armington functions determine the use of domestically produced and imported commodities by firms, households and government for meeting their input / consumption requirements. Domestic taxes, import tariffs and export subsidies provide wedges between domestic, import and export prices in any region.

- Even though the GTAP model covers the services sector, trade in services is modelled only in a rudimentary way. It treats trade in services similar to trade in goods and the underlying GTAP database does not report any protection data (tariffs /export subsidies) for services. Thus, the GTAP model only captures the indirect impact on trade in services and hence aggregate income and welfare due to changes elsewhere in the system. This indirect impact arises from inter-sectoral linkages affecting output and demand, and also via the balance of trade routes. Despite these limitations, the general equilibrium analysis is still better than the partial equilibrium analysis that focuses purely on trade in goods.
- POVCAL is a computational tool for poverty analysis developed by the World Bank. To assess poverty and inequality, the tool uses parametric specifications for the underlying Lorenz curve. In particular, it allows the functional form of the Lorenz curve to be either the general quadratic Lorenz curve or the beta Lorenz curve. For a given poverty line, the tool uses grouped data on distribution of income / consumption (as may be available from households surveys) to select the appropriate Lorenz curve. For the chosen Lorenz curve, the tool then estimates various poverty and inequality measures such as the head count ratio, poverty gap, Gini coefficient, etc. Theoretical details on the functional forms of the Lorenz curves, the associated poverty and inequality measures, the estimation methods used, etc. are available in Datt (1998) and other publications mentioned in the World Bank's website. The World Bank's website http://iresearch.worldbank.org/PovcalNet/index.htm provides details on the methodological details behind the POVCAL tool as well as access to the software.
- 9 The GTAP model uses the GTAP database. The latest version of the GTAP database is Version 8.1 with dual base corresponding to years 2004 and 2007.
- For further information on GTAP regions, see Table 1 of Annex 2. The GTAP model does not contain data in each and every individual country. Several countries are clubbed into 'aggregate regions'.
- 11 For further information in the list of commodities see table 2 of Annex 2.
- The above six scenarios are carried out under the default closure for factor markets in all countries in the GTAP model, viz., there is full employment of all factors, both types of labour and capital are fully mobile across sectors while land and natural resources show some sluggishness. For India, this assumption is considered adequate for the objectives of this study as it helps isolate effects emanating from the external economy. All these scenarios were simulated under an alternative closure for factor markets, wherein un-employment was allowed in unskilled-labour in INDIA only though it remains fully mobile across sectors. Further, it was assumed that the other four factors of production would be fully employed even though some sluggishness was introduced in all of them. Results of these simulations were qualitatively not different from the full employment simulations though the magnitude of change in the variables of interest was somewhat large. Hence the simulations under the alternative scenario are not reported here.
- Considering that the GTAP database corresponds to 2007, the NSS 66th Round data on consumer expenditure during 2009-10 is used to derive a set of poverty estimates corresponding to the BASE scenario. The NSS data on consumption across deciles are used for this purpose. In order to obtain the poverty estimates for these scenarios, the indicator used by POVCAL is the distribution of consumption across the deciles. One simple way is to assume that the change in consumption expenditure across deciles is the same as that projected by GTAP model, which is over all households. This, however, is a very strong assumption as it implies that the distribution of consumption is neutral to the trade policy changes. To allow for distributional impacts in the different scenarios, the changes in payments to factors of production are mapped on to decile-wise income and consumption using information contained in the Social Accounting Matrix (SAM) developed by Ganesh-Kumar and Panda (2012) for the year 2006-07. The SAM by Ganesh-Kumar and Panda (2012) distinguishes four types of factors of production, viz., unskilled labour, skilled labour, capital and land. From their SAM, the shares of households in different deciles in the total payments received by each factor of production can be obtained. These shares are used here to distribute the scenario-wise value added as projected by GTAP model. Since the GTAP model distinguishes natural resources as a separate factor, the share of households in payments to land is used for distributing the value added by natural-resources projected by the GTAP model. To the extent the value added by each factor type varies in a scenario, and to the extent that the shares of households in different deciles vary by factor type in the SAM by Ganesh-Kumar and Panda (2012), this procedure would ensure that the distribution of income across the deciles differs from one scenario to another. Once the value added by each of the five factors of production in the GTAP model is distributed across households in different deciles, their total income and hence the percentage change in their income over BASE levels is computed. Assuming that the consumption-savings behaviour of households does

not change across scenarios, one can then derive the distribution of consumption across deciles in each scenario. This information is then supplied to POVCAL to derive the inequality and poverty estimates for each scenario.

- 14 See table 6 to 11 in Annex 2.
- 15 See Table 4 of Annex 2.
- 16 See Table 14, 15 and 16 of Annex 2.
- 17 See Table 15 of Annex 2.
- 18 As described earlier, POVCAL chooses the appropriate functional specification of the underlying Lorenz curve. This turned out to be the beta Lorenz form.
- 19 UNCTAD, "Investing in the SDGs: An Action Plan", World Investment Report 2014, UNCTAD/WIR/2014, June 2014.
- 20 Sally, Razeen, "Global value chains, trade policy and Asia", East Asia Forum, June 13 2013.
- 21 Banga, Rashmi, "Measuring Value in Global Value Chains", UNCTAD, Background paper No. RVC-8, May 2013.
- 22 Ibid.
- The 'Make in India' programme is one among several measures that the Government of India has taken to reenergise the economy, particularly the manufacturing sector. It aims to achieve a growth of 12-14 per cent per annum in the manufacturing sector over the medium term and to create 100 million additional jobs in the process by 2022. The government has highlighted through the National Foreign Trade Policy (2015-2020) that the Make in India programme is not intended to be a protectionist tool but would fit within the broader 'export promotion mission'.
- 24 Ibid.
- 25 Low, Patrick, "The Role of Services in Global Value Chains", Fung Global Institute, Real Sector Working paper, June 2013.
- 26 Paugam, Jean-Marie, "Trade in services can be a game changer for development", May 2013.
- 27 Singh, Harsha Vardhan, "Trans-Pacific Partnership Agreement: Its Impact on India and Other Developing Nations", Background Paper, August 2014.
- World Economic Forum, "The Shifting Geography of Global Value Chains: Implications for Developing Countries and Trade Policy", 2012.
- Mukherjee, Shameek and Shahana Mukherjee, "Overview of India' Export Performance: Trends and Drivers, India Institute of Management", Working Paper, 2012.
- World Economic Forum, "The Shifting Geography of Global Value Chains: Implications for Developing Countries and Trade Policy", 2012.
- 31 Singh, Harsha Vardhana, "Trans-Pacific Partnership Agreement: Its Impact on India and Other Developing Nations", Background Paper for Conference in Delhi, 12 August 2014.
- 32 OECD, "Global Value Chains: Challenges, Opportunities and Implications for Policy", Report prepared for G20 Trade Ministers Meeting, July 2014.
- 33 Sheshadri, V S, "Trans-Pacific Partnership", Research and Information System for Developing Countries, Discussion Paper No. 182, 2012: p. 2.
- Out of the 70 contemporary FTAs that were surveyed by Piermartini and Budetta (2007) 58 included provisions on TBT and SPS standards. The commitments in these FTAs went beyond simple measures such as transparency and notification to include harmonisation of standards, mutual recognition of standards; and mutual recognition of certification procedures of each other's norms.
- United States Trade Representative, "U.S. Objectives, U.S. Benefits in the Transatlantic Trade and Investment Partnership: A Detailed View", March 2014.
- 36 Seshadri, V S, "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013.
- 37 Inside US Trade, "EU Will Not Change 'Precautionary Principle' Through Trade Talks: Official", May 20 2013.
- 38 Inside US Trade, "U.S. Food, Ag Groups Want 'Precautionary Principle' On Table In EU Talks", May 22, 2013.
- 39 Baldwin, Richard, "Regulatory Protectionism, Developing Nations and a Two-Tier World Trade System", Graduate Institute of International Studies, Geneva and CEPR.
- 40 "New Cross-Cutting Limits On Regulation Of Goods And Services", Citizens Trade, October 2011.
- The 'magnification effect of globalization' was first outlined by Richard Baldwin. It is the phenomenon where '[f]alling tariff levels, teamed with lower transportation and communication costs, have cleared away many manmade and natural obstructions to trade, making the international 'playing field' flatter than it has ever been. This very flatness, however, means that even a slight 'tilt' tends to have large effects on the location of production' "Regulatory Protectionism, Developing Nations and a Two-Tier World Trade System", 2000, Centre for Economic Policy Research, Discussion Paper No: 2574.

- 42 The Hindu, 'Industry Asked To Enhance Quality To Boost Export Prospects', April 16, 2014.
- 43 Seshadri, V S, "Transatlantic Trade and Investment Partnership", Research and Information System for Developing Countries, 2013. Baldwin, Richard, "Regulatory Protectionism, Developing Nations And A Two-Tier World Trade System", Centre for Economic Policy Research, Discussion Paper No: 2574, October 2000.
- 44 Garry Gereffi & Stacey Frederick (2010) The Global Apparel Value Chain, Trade and the Crisis World Bank Policy Research Paper No. 5281, 23
- 45 Refer Chapter 3.3 for further analysis on India's participation in Global Value Chains.
- The US and EU have a limit to provide distortive subsidies under the Agreement of Agriculture of US\$ 19,103.29 million and Euro 72,244 million, respectively. This measurement is called average measurement support (AMS). India, for instance, committed on its accession to AMS of 0, leaving no space for distortive subsidy practices under the Agreement on Agriculture.
- Ferguson, Ian F, Mark A McMinimy, and Brock Williams, "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service Report, November 2014.
- 48 Inside US Trade, 'USTR expected to clarify provision in SOE proposal on 'harm test' soon', March 22, 2012.
- Joint Report of the United States Trade Representative and United States Department of Commerce, "Subsidies Enforcement Annual Report to the Congress", February 2014.
- Porterfield, Matthew and Robert Stumberg, "Using the Transatlantic Trade and Investment Partnership to Limit Fossil Fuel Subsidies," 2014, The Greens Group Discussion Paper.
- 51 Inside US Trade, "U.S. Signals Willingness To Agree To Ag Export Subsidies Ban In TPP Deal", January 27, 2015.
- 52 Ibid
- 53 UNCTAD, "Handbook of Statistics," 2003.
- 54 Ibid.
- The "yarn forward rule" would require that for apparel, home furnishings, or textiles to benefit from preferential access, they would have to be assembled in a TPP country, use fabric manufactured from a TPP country and made out of yarn produced in a TPP country.
- 56 Platzer, Michaela D., "US Textile Manufacturing and the Trans-Pacific Partnership Negotiations", Congressional Research Service Report, August 2014.
- 57 Singh, Ritesh Kumar, 'Pacific threat looms for textiles', *The Business Line*, May 2013.
- 58 Inside US Trade, 'Negotiators Signal Effort To Resolve Apparel Rules Of Origin Fight', December 2012.
- Krista L Cox, "The Intellectual Property Chapter of the Trans-Pacific Partnership Agreement and Investment in Developing Nations", 2014, University of Pennsylvania Journal of International Law, Vol. 35, Iss. 4 [2014], Art. 3, p 1050
- 60 Since the first draft was leaked by Wikileaks in February 2011, several new versions have been brought into the public domain. The latest leak reveals the state of play as of May 2014.
- 61 'Final Report: EU-US High Level Working Group on Jobs and Growth', February 11, 2013.
- 62 Section 3(d) of the Patents Act 1970 disqualifies from patenting an invention that "the mere discovery of a new form of a known substance *which does not result in the enhancement of the known efficacy* of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant" (emphasis added).
- Novartis AG v Union of India, Civil Appeal Nos. 2706-2716.
- 64 Article 39, para 3, TRIPS Agreement.
- 65 Article QQ.E.16 (1) (a) TPP Negotiations, R18, IP Group, August 2013, Wikileaks.
- Regulation (Eu) No 536/2014 of The European Parliament And of The Council,16 April 2014 on Clinical Trials on Medicinal Products for Human Use, and repealing Directive 2001/20/EC.
- Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use establishes a Community code which brings together, in a single instrument, all the provisions in force governing the placing on the market, production, labelling, classification, distribution and advertising of medicinal products for human use. It does not contain any provisions to verify the patent status of the originator's reference product.
- 68 EU Pharmaceutical Sector Inquiry Final Report, para 872.
- 69 Gopakumar, K M and Sanya R Smith, IPR provisions in FTAs: Implications for access to medicines, part of a series on "Intellectual property and access to medicines: papers and perspectives", 2010 World Health Organisation, Regional Office for South East Asia.
- Smell, Sound and Taste Getting a Sense of Non-Traditional Marks, February 2009, World Intellectual Property Organisation Magazine.

- 71 Carmen-Cristina Cîrlig 'Overcoming Trans-Atlantic Differences on Intellectual Property; IPR and TTIP Negotiations, July 2014, European Parliamentary Research Service.
- 72 Financial Times, 'Japan approves plans to overhaul rice subsidies', November 2013.
- 73 For further explanation regarding the economic impact from tariff reduction under mega RTAs on excluded countries, see Chapter 1.4. and 3.1 of this report.
- For more information refer to: P De "Impact of trade costs on trade: Empirical evidence from Asian countries", ARTNeT Working Paper Series, No. 27, 2007; and S Chaturvedi, "Customs Valuation in India: Identifying Trade Facilitation related Concerns", ARTNeT Working Paper Series, No.25, 2006.
- 75 'Trade Leak Shows U.S.'s Weak Environmental Pitch, Groups Say,' Politico, February, 2014.
- 76 Ibid., Para 4.
- 77 Ibid., Para 7
- 78 Wikileaks, "WikiLeaks Release of Secret Trans-Pacific Partnership Agreement Environment Chapter Consolidated Text", November 2013.
- 79 "Ministerial Declaration at Doha", WT/MIN(01)/DEC/1, November 2001.
- 80 Inside US Trade, 'TPP Partners Willing To Discuss Scope Of U.S. Labour Text; Enforceability Is Major Hurdle', May 15, 2012.
- 81 Inside U.S. Trade, 'Canada Tables Alternative Enforcement Mechanism In TPP Labour Chapter', May 23, 2013.
- 82 "India losing 70% incremental voice & call centre business to Philippines," April 2014, ASSOCHAM-KPMG.
- Lehmann, Jean-Pierre and Deepali Fernandes, "India and The Mega-Regional Trade Deals", International Institute for Management Development, January 2014.
- 84 Sandrey, Ron, "Mega-regional Trade Agreements and South Africa's Trade Strategy: Implications for the Tripartite Free Trade Area Negotiations", South African Institute of International Affairs' Economic Diplomacy (EDIP) Programme, July 2014.
- Lehmann, Jean-Pierre and Deepali Fernandes, "India and the Mega-Regional Trade Deals", International Institute for Management Development, January 2014.
- 86 Ihid
- Ferguson, Ian F, Mark A McMinimy and Brock Williams, "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service Report, November 2014.
- The Government of India unveiled the Make in India programme on September 25, 2014 to attract investments from businesses around the world, and in the process, strengthen India's manufacturing sector.
- 89 Press Information Bureau, 'New Manufacturing Policy to Create 100 Million Jobs in India', Government of India, Ministry of Commerce and Industry, 16 December, 2011.
- 90 The Hindu Business Line, 'US keen to push for bilateral investment treaty', December 13, 2009.
- 91 Chandrasekhar, CP and Jayati Ghosh, 'FDI and Balance of Payments in the 2000s', March 2010, *The Hindu Business Line*.
- The classification is based on the category limits for Micro, Small and Medium Enterprises set by the Government of India available at: http://www.dcmsme.gov.in/ssiindia/defination_msme.htm.
- 93 Foreign Trade Policy Statement of 2015-20, para. 40.
- 94 Deloitte, 'Logistics Sector Present situation and way forward', Deloitte & Indian Chamber of Commerce, 2012.
- All products in a garment sector, starting from the yarn stage forward, must be made in one of the countries that are party to the agreement.



4

Policy Implications: The Space for Domestic Trade Reforms

4.1 Unilateral Tariff Liberalisation Requirements

The simulations carried out in Chapter 3.2 suggest that the overall impact of tariff reductions under the mega RTAs on India's trade flows will be rather small. In a scenario where all the three mega RTAs come into force, the reduction in imports ranges between -0.1 per cent in extraction sector and -1 per cent in the case of grains and crops sector. Tariff rates within TPP and TTIP regions are already low and the global trade diversion caused by these mega RTAs, although considerable, will not be strictly based on tariff reductions. This leaves very little scope for unilateral tariff liberalisation.

The GTAP model analysis suggests that in a scenario where all three mega RTAs have materialised, India stands to make welfare gains of about US\$ 7.5bn as compared to a welfare loss of about US\$ 757 million (0.06 per cent of GDP) in a scenario where India undertakes no tariff cuts and all three mega RTAs come into force. Much of these gains seem to accrue from extraction (US\$ 3bn) and processed food sector (US\$ 2.2bn). India expects to see welfare losses in meat and livestock, textiles and wearing apparel, and light and heavy manufacturing (see Table 16A of Annex 2).

welfare gains arising from unilateral liberalisation compare unfavourably with gains accruing from multilateral liberalisation

However, the welfare gains arising from unilateral liberalisation compare unfavourably with gains accruing from multilateral liberalisation. As shown earlier, the welfare gains under the multilateral scenario are about US\$ 21bn (1.7 per cent of GDP). In other words, the data suggests that the gains for India from unilateral tariff cuts is only about 35 per cent of the potential gain from a full blown liberalisation at the multilateral level. Multilateral tariff liberalisation can favourably impact trade flows, domestic output, returns to factors, aggregate welfare, inequality and poverty levels. Therefore, India should pursue the multilateral avenue for achieving the desired results.

The Goods and Services Tax, which is proposed to be rolled out soon, will positively rectify the 'inverted duty structure' which had created a peculiar situation where higher tariffs were being levied on the import of raw materials and intermediate inputs than the import of finished goods. This will substantially reduce the manufacturing costs and fits well with the 'Make in India' programme.

4.2 Compatibility of Domestic Regulations with Advanced Mega RTA Rules

In Chapter 3.4, the effects of the potential new rules being negotiated under the mega RTAs on the Indian economy and domestic regulation were extensively described. This section will attempt to verify the compatibility between the likely mega RTA rules and India's domestic regulations (See Annex 4). It will present a series of policy implications and domestic reforms that India could carry out in order to minimise the effect of the potential new rules under the TPP and TTIP and benefit from the opportunities arising from this new era of international trade.

4.2.1 Trade Standards

The mega RTAs portend to overhaul the extant framework of standards, thereby threatening loss of market access for excluded countries. However, for this threat to become a perceivable

India could either swim against the current and challenge the arbitrary nature of standard setting or leverage this window of opportunity to upgrade its own domestic standards regime so as to maintain competitiveness and ensure guaranteed market access

reality, it is axiomatic that the developing economies in mega RTAs such as Brunei, Chile, Malaysia, Peru and Viet Nam have to first acquiesce to the upgrade of standards and then undertake relevant capacity-building exercises, institutional and organisational reforms. The threat seems impalpable in the immediate run but is a threat, nevertheless. India could either swim against the current and challenge the arbitrary nature of standard setting or leverage this window of opportunity to upgrade its own domestic standards regime so as to maintain competitiveness and ensure guaranteed market access. Simultaneously, it could redefine its own role by participating actively in the process of standard setting by engaging in mega RTA negotiations such as RCEP.

The SPS and TBT Agreements in the WTO framework unequivocally put forth the caveat that these measures are not to be applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination among WTO members. If the TPP or TTIP parties seek to accredit global recognition to their regional standards, excluded nations can seek redressal within the WTO's Dispute Settlement mechanism. However, it is pertinent to keep in mind that dispute settlement procedures can, in effect, be protracted and will not be able to contain trade diversion in the immediate run.

Harmonisation and Mutual Recognition

India can offset the de facto discrimination arising from WTO-plus standards by entering into Mutual Recognition Agreements (MRAs) in its FTAs with nations that are parties to mega RTAs. To enter into MRAs, the exporting country has to demonstrate that its products have the appropriate level of protection and technical specifications as are required by the importing country. Although this will be a difficult endeavour and will require sweeping reforms at the domestic level, India will have to look at the mega RTAs as an opportunity to begin a journey that has since long been procrastinated so as to finally arrive at the harmonisation of domestic standards with international standards.

India can offset the de facto discrimination arising from WTO-plus standards by entering into Mutual Recognition Agreements (MRAs) in its FTAs with nations that are parties to mega RTAs

Domestic Reforms

The Bureau of Indian Standards (BIS) is the principal standardsetting body in India. Apart from formulating new standards, it is actively involved in revising existing standards to keep pace with changes in technology and safety aspects. However, the efficacious implementation and enforcement of BIS standards for a variety of products is yet to be achieved. Even in areas where standards do exist, they compare unfavourably with recent developments in agriculture, manufacturing and processing industries. The SPS measures that are extant in India were codified decades ago, to

address concerns that were legitimate then and to an extent that was felt necessary in those times. They have become obsolete now and require revision if they are to achieve cross-border recognition.

The FSSAI (Food Safety and Standards Authority of India) has initiated this cumbersome task of identifying gaps in an effort to align our food safety standards with global standards.

The paucity of standards and their wanton ignorance even where they exist seems to be rooted in

the regulatory framework in India. There is very little scope available within the BIS Act for mandatory standards. The power to notify mandatory use of standards is confined only to those industries that have been identified as "scheduled industries" under the Industries Development Regulation Act. A new Act should be promulgated that increases the scope of mandatory standards. The 'Make in India' programme should be leveraged to incentivise mandatory use of standards. Financial assistance can be envisaged for industries that undertake capacity building exercises and upgrade

The SPS measures that have become obsolete now and require revision if they are to achieve cross-border recognition

of production facilities if necessary. The Act should also mandate the central government to institute sector-specific regulators in sectors which are crucial - not just because of their trade potential but also because of their safety concerns. At the moment, India has very few sector-specific regulators such as FSSAI, Drugs Controller General of India and Petroleum and Explosive Safety Organisation.

It is significant to note that private players, especially MSMEs, are unable to pay attention to standards due to the absence of necessary infrastructure. In the agriculture sector, for example, public investment in post-harvest infrastructure such as cold storage facilities can substantially improve the quality of food products. On the other side, big corporations will have to invest heavily in research and development to assimilate private standards that guide procurement decisions across supply chains. There should be a dynamic synergy between standard-setting bodies and industries, amongst standard-setting bodies, between domestic regulators and international standard-setting bodies, between central and state governments. Many items in which standards are set by regulators working under the aegis of central governments are listed in the State List in Schedule VII of the Constitution of India. At the ultimate level, as envisaged by the advanced RTAs, India can establish a national coordinating agency that can supervise the ecosystem of standards and promote coherence.

Increased Role in Standard Setting

There is an information asymmetry of sorts between developed and developing countries. India and other developing countries have to recognise the importance of information in advancements in production processes, performance requirements, quarantine procedures and information on hazardous pesticides. There is a battery of technical officers and scientists from the US and EU in key departments in New Delhi. Similarly, India has to send delegations to key export markets to gather information on TBT and conformity assessment procedures. It is equally important that India assert its presence at international standard-setting bodies and participate actively in the codification of these standards. It is only recently that India started sending its representatives to the Codex Alimentarius Commission.

As quality and safety controls emerge as crucial determinants of market access, India can no longer play down the need to generate an industry culture of standards backed by a well-co-ordinated regulatory apparatus. A well-established framework of trade standards is equally important in protecting India's domestic market from sub-standard imports, whether it is aflatoxins in food and animal feed or hydrogenated vegetable oil in chocolates. India will have to make giant strides in formulating and implementing these standards if it is to ensure that it does not become a dumping ground for inferior imports and also ensure continued market access for its exports.

It is equally important that India assert its presence at international standardsetting bodies and participate actively in the codification of these standards

4.2.2 Subsidies

India already enjoys a great degree of immunity from countervailing action by virtue of being a low income country.² It is protected from the blanket ban on non-agricultural export subsidies and subsidies for import substitution schemes under Art 27.2 (a) of the ASCM. There is no reason to believe that the TPP or TTIP will go as far as relaxing the WTO framework on prohibited subsidies. India should resist any attempt to blunt the toothsome mechanism that is built into the ASCM to make sure that export subsidies do not distort global markets in a manner similar to the market for agricultural products.

India should resist any attempt to blunt the toothsome mechanism that is built into the ASCM to make sure that export subsidies do not distort global markets in a manner similar to the market for agricultural products

India's subsidy schemes are, however, actionable and WTO members can take appropriate counter-measures if there is proof of adverse effect. India's export promotion programmes, export credit schemes and drawback schemes have been the subject of scrutiny and countervailed against on several occasions. The Duty Entitlement Passbook (DEPB) Scheme had been countervailed by the US,³ EU,⁴ and Canada before it was finally terminated in 2011. Similarly, India's Advance Release Order Scheme, Export Promotion for Capital Goods Scheme, and Export Oriented Units/Export Processing Zones have been targeted for counter measures.

Without making an attempt to generalise the grounds for such punitive action, it can be said that industrialised nations tend to

arrive at a scrupulously tight interpretation of the law that can subvert the subsidy schemes of the Government of India that pay scant attention to the multilateral rules. The DEPB Scheme does not pass the fundamental criterion of a substitution drawback scheme under the ASCM by not seeking an obligation from the exporter to import inputs of the same quantity and quality for which domestic substitutes have been used. The export promotion for capital goods allows remission of or exemption from indirect taxes and import charges for capital goods, whereas capital goods are not included in the list of goods for which such benefits can be granted under the ASCM. India needs to bear in mind that developed countries view their differential treatment sparingly and would not throw away any opportunity to undermine their subsidies. This calls for unwavering caution while framing these schemes to ensure their continued and maximum utilisation. This has been corroborated in the New Foreign Trade Policy of 2015-20.⁵

Countervailing action against India's subsidies can also be attributed to the different standards for the benefit verification system adopted across jurisdictions. While the US Department of Commerce was satisfied by India's verification system for duty drawback schemes,⁶ the EU observed that the existing system does not determine conclusively "whether and which inputs were consumed

Countervailing action against India's subsidies can also be attributed to the different standards for the benefit verification system adopted across jurisdictions

[in the production of the exported product] or whether an excess benefit of import duties were conferred".⁷ India follows the Standard Input-Output Norms (SION) for determining the benefits that are entitled under duty drawback and substitution drawback schemes. There is incongruity among the industrialised economies (particularly the EU, US and Canada) as to whether the SION passes the test for non-countervailability. Their rulings have shown little regard for the fact that a verification system that meticulously verifies the inputs that are consumed in the production process at

each manufacturing unit is inconceivable in a country like India which has a large number of MSME operators. It will be significant to note whether the ongoing regulatory coherence negotiations within the TPP and TTIP framework will consider the interests of countries like India.

Agriculture Subsidies

India's market intervention policies have been the subject of intense debate at the multilateral level recently. The *a priori* threat of India's farm subsidies overshooting the pre-determined threshold of support set under the Agreement on Agriculture when the National Food Security Act came into force was averted by a consensus amongst WTO members to not challenge the public stockholding programmes of developing country members; a consensus that is to remain in perpetuity until a permanent solution is arrived upon.⁸ Although this consensus cannot be imperilled by any new mega RTA rules, at the domestic level, India should aim to achieve the goal of food security without compromising fiscal discipline. Structural reforms to the internal agricultural market have, since long, been in the offing. This can substantially reduce post-harvest losses, invigorate the 'farm-totable' supply chains and check food inflation. This will augment the real wages of farmers and help us move towards food security. Infusion of IT, better co-ordination with state governments and periodic audits during procurement, storage and distribution to resuscitate public institutions from the diseconomies of scale are imminently required.

Environmentally Harmful Subsidies

Another issue is the TPP and TTIP treatment of subsidies which have negative externalities, particularly on the environment. Again, at the domestic level, India should transform pernicious subsidies into environment-promoting subsidies through fiscal intervention. The government has already started rolling back subsidies for fossil fuels and imposing a carbon tax on them. This is a welcome move and will bolster India's efforts to reduce air pollution, mitigate climate change and supplement public revenue which then becomes available for social redistribution. Subsidies for agriculture inputs could be better targeted to ensure that they are not regressive.

4.2.3 Trade Remedies

Anti-Dumping Duties

Recent developments in the field of anti-dumping policy have been in the direction of refining the substantive rules which determine the existence of dumping, enforcing due process during the stages of investigation and imposition of provisional or definitive duties. The jurisprudence that guides anti-dumping has acquired new dimensions and this finds reflection in the trade policy of most nations and consequently in the trade agreements that are taking shape today.

India should transform pernicious subsidies into environment-promoting subsidies through fiscal intervention

Sections 9A, 9B and 9C of the Customs Tariff Act, 1975 and the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules 1995 provide the legal framework for anti-dumping investigations in India. In India, the investigating authority makes a comparison of weighted average of the normal value with a weighted average of the export prices (or a comparison of the both on a transaction to transaction basis) to calculate the margin of dumping. Such a comparison will be inconclusive to differentiate arbitrary price discrimination from those that are justifiable.

There are very few cases in which the Director General of Anti-dumping and Allied Duties (DGAAD) has looked at the data on the concentration of the exporter in its domestic market or the import intensity (ratio of imports to net availability) of the product before arriving at a decision on whether or not to impose an anti-dumping duty. This data, *inter alia*, is important to ascertain whether the foreign supplier is a dominant player in its domestic market so as to sustain losses in the export market; whether predatory pricing by the exporter will cause injury to domestic players. Although the share of the exporter country in domestic demand during the investigation period is occasionally published in the *Gazette*, it is not mandatory for the government to do this. The import intensity data was available for 99 out of the 223 investigated cases. It was used as a parameter in

far less number of cases. In developed countries, anti-dumping authorities work in tandem with competition authorities to evolve new methods of determining dumping which will distil those cases where the foreign supplier is actively engaged in predatory pricing policies. Cases of normal business practices which actually have a positive net effect on consumer and national welfare are seldom targeted. Such methods are rarely used in India.

The rules that guide the initiation and imposition of an anti-dumping duty should be revisited to ensure that, in the final analysis, the costs to the economy are not greater than the benefits to specific industry

The rules that guide the initiation and imposition of an antidumping duty should be revisited to ensure that, in the final analysis, the costs to the economy are not greater than the benefits to specific industry. Anti-dumping should not serve as a web of protection woven around dominant domestic industries that are not willing to dilute their market share and therefore lobby and litigate on frivolous grounds. The end result will reduce economic efficiency and trade distortion — the opposite of what anti-dumping policy tries to achieve.

If the economic motive of imposing anti-dumping duty is to promote national welfare, the government should discern the dissimilar effect of price undercutting on different domestic players. It needs to be borne in mind that many sectors in the Indian industry

are unorganised. The application for investigation should come with findings of prima facie evidence of dumping and should be supported by producers who account for not less than 25 per cent of the total domestic production of that commodity¹⁰ which will be difficult for small-scale operators. Overt attempts should be made to generate awareness and co-ordinate the action of the unorganised sector. The DGAAD should monitor commercial intelligence to detect sporadic import surges and actively pursue the *suo moto* route to initiate investigations.

Countervailing Duty

Several of India's export promotion programmes have been challenged and the goods exported under such programmes have been countervailed, particularly by developed nations. This has happened not only because of the alleged inconsistency of India's export promotion schemes with the provisions of the ASCM but also because these countries have adopted new practices to assess the quantum of subsidy.

Although India enjoys a great degree of immunity from countervailing action by virtue of being a low-income country, its subsidies could still be actionable under multilateral rules to the extent of "injury to the domestic industry of another Member" or by nullifying or impairing the concession benefits that are available other members.¹¹ India should consider bringing its export promotion schemes in line with the extant trade rules to ensure that its exporters can utilise their full benefits.¹⁷²

India should consider bringing its export promotion schemes in line with the extant trade rules to ensure that its exporters can utilise their full benefits The present government has shown its commitment to reducing public subsidies and revamping the system to better target the subsidies to its intended beneficiaries. In such a scenario, it is hard to imagine India's subsidy programme being countervailed for causing injury to or nullifying/impairing the benefits of member nations.

A far more worrying concern is the practice of using variant verification systems to examine the quantum of inputs that are consumed in the production of the exported product to match it with imported inputs for which drawback is claimed. The

countervailability of a product hinges upon the verification system that the importing country uses. It will be interesting to observe whether the mega RTAs evolve a new verification system or accredit legitimacy to one of the extant systems. In any case, India can engage in consultations with the importing country to better understand the procedural requirements and formulate its subsidies

accordingly. As a last resort, the government could consider imposing export duties when a countervailing action is pre-empted. The former will naturally be lower than the countervailing duty that is proposed by the importing country Domestic industries could maintain a separate database of subsidised imports that are countervailable to the extent of causing them injury.

4.2.4 Rules of Origin

India has adopted a general and conservative approach towards RoO in the FTAs it has signed until now. ¹³ Products have to satisfy the dual criteria of change in tariff classification and value addition to be conferred originating status under most FTAs. The quantum of value addition, using locally produced inputs, has hovered in the region of 35-40 per cent of the final value of the product. Similarly, there has been no single rule guiding the change in tariff classification. India administered a change in tariff classification at the 8-digit level (Change in Tariff Subheading) in its FTAs with ASEAN, Japan, Malaysia and Korea and opted for a change at the 6-digit level (Change in Tariff Heading) in the FTAs with Singapore and Thailand. This means that India has not only insisted on the

India has adopted a general and conservative approach towards RoO in the FTAs it has signed until now.

Products have to satisfy the dual criteria of change in tariff classification and value addition to be conferred originating status under most FTAs

concurrent satisfaction of both value addition and change in tariff classification, but it has also shied away from adopting a uniform approach to RoO. This stands squarely opposite the contemporary trends in mega RTAs, particularly in ASEAN's trade arrangements. ASEAN's FTAs provide that not less than 40 per cent value addition should be carried out within the FTA region. This rule is applied across the board (with minimum exceptions for some products) and stands out for its remarkable simplicity. Harmonisation of RoO will make the provisions far more predictable. The present situation of having different thresholds does not augur well for the business community and higher convergence of RoO could considerable improve the utilisation rate of FTAs.

RoO should be able to capture the nuances of domestic economic activity and traditional comparative advantages. This entails a finetuning of these rules to match the specificities of individual products. India's approach towards product-specific rules is ill at ease with its complex domestic requirements. It reflects the lack of a dynamic conduit of communication between trade negotiators and stakeholders (i.e. manufacturers, exporters and importers). It has sometimes led to the unfortunate situation of imports taking advantage of broadly set product-specific rules, displacing local products. Most contemporary FTAs customise the RoOs taking into account the particularities of individual products and shore up support for import-sensitive sectors. The end result is a combination of a

general set of rules and some product-specific rules which are stricter than the general rules.

RoO under advanced RTAs do not necessarily reflect a transition from a restrictive to liberal set of rules. Countries are motivated by other parameters such as stimulating their integration into production networks, nurturing the germination of niche industries and protecting domestic sectors while framing their RoO. The TPP is an apt example for this. The RoO incorporated in the TPP agreement will not exemplify a 'liberal 21st century agreement'. On the contrary, it will try and create conditions for the better integration of the US with the vibrant network of value chains that pan the Asia-Pacific region. The US sees the TPP, through the prism

India's liberal approach towards product-specific rules is ill at ease with its complex domestic requirements. It reflects the lack of a dynamic conduit of communication between trade negotiators and stakeholders

of 'Pivot to Asia' policy;¹⁵ and it will manoeuvre RoO to 'assure that duty-free preference only benefit countries that are part of the agreement'¹⁶. In other words, RoO are stylised to plug into cross-border value chains. India has seldom explored this possibility while formulating its RoO. This approach is inconsistent with the recent trends in production methods which indicate a veritable

move towards fragmentation of production facilities across countries.¹⁷ This means more and more inputs are being sourced from other countries, processed and exported to be processed further or to be consumed as a final product. Countries are cashing in on their comparative advantages and specialising in niche intermediate activities to get plugged into global production networks. More importantly, they are attuning their duty structure and RoO in a way that they can be leveraged to promote better regional, if not global, economic integration.¹⁸ It is important that the Ministry of Commerce and Industry, while rewriting the RoO, explores the immense potential that has surfaced with the emergence of dynamic value chains.

RoO under mega RTAs will be designed in such a way that only RTA members can enjoy the preferential treatment. In particular, in order to mitigate the effect of the "YFR" India can explore non-traditional markets in Africa, Latin America, and Central Asia. African countries enjoy preferential access to US markets under the US Africa Growth Opportunity Act (AGOA) and their RoO are far more liberal. Under the AGOA 'special rule' established in 2001, and since renewed¹⁹, single transformation is sufficient to satisfy the origin criteria. This leaves scope for India to export yarn and fabric to African markets to be assembled and exported as apparels to US markets.

In addition, mega RTA rules aim at streamlining the issuance of certificates of origin by obviating the need for superfluous documents and signatures. ASEAN is moving towards a self-certification system which allows certified exporters to issue invoice declarations instead of applying for a preferential certificate of origin.²⁰ This can substantially increase the utilisation rate of FTAs and expedite the movement of goods.

RoO under mega RTAs will be designed in such a way that only RTA members can enjoy the preferential treatment. In particular, in order to mitigate the effect of the "YFR" India can explore non-traditional markets in Africa, Latin America, and Central Asia In India there are various agencies that are authorised to issue the certificate of origin under different trade agreements.²¹ India can introduce similar provisions that would enable the appropriate government to classify 'certified exporters' based on some intelligible criterion and shift the responsibility from the government to private firms in ascertaining the origin of the product. This could help India do away with bureaucratic bottlenecks, reduce the time and cost of obtaining the certificate and facilitate greater trade. It will also help to organise awareness campaigns and training sessions which will familiarise stakeholders on the procedures underlying the issuance of certificate of origin and the RoO criteria under different FTAs.

4.2.5 Intellectual Property Standards

Compliance with mega RTA provisions (particularly provisions proposed under TPP) would require India to undertake extensive amendments to substantial and procedural elements in its domestic IP laws. The extant domestic position on IP reflects the legislative and judicial intent to nurture a balance that protects the rights of IP holders without restraining the access to knowledge or increasing the costs of public utilities. Any disturbance to the status quo could compromise the policy space that is recognised under multilateral rules for pursuing crucial development objectives. More importantly, India needs to introspect on the efficacy of a tough IP regime in promoting investment and augmenting trade before considering whether it should align domestic IP rules with mega RTA standards. The following analysis discusses the policy implications if India attempts to align its domestic IP provisions with some of the new standards introduced by mega RTAs.

Patentability

As has been highlighted earlier (Chapter 3.4.5) the proposal to expand the scope of patentability under TPP specifically targets Section 3(d) of India's Patents Act, 1970. Aligning with the TPP will require India to delete this section from the statute book. The implication would be an absolute volte-face on India's position vis-à-vis patent ever-greening. India's efforts to preserve the flexibilities

under TRIPS and prevent any attempt to re-construct and distort the meaning of patentability have been acknowledged and replicated by other developing countries such as Brazil²² and South Africa²³ in their domestic regimes and supported by international IP scholars.²⁴ Section 3(d) not only typifies the balance that TRIPS and the Doha Declaration on TRIPS and public health purports to achieve but also deters the threat of erosion in patent quality, particularly on public goods such as medicines. As the Supreme Court of India observed in *Novartis AG v Union of India*, 'Section 3(d) clearly sets up a second tier of qualifying standards for pharmaceutical products [...] to check any attempt at repetitive patenting or extension of the patent term on spurious grounds'.²⁵

Data Exclusivity

The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945, make it mandatory for the manufacturer (Rule 122-B) or importer (Rule 122-A) of a new drug to submit the results of clinical trials, although does not prohibit generic drug manufacturers seeking marketing approval from relying on the clinical test data submitted by the originator. When an application is made for marketing approval for generic version, the applicant only needs to satisfy that its drug is bio-available and bio-equivalent to the patented drug and it need not undertake Phase III clinical trials²⁶. In other words, the test data is not treated as the exclusive domain of the prior applicant. More importantly, the rules also empower the licensing authorities to grant permission on the basis of data available from other countries if the drug is of public interest and waive the requirement of local clinical trial results in case of imported drugs if they are of public interest. The necessary implications arising from legitimising data exclusivity would be to indirectly recognise patent evergreening. Through data-exclusivity provisions, the brand product manufacturer, even if denied patent protection, can effectively block the entry of generic drugs for at least five years by denying access to clinical trial data, which is a pre-requisite for the latter's marketing approval.

Patent Linkage

The patent status of the reference product is not determinative while considering marketing approval for the generic product in India. It is worth noting that Section 48 of the Patents Act, 1970 grants a patentee the exclusive right to prevent third parties, without prior permission of the patent holder, from "making, using, offering for sale, selling or importing for those purposes" in India the patented product or a product obtained by the patented process. It is abundantly clear that the right to prevent third parties is a negative private right that is to be enforced at the instance of the patentee. India's Patent Act does not impute this right on the government, much less on the marketing approval authority of the government. The jurisprudence on patent linkage has been elaborately discussed in *Bayer Corporation vs Cipla and Others*²⁸ in which the Delhi High Court struck down the efforts to introduce patent linkage in India and this decision was upheld by the Supreme Court.

Introducing patent linkage would have the dire implication of empowering the DCGI to *prima facie* refuse marketing approval for a generic drug if there is a patent on the brand product. Not only is this beyond the scope of the powers of the DCGI, but the office is not equipped to deal with issues concerning the validity of a patent. It will delay the market entry of generic medicines and adversely affect the lives of numerous patients who are dependent on the availability of such medicines.

IP-related Border Measures

The concept of 'confusingly similar goods'²⁹ is a novel feature and does not find mention in India's domestic regime pertaining to border measures to protect IP rights. Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 and its related notifications³⁰ prohibit, *inter alia*, the import of the goods which have a false trademark, false trade description, violate copyright under the Design Act, or have infringed a copyright. More importantly, border measures can only be taken against those goods which are intended for sale or use in India, thereby denying the extraterritorial applicability of these measures. The current possibility for India to bring these domestic

regulations in compliance with mega RTA rules is negligible because, as noted earlier, India is amongst the most vocal opponents to such arbitrary border measures which have hindered the fair trade and free movement of generic drugs and has initiated consultations with the EU for the seizure of consignments by the latter's customs officials.³¹

4.2.6 Market Access in Agriculture

Agriculture lies at the core of the Indian economy, with more than two-third of the population involved in farming and allied activities either directly or indirectly. The rural share of this workforce

Agriculture lies at the core of the Indian economy, with more than two-third of the population involved in farming and allied activities either directly or indirectly

and the disproportionate concentration of poverty in this sector naturally make India's trade policy in agriculture inextricably linked to its development goals. As the Government of India maps a new direction for India's agriculture sector, it will have to simultaneously address India's lukewarm participation in global trade³² and protect the interests of domestic farmers. It should also reckon the additional dimension that mega RTAs will bring as they strive to restructure the direction and geography of trade flows.

Although the average applied tariff on agriculture in India is significantly higher than that of developed countries, this gap is

considerably bridged if the domestic support system in the latter countries is accounted for. There is no case for tariff liberalisation by India unless there is a corresponding rollback of domestic support and export subsidies by developed countries. Health, environment and sanitary standards are equally important determinants of agriculture market access. India should aim to participate actively in the preparation of these standards. The route of harmonisation and mutual recognition agreements should be vigorously pursued.

India's tariff structure in farm products is being fine-tuned to fit into the overarching 'Make in India' vision. It has dismantled import barriers on base produce and relaxed export restrictions on value-added products. This will bolster the performance of the food-processing sector, which already ranks fifth in the world in exports, production and consumption. However, India's trade policy should also pre-empt the fresh dynamism that mega RTAs will bring to food value chains. This could offset our differential duty structure (for raw material and processed food) and question the competitiveness of our food processing sector. India also has to unify its agriculture sector with the GVCs which assure captive markets and improved economies of scale. It should explore opportunities across the value chain, from farm inputs to packaging and barcoding. Research has shown that India has commanding potential in every area of food processing.³³

India has to unify its agriculture sector with the GVCs which assure captive markets and improved economies of scale

It is desirable that the import duty structure is framed in a way that caters to the interests of domestic farmers and accounts for undervaluation by the exporting country. It is equally important that the Basic Customs Duty rate is determined in a manner that is counter-cyclical to global prices. This will infuse stability to our trade policy and prevent India from giving a knee-jerk response to the vagaries of the global food market. A long-term stable trade policy will also help in improving agricultural productivity. Export

duty structure has tried to incentivise the agro-processing sector by relaxing the restrictions on cotton, sugar, etc.

4.2.7 Export Restrictions

The Export Policy of India³⁴ uses various degrees of control to restrain the export of certain commodities ranging from embargoes (prohibition on exports) and restrictions (export licensing and meeting of conditionalities) to export only through State Trading Enterprises and ban on export

of specific items to specific countries (arms to Iraq, nuclear material to Iran and North Korea, rough diamonds to Cote d'Ivoire and Venezuela, etc.). India maintains a negative list of exempted goods which are freely exportable under normal conditions. The list specifies the items that are subject to restrictions along with their tariff classification and the nature of restriction that has been imposed. Restrictions pertain to food security, environment, marketing, pricing and domestic supply concerns. Other than this, India also imposes ad hoc restrictions on exports to relieve food shortages (non-basmati rice in 2007; wheat in 2008), to ensure domestic availability (cotton in 2012), etc. Export taxes are levied on raw materials such as raw hides and skins (60 per cent) and iron-ore (30 per cent) to relieve constraints on the supply side and ensure availability for domestic manufacturers.

Other than refining the scope of exceptions or reducing the number of exceptions, recent RTAs also impose additional conditions while imposing restrictions. India's ban on cotton exports to augment domestic availability drew heavy criticism for the impact it had on global prices. India is the second largest producer of cotton and the measure, which came into force with immediate effect, spiked global prices by 4.5 per cent.³⁵ The ban was not accompanied by any conditions that the objective (of ensuring the availability of inputs to the domestic textile sector) will be achieved in a non-discriminatory manner that is least trade distorting. Mega RTAs go as far as placing conditions

that the proportion of total export shipments available to the other RTA parties relative to the total supply of the good from the party using the export restriction shall remain unchanged.³⁶ The TPP agreement would have a transparency mechanism which would make it mandatory to give notice to the other RTA parties prior to the issue of such a policy. The transparency and predictability clause is ubiquitous in mega RTAs. It was vehemently pushed by the US, EU, Japan and Korea at the Doha Round as well. India will need to facilitate prior communication of any policy changes in its export policy and transparency regarding the use and implementation of the measures should be substantially improved considering the effect of export restrictions on GVCs.³⁷

If export restriction rules being negotiated under mega RTAs are eventually multilateralised this will have implications on the Indian economy. To illustrate this further, a strict definition of

At the domestic level, it is important to monitor the efficacy of restrictive export policy in achieving the desired objectives. As daunting as it may seem, India has to ensure that the benefits that accrue for one domestic sector are not vitiated by losses to another domestic sector, making it a zero-sum game

'critical shortages of food stuffs' contained in Art XI: 2 (a) could challenge India's decision to impose a ban on non-basmati rice and wheat. In other words, if the scope of the situation that justifies the restriction is reduced, India will find it difficult to comply. Similarly there are other WTO-plus RTA rules which have dispensed with other GATT exceptions³⁸ and what is most notable is that India has repeatedly pushed for export prohibitions using these exceptions.

At the domestic level, it is important to monitor the efficacy of restrictive export policy in achieving the desired objectives. As daunting as it may seem, India has to ensure that the benefits that accrue for one domestic sector are not vitiated by losses to another domestic sector, making it a zero-sum game. A relevant case at hand is the export duty India imposed on cheap grade iron ore.³⁹ Low grade iron ore has little economic use within India and is generally not part of the domestic supply chain. The government's decision to impose a duty on these low grade fines had minimal effect on domestic processing. On the other side, the competitiveness of Indian mining or iron ore industry in export markets was compromised.⁴⁰ Considering that export restrictions are substitutable as a policy tool⁴¹ and that they have significant impacts on GVCs,⁴² it is crucial that India streamlines their use to fit within the evolving template as determined by the mega RTAs.

4.2.8 Environmental Standards

India believes that sustainable development is the bedrock of free and fair trade. It is dedicated to further the objectives set out in the preamble of the WTO allowing for "the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment."⁴³ It is veritable that trade, and the economic growth that accompanies it, should help in the process of poverty alleviation and environment conservation.

However, India has exhorted its WTO trade partners on various occasions⁴⁴ to fully comprehend the complexity of the situation; i.e. 1) countries are at different stages of economic development and the costs of adhering to environment standards will unequally impact them, 2) trade obligations, *per se*, do not promise conservation or protection of the environment and 3) measures that are purportedly for environmental reasons are a subterfuge for protectionism. It has called for a nuanced approach which takes into account these issues while formulating the responsibilities of individual nations and defining the relationship between MEAs and WTO laws.

Market access for environmental goods and services

While looking at market access opportunities for environmental goods, it is important that we consider both tariff and non-tariff barriers. A study carried out by the Centre for WTO Studies⁴⁵

India has vehemently backed the WTO's goal of free and fair trade that induces sustainable development and continues to support trade measures in MEAs as an effective tool for meeting environment imperatives

concludes that in the 699 environmental goods that were surveyed, South Africa and India have lower frequency in the use of non-tariff measures than developed countries like Japan, EU, US and Canada (in that order) although the latter countries have lesser duties. There is very little room for India to reduce its tariff duties as long as developed countries retain non-tariff barriers. Although non-tariff barriers are being discussed at the TPP negotiations, it seems unlikely that they will be completely eliminated as there are several reasons for their application. At the same time, India can push for parallel discussions on both tariff and non-tariff barriers at the multilateral level.

Multilateral Environment Agreements (MEAs)

Regarding the relationship between STOs contained in MEAs and WTO laws, India's position has evolved over the years. It had, for long, argued against expanding the scope of WTO rules under the firm belief that the existing WTO rules are more than adequate to deal with the environment spillovers of trade. However, at the Doha discussions, India decided to take a nuanced position and agreed to accommodate MEAs on a case-by-case review basis so as to decide whether their STOs fit within WTO jurisprudence. To

India has vehemently backed the WTO's goal of free and fair trade that induces sustainable development and continues to support trade measures in MEAs as an effective tool for meeting environment imperatives. However, it has opposed the arbitrary import of trade obligations contained in environment agreements which represent the interests of a few parties into the multilateral trading regime. Any fresh attempt to introduce these obligations can be contested at the WTO negotiations.

Market structure and regulatory framework

The co-relation between trade and environment turns out to be negative if appropriate regulatory safeguards are not imposed or if the market behaves in a manner that promises lowest returns for eco-friendly goods and higher returns for goods that deteriorate the environment. The regulatory system should ensure that the negative externality of a product is reflected in its price. India has accorded least priority to the environmental spillovers while formulating its subsidy policies. The Government of India should pay heed to the evolving environmental concerns while structuring its subsidies. They should be suitably designed to reward products which use cleaner inputs and each

subsidy should be audited for the net effect it has on the environment. Various studies have brought out the effects of perverse subsidies on the environment in India. Waterlogging and salination due to excessive use of water has made irrigated croplands unfit for cultivation at many places. Indiscriminate and higher dose of fertilisers and pesticides have been identified as the main cause of ground water pollution. UNEP study pointed out that electricity subsidy in India has created incentives for both suppliers and users for inefficiency. This shows that there is an impending

need to transform perverse subsidies into environment-promoting subsidies through fiscal intervention. India has already begun the process by deregulating petrol and diesel products.⁵¹ Further ahead, India needs to consider the environmental dimension of every fiscal intervention before they are implemented.

It is equally important that India does not get labelled as a 'pollution haven' that motivates the influx of industries which are searching for countries with lower environment standards. Even as it contests the efforts to multilateralise the environmental standards that are negotiated at the mega RTAs at the WTO, at the domestic level, India should aim for a measured integration with

It is equally important that India does not get labelled as a 'pollution haven' that motivates the influx of industries which are searching for countries with lower environment standards

global standards. Such an upgrade is inevitable, lest the markets in India should become the dumping ground of goods that are rejected elsewhere for want of environmental standards.

4.2.9 Labour Standards

India has not ratified several ILO Conventions relating to "Core Labour Standards".⁵² India's approach to ILO Conventions has been to pursue a course of measured implementation.⁵³ The reluctance to delve head-long into absolute compliance stems from the dichotomy between domestic regulatory framework and relevant ILO conventions. Some of the observable gaps are as follows:

- 1. The Trade Union Act, 1926 has a minimum membership requirement for registration of the trade union (*Proviso* to Section 4) and a restriction on persons who are not actually employed in the concerned occupation from holding office in the trade union (Section 22). The Act, to the extent of these restrictions, is repugnant to the core labour standards enshrined in Convention 87 (Freedom of Association and Collective Bargaining) and Convention 98 (Collective Bargaining).
- 2. Although Section 25-T of the Industrial Disputes Act penalises acts of anti-union discrimination, it falls short of providing an exhaustive list of acts which are prohibited as unfair labour practices. Part I of the Vth Schedule, the impugned schedule, misses out on internationally recognised anti-union discriminatory activities. Similarly, the degree of protection available to trade union officials, coercive sanctions to dissuade the commission of acts of anti-union discrimination, redressal mechanisms for employees who feel they have been prejudiced by their trade union activities fall short of international labour standards.

India has not ratified several ILO Conventions relating to "Core Labour Standards". India's approach to ILO Conventions has been to pursue a course of measured implementation

3. Limitations are placed on the "Right to Strike" in establishments notified as public utility services (a combined reading Section 22(1), Section 12(1) and the *Proviso II* to Section 10(1) of the Industrial Disputes Act), whereas ILO supervisory bodies have observed that the right to strike can only be curtailed in cases of 'public servants exercising authority on behalf of the state' and in 'essential services'.

The list is merely illustrative and brings out gaps only in central legislations. The Second National Commission on Labour has acknowledged the dichotomy and recommended amendments to obviate the repugnancy with ILO Conventions. Yet, ratifying the relevant ILO conventions is not exactly a *sine qua non* for enforcing labour standards in mega RTAs. For instance, conditional labour standards are an integral component of all US FTAs since NAFTA, albeit the US has not ratified crucial ILO Conventions itself.⁵⁴

The EU has entered into FTAs (especially with developing countries) that honour labour rights without making references to ILO instruments. This indicates that there is scope for flexibility in labour provisions contained in mega RTAs and India should explore these flexibilities while negotiating future FTAs. Rather than completely ignoring labour standards, India can adhere to those international instruments that are less rigorous and closely compare to its own domestic laws. In most of its FTAs, the US promises to adhere to labour standards that are enshrined in the non-binding "ILO Declaration on Fundamental Principles and Rights at Work", whose elements have been further modified to fit the US's domestic regulatory framework.⁵⁵

The substance and nature of labour provisions could be codified in a fashion that does not encourage protectionism or compromise India's development objectives. Instead of binding and enforceable

Labour standards should be framed in a promotional language that provides for consultation, technical and financial assistance and capacity building provisions that are backed by trade sanctions and fines, labour standards should be framed in a promotional language that provides for consultation, technical and financial assistance and capacity building.

India cannot afford to remain indifferent to the evolving tradelabour linkages. Labour standards have become an integral component of not just mega RTAs but even FTAs between developing countries.⁵⁶ We are also witnessing the emerging importance of voluntary standards and Corporate Codes of

Conduct. There is a surfeit of literature that suggests that increase in world trade does not *ipso facto* lead to a fall in average wages⁵⁷; yet, if globalisation brings the possibility of increase in wages or improved working conditions, countries should actively pursue that possibility. India has avowed its commitment to "secure a social order for the promotion of the welfare of its people", "equal pay for equal work" and "the health and strength of workers, men and women, and [to ensure that] the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength" in the Directive Principles of State Policy.

The ultimate aim of international trade is also to promote domestic welfare and economic growth that is inclusive and sustainable. This confers a responsibility on all countries to enlist all such instruments as are available to promote the interests of its workforce. In essence, although India should continue to oppose efforts at the multilateral stage to hyphenate trade with labour, at the domestic level it should strive to leverage the benefits accruing from increased trade to further the quality of its workforce.

4.3 Trade Facilitation Requirements and Trade Costs

Section 3.4.7 presented how the new rules on trade facilitation under the mega RTAs will impact India and the challenges that these agreements will bring about. The next sections will analyse the compatibility of India's domestic rules and regulations concerning trade facilitation with those under the mega RTAs and present a series of unilateral domestic reforms that India could carry out in order to overcome the potential challenges brought by these mega RTAs. A working report by CUTS International titled 'Trade, Transport and Transit Facilitation in South Asia: Need of Bridging the Gaps' concludes, *inter alia*, that documentation and infrastructure are two areas where the task of bridging gaps will be most daunting.

4.3.1 Documentation

According to the "Doing Business 2014" survey carried out by the World Bank and International Finance Corporation, India had an abysmal rank of 142 (out of the 189 nations studied) in the Ease of Doing Business Index; coming below countries like Sri Lanka, Viet Nam, Pakistan and Bangladesh. Amongst the many obstacles that discourage trade with India was the multiple numbers of documents required for exports and imports. When countries, in pursuance of global business practises, were dispensing with superfluous documents, India still required as many as seven export documents and 10 import documents. Some of these documents are paper-based and need to be submitted in duplicate or triplicate with different government agencies compounding the effective time required for the clearance of goods. There is no single agency charged with the administration of all documentation work. Customs officers, Director General of Foreign Trade, various Ministries, and the Reserve Bank of India are simultaneously involved in the verification of documents, clearance of goods, and authorisation of benefits under export promotion schemes. There is very little coordination between these governmental agencies.

In a survey carried out by the Centre for WTO Studies (2012), it was observed that import documents are only submitted after the arrival of cargo and sometimes even after 24 hours of arrival.⁵⁹ The importers (or their custom house agents) wait for the shipping agents to first file the Import General Manifest (IGM), so as to file their BOE. This is because if there is any discrepancy between the IGM and advance BOE, the latter will be cancelled. There is no system in place to automatically

rectify the discrepancies and synchronise the documents filed by the shipping agents and importers. It was also reported that there is a high frequency of errors in the documents that are submitted. Their rectification causes undue delay and increases the cost of transaction, since there is a fee charged for each rectification.⁶⁰

In a move towards trimming excessive documentation, India recently reduced the number of mandatory documents required for import and export to three in each case.⁶¹ Similarly, advance filing of documents should be incentivised by according priority clearance. Errors and deficiency in documentation can be reduced

Amongst the many obstacles that discourage trade with India was the multiple numbers of documents required for exports and imports

If there is increased transparency and effective communication from the side of regulatory agencies. There is a need to hold regular training sessions to familiarise all stakeholders with documentation. Also, a provision should be introduced to entertain the rectification of errors by the shipping agents and importers themselves. India should move towards a trading system which ensures greater synchronisation between documents filed or issued by the buyer, seller and the logistics team. This would obviate the need for multiple bills and declarations and any correction made at one place would be automatically reflected in all other documents. Paperwork should be completely eliminated. Unfortunately, even after the remarkable strides India has made in the IT sector, customs houses show reluctance to move away from the archaic era of physical production of documents. Electronic filing of BOE and declarations should be made the norm and the customs gateway, Indian Customs and Excise Gateway (ICEGATE), should promise seamless and undisturbed connectivity to traders for uploading their documents.

4.3.2 Customs Procedures

The assessment of imports to arrive at the customs duty that should be imposed is one of the most crucial areas under trade facilitation. Over the years, India has introduced various measures to ensure that there is an efficient balance between trade facilitation and customs enforcement. Assessment of consignments based on the Risk Management System has greatly increased the efficiency of customs procedures. With regard to queries that are raised by the officers, the customs

department has instructed them to pose all queries in a single entry to ensure the speedy disposal of consignments. Another initiative is the National Import Database which is an electronic repository of valuation data for customs official and compares declared values with import prices and international prices of identical or similar goods to ascertain the transactional value of imports and help in arriving at an accurate assessment.⁶²

The three main agencies in charge of disseminating customs information are the Central Board of Excise and Customs, the Director General of Foreign Trade under the Ministry of Commerce and the Reserve Bank of India and they do so through their websites and other channels. Greater

Assessment of consignments based on the Risk Management System has greatly increased the efficiency of customs procedures

coordination amongst these agencies is needed. In India there is no single- point enquiry system or agency to go to. However, since 2003, the three main agencies in charge of customs coordination and procedures have a Combined Nomenclature based on the HS Classification, a uniform domestic customs code. Despite these reforms, India should take a further step in the harmonisation of customs agencies and assure the connectivity amongst these agencies. For instance, eventually adopt a single agency and a single administrative data set.⁶³

In 1996, the Government of India implemented another measure to facilitate trade: the Indian Customs Electronic Data Interchange (EDI) system. This aims at computerising the clearance procedures of goods in India. However, not all stations have been computerised and many procedures remain manual.⁶⁴ In addition, the ICEGATE was implemented in 2002, which allows for the electronic payment of customs clearance and the electronic filing of customs documents and provides for a tracking system and similar services.⁶⁵

An Advance Ruling Authority was implemented in India in 1999 but was only fully operational in 2004. Under this authority, the advance ruling includes classification, valuation and applicability of the duty. However, it is not open to everyone. It is mainly designed for foreign investors and it is, for instance, not open to solely Indian-owned companies, which are mainly SMEs.⁶⁶ The Advance Ruling System should be extended to any applicant, whether importer or exporter, resident or non-resident.

Fees and charges should be based on the cost of the service as a fixed amount and not ad valorem. Some fees and charges imposed by India are, for instance, based on c.i.f. value of goods; these fees are hence in violation of these rules.⁶⁷

Recent events point towards the Government of India creating a National Trade Facilitation Committee.⁶⁸

4.3.3 Infrastructure

India has many customs stations including Customs Ports, Inland Container Depots (ICDs) and Container Freight Stations (CFSs), Customs Airport and Land Customs Stations. The 'Handling of Cargo in Customs Areas Regulations, 2009' serves as a mechanism to regulate the various customs stations' activities such as receipt, storage, delivery and dispatch of imported and exported goods.⁶⁹ A report by the Government of India (2014) concludes that there are poor road conditions and port connectivity, congestion, delays, poor cargo handling techniques and equipment, lack of access for containerised cargo and frequent EDI server crashes.⁷⁰ In India, about 60 per cent of freight is transported by road; however, the poor road conditions impede the efficient freight transportation. Indeed, it is essential, as also noted by stakeholder interviews, to modernise both the railway system and roads.

Normally, once a cargo is unloaded at any port in India, it is sent to a CFS. It is in these stations that customs clearance takes place. There are also Inland Container Depots that are in interior industrial cities where the final clearance is carried out. Despite the fact that these measures aim at facilitating trade, overall there is a shortage of equipment and officers preventing the initial aim of

these facilities.⁷¹ The customs department of the Indian government should make sure that these CFSs/ICDs comply with their obligations set out in the 'Handling of cargo in customs areas regulations'.

In addition, transportation to CFSs is arranged by shipping agents. These shipping agents have the monopoly of this service, charging higher fees than other markets rates and many have arrangements with specific CFSs from which shipping agents get commission. This increases the cost and time of the clearance procedures. Traders should be able to choose freely their CFSs.⁷² There is also an issue of underutilized cargo designed initially for traditional cargo and are no longer adequate for new types of cargo.⁷³

In order to address these infrastructure challenges, the Government of India has introduced a US\$1 trillion national infrastructure plan covering 2012-2017.⁷⁴ In addition to this, a public-private partnership was established in order to increase funds for infrastructure development. Despite this funding and projects, including the goal of 20 km of highway a day, improvement in road infrastructure has not taken place.

Endnotes

- 1 For detailed analysis on welfare gains arising from multilateral liberalisation, refer to Chapter 3.2.2.
- 2 Committee on Subsidies and Countervailing Measures, G/SCM/110/Add.10, 11 July 2013, World Trade Organisation.
- 3 Ruling on 'Cut to Length Carbon-Quality Steel Plate from India', 1999, U.S. Department of Commerce.
- 4 EC, Council Regulation No. 1338/2002, July 22, 2002.
- 5 Foreign Trade Policy of 2015-20 para. 10 and 18
- In the 'Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products from India (April 20, 2001)' though the US Department of Commerce took countervailing action on other grounds, it inter alia ruled that the Government of India had in place and applied a system to confirm which inputs were consumed in the production of the exported products and in what amounts.
- 7 EC Council Regulation No. 1338/2002 of 22 July 2002.
- 8 General Council Decision on Public Stock holding for Food Security Purposes, 27 November 2014, WT/L/939, World Trade Organisation
- 9 Ibid, p. 13.
- 10 Ministry of Commerce and Industry, Directorate General of Anti-Dumping & Allied Duties, "Anti-Dumping: A guide", Government of India.
- 11 Article V: (a), (b) "Agreement on Subsidies and Countervailing Measures: Annex III", 1994, World Trade Organisation, Uruguay Round Final Act, Marrakesh.
- 12 For further details refer to Chapter 4.2.2 on subsidies.
- 13 Chatterjee, Sanchita, "Regional Comprehensive Economic Partnership: Implications for India's Rules of Origin", *Economic and Political Weekly*, November 8, 2014.
- 14 Cadot, Olivier, Jaime de Melo and Alberto Portugal-Pérez, "Rules of Origin for Preferential Trading Arrangements: Implications for the ASEAN Free Trade Area of EU and U.S. Experience", *Journal of Economic Integration*, 2007, pp. 288-319.
- 15 Campbell, Kurt and Brian Andrews, 'Explaining the US 'Pivot' to Asia', Chatham House, August 2013,
- 16 Letter to Congressman Patrick Henry from US Trade Representative Michael Froman, August 13, 2013.
- 17 "Global Value Chains: Challenges, Opportunities, And Implications For Policy", July 2014, OECD, WTO and World Bank Group: p. 10.
- 18 Chatterjee, Chatterjee, "Regional Comprehensive Economic Partnership: Implications for Rules of Origin", November 2014, *Economic and Political Weekly*.
- 19 "AGOA: Extension Of Third Country Fabric Preferences to 2015", www.agoa.info (accessed on 13-03-2015)

- 20 Hirotoshi ITO, "Self-certification system in ASEAN", Japan External Trade Organisation, 21 January, 2014,
- 21 Export Inspection Council, Export Development Authorities, FIEO, Development Commissioners of EPZ and SEZs are some of these authorised agencies.
- Through *Projeto de Lei* n° 5.402/2013 a new provision (Article 10.XI) has been introduced in Brazil's Industrial Property Law (Lei 9.279/1996) which is similar to Section 3 (d) in India's Patents Act, 1970.
- 23 A *Draft National Policy on Intellectual Property Law* was introduced in September 2013 by the Department of Trade and Industry which proposes stricter patentability requirements.
- 24 "Open Letter From International Intellectual Property Scholars And Experts Supporting Brazil's Proposed Patent Reform", October 7, 2013.
- 25 Civil Appeal Nos 2706-2716 of 2013.
- ²⁶ "Data Required To Be Submitted By An Applicant For Grant Of Permission To Import And / Or Manufacture a New Drug Already Approved In The Country" Appendix IA to the Drugs and Cosmetic Rules, 1945.
- 27 Section 48, Patents Act, 1970, 39 of 1970, Government of India.
- 28 LPA 443/2009, High Court of Delhi.
- 29 For a detailed analysis on the meaning and scope of 'confusingly similar goods' refer Chapter 3.4.5.
- 30 Notification No. 51/2010 Customs (N.T) 30.06.2010 issued under Section 11 of the Customs Act, 1962, Ministry of Finance, Government of India.
- WT/DS408/1, European Union and a Member State Seizure of Generic Drugs in Transit World Trade Organisation.
- WTO statistics show that the share of India's agricultural exports and imports in world trade in 2013-14 were 2.69 per cent and 1.31 per cent respectively.
- 33 "Food processing and Agri business", 2009, KPMG, pp. 6-7.
- 34 Director General of Foreign Trade, Ministry of Commerce and Industry, "Export Policy: Schedule II, ITC HS Code", Government of India, 2012.
- 35 Mayenkar, Siddesh and Deepak Sharma, 'India bans cotton exports, global prices jump', Reuters, March 5, 2012.
- 36 Canada-Chile FTA (1997), Canada-Costa Rica FTA (2002), and NAFTA (1994) contains this provision.
- 37 Kim, Jeonghoi, "Recent Trends in Export Restrictions", OECD Trade Policy Papers, No. 101, July 2010.
- 38 Korinek, Jane and Jessica Bartos, "Multilateralising Regionalism: Disciplines on Export Restrictions in Regional Trade Agreements", OECD, 2014.
- 39 Business Standard, 'Govt imposes 5% export duty on iron ore pellets', January 2014.
- Dr H A C Prasad, Dr R Sathish, Salam Shyamsunder Singh, "India's Merchandise Exports: Some Important Issues and Policy Suggestions", August 2014, Ministry of Finance, Government of India.
- 41 "Trade Policy Review Country Reports", WTO, 2003-2009.
- 42 Kim, Jeonghoi, "Recent Trends in Export Restrictions", OECD Trade Policy Papers, No. 101, July 2010.
- 43 Preamble to the Marrakesh Agreement establishing the World Trade Organisation, April 15, 1994.
- 44 "Relationship Between Specific Trade Obligations Set Out In MEAs And WTO Rules", Submission by India, TN/TE/W/23, February 2003.
- 45 Ratna, Rajan Sudesh, Murali Kallummal, and Hari Maya Gurung, "WTO Negotiations on Market Access on Environmental Goods: Identification of Existing NTMs on Proposed Items", Centre for WTO Studies, July 2010.
- 46 Non-paper by India on Item 1 and Item 5, Committee on Trade and Environment, WTO, July 23, 1996.
- Submission by Ministry of Commerce and Industry, Government of India, "Relationship between specific trade obligations set out in MEAs and WTO rules, TN/TE/W/23, Committee on Trade and Environment Special Session, WTO, February 20, 2003.
- Myers, N and J Kent, "Perverse Subsidies: How Tax Dollars can undercut the environment and the Economy", International Institute for Sustainable Development and Island Press, 2001.
- 49 Handa, B K, "Pollution of Ground Water by Nitrate in India", BHU-JAL News, Quarterly Journal of CGWB, 1986, pp. 16-19.
- 50 United Nations Environment Programme, "Energy Subsidies: Lessons Learned in Assessing their Impact and Designing Policy Reforms", Geneva, 2003.
- Press Information Bureau, 'Petrol Prices Deregulated Marginal Increase in HSD, PDS Kerosene and Domestic LPG Prices', Government of India, Ministry of Commerce and Industry, 25 June 2010.
- 52 India has not ratified Freedom of Association and Protection of Right to Organise Convention (No.87), Right to Organise and Collective Bargaining Convention (No.98), Minimum Age Convention (No.138).
- 53 Ministry of Labour, "India and ILO", Government of India.

- The US has not ratified Discrimination Convention (No.111), Equal Remuneration Convention (No.100), Forced Labour Convention (No.29), Freedom of Association and Protection of Right to Organise Convention (No.87), Right to Organise and Collective Bargaining Convention (No.98).
- Elimination of Workplace Discrimination is not provided as a Core Labour Standard that will be protected under US FTAs. See Charnovitz, Steve, "The ILO Convention on Freedom of Association and its Future in the United States", 102 Am. J. Int'l L. 90, 2008.
- There are broadly worded labour provisions found in FTAs of developing countries such as China, Chile, Philippines and Thailand.
- Gould, William B, "Labour Law For A Global Economy: The Uneasy Case For International Labour Standards", 80 Neb. L. Rev. 715, 2001; pp. 725-26. Flanagan, Robert J, "Labour Standards and International Competitive Advantage", International Labour Standards Conference, Stanford Law School, 2002. Bhagwati, Jagdish, "Free Trade and Labour", University of Ontario, 2001.
- 58 Ease of Doing Business Index.
- Centre for WTO Studies, "Trade Facilitation Gap Analysis For Border Clearance Procedures In India", Indian Institute of Foreign Trade in association with Ace Global, New Delhi, March 16, 2012.
- 60 Ibid, p. 17.
- 61 Effective from April 1, 2015, only Bill of Lading, Commercial Invoice cum Packing List and the Bill of Export (Bill of Entry in case of Imports) will be required while exporting from or importing to India. Notification No. 114 (RE-2013)/2009-2014, 12 March 2015, Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India.
- 62 Centre for WTO Studies, "The trade facilitation gap analysis for border clearance procedures in India", Indian Institute of Foreign Trade and Ace Global, March 2012, p. 5.
- Taneja, Nisha, "Trade Facilitation in the WTO: Implications for India", Indian Council for Research on International Economic Relations, Working paper No.128, April 2004, p. 32.
- 64 Idib, p. 22.
- 65 Centre for WTO Studies, "The trade facilitation gap analysis for border clearance procedures in India", Indian Institute of Foreign Trade and Ace Global, March 2012, p. 4.
- Weerakoon, Dushni, Jayanthi Thennakoon and Bilesha Weeraratne, "Multilateral Agreement on Trade Facilitation: Important but Complex Agenda for South Asia", CUTS International, Chapter 5, p. 274.
- Taneja, Nisha, "Trade Facilitation in the WTO: Implications for India", Indian Council for research on International Economic Relations, Working paper No.128, April 2004, p. 21.
- Taneja, Nisha and Shravani Prakash, 'Time for an Indian Trade Facilitation Committee', *Financial Express*, January 19, 2015.
- 69 Centre for WTO Studies, "The trade facilitation gap analysis for border clearance procedures in India", Indian Institute of Foreign Trade and Ace Global, March 2012, p. 6.
- Prasad, HAC, R Sathish and Salam Shyamsunder Singh, "India's Merchandise Exports: Some Important Issues and Policy Suggestions", Working Paper No. 3/2014-DEA, Department of Economic Affairs, Ministry of Finance, Government of India, August 2014, p. ii.
- 71 Centre for WTO Studies, "The trade facilitation gap analysis for border clearance procedures in India", Indian Institute of Foreign Trade and Ace Global, March 2012, p. 14.
- 72 Ibid, p. 29.
- 73 Sengupta, Nirmal and Moana Bhagabati, "A Study of Trade Facilitation Measures: From WTO Perspective", Revised Interim Report, Madras Institute of Development Studies, Chenai, August 2003, p. 32.
- 74 CUTS International, "Trade, Transport and Transit Facilitation in South Asia: Need of Bridging the Gaps", October 2014, p. 14.



5 Policy Implications: External Trade Engagements

A standards on its own terms, rather than under pressure from mega RTAs, could give India the diplomatic flexibility to negotiate tariff cuts and standards that are proportional to what can realistically be achieve based on pertinent economic and development needs. Strategic external trade engagement can also give the Indian economy and affected stakeholders, including importers and exporters, adequate timeframes to undertake necessary reforms.

Importantly, for both India's current trade agreements and any future arrangements, focus is required on implementation and follow-through for all agreements and their individual modalities. As noted in this report, India and trade stakeholders have a poor record of implementing many aspects of trade agreements. Thus, for India to effectively progress in light of the challenges from mega RTAs, emphasis must be placed, both in domestic action and in the actual text of future agreements, on strict implementation that includes capacity building and knowledge-sharing initiatives within India and with its trade partners to ensure the greatest benefit from its trade relations.¹

5.1 Bilateral and Regional Strategies for Engagements with Mega RTA Partners

As noted above, India has 15 active trade agreements notified to the WTO and another 14 still being negotiated. In the context of the looming challenges from mega RTAs, India has the opportunity

to remain engaged through its existing FTAs as well as deepen relations with mega RTA members that address trade in goods and advance its partnerships in trade in services and investment. India has successfully done this with ASEAN where, following the agreement on trade in goods in 2010, the services and investment agreement will come into force in 2015.

India is currently negotiating trade agreements with mega RTA members like the EU, Australia, Canada, Indonesia and New Zealand. These FTAs under negotiation provide an opportunity

India has the opportunity to remain engaged through its existing FTAs as well as deepen relations with mega RTA members

for India to begin to align its trade standards and modalities with many of those of the mega RTAs, with the presumption that mega RTA members will eventually stress their own mega RTA-based high standards on non-members and potentially at the multilateral level.² India can be proactive in addressing its standards gap and propose modalities that will begin to open tariff lines and raise its own standards while maintaining realistic expectations of what India is capable to deliver at the moment.

Within those expectations, the FTA arrangements offer a platform for India to play the role of 'standard-setter'; to rebuke certain rules which are promoted by mega RTA-based special interest and protect against multilateralisation. This means India, while aligning with specific standards, needs to adopt a guarded approach to bifurcate disciplines which would increase its market access from those that are per se distortionary or compromise the development objectives of the country.

The areas where India could begin to address gaps between domestic standards and globally relevant standards to ensure alignment have been addressed elaborately in the report.³ India, by

FTA arrangements offer a platform for India to play the role of 'standard-setter'; to rebuke certain rules which are promoted by mega RTA-based special interest and protect against multilateralisation

taking deeper commitments at future engagements, could optimise its tariff structure, formulate GVC-friendly RoO with comprehensive product-specific rules, improve the technical, quality and safety standards of its exports, address social standards wherever possible and importantly improve the ease of doing business and trade facilitation to invite investment inflows, attract value chains and augment trade.

For example, India's pursuit with Australia on a comprehensive trade agreement can be an opportunity to address issues of IPR. India's concern is that despite having already adhered to diverse standards, stricter IPR rules will adversely impact its pharmaceutical trade, especially in generic medicine.

Australia has also shown similar concerns in its dealings with the US, both bilaterally and at the TPP.⁴ Through bilateral discussions on like-minded issues with mega RTA members, India has the opportunity to mitigate potential challenges stemming from these agreements. While Australia may feel pressure to agree to stricter IPR rules in the TPP, it could find a more cooperative partner in India to maintain a more flexible and mutually beneficial pharmaceutical trade regime.

Despite the US being one of India's top traditional markets, India and the US are not negotiating any bilateral trade agreement at the moment. The two countries leaders' recent cordial interactions and the Trade Policy Forum in November 2014 showed their resolve in addressing trade impediments in both markets.⁵ India's renewed engagement with the US provides the opportunity for India to open a dialogue on resolving hurdles to doing trade and finding new means of trade in goods and services, including access of India's high-skilled professionals to the US, as well as prospects for investment.⁶

The India-EU Broad-Based Trade and Investment Agreement (BTIA) is another opportunity for India to begin to align its trade standards with mega RTAs, as the EU is not only India's largest bilateral trading partner but also a party to both the TTIP and EU-ASEAN FTA. Negotiating points such as IPR have been areas of contention, particularly regarding India's pharmaceuticals. However,

The India-EU Broad-Based
Trade and Investment
Agreement (BTIA) is another
opportunity for India to
begin to align its trade
standards with mega RTAs

with the expected pressure from mega RTA rules on IPR, India can take a hold of this bilateral relation with a major player in mega RTAs to find a compromise in the BTIA on acceptable IPR rules on certain products while still supporting its vital pharmaceutical industry, especially generic medicine.

Other issues that will be addressed during BTIA negotiations are the numerous SPS measures and trade remedial measures faced by Indian exports. India's IT services sector has a huge potential in the EU market; however, India's weak IT secret protection disrupts

the access to this market. According to India's New National Foreign Trade Policy, India's export promotion strategy to EU markets will be based on the export of higher value-added products in the sectors of defence equipment, medical equipment, construction material, processed foods and services.⁷

The moratorium on new members to the APEC was lifted in 2010. Momentum has been generating for India to join the Pacific forum. The US "Joint Strategic Vision" statement of January 25, 2015

welcomed India's interest in joining APEC, which is the first indication from the US of support for India's membership. Both Russia and China endorsed India's inclusion in APEC in a joint communication on February 2, 2015.8 Russian and Chinese ministers also showed support for India's membership in the Shanghai Cooperation Organisation, which could bring India closer to its regional partners in political, security, economic and humanitarian relations. Furthermore, another regional group where India could become more active is the Pacific Alliance, where it is an "observer state", including approaching its members on bilateral trade agreements.

India's active participation in the G20 provides an opportunity to engage with many members of mega RTAs, including developed economies like the US, EU and South Korea as well as developing countries such as Indonesia. Forums such as the G20 can provide the space for dialogue on India's stance concerning the impact of mega RTAs on non-member countries. Such settings are opportunities to not only put forward concerns, but also propose mitigating mechanisms related to potential negative consequences

Forums such as the G20 can provide the space for dialogue on India's stance concerning the impact of mega RTAs on non-member countries

of mega RTAs as well as engage with business, civil society and think tank groups to broaden India's outreach.

5.2 Alternative Market Opportunities

In response to the potential divergence and re-orientation of trade away from India due to mega RTAs, India will need to search for alternative markets. There is significant opportunity for new and expanded markets and entering regional and GVCs in many parts of the world, including Latin America, Central Asia, Eastern Europe and Africa. These markets should not be looked at simply as final markets but as suppliers of intermediate goods and inputs that complement and benefit India's trade policy and strategy.⁹

Latin America

Currently, India's trade agreements in Latin America are with Chile and MERCOSUR. Preferential trade agreements have been proposed or under consultation with Colombia, Peru, Uruguay and Venezuela. All proposed agreements began in 2004-05, except for Peru which was proposed in 2014.

Potential markets India could target in Latin America include sustainable energy technologies

(e.g. Mexico, Costa Rica, Panama and Nicaragua), ¹¹ agro industry machinery, oil and natural gas as well as tapping into certain countries' knowledge of conditional cash transfer programmes for low-income families (e.g. Brazil's 'Bolsa Familia' programme). As India continues to require greater energy input, countries like Colombia, Mexico and Trinidad and Tobago are opening new export markets in oil and natural gas due to the US' strengthening energy independence. India is already Colombia's second largest oil export destination. ¹²

India's comparative advantage, India's services and IT industries can find valuable alternative markets in Latin America

Considering the eventuality that regulatory harmonisation of services in mega RTA regions may negatively impact India's comparative advantage, India's services and IT industries can find valuable alternative markets in Latin America. Indian companies such as Hero MotoCorp, Tata Group, Wipro, Infosys and Reliance Industries are already active in the region. India's observer status at the Organisation of American States can also be fostered to develop new and deeper relations for trade and investment.

Central Asia and Eastern Europe

The EAEU and Central Asian countries offer India another opportunity for greater economic integration in new markets. One such opportunity can be taken up by the feasibility study agreed to be done under the framework of an EAEU-CECA. In searching for alternative markets, India can gain from trade in strategic products, such as uranium, natural gas, oil, fertiliser inputs, coal and coking coal, whereas EAEU and Central Asian countries will also find a welcoming alternative

The Central Asia and
Eastern Europe regions also
holds the potential for
greater investment flow,
trade in services, and
avenues for both India and
EAEU countries'
professionals to work
together and shares ideas in
a mutually beneficial way

market with a growing consumer base in India. The Central Asia and Eastern Europe regions also holds the potential for greater investment flow, trade in services, and avenues for both India and EAEU countries' professionals to work together and shares ideas in a mutually beneficial way.

Belarus, Kazakhstan and Russia are enormously endowed with natural resources such as hydrocarbon, potassium and uranium, which India imports substantially. Imports from these countries will further enable India to expand into regional and global value chains by exporting more intermediary goods originating from India. India can further create links with other Central Asian countries and groups, such as Georgia and Turkmenistan, where strategic trade in goods as well as services linked to manufacturing and

commodity processing will provide India with attractive alternative options in response to mega RTAs.

In searching for new and expanded markets in Central Asia, the existing trade routes are one of the greatest hindrances to linking India with its partners. The newly agreed-upon plans to build a port in Chabahar connecting India with Iran is a positive step toward establishing the International North-South Transport Corridor.¹³

The Corridor would connect Mumbai with Moscow via Bandar Abbas, Iran, and could potentially stretch to St. Petersburg, essentially linking the Indian Ocean with the Baltic Sea. Compared with the 16,129-km route through the Suez Canal and the Mediterranean Sea that is currently used, the North-South Corridor is estimate at 6,245 km long and would be 30 per cent cheaper than the current route. The potential cut in transport costs along with an agreement on customs cooperation creates the opportunity for cheaper Indian goods and, therefore, makes India more competitive in EAEU and Central Asian markets.

Africa

Engaging in trade relations with Africa is another option for India's alternative and expanded trade and investment portfolio. In particular, the massive regional integration process that Sub-Saharan African countries are undergoing will facilitate this process. These regional economic blocks

The African continent is rich in natural resources. India can source strategic commodities on a sustainable basis include the tripartite FTA between COMESA, EAC and SADC, which is set to be launched in June 2015, and the ambitious Continental FTA that will follow.

Specific products and services originating in India can gain better access to numerous markets in Africa and potentially contribute to development agendas in African countries and regions, thus deepening political and cultural relations for a sustainable future partnership.

The African continent is rich in natural resources. India can source strategic commodities on a sustainable basis, including oil, natural gas, coal, coking coal and uranium. These are important inputs for fuelling both India's future growth and Africa's economic development. Exports from India to Africa are based in manufactured and finished goods, including transport equipment, industrial machinery and pharmaceuticals; particularly with Nigeria, South Africa, Kenya and Tanzania being

the most important destinations. 'Make in India' can be used to absorb the potential market for Indian manufactured goods in Sub-Saharan African countries.

The services and consumer sectors are noteworthy opportunities for growth in Africa, particularly in the light of Africa's significant demographic dividends and its rapidly growing middle class. Indian exporters can capture that growing affluent consumer base. The existing Indian private investment in Africa is in telecommunications, IT, energy, and automobile sectors, where services play an important role.

5.3 India and the WTO: Recourses at the Multilateral Level

The WTO is the most optimal forum for developing countries to put forward their concerns, often collectively, and work with trade partners to find an equitable agreement on various trade and development-related issues. All members have a voice and with the comprehensive structure of the Doha Development Round, India has a stage at the multilateral level to ensure its economic interests and development needs are heard.

This recourse has been corroborated by the economic simulations and stakeholder views in the study. ¹⁴ Through active and sustained engagement, India can, and has, used the WTO platform to advocate and advance development focused trade rules and standards within the Doha Round mandate that will ensure its

The WTO is the most optimal forum for developing countries to put forward their concerns, often collectively, and work with trade partners to find an equitable agreement on various trade and development-related issues

interests are being protected, even from potential outside trade-related influence stemming from mega RTAs. A particular recourse of India is its active role in the G33 group of developing countries. This coalition can be strengthened, under India's leadership, to promote a coherent and unified voice for developing country issues.

The reality, however, as explained in this report, is that developed countries have shifted to regional platforms to negotiate trade rules in order to regain the influence that they once held at the WTO and this has disparaged the negotiating strength that developing countries have long struggled to achieve within the organisation. Most likely, mega RTA rules will eventually be imported to the multilateral level. If this is the case, excluded countries will be negotiating from an agreed text where rules are of already common global practice and by which excluded countries will be already *de facto* bound. The negotiating position that developing countries gained will be impaired and the multilateral system as a negotiating platform undermined. The question here is what role can India

play in strengthening the WTO as a negotiating platform and what actions can India take at multilateral level in order to mitigate the impact of mega RTAs, that is, the loss in influence of developing countries in being part of defining and writing international trade rules.

One option is using the momentum from the Bali Ministerial in 2013, which included many development-focused trade agreements. India can continue to negotiate specific modalities in agriculture, non-agriculture market access and services to promote its interests. Ensuring differential treatment for subsidies, quotas for developing

India can strive to build and strengthen inclusive coalitions at the WTO where appropriately upgraded standards and rules are agreed

and emerging economies, and realistic timeframes for reforms will assist India in securing its various needs. India can strive to build and strengthen inclusive coalitions at the WTO where appropriately upgraded standards and rules are agreed that will promote an equitable and sustainable trade regime that respects the needs of developing countries.

Despite the fact that the WTO as a negotiating platform is no longer as effective, India can continue to rely on the WTO Dispute Settlement System. Even when FTAs have their own dispute

settlement mechanism, WTO members continue to solve their differences at the WTO. The number of cases being brought to the WTO is increasing. India can use the WTO Dispute Settlement System to raise discriminatory behaviour arising from new rules set by the mega RTAs. This track, however, will not provide immediate solutions to the affected Indian sectors and the implementation of the ruling might not take place. Specially vis-à-vis developed countries such as the US or EU with whom the option of retaliation might be ineffective.

Endnotes

- Initiatives can include workshops on how to utilise the trade agreement for Indian stakeholders such as importers, exporters, business representatives, and civil society actors; awareness spreading meetings and activities; public discussions between government and political officials with their constituents; joint exercises between India and its trade partners, including knowledge sharing and language and technology support.
- This may allow India to gauge the pulse of mega RTA standards that have otherwise been shrouded in secrecy. Indeed, the degree of ambitions would be calibrated to suit the regional position, but it will nevertheless give a vision of the trajectory that the negotiations have taken.
- 3 Refer to Chapter 4.2 for detailed analysis.
- 4 Beattie, Alan, 'The flaws in the geopolitical case for TPP', Financial Times, March 25, 2015.
- 5 "Joint Statement during the visit of President of USA to India 'साँझा प्रयास सबका विकास' 'Shared Effort; Progress for All'", Ministry of Home Affairs, Government of India, January 25, 2015.
- 6 Foreign Trade Policy Statement of 2015-20, para. 13.
- 7 Foreign Trade Policy Statement of 2015-20, para. 14.
- 8 Aneja, Atul, 'Russia, China back India's inclusion in expanded APEC', *The Hindu*, February 3, 2015.
- 9 Foreign Trade Policy Statement of 2015-20, paras 12 and 67.
- 10 Asia Regional Integration Centre, Asia Development Bank. Free Trade Agreements by Country.
- 11 Dolezal, et. al., "The Way Forward for Renewable Energy in Central America", World Watch Institute, June 2013.
- Wight, Andrew. 'Colombian exports to India quadruple in January amid precarious oil boom', Colombia Reports, March 5, 2014.
- Mandhana, Niharika. 'India Agrees to Develop Port in Southern Iran', The Wall Street Journal Blog, May 6, 2015
- 14 For further detail refer to Chapter 3.2 and 3.6 of this report.

6

India and the Regional Comprehensive Economic Partnership

While India is indeed a non-member country to the three mega RTAs that are the focus of this study, it is nonetheless familiar with mega RTA negotiations. Currently, India is playing a major role in crafting the RCEP between 16 Asian countries. Countries in RCEP cover 49 per cent of world population, 30 per cent of global GDP and 29 per cent of global trade. Notably, 12 of the RCEP members are also negotiating parties in either the EU-ASEAN FTA or the TPP. These countries, including seven developed and developing countries in TPP, could push

for higher standards and/or tariff cuts akin to what they agree to in their mega RTA.

In the context of the looming impact of mega RTAs, the RCEP is a crucial opportunity for India to incrementally meet the higher standards promoted in mega RTAs while ensuring support for its domestic constituencies. India has indicated its interest in increasing trade in services, removing technical barriers to trade, trade in goods such as pharmaceuticals and textiles, and attracting investment inflow and outflows.³

The RCEP is a crucial opportunity for India to incrementally meet the higher standards promoted in mega RTAs while ensuring support for its domestic constituencies

As negotiations currently stand, India is prepared to reduce tariff rates to 70 per cent of tariff lines for ASEAN only, while the rest of the RCEP members would receive 40 per cent tariff lines cut.⁴ Another potential set-up would be to give a higher cut to FTA members, which would include ASEAN as well as South Korea and Japan, but a lower cut to non-FTA partners like China, Australia, and New Zealand. To assist domestic industry in adapting to new duty cuts and competition, there could be a similar set-up to that of the India-Korea FTA where categories of tariff lines are reduced in an agreed timeframe over multiple intervals.

While the RCEP provides many opportunities for India to gain market access and mitigate the impact of mega RTAs, in the particular case of the textiles industry, India may still face the

challenge of moving up the value chain beyond a raw material supplier. Similar to the situation in the TPP where expected rules will give preference to countries like Viet Nam and Malaysia, India may find it difficult to overcome this challenge due to China's membership of the RCEP.

Importantly for India's interest in both playing a role in the RCEP negotiations and integrating further into value chains as well as adjusting to potential new mega RTA frameworks, a belonge of facilitating trade through PaQ and product specific role.

A balance of facilitating trade through RoO and product-specific rules to support domestic industries will be necessary

balance of facilitating trade through RoO and product-specific rules to support domestic industries

will be necessary. India is the only member to require dual RoO criteria in the group of ASEAN+1 FTAs, while the others provide an option of criteria.⁵ To meet the goal of greater market access, especially through value chains, may require India to compromise on RoO with the majority of the RCEP membership.

Although India should also offer product specific rules⁶ on a case-by-case basis that will prudently leverage support to India's manufacturing policy, such as 'Make in India'. India has integrated product-specific RoO for particular heading or subheadings in its CEPA agreement with South Korea. Such specific rules may also aim to funnel other quality material from its RCEP partners that supports its domestic producers and eventually tie into India's export of intermediate and finished goods. Where intermediate goods are allowed to be sourced from non-RCEP parties, specific finished goods under these rules can be made to adhere to strict RoO.

In addition to the potential gains for India with the inflow of investment from RCEP members, spearheaded by the 'Make in India' programme, is the opportunity for outflow investment and deeper integration in the region, particularly within the ASEAN group. The 'Make in India' programme should aim to ensure that the goods that ultimately leave India are competitive in the

The Government of India could align the 'Make in India' programme with the RCEP to fully exploit regional economies of scale and scope

global market. The Government of India could align the 'Make in India' programme with the RCEP to fully exploit regional economies of scale and scope. Closer economic ties with the East Asian neighbours could facilitate imports of materials and components that go into India's manufactured export products and also improve the prospects of setting up manufacturing hubs.⁷ Opportunities include sourcing cheaper energy such as hydropower from Myanmar, Cambodia and Laos, and infrastructure and services support in Myanmar.⁸

Trade in services is another opportunity for India to create strong and mutually beneficial trade ties to help respond to the eventual impact from mega RTAs. For example, India can maximise its profile with RCEP partners in tourism and hospitality services as well as business and cultural relations, including free movement of professionals and educational exchanges. Linking India's high-quality services and IT sectors with manufacturing and commodity processing is another important opportunity for India.

As noted in this study, standards will be a dominant force of impact on excluded members of mega RTAs considering the already low tariff rates many countries. In the context of RCEP, India can prepare for the eventuality of higher standards by including phase-in periods as a way to still encourage competition and domestically address various types of anti-competitive market distortions while supporting domestic industries by giving them time to adapt. The Indian government and industry will need to cooperate on this. Regarding the particular case of the engineering sector, it is important that the RCEP final text establish rules to ensure that sub-standard imports from other member countries do not enter the Indian market.

Tough disciplines to protect IPR have been mooted by the US at TPP negotiations⁹ and it appears that some of these elements specifically target the domestic laws of India and China in an attempt "to create new global norms that would isolate these countries".¹⁰ They provide for ever greening of patents,¹¹ seizure of goods,¹² longer terms of protection, and broadly formulates an IP regime which protects the interests of right holders rather than striking a balance that promotes public interest by preserving public interests. What is more striking is that Japan has offered to import these elements to the RCEP negotiations.¹³

India will have to play the irreplaceable role of standard-setter to ensure that equitable rules are in place in RCEP that will create a stepping block for India to begin to prepare for the possibility of mega RTA-based high standards being pushed at the multilateral level. At the same time, India could extend IP protection to sectors which are not closely tied up with its development efforts - such as digital rights management, geographical indications, and audio-

visual entertainment industry. Both India's national IPR policy and negotiation strategy with current and future trade partners, in particular under RCEP negotiations, could address this issue, push for targeted capacity-building assistance, and strike the right balance between market access and development.

Furthermore, a defining interest in the RCEP negotiations, not just for India but for many other parties, is the deepening integration of Asian economies and markets, creating a stronger regional neighbourhood. RCEP is a critical arrangement for India to enter into deeper regional value chains for produce high-value products with both developing Southeast Asian countries as well as emerging and developed Asian nations like China, South Korea, Japan and Australia. As India improves its manufacturing sectors

India will have to play the irreplaceable role of standard-setter to ensure that equitable rules are in place in RCEP that will create a stepping block for India to begin to prepare for the possibility of mega RTA-based high standards being pushed at the multilateral level

and trade facilitation, through FDI and domestic reforms, it will find greater benefits by sourcing more imports, adding value to products in value chains, and exporting intermediate goods and capital to markets in which it will have preferential treatment under the RCEP agreement.

Endnotes

- These are: the 10 ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam) and Australia, China, India, Japan, New Zealand, South Korea.
- 2 Foreign Trade Policy Statement of 2015-20, para. 64.
- 3 Mishra, Asit Ranjan, 'RCEP pact: India set to host regional trade deal talks in Dec', *Live Mint*, June 10, 2014.
- 4 Seth, Dilasha, 'India offers wider duty cuts at Regional Comprehensive Economic Partnership, *The Economic Times*, February 18, 2015.
- 5 ASEAN FTAs with Australia, Japan and South Korea provide an option for value content or change in tariff classification. ASEAN-China FTA has two options for different value content addition.
- 6 Product-specific rules means the rules that specify that the non-originating materials have undergone a change in tariff classification or a specific manufacturing or processing operation, or satisfy an ad valorem criterion or a combination of any of these criteria.
- In the Foreign Trade Policy Statement of 2015-20, para. 17, the Government of India showed its commitment to enable the Indian private sector to set up manufacturing hubs in Cambodia, Laos, Myanmar and Viet Nam through a Project Development Company.
- 8 See further opportunities in Banik, Nilanjan 'To Make in India, Look East', *The Diplomat*, May 5, 2015.
- The United States' comprehensive proposal for intellectual property (tabled at the Santiago round in February 2011) was leaked. It is available at www.keionline.org. The US proposal on pharmaceutical related issues was also leaked in October 2011. It is available at www.citizenstrade.org. A third document containing consolidated intellectual property text including the negotiating positions of all parties was made available in November 2013. It is available at www.wikileaks.org.
- Cox, Krista L, "The Intellectual Property Chapter of the Trans Pacific Partnership Agreement and Investment in Developing Nations", *University of Pennsylvania Journal of International Law*, Vol.35 Issue 4, 2014.
- Section 3 (d) of the Patents Act, No 39 of 1970 (India) provides that a new invention does not include the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant. This Section was held valid by the Supreme Court in *Novartis A.G and Ors v Union of India* AIR 2013 SC 1311. US February 2011 leaked text (*supra* 2) notes: "In addition Parties confirm that patents will be available for any new forms, uses or methods of using a known product, and a new form, use or method of using a known product may satisfy the criteria of patentability, *even if such invention does not result in the enhancement of known efficacy of that product*" (emphasis added).
- Notably, seizure of goods which were in transit has already resulted in a trade dispute between India and EU. Indian goods en route to Brazil were seized by European customs agents during transit even though the goods had not violated the IP laws of either Brazil or India.
- 13 Japan's proposed intellectual property text at RCEP was leaked and is available at www.keionline.org.
- 14 This position is based on sound analysis that stricter IP laws (or ISDS clause in investment chapter) do not improve the prospects of investment inflows. On the other hand, it increases the cost of education and decreases access to medicines, detrimentally affecting developing nations.



7 Conclusions: A Roadmap for Policy Opportunities

As the three identified mega RTAs - the Trans-Pacific Partnership, Transatlantic Trade and Investment Partnership, and EU-ASEAN FTA - move closer to completion, with the TPP expected by the end of 2015, excluded countries like India are facing a number of challenges to constructively trade with their partners and meet critical development needs.

What is crucial for India in responding to the challenges of mega RTAs is how its industries can remain competitive in the global market. Competitiveness, however, combines many factors which have been highlighted throughout the report but also other internal challenges, such as the cost of land and fuel, land regulation, infrastructure bottlenecks, high transaction costs and high tariffs on inputs used for production. Furthermore, export competitiveness not only relies on the exporters but it is also the responsibility of each and every system of the country: from sectors producing inputs to regional offices in charge of training programmes to customs authorities facilitating trade.

The Government of India's strategy to overcome the obstacles raised by mega RTAs should take the form of a multi-pronged approach. One step taken forward by the government is that for the first time the Foreign Trade Policy 2015-20 looks at trade as a tool in order to achieve security and strategic objectives in the long-term and mainstreams trade into India's national development policies.² In addition, throughout the Foreign Trade Policy report the Government of India acknowledges that it needs to get its house in order.³

What is crucial for India in responding to the challenges of mega RTAs is how its industries can remain competitive in the global market

Based on the study, conclusive remarks and recommendations are prepared on the opportunities India should take in the short-term and could in the long-term to respond to the potential impact of mega RTAs. Specific focus is given to domestic reforms, bilateral and plurilateral engagements, particularly the RCEP agreement, and India's role in the multilateral trading system. It also delves into areas of cooperation between India and domestic industry.

In the context of the comprehensive set of challenges India faces and subsequent recommendations of this study, both the political community and general public will need to be consulted and consensus built in order to create sustainable momentum for India to thrive in the emerging international trade regime of mega RTAs.

Overall, the Government of India should:

- Mitigate the impact from loss of market access due to tariff preferences amongst RTA members
- Adapt to higher TBT standards SPS measures, IPR, and trade facilitation norms

- Explore new market opportunities
- Improve its export competitiveness following a multi-pronged approach
- Improve implementation of existing and future trade agreements in order to maximise its efficiency (follow up with capacity building and training programmes, linking the private sector to the relevant international market)

7.1 Short to Medium-Term Roadmap

Importantly, India in the short to medium-term is to begin to take actions to meet the immediate trade standards and rules requirements, especially using the RCEP agreement as a critical step towards those goals. India will need to find a balanced approach to go beyond general economic growth and move towards creating opportunities for further integration in value chains to produce high-value products, structural reforms and enhance domestic standards while not sacrificing employment.

Trade standards [Refer to Chapter 3.4.1 & 4.2.1 for details]

- 1. A dynamic conduit of communication could be established with advanced countries to gather economic intelligence on standards that their industry or governments are developing. Indian missions in these countries can play an effective role in feeding trade advisories on a real-time basis.
- 2. The most effective way of complying with standards is by studying the characteristics of like products in the banned market. An exporter should examine the characteristics of like products which have been granted market access by sending it for laboratory tests and then replicating the standards which it adheres to. The government could ensure that the conformity assessment is carried out in the same procedure as is required in the importing nations and provide the requisite financial assistance.
- 3. India should step up its participation in international standard-setting bodies. A group of scientists and trade experts could be sent to all strategic bodies. The BIS is participating in activities with the International Organisation for Standards and International Electrotechnical Commission. There is also co-ordination between FSSAI and Codex Alimentarius Commission which has established a contact point in India (Codex India). It is suggested that these bodies should actively contribute to the decisions made at the international level and gradually evolve as a standard-setter.
- 4. The requisite regulatory structure to tackle the implementation concerns of India's national standards should be put in place. Many of India's TBTs have faced implementation concerns because they could not satisfy the WTO requirements of notification or transparency. To begin with, India's initial challenge will be to harmonise its standards with WTO rules. The BIS should notify more mandatory standards and closely monitor implementation. A time period for compliance needs to be given during which financial and technical assistance to enhance production facilities will be immensely helpful.
- 5. The underlying problem with trade standards seems to be the existence of a vast domestic market in India. Manufacturers are willing to forgo export earnings and the corresponding upgradation of standards as long as they can tap into the domestic market where standards are lax or non-existent. India will have to reform this situation by promoting a culture of quality and safety preferences within its jurisdiction.

Subsidies [Refer to Chapter 3.4.2 & 4.2.2 for details]

- 6. India should focus on achieving better coherence between the export promotion schemes which tend to be overlapping. Rationalisation of these schemes can significantly reduce transaction costs.
- 7. With regard to subsidies to agricultural production, India should aim to achieve the goal of food security without compromising fiscal discipline. In the long run, India could aim for transition from amber box subsidies to the green box, something that China has already started. Structural reforms to the internal agricultural market should be initiated to obviate unnecessary bottlenecks.
- 8. Subsidies which have negative externalities, particularly on the environment, should be phased out or replaced with environment-promoting subsidies. The deregulation of fossil fuel prices is a significant policy initiative and could be carried forward.

Anti-dumping and countervailing duty [Refer to Chapter 3.4.3 & 4.2.3 for details]

- 9. New dimensions in anti-dumping jurisprudence should find reflection in India's trade policy and trade agreements. A distinction could be drawn between discriminatory price policies that are driven by predatory, monopolistic tendencies and those that could be beneficial to consumers in the long run by enhancing productivity and efficiency.
- 10. Under the present rules, it has been observed that the unorganised sector will find it difficult to initiate an anti-dumping investigation. Overt attempts should be made to generate awareness and co-ordinate the action of the unorganised sector.
- 11. India can engage in consultations with importing countries to better understand procedural requirements that determine the countervailability of a subsidy and formulate its subsidies accordingly. As a last resort, the government could consider imposing export duties when a countervailing action is pre-empted. The former will naturally be lower than the countervailing duty that is proposed by the importing country. Domestic industries could maintain a separate database of subsidised imports that are countervailable to the extent of causing them injury.

Rules of Origin [Refer to Chapter 3.4.4 & 4.2.4 for details]

- 12. India should adopt a uniform approach while formulating RoO in its trade negotiations. The present situation of having different thresholds does not function well for the business community and simplicity in the RoO provisions could considerably improve the utilisation rate of FTAs.
- 13. India should pursue an open and flexible approach in its RoO akin to many of its trading partners. The simultaneous satisfaction of dual criteria change in tariff heading and value addition to qualify for preferential treatment should not be insisted upon.
- 14. Product-specific rules that can capture the nuances of domestic economic activity and traditional comparative advantages could be proposed. Similarly, the RoO should strengthen India's pursuit to become integrated into global production networks. They could be formulated in such a way that inputs can be sourced from other countries, processed and exported to be processed further or to be consumed as a final product.

Intellectual Property Standards [Refer to Chapter 3.4.5 & 4.2.5 for details]

15. The mega RTA provisions, to the extent that they impede the market entry of generic drugs and increase the costs of public health, need to be resisted. India has judiciously utilised the flexibilities in TRIPS to maintain a balance between IP protection and public health safeguards. Considering

India's development objectives, there exists no case for India to amend these domestic provisions so as to align with the mega RTA standards.

16. India could extend IP protection in sectors which do not compromise its development objectives - such as digital rights management, geographical indications, and audio-visual entertainment industry. India's national IPR policy could address this issue by harmonising its legal framework with global standards in these sectors.

Market access in agriculture [Refer to Chapter 3.4.6 & 4.2.6 for details]

- 17. India's agricultural trade policy could pre-empt the fresh dynamism that mega RTAs will bring to agricultural value chains. India also has to unify its agriculture sector with the GVCs which assure captive markets and improved economies of scale. It could explore opportunities across the value chain, from farm inputs to packaging and barcoding.
- 18. There is no case for further tariff liberalisation in the agriculture sector by India unless there is a corresponding roll-back of domestic support and export subsidies by developed countries.
- 19. India should aim to participate actively in the preparation of health, environment and safety standards. The Quality Council of India has recently started implementing the Indian Good Agricultural Practises, which is a voluntary sustainability standard that is harmonised with GAP. This will tremendously improve the export potential of India's farm products.
- 20. The import duty structure should be framed in a way that accounts for undervaluation by the exporting country. It is equally important that the Basic Customs Duty rate is determined in a manner that is countercyclical to global prices rather than as a kneejerk response.

Export restrictions [Refer to Chapter 3.4.7 & 4.2.7 for details]

21. A preliminary study to assess the efficacy of a restrictive export policy in achieving the desired objective should be carried out. India has to ensure that the benefits from export restrictions that accrue for one domestic sector are not impaired by losses to another domestic sector; making it a zero-sum game. Considering that export restrictions are substitutable as a policy tool and that they have significant impacts on GVCs, it is crucial that India streamlines their use to fit within the evolving template as determined by the mega RTAs.

Trade facilitation [Refer to Chapter 4.3 for details]

- 22. Recent initiatives suggest that Ministry of Commerce and Industry is committed to the task of reducing excessive documentation. It should also work towards reducing errors and discrepancies in export-import documents. Simultaneously, the time and costs of rectifying errors should be reduced by improving transparency. Advance filing of documents should be incentivised by according priority clearance.
- 23. Electronic filing of BOE and declarations should be made the norm and the customs gateway, ICEGATE, could work toward seamless and undisturbed connectivity to traders for uploading their documents.
- 24. Enhanced effective co-ordination between the governmental agencies that are charged with the administration of all documentation work should be implemented.
- 25. The Customs EDI system should be made mandatory at all customs stations and the requirement of physical paper work should be withdrawn.

- 26. The Advance Ruling System should be extended to any applicant, whether importer or exporter, resident or non-resident.
- 27. The ICEGATE portal, which allows the electronic payment of customs, should function 24 hours without any disruptions. The requisite IT support should be built in.
- 28. The road and rail infrastructure should be improved in a manner that does not impede freight transportation. The route of public-private partnership can be actively pursued to step-up infrastructure finance. India's FDI policy and the Reserve Bank's monetary policy should be accordingly attuned to address the capital requirements in infrastructure.

Bilateral, plurilateral, multilateral actions [Refer to Chapter 5.1 for details]

- 29. Through its current and on-going negotiations with Australia, Canada and New Zealand, India has the opportunity to deepen relations with these mega RTA members through comprehensive bilateral agreements that address trade in goods and advance its partnerships in trade in services, investment and other agreeable areas. These bilateral FTAs provide the negotiating space for India to begin to align its trade standards and modalities with many of those of the mega RTAs while also allowing India to insist on terms that will support its domestic industries.
- 30. Critical for any new, as well as existing, trade agreement is a focus on ensuring effective implementation and supportive capacity building initiatives, including knowledge sharing, for all parties involved.
- 31. India's trade policy could focus on balancing India's participation in GVCs between high-value, high-skilled sectors and low-value, low-cost sectors of the value chain. India should also work towards broadening its portfolio at both ends of the value chain, possibly using the 'Make in India' programme as a tool.
- 32. India can use bilateral trade talks to find common ground on issues related to mega RTA standards that concern both parties, such as Australia's concern over intellectual property regulations. Bilateral agreements can be used to mitigate potential negative effects from mega RTAs.
- 33. India should reinvigorate negotiations with its EU partners on the BTIA to work towards finalising the agreement.
- 34. Concurrently, India must remain engaged through its existing FTAs, especially those with mega RTA members such as ASEAN, Chile, Japan, and Singapore.
- 35. India's membership and increased engagement in regional and plurilateral groups, including APEC, the Pacific Alliance, Organisation of American States, and G20, can give its diplomats greater opportunities to discuss concerns relating to mega RTA influence. These platforms provide India the opportunity to engage with developed economies like the US, EU and Japan, and developing countries in a comprehensive forum with views from both mega RTA members and excluded countries. This would allow excluded countries to express their concerns directly to those involved in the upgraded standards in mega RTAs.
- 36. An opportunity exists to integrate further in trade with the Pacific Alliance. Once India has concluded three FTAs with Pacific Alliance countries (India currently has an FTA with Chile), it can begin to study the feasibility of a CECA with the group.

- 37. Greater participation of various stakeholders, especially import and export traders, to improve their knowledge-base about regional and RTAs through outreach, capacity building activities and participatory initiatives with the government.
- 38. Efforts should be made for the Indian government and industry to work together in finding ways to upgrade trade standards, processes and rules as well as working towards domestic reforms.
- 39. India should oppose the narrow definition of 'Multilateral Environment Agreements' taken in the mega RTA negotiation to cover agreements which represent the interests of a few parties in the multilateral trading system. Only those agreements which have been negotiated under the aegis of the United Nations or any of its specialised agencies represent the interests of countries belonging to different geographic regions, and at different stages of economic and social development should be treated as MEAs.

Regional Comprehensive Economic Partnership [Refer to Chapter 6 for details]

- 40. Through India's active engagement in the RCEP negotiations, opportunities are available to both strengthen India's ties to regional value chains to produce high-value products as well as ensure that its development needs are being met in the context of mega RTA influence.
- 41. India can include long phase-in periods in the agreement of tariff reduction as a way to encourage competition and domestically address various types of anti-competitive market distortions while supporting domestic industries by giving them time to adapt.
- 42. India can negotiate for greater openness in trade in services in all four Modes, particularly finding expanded avenues of trade (in addition to traditional IT and IT enabled services) in tourism and hospitality services as well as business and cultural relations, including free movement of professionals and educational exchanges.
- 43. In working with its RCEP partners on RoO, India can agree on criteria used by the majority of the RCEP membership, specifically allowing an option of either value content or change in tariff classification rather than the dual criteria requirement (See recommendation 14).
- 44. Additionally, India can offer product-specific rules on a case-by-case basis that will prudently leverage support to India's manufacturing policy, such as 'Make in India'. Such specific rules may also aim to funnel other quality material from its RCEP partners that supports it domestic producers and eventually tie into India's export of intermediate and finished goods (see recommendation 14).
- 45. India should, through the 'Make in India' programme, aim to integrate deeper into production chains in the ASEAN group, both in terms of goods production and investment.
- 46. Preparing for the eventual stringent regulations on IPRs, India can begin to upgrade its own domestic IP policy, both by beginning to relax patent rules on certain products such as music or film while ensuring continued support for its generic medicines through reasonable patent lifetimes and other measures. Offers in RCEP negotiations can follow this approach.

7.2 Long-Term Roadmap

For India's long-term strategy, focus could be kept on its continuous and expanding role at the regional and multilateral level, particularly strengthening relations with existing and new trade partners as well as building its presence at the WTO. These far-reaching actions will help ensure that India will be well placed to partake, and indeed prosper, in the international trading system that includes mega RTAs.

Multilateral engagement [Refer to Chapter 3.2, 3.6, and 5.3 for details]

- 47. Based on the results of CGE simulations, the impact of tariffs may not be as substantial as expected. The simulations could not take into account the impact of standards and non-tariff barrier implications. Nevertheless, India would be better off in the multilateral scenario. This role should be particularly vital for India with regard to the potential for upgraded, and even exclusionary, mega RTA-influenced standards becoming engrained in the multilateral system.
- 48. The WTO platform provides India with an equal voice to raise its concerns and propose solutions to trade and development-related issues pertaining to developing countries. Through active engagement and even leadership in the G-33 group of developing countries and building coalitions toward finalising negotiations based on the Bali Ministerial and the Doha Development Round, India should pursue equitable and sustainable trade regimes at the multilateral level in the context of the potentially threatening new standards and rules being developed in mega RTAs.

Bilateral and plurilateral engagements [Refer to Chapter 3.2, 3.4, 3.6, and 5.1 for details]

- 49. In parallel to the multilateral level approach, especially considering the slow rate of progress in negotiations, India should aggressively pursue new and comprehensive trade agreements, in addition to the current arrangements, with key members of the three mega RTAs. Based on input from stakeholders, this approach needs to realign the objectives of India's trade policy with macro-economic policies.
- 50. Comprehensive feasibility studies of potential FTAs will be required to assess the likely benefits for India's economy and development needs in deepening trade relations with mega RTA members.
- 51. With regard to market access for environmental goods and services, India has already embarked on reducing tariffs on 699 goods and services which have been identified as 'environmental'. Any further reduction will be contingent upon developed countries dismantling their non-tariff barriers.
- 52. India could consider the environmental spillover effects of subsidies while formulating subsidy policies. They should be suitably designed to reward products which use cleaner inputs and each subsidy should be audited for the net effect it has on the environment.
- 53. India cannot afford to remain indifferent to the evolving trade-labour linkages as labour standards have become an integral component of not just mega RTAs but even FTAs between developing countries.
- 54. Labour provisions in FTAs may be framed in a promotional language that provides for consultation, technical and financial assistance, and capacity building for improving the quality of employment and India's overall development objectives.

- 55. Although India should continue to oppose efforts at the multilateral stage to connect trade with labour, at the domestic level it should strive to leverage the benefits accruing from increased trade to further the status of its workforce.
- 56. India should work at the multilateral level through the recently concluded Trade Facilitation Agreement and at the national and local level to improve infrastructure, including ports, roads, and railway networks. In doing so, India can reduce transaction costs incurred by Indian exporters while responding efficiently to international market demands.
- 57. India should work toward building inclusive coalitions at the multilateral, and even regional level, with members and non-members of mega RTA that share similar concerns as India, to promote an equitable trade regime that works toward opening markets and supporting domestic industries that require time to prepare for greater foreign competition.
- 58. By creating an enabling environment in the domestic market, India can improve the competitiveness of Indian industry in regional and global value chains by moving beyond material and intermediate goods and producing high-value products.

Alternative market opportunities [Refer to Chapter 5.2 for details]

- 59. There is significant opportunity for new and expanded markets and entering into regional and global value chains in many parts of the world, including Latin America, Central and West Asia, and Africa. This can be accomplished without diverting attention from India's existing trade ties with mega RTA countries.
- 60. Potential markets and opportunities in Latin America include sustainable energy technologies (e.g. Mexico, Costa Rica, Panama, and Nicaragua),⁴ agro industry machinery, oil and natural gas as well as tapping into certain countries' knowledge of conditional cash transfer programs for low-income families (e.g. Brazil's 'Bolsa Familia' programme). Trade in services, especially IT, is also an area where India can deepen its trade relations with Latin America.
- 61. India should start CECA negotiations with the EAEU. In all these partners India will find attractive strategic trade in products, such as uranium, natural gas, oil, fertiliser inputs, coal and coking coal, which will help in its energy needs. Also, India should aggressively pursue linking its services industries, in which it has strong comparative advantages, with manufacturing and commodity processing in Central Asia and Eastern Europe.
- 62. India should fully exploit its access to the International North-South Trade Corridor. The use and development of this Corridor should be linked with India's need to negotiate long-term commodity agreements with the EAEU and Central Asian countries to have a more secure source of products of its strategic interests such as oil, natural gas, uranium, coal and coking coal, and fertiliser inputs. Such agreements could act as triggers for India to ask for more and better access to the markets of EAEU and Central Asian countries through more favourable investment regimes along with effective competition regimes and opening up of their government procurement markets.
- 63. Finally, there is a wealth of opportunity in trade with many African nations and regional economic communities in Africa, including EAC, ECOWAS, COMESA, and SADC. Specific products and services originating in India can gain better access to specific markets in Africa. Similar to certain EAEU and Central Asian countries, many African countries are rich in natural resources,

which India can source strategic commodities on a sustainable basis, including oil, natural gas, coal, coking coal, and uranium, as well as provide its high-skilled services to those commodities trade.

7.3 The Political-Economic Situation of Mega RTAs and its Impact on India

The political and economic dynamics surrounding the TPP, TTIP, and EU-ASEAN FTA negotiations have been proven to raise serious concerns among several excluded countries, including India. Despite roadblocks in their negotiations, these trade agreements are expected to be finalised in the near future and, considering the breadth of new and expanded rules and the coverage these mega RTA regions encompass, India's preparedness may be closely linked with both the conclusion and implementation of the agreements.

The TPP is expected to be concluded by the end of 2015. The US Congress approved TPA in late June, which gives the Obama administration the ability to complete negotiations with minimal delay and finalise the agreement. Other TPP members have waited for this authority from the US to signal the lead negotiator can deliver on closing the deal.

As noted above, there are negotiating parties, both developed and developing countries, with concerns over specific negotiating points in the TPP agreement, such as Australia and Malaysia.⁵ This apprehension could be used as an opportunity by India to pursue dialogue on mitigating efforts regarding potentially threatening aspects of mega RTAs with trade partners in the Asia-Pacific region.

On the Atlantic side, the United States and European Union partnership is one of the closest on trade, not to mention many other areas. Tariffs are already quite low and thus debate in the TTIP is fixated on non-tariff issues. A particular area of contention that is dragging negotiations, which is also of concern in the TPP, is inter-state dispute settlement.⁶ While both parties are keen to include an ISDS chapter, constituency groups on both sides of the Atlantic, as well as some US politicians,⁷ are putting pressure on governments and negotiators to remove such a mechanism that is feared to provide leverage to multinational corporations.

Finally, the 20th AEMM met in Brussels in August 2014. Following several years of suspension, talks on the EU-ASEAN FTA seem to have found new encouragement. Trade and cooperation between the two blocs have enjoyed strong partnerships, although less than ASEAN's relation with India, China or the US. With Malaysia in ASEAN's chairmanship position in 2015, it is expected to take up restarting negotiations soon.⁸

7.4 Lessons for Other Developing Countries

In alignment with their national economic and development agendas and the domestic situation of each country, the policy options set before India could resonate in other developing countries. Certain lessons may indeed provide a vision for finding their own opportunities for growth in response to the challenges from mega RTAs.

Based on the situation presented for India, it can be generally emphasised that developing countries will need a balanced approach between opening their markets through targeted trade liberalisation in specific products and services and supporting domestic industries through policy reforms, differential treatment and new trade agreements. It is likely that other developing and least developed countries, such as those in sub-Saharan Africa, will experience greater trade diversion than India is expected to. Where possible, studies should be conducted on the potential macroeconomic shocks each country may feel due to mega RTAs and devise their economic and trade policy accordingly.

Each country will need to assess and identify specific products and services in which they have an advantage and which markets, including in established regional economic communities, they can approach for greater integration as a response to mega RTAs. Focus should consistently be aimed at growing intra-regional integration through trade, investment and value chains.

Importantly, as highlighted in this report, other developing countries must also pay close attention to the potential impact from non-tariff barriers and trade standards. Regarding the potentially higher standards set by mega RTAs, developing countries can begin to assess, based on available information, where they can start to upgrade specific regulations and which areas will require equitable time for governments and industries to adapt based on realities on the ground and development needs. Domestic regulatory reforms as well as negotiations within economic communities, custom unions, and South-South trade agreements can be avenues for this purpose.

International assistance, including the Aid for Trade programme or direct aid from mega RTA members, is another resource for developing countries to upgrade their testing, inspection and certification capacity. Countries can identify which sectors will be impacted the most by mega RTAs and thus will require assistance and local capacity-building. Coordination with domestic and regional industries can assist in this endeavour.

Additionally, upgrading and maintaining infrastructure in roads, railways and ports will be crucial for cutting costs and making trade more efficient. Technological capacity upgrades will also help countries participate more in regional and global value chains.

Where possible, developing countries can actively pursue new and expanded bilateral, regional, and plurilateral trade agreements in goods as well as move towards comprehensive areas like services, investment, competition, and IPR with regional and global partners. Similar to India's opportunity within RCEP, in the sub-Saharan African context the Continental Free Trade Area should be prioritised. Strict implementation and monitoring of trade deals will ensure developing countries gain the most benefit from each accord. These agreements will provide the opportunity to propose trade modalities that could mitigate the pressure stemming from mega RTAs.

Also, the continued and active engagement at the multilateral level through unified coalition groups, such as the G-33 at the WTO, to negotiate equitable trade rules and development-focused agreements, particularly on agriculture and mineral commodities, will be vital for developing countries to ensure that they can continue to thrive in the international trading system; where high mega RTAs-based standards threaten to be imposed. A focus on concluding the Doha Development Round should be emphasised.

Finally, key constituent and stakeholder input must be included in strategising reforms regarding mega RTAs. Domestic input will provide important information for decision-makers and help build national support around trade policies.

7.5 Concluding Remarks

The mega regional trade agreements will create a paradigm shift in the ethos of international market access. Tariffs, the traditional barrier to trade, are flattening across the world and the trade diversion anticipated from preferential tariffs under mega RTAs will not be as detrimental for India as may be expected. However, the 21st century rules that these mega RTAs will frame in technical and safety standards, trade facilitation, social standards, RoO, IPR and investment regime will gradually emerge as the key determinants of market access.

The underlying decision for India in addressing the challenges highlighted in this study and transforming them into opportunities to adapt to the evolving trade regime is finding a balance between trade liberalisation and domestic support. It is important to remember that countries like India stand at a pivotal position to mediate between the interests of North and South countries to achieve a semblance of balance in the global trade regime. India will need to exert its position, especially in crucial areas like IPR, and intrusive environmental and labour standards, amongst others.

The study has proposed multiple and complementary policy avenues: as a rule-setter through active participation in the RCEP, by assimilating the 'golden standards' that mega RTAs will endorse through drastic domestic reforms, through continued and alternative bilateral and plurilateral engagements, and building an inclusive coalition of member countries at the WTO.

The recommendations presented are numerous and comprehensive. However it can only be through national consensus at the national, state and local level that real and sustainable progress can be achieved. National consensus-building initiatives can be as vital an action for India as the policy recommendations plotted above and indeed can strengthen the envisioned reforms. Initiatives may include:

- stakeholder events
- public-private meetings
- public dialogue meetings with political representatives and government officials
- targeted skills training
- capacity building exercises
- awareness campaigns

A broad political consensus, cutting across ideologies, is absolutely essential to ensure that these issues are mainstreamed and brought into the public discourse. A lack of political will or conflicts with sub-federal interests should be discouraged to allow for the proposed reforms. Manufactures, service professionals, importers and exporters, regulators, and customs officials, amongst many others, will all need the combined support of their government and the public behind them. The Central government could consult with representatives across the political spectrum and State governments to build a strong coalition in order to effectively respond to the challenges of mega RTAs and ultimately thrive in the global economy.

The mega RTAs' potential outcome may prove enormously challenging for an excluded country like India, which is setting ambitious goals of economic growth and development initiatives. However, it can also be seen as a significant opportunity to take hold of these challenges and transform them into balanced, attainable and lasting actions toward policy and strategy reforms at the national, bilateral, regional and multilateral stage.

Endnotes

The Government of India acknowledges in the Foreign Trade Policy Statement of 2015-20, para 6 that: "The biggest challenge, however, is to address constraints within the country such as infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in our services exports. We have to address these issues anyway despite the external factors, many of which are imponderables outside our control."

- 2 Foreign Trade Policy Statement, 2015-20, paras 4 and 5.
- 3 Foreign Trade Policy Statement of 2015-20, para 6.
- 4 Dolezal, et. al., 'The Way Forward for Renewable Energy in Central America', World Watch Institute, June 2013.
- Mauldin, William, 'Drug Patents Pose a Major Hurdle to Pacific Trade Deal', The Wall Street Journal, February 1, 2015.
- 6 ICTSD. 'TTIP: EU Officials Weigh ISDS Options as High-Level Meetings Continue', Bridges, Vol. 19, No. 11, March 26, 2015.
- Warren, Elizabeth, 'The Trans-Pacific Partnership clause everyone should oppose', *The Washington Post* Opinion, February 25, 2015. Srinivas, Siri, 'Democrats oppose Obama's demand for fast-tracking Pacific trade deal', *The Guardian*, January 21, 2015.
- 8 Ng, Esther, 'Malaysia to work towards reviving Asean-EU FTA talks, says Najib', *The Star Online*, October 17, 2014.
- 9 Both North-South and South-South arrangements.



References

- 1. Aneja, Atul (2015). 'Russia, China back India's inclusion in expanded APEC', *The Hindu*, 3 February, accessed June 2015.
- 2. Akhtar, Shayerah Ilias and Vivian C Jones, (2014) Transatlantic Trade and Investment Partnership (TTIP) Negotiations, Congressional Research Service Report.
- 3. Bagwell, Kyle and Robert Staiger, (2002) "The Economics of the World Trading System" MIT Press.
- 4. Baldwin, Richard (2014). 'Mega-regional Trade Agreements Game-Changers or Costly Distractions for the World Trading System?' World Economic Forum.
- 5. Banga, Rashmi (2013). Measuring Value in Global Value Chains, UNCTAD.
- 6. Beattie, Alan (2015) 'The flaws in the geopolitical case for TPP', *Financial Times*, 25 March, accessed June 2015.
- 7. Bhagwati, J and A Panagariya, (1996). "Preferential Trading Areas and Multilateralism." AEI Press, Washington, D.C.
- 8. Bhagwati, J (2001). "Free Trade and Labour", *Nihon Keizai Shimbun*, September 10, accessed June 2015.
- 9. Cadot, Olivier, Jaime de Melo and Alberto Portugal-Pérez, (2007). 'Rules of Origin for Preferential Trading Arrangements: Implications for the ASEAN Free Trade Area of EU and US Experience', Journal of Economic Integration.
- 10. Carmen-Cristina Cîrlig (July 2014). 'Overcoming Trans-Atlantic Differences on Intellectual Property; IPR and TTIP Negotiations', European Parliamentary Research Service.
- 11. Chandrasekhar, CP and Jayati Ghosh, (March 2010). "FDI and Balance of Payments in the 2000s", *The Hindu Business Line*.
- 12. Charnovitz, Steve (2008). "The ILO Convention on Freedom of Association and its Future in the United States, American Journal for International Law, Volume 102, April 2008, accessed June 2015.
- 13. Chatterjee, Sanchita (2014). "Regional Comprehensive Economic Partnership: Implications for India's Rules of Origin", Economic and Political Weekly, Volume 49, No. 45, November, 2014.
- 14. Chaturvedi, S (2006). "Customs Valuation in India: Identifying Trade Facilitation related Concerns", Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 25, December 2006.

- 15. Ciuriak, Dan (2014). 'Mega Regionals and the Developing Countries', Center for Global Economic Development and International Institute for Sustainable Development Trade Workshop, Washington DC, June 2014.
- 16. CUTS (October 2014 draft). 'Trade, Transport and Transit Facilitation in South Asia: Need of Bridging the Gaps', Jaipur: CUTS International.
- 17. Datt, G (1998). "Computational Tools for Poverty Measurement and Analysis", FCND.
- 18. De, P (2007). "Impact of trade costs on trade: Empirical evidence from Asian countries", Working Paper Series, Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 27, January 2007.
- 19. Deloitte (2012). 'Logistics Sector Present situation and way forward', Deloitte & Indian Chamber of Commerce.
- 20. Dilasha, Seth (2015). 'India offers wider duty cuts at Regional Comprehensive Economic Partnership', *The Economic Times*, 18 February.
- 21. Datt, G, 1998, Computational Tools for Poverty Measurement and Analysis, Discussion Paper No. 50, Food Consumption and Nutrition Division, International Food Policy, Research Institute, Washington DC.
- 22. Dolezal, et al. (2013). 'The Way Forward for Renewable Energy in Central America', World Watch Institute.
- 23. HAC Prasad, R Sathish and Salam Shyamsunder Singh (2014). "India's Merchandise Exports: Some Important Issues and Policy Suggestions", Ministry of Finance, Government of India.
- 24. Dushni, Weerakoon, Jayanthi Thennakoon and Bilesha Weeraratne, (2006) 'Multilateral Agreement on Trade Facilitation: Important but Complex Agenda for South Asia', in *South Asian positions in Doha Round* CUTS International.
- 25. Ferguson, Ian F, Mark A McMinimy and Brock Williams (2015). "The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress", Congressional Research Service.
- 26. Flanagan, Robert J (2002). Labour Standards and International Competitive Advantage, International Labour Standards Conference, Stanford Law School.
- 27. Ganesh-Kumar, A and M Panda (2012). "A Social Accounting Matrix for India".
- 28. Gould, William B (2001). "Labour Law For A Global Economy: The Uneasy Case For International Labour Standards", Nebraska Law Review.
- 29. Gopakumar, KM and Sanya R Smith (2010). IPR provisions in FTAs: Implications for access to medicines, part of a series on "Intellectual property and access to medicines: papers and perspectives", World Health Organisation, Regional Office for South East Asia.
- 30. González, Anabel (2014). 'Mega-regional Trade Agreements Game-Changers or Costly Distractions for the World Trading System?' World Economic Forum.
- 31. Handa, BK (1986). "Pollution of Ground Water by Nitrate in India", Quarterly Journal of CGWB, 1(3): 16-19.
- 32. HAC Prasad, R Sathish and Salam Shyamsunder Singh, (2014). 'India's Merchandise Exports: Some Important Issues and Policy Suggestions', Working Paper No. 3/2014-DEA, Department of Economic Affairs, Ministry of Finance, Government of India.

- 33. Horn, Henrik, Petros C Mavroidis and Andre Sapir (2009). "Beyond the WTO? An anatomy of EU and US preferential trade agreements," Bruegel Blueprint Series.
- 34. Hertel, TW (1996). "Global Trade Analysis: Modeling and Applications", Cambridge University Press.
- 35. Hirotoshi, (2014). 'Self-certification system in ASEAN', January 21, Japan External Trade Organisation.
- 36. ICTSD Bridges (2014). 'End of Trans-Pacific Trade Talks "Coming into Focus," Leaders Say', Vol. 18 No. 38.
- 37. Jha, Sejuti (2010). 'Utility of Regional Trade Agreements: Experience from India's Regionalism', Working Paper Series, No. 99, UNESACP-ARTNeT.
- 38. Katsuhide, Takahashi and Urata Shujiro (2009). 'On the Use of FTAs by Japanese Firms: Further evidence', RIETI Discussion Paper Series.
- 39. Kim, Jeonghoi (2010). "Recent Trends in Export Restrictions" OECD Trade Policy Papers, No. 101.
- 40. Korinek, Jane and Jessica Bartos (2014) "Multilateralising Regionalism: Disciplines on Export Restrictions in Regional Trade Agreements", OECD.
- 41. Kumar, Ritesh (2014). 'India's Trade Policy Options', *The Diplomat* 13 May, accessed June 2015.
- 42. Lawrence, Robert Z and Nathaniel Stankard, (2005). "Should Export Subsidies be Treated Differently?" Harvard University Press.
- 43. Lehmann, Jean-Pierre and Deepali Fernandes (2014) "India and the Mega-Regional Trade Deals", International Institute for Management Development.
- 44. Low, Patrick (2013). "The Role of Services in Global Value Chains", Fung Global Institute.
- 45. Maskus, K E, J S Wilson and T Otsuki, (2001). "An Empirical Framework for Analysing Technical Regulations and Trade: Quantifying Trade Effect of Technical Barriers: Can it be done?" University of Michigan Press.
- 46. Mauldin, William (2015). 'Drug Patents Pose a Major Hurdle to Pacific Trade Deal', *The Wall Street Journal*, 1 February, accessed June 2015
- 47. Myers, N and J Kent (2001). "Perverse Subsidies: How Tax Dollars can undercut the environment and the Economy", International Institute for Sustainable Development, Island Press.
- 48. Mukherjee, Shameek and Shahana Mukherjee (2012). "Overview of India's Export Performance: Trends and Drivers", Indian Institute of Management, Bangalore.
- 49. Nataraj, Geethanjali (2015). 'The Changing Global Trade Regime and Emergence of Mega FTAs: Strategies for India's External Sector Sustainability', ORF Occasional Paper: 54.
- 50. Panagariya, A (1996). "The Free Trade Area of the Americas: Good for Latin America?" The World Economy Journal. Volume 19, Issue 5, September 1996.
- 51. Panagariya, A (1998). "The Regionalism Debate: An Overview", Columbia University Press.

- 52. Platzer, Michaela D (2014). 'US Textile Manufacturing and the Trans-Pacific Partnership Negotiations,' Congressional Research Service Report.
- 53. Paugam, Jean-Marie (2013). "Trade in Services can be a Game Changer for Development", Speech delivered on 28 May 2013 at the high-level session on "Building Supply and Export Capacity: The Case of Outsourcing Services", Global Services Forum 2013.
- 54. Porterfield, Matthew and Robert Stumberg, (2014). "Using the UK and Investment Partnership to Limit Fossil Fuel Subsidies," The Greens Group Discussion Paper.
- 55. Robinson, S and K Thierfelder (1999). "Trade Liberalization and Regional Integration: The Search for Large Numbers" International Food Policy Research Institute.
- 56. Sandrey, Ron (2014). 'Mega-regional Trade Agreements and South Africa's Trade Strategy: Implications for the Tripartite Free Trade Area Negotiations,' South African Institute of International Affairs' Economic Diplomacy (EDIP) Programme.
- 57. Sengupta, Nirmal and Moana Bhagabati, (2003) 'A Study of Trade Facilitation Measures: From WTO Perspective', Revised Interim Report, Madras Institute of Development Studies, Chennai.
- 58. Seshadri, VS (2013). "The Trans Pacific Partnership", Research and Information System for Developing Countries.
- 59. Singh, Harsha Vardhana (2014) "Trans-Pacific Partnership Agreement: Its Impact on India and Other Developing Nations", Background Paper.
- 60. Singh, HV (2013). 'Background Paper for discussion on implications of TPP for India', Centre for Global Development.
- 61. Singh, HV, (2014). 'Implications of the Trans-Pacific Partnership (TPP) for India', International Institute for Sustainable Development.
- 62. Songfeng, Cai, Zhang Yaxiong and Meng Bo, (2014). 'The Impact Analysis of TTIP on BRICs—based on dynamic GTAP model considering GVC', Institute of Developing Economies, Japan External Trade Organisation.
- 63. Stoler, Andrew L (2013). 'Will the WTO have Functional Value in the Mega-regional World of FTAs?" E15 Expert Group on Regional Trade Agreements and Plurilateral Approaches, E15 Initiative.
- 64. Taneja, Nisha (2004). 'Trade Facilitation in the WTO: Implications for India' Working paper No. 128, Indian Council for Research on International Economic Relations.
- 65. Taneja, Nisha, Shravani Prakash and Pallavi Kalita (2013). 'India's Role in Facilitating Trade under SAFTA', ICRIER, New Delhi

Annex 1

Table 1: India's Imports from ASEAN and the World Unit US\$ Million

			India's	mports 1	rom ASE.	India's Imports from ASEAN & World	pHd					CONS. NOTEGO
D. C. Land		1	ndia's im	ports fro	ndia's imports from ASEAN	,	In	dia's imp	India's imports from the World	the Wor	14	Share of imports
code	Product label (2-digit)	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	India's total World imports, 2013 (%)
127	Mineral fuels, oils, distillation products, etc.	595.6	729.6	1075.1	1025.6	1029.7	8263.70	11080.74	8263.70 11080.74 15730.92		18564.04 18413.88	5.6
115	Animal, vegetable fats and oils, cleavage products, etc.	368.4	468.1	671.0	8.767	725.2	494,11	643.86	922.54	1100.03	981.70	73.9
.85	Electrical, electronic equipment	275.1	298.9	393.6	420.6	453.3	2451.03	2553.96	3225.13	2964.02	2978.13	15.2
28	Machinery, nuclear reactors, boilers, etc.	233.7	270.8	328.3	353.4	337.7	2375.98	2776.22	3547.88	3621.54	3193.62	10.6
729	Organic chemicals	110.6	178.0	219.3	218.5	268.6	848.77	1211.22	1402.45	1523.87	1695.51	15.8
4.	Wood and articles of wood, wood charcoal	80.1	67.7	131.3	145.7	151.9	137.18	169.71	241.01	260.60	267.97	56.7
139	Plastics and articles thereof	66.3	102.2	112.7	123.7	146.2	513.28	732.50	799.72	927.83	998.18	14.6
,76	Ores, shig and ash	84.6	82.9	123.1	68.7	116.0	343.77	553.90	644,74	648.23	848.27	13.7
04,	Rubber and articles thereof	35.4	75.6	81.9	110.1	111.7	158.14	271.18	352.49	388,41	347.01	32.2
68,	Ships, boats and other floating structures	9.99	79.2	53.4	129.2	110,4	302.18	361.95	335,19	615.67	700.28	15.8
.00	Edible vegetables and certain roots and tubers	86.5	8.79	60.7	9.19	61.5	206.63	187.40	186.41	228.08	230.46	26.7
171	Pearls, precious stones, metals, coins, etc.	40.8	31.0	92.2	146.1	54.3	4260.09	6860.94	9356.88	8155.15	6747.97	0.8
06,	Optical, photo, technical, medical, etc apparatus	36.8	43.4	54.6	57.4	52.7	461.08	528.46	611.20	687.52	676.07	7.8
.72	Iron and steel	26.6	40.7	57.2	58.5	51.6	846.01	1069.81	1294.16	1373.55	1011.59	5.1
138	Miscellaneous chemical products	32.9	38.3	55.2	52.5	50.7	237.75	296.70	363.95	361.46	384,23	13.2
187	Vehicles other than railway, tramway	15.3	29.9	39.4	45.8	42.0	275.25	395.04	504.75	497.57	458.35	9.2
66,	Commodities not elsewhere specified	10.7	14,4	30.4	26.4	34.5	545.55	878.20	1168.35	1202.57	1106.97	3.1
174	Copper and articles thereof	10.3	17.6	24.3	23.0	31.5	102.95	162.95	260,20	286.84	281.65	11.2
173	Articles of fron or steel	24.1	21.5	68.1	43.3	26.1	299.41	307.04	445,73	424,50	375,11	6.9
94.	Aluminian and inticles thereof	13.0	20.0	25.4	22.7	23.7	141.70	206.29	283.41	308.08	317.67	7.5
.47	Pulp of wood, fibruis cellifosic material, suste etc	9.1	18.5	20.4	19.6	23.2	76.89	110.71	130.45	128.46	136.99	16.9

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 2: India's exports to ASEAN and the World Unit US\$ Million

			India's	India's Exports to ASEAN & World	to ASEA	N & Wor	무					
Droduot			India's e	India's exports to ASEAN	ASEAN		I	ndia's ex	India's exports to the World	he World		Share of exports to
code	Product label (2-digit)	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	ASEAN in India's total World exports, 2013 (%)
127	Mineral fuels, oils, distillation products, etc	3148.2	7117.2	11586.7	10238.7	11082.8	24021.7	37984.1	56556.8	54380.9	69571.3	15.9
,00	Meat and edible meat offal	504.8	647.5	1218.2	1508.5	2845.2	1178.7	1775.1	2686.7	3147.5	4770.6	59.6
129	Organic chemicals	786.1	1125.3	1659.6	2089.5	2039.6	6967.5	8592.7	11145.9	12549.7	13340.4	15.3
68,	Ships, boats and other floating structures	2316.8	1833.6	4229.8	2237.8	1847.5	3763.2	4223.3	7048.3	4124.6	3597.5	51.4
'84	Machinery, nuclear reactors, boilers, etc	932.6	1011.8	1299.5	1379.0	1739.2	7167.5	8149.8	10752.3	11070.1	13126.1	13.3
'72	Iron and steel	591.7	415.5	2.579	815.4	1562.2	4386.4	7.9669	7925.6	8.6697	10206.5	15.3
'71	Pearls, precious stones, metals, coins, etc	1146.9	865.8	1256.0	1292.6	1555.6	32598.1	32464.6	50015.6	43089.7	44157.7	3.5
110	Cereals	294.4	345.4	825.5	1444.1	1327.7	2986.6	7.5262	5371.0	8729.1	11592.5	11.5
103	Fish, crustaceans, molluscs, aquatic invertebrates nes	136.9	262.2	736.4	692.7	1283.1	1412.4	2163.7	3211.8	3282.1	5033.7	25.5
.87	Vehicles other than railway, tramway	326.5	951.2	8.9/6	1198.3	1014.7	5717.3	9285.9	10280.6	12199.6	13800.1	7.4
'23	Residues, wastes of food industry, animal fodder	775.4	751.7	855.0	804.9	936.6	1707.6	2066.6	2754.1	2638.6	3697.5	25.4
185	Electrical, electronic equipment	1492.6	734.2	1025.3	781.9	881.7	9624.5	5.9078	11744.3	10762.5	11275.9	7.8
'52	Cotton	215.9	508.6	480.3	457.6	797.9	3194.8	6.6889	7795.5	8568.9	11294.0	7.1
.88	Aircraft, spacecraft, and parts thereof	226.3	207.9	236.2	167.6	731.4	1088.8	1534.9	2302.5	1776.3	4151.8	17.6
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	222.9	416.7	927.1	898.1	707.3	694.1	1084.4	1853.9	1797.7	1880.3	37.6
130	Pharmaceutical products	314.8	339.0	491.9	545.3	654.9	5011.4	6096.1	8259.9	9602.4	11731.9	5.6
139	Plastics and articles thereof	191.0	255.5	408.3	463.6	475.5	2331.5	3630.3	5465.3	4936.2	6222.7	7.6
60,	Coffee, tea, mate and spices	150.4	197.8	298.0	362.8	443.7	1518.7	2003.3	2972.2	2694.0	2885.2	15.4
175	Nickel and articles thereof	3.0	4.1	3.2	124.2	377.7	17.3	32.0	39.7	305.8	503.1	75.1
138	Miscellaneous chemical products	224.6	358.1	355.0	299.3	362.9	1671.0	2070.1	2521.0	2700.7	3398.0	10.7
'73	Articles of iron or steel	246.8	177.2	474.9	445.5	360.5	4289.0	6367.7	6501.2	7.77.7	7347.6	4.9

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 3: India's Imports from the EU and the World $Unit\ US\$ Million

			Indi	India's Imports from the EU	from the	EU & World	pi					
Product	Product label (2-digit)		India's ir	India's imports from the EU	ı the EU			India's imp	India's imports from the World	he World		Share of imports from the EU in
code		2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	imports, 2013 (%)
171	Pearls, precious stones, metals, coins, etc	5097.2	7951.3	13201.7	11828.0	11463.8	42613.70	68629.98	93596.87	81575.92	67499.91	17.0
'84	Machinery, nuclear reactors, boilers, etc.	7774.7	8537.7	10774.2	10621.1	8996.1	23766.90	27770.55	35489.44	36226.29	31945.78	28.2
185	Electrical, electronic equipment	4787.9	4853.9	6721.8	5062.7	3849.7	24517.61	25547.23	32261.00	29649.05	29790.26	12.9
06,	Optical, photo, technical, medical, etc apparatus	1493.9	1726.9	1964.6	2260.9	2232.3	4612.14	5286.22	6113.79	6877.26	6762.69	33.0
129	Organic chemicals	1503.9	1702.2	2048.5	2095.7	2088.4	8490.29	12115.82	14028.69	15243.29	16960.21	12.3
'72	Iron and steel	2296.1	2278.6	2871.7	3261.8	2062.9	8462.68	10701.34	12945.48	13739.63	10118.91	20.4
139	Plastics and articles thereof	1051.7	1362.1	1515.4	1810.5	1885.1	5134.34	7327.24	7999.62	9281.09	9984.76	18.9
68,	Ships, boats and other floating structures	459.3	424.3	398.1	1048.2	1813.5	3022.66	3620.55	3352.91	6158.53	7004.95	25.9
.87	Vehicles other than railway, tramway	782.4	1347.4	1793.4	1677.1	1622.0	2753.33	3951.60	5049.02	4977.22	4584.89	35.4
66,	Commodities not elsewhere specified	1392.4	1739.4	1631.8	1577.5	1541.8	5457.11	8784.64	11687.05	12029.28	11073.05	13.9
.88	Aircraft, spacecraft, and parts thereof	3230.4	1498.1	206.3	1092.3	1007.9	5202.62	3335.47	1615.72	2052.02	2566.73	39.3
138	Miscellaneous chemical products	571.8	719.2	853.5	929.7	950.5	2378.18	2967.90	3640.61	3615.72	3843.41	24.7
'73	Articles of iron or steel	1079.5	841.3	1058.7	1052.6	950.5	2995.03	3071.30	4458.64	4246.32	3752.24	25.3
,48	Paper and paperboard, articles of pulp, paper and board	541.2	636.7	738.7	777.5	786.6	1368.62	1887.45	2454.71	2266.89	2376.76	33.1
,40	Rubber and articles thereof	330.7	427.7	685.7	6.988	720.8	1581.86	2712.60	3526.00	3885.30	3471.18	20.8
130	Pharmaceutical products	388.5	426.7	499.6	637.6	630.2	1077.86	1223.99	1477.39	1756.56	1667.84	37.8
92,	Aluminium and articles thereof	286.4	465.0	597.7	640.3	553.0	1417.46	2063.53	2834.98	3081.74	3177.64	17.4
'27	Mineral fuels, oils, distillation products, etc	1116.7	598.5	973.3	552.2	473.8	82661.82	110840.66	157356.41	185696.09	184194.01	0.3
,28	Inorganic chemicals, precious metal compound, isotopes	244.1	305.5	375.3	455.0	422.1	3226.20	3665.17	5357.33	5541.65	5100.32	8.3
'32	Tanning, dyeing extracts, tannins, derivs, pigments etc	200.7	264.4	299.7	337.4	387.8	857.73	1151.22	1412.67	1450.28	1517.46	25.6
'74	Copper and articles thereof	266.2	372.2	599.3	651.2	383.5	1029.85	1629.99	2602.77	2869.30	2817.31	13.6

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 4: India's Exports to the EU and the World Unit US\$ Million

			Inc	India's Exports to the EU & World	ts to the E	U & Work	_					
Product	Product label (2-digit)		India's	India's exports to the EU	the EU			India's e	India's exports to the World	he World		Share of exports to the EU in India's
eode		2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	exports, 2013 (%)
127	Mineral fuels, oils, distillation products, etc	5502.8	7338.1	9598.0	7600.3	0.6988	24021.7	37984.1	56556.8	54380.9	69571.3	12.7
171	Pearls, precious stones, metals, coins, etc	2857.9	2782.0	4810.1	3564.0	3556.4	32598.1	32464.6	50015.6	43089.7	44157.7	8.1
,62	Articles of apparel, accessories, not knit or crochet	2848.2	2846.2	3787.1	3128.2	3478.7	6124.7	6038.0	7937.5	7430.0	8743.4	39.8
'29	Organic chemicals	1799.9	2010.9	2851.7	2870.7	3398.6	6967.5	8592.7	11145.9	12549.7	13340.4	25.5
19,	Articles of apparel, accessories, knit or crochet	2884.7	2081.8	2694.1	2366.1	3059.7	5187.3	4566.0	5807.3	5466.3	6959.3	44.0
'84	Machinery, nuclear reactors, boilers, etc	1557.0	1721.3	2498.9	2324.4	2700.5	7167.5	8149.8	10752.3	11070.1	13126.1	20.6
.87	Vehicles other than railway, tramway	2472.2	2394.1	2223.6	2209.6	2630.5	5717.3	9285.9	10280.6	12199.6	13800.1	19.1
.85	Electrical, electronic equipment	2059.8	2851.2	3116.4	2574.3	2491.3	9624.5	8706.5	11744.3	10762.5	11275.9	22.1
'72	Iron and steel	859.2	1747.0	1957.5	1608.8	2179.6	4386.4	6996.2	7925.6	26692	10206.5	21.4
'73	Articles of iron or steel	775.4	1089.6	1639.8	1658.5	1887.3	4289.0	6367.7	6501.2	7.77.7	7347.6	25.7
'64	Footwear, gaiters and the like, parts thereof	1157.0	1293.0	1640.0	1390.7	1734.6	1481.2	1642.9	2090.5	1958.3	2609.8	66.5
130	Pharmaceutical products	754.3	948.2	1245.3	1365.1	1644.1	5011.4	6096.1	8259.9	9602.4	11731.9	14.0
'42	Articles of leather, animal gut, harness, travel goods	985.7	983.4	1372.0	1289.0	1608.4	1417.5	1447.0	2023.9	2036.4	2513.2	64.0
,63	Other made textile articles, sets, worn clothing etc	788.6	873.9	1222.3	1023.2	1253.7	2318.9	2902.5	3850.5	3973.0	4712.8	26.6
139	Plastics and articles thereof	427.7	754.2	0.896	867.2	1186.8	2331.5	3630.3	5465.3	4936.2	6222.7	19.1
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	450.1	552.8	0.097	783.6	976.2	1412.4	2163.7	3211.8	3282.1	5033.7	19.4
60,	Coffee, tea, mate and spices	381.6	533.4	895.6	733.7	738.6	1518.7	2003.3	2972.2	2694.0	2885.2	25.6
.88	Aircraft, spacecraft, and parts thereof	442.7	570.9	731.1	668.3	738.0	1088.8	1534.9	2302.5	1776.3	4151.8	17.8
.40	Rubber and articles thereof	246.4	396.6	610.1	614.3	730.0	1240.9	1675.4	2583.7	2741.6	2974.7	24.5
'52	Cotton	364.3	571.2	725.7	560.7	704.1	3194.8	6889.9	7795.5	8568.9	11294.0	6.2
'38	Miscellaneous chemical products	392.7	417.3	520.0	582.8	701.9	1671.0	2070.1	2521.0	2700.7	3398.0	20.7

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 5: India's Imports from TPP and the World $Unit\ US\$$ Million

			India's	India's Imports from TPP	rom TPP	& World						
Duoduot			India's i	India's imports from TPP	om TPP		In	India's imports from the World	orts from	the Wor	ld	Share of imports
code	Product label (2-digit)	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	from IPP in India's total World imports, 2013 (%)
127	Mineral fuels, oils, distillation products, etc	8838.8	11251.1	16267.6	16381.7	14958.5	82661.8	110840.7	110840.7 157356.4 185696.1 184194.0	185696.1	184194.0	8.1
'84	Machinery, nuclear reactors, boilers, etc	6528.1	7203.7	8794.0	9052.9	7885.6	23766.9	27770.5	35489.4	36226.3	31945.8	24.7
.85	Electrical, electronic equipment	4736.6	4832.0	6515.5	6675.5	6579.2	24517.6	25547.2	32261.0	29649.0	29790.3	22.1
,76	Ores, slag and ash	1414.0	2979.1	3600.2	4391.2	5446.0	3438.7	5540.7	6449.3	6484.2	8485.2	64.2
171	Pearls, precious stones, metals, coins, etc	8291.6	6685.3	7765.0	9116.8	4705.6	42613.7	68630.0	639656	81575.9	67499.9	7.0
66,	Commodities not elsewhere specified	1182.7	2299.4	3075.5	2911.8	4004.5	5457.1	8784.6	11687.1	12029.3	11073.0	36.2
,29	Organic chemicals	1635.9	2418.5	2751.9	3027.1	3500.9	8490.3	12115.8	14028.7	15243.3	16960.2	20.6
'72	Iron and steel	1710.7	2044.9	2627.4	2880.5	2594.1	8462.7	10701.3	12945.5	13739.6	10118.9	25.6
06,	Optical, photo, technical, medical, etc apparatus	1745.4	2109.9	2269.7	2564.9	2533.0	4612.1	5286.2	6113.8	6877.3	6762.7	37.5
68,	Ships, boats and other floating structures	922.6	848.2	663.1	2116.2	2248.4	3022.7	3620.5	3352.9	6158.5	7004.9	32.1
139	Plastics and articles thereof	1266.3	1690.2	1867.2	2072.0	2132.2	5134.3	7327.2	9.6662	9281.1	9984.8	21.4
115	Animal, vegetable fats and oils, cleavage products, etc	870.0	943.2	1627.5	2633.8	2034.7	4942.6	6440.5	9228.1	11003.6	9820.0	20.7
138	Miscellaneous chemical products	1071.0	1096.7	1387.9	1307.8	1488.6	2378.2	2967.9	3640.6	3615.7	3843.4	38.7
88,	Aircraft, spacecraft, and parts thereof	1798.2	1728.0	752.0	712.8	1333.0	5202.6	3335.5	1615.7	2052.0	2566.7	51.9
128	Inorganic chemicals, precious metal compound, isotopes	534.5	736.5	1076.5	1190.7	1235.8	3226.2	3665.2	5357.3	5541.7	5100.3	24.2
70,	Edible vegetables and certain roots and tubers	780.4	810.5	802.6	9.996	1207.3	5066.9	1874.6	1864.7	2281.4	2305.3	52.4
'44	Wood and articles of wood, wood charcoal	551.6	636.3	891.4	7.066	993.5	1372.2	1697.6	2410.8	2606.7	2680.5	37.1
'40	Rubber and articles thereof	343.5	569.0	771.8	886.9	846.0	1581.9	2712.6	3526.0	3885.3	3471.2	24.4
'73	Articles of iron or steel	519.1	619.6	1025.0	906.5	795.7	2995.0	3071.3	4458.6	4246.3	3752.2	21.2
.87	Vehicles other than railway, tramway	730.7	807.5	919.0	949.1	773.3	2753.3	3951.6	5049.0	4977.2	4584.9	16.9
'48	Paper and paperboard, articles of pulp, paper and board	243.2	514.2	737.3	635.9	690.4	1368.6	1887.5	2454.7	2266.9	2376.8	29.0

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 6: India's exports to TPP and the World Unit US\$ Million

			India's	India's Exports to TPP & World	to TPP	& World						
Droduet			India's	India's exports to TPP	to TPP		I	ndia's ex	India's exports to the World	the World	1	Share of exports to
code	Product label (2-digit)	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	World exports, 2013 (%)
'27	Mineral fuels, oils, distillation products, etc	3535.3	7789.7	12445.3	12892.1	16350.2	24021.7	37984.1	8.95595	54380.9	69571.28	23.5
'71	Pearls, precious stones, metals, coins, etc	6065.5	6229.1	8509.7	7704.8	10228.6	32598.1	32464.6	50015.6	43089.7	44157.66	23.2
130	Pharmaceutical products	1497.3	2051.8	2913.0	3719.1	4439.1	5011.4	1.9609	8259.9	9602.4	11731.94	37.8
'29	Organic chemicals	1871.9	2301.2	3089.8	3680.8	3814.8	6967.5	8592.7	11145.9	12549.7	13340.36	28.6
'84	Machinery, nuclear reactors, boilers, etc	1903.5	1991.5	2763.7	2739.3	3289.0	7167.5	8149.8	10752.3	11070.1	13126.15	25.1
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	498.7	857.9	1631.0	1611.7	2969.5	1412.4	2163.7	3211.8	3282.1	5033.65	59.0
.87	Vehicles other than railway, tramway	705.8	1503.1	1977.9	2618.8	2887.3	5717.3	9285.9	10280.6	12199.6	13800.07	20.9
,62	Articles of apparel, accessories, not knit or crochet	1969.0	1905.1	2393.6	2352.1	2766.6	6124.7	0.8809	7937.5	7430.0	8743.40	31.6
.63	Other made textile articles, sets, worn clothing etc	1130.5	1582.7	1980.8	2235.1	2665.4	2318.9	2902.5	3850.5	3973.0	4712.82	56.6
'02	Meat and edible meat offal	419.6	458.6	6.966	1168.6	2359.4	1178.7	1775.1	2686.7	3147.5	4770.62	49.5
.85	Electrical, electronic equipment	2512.0	2042.0	2517.2	2411.4	2317.2	9624.5	8706.5	11744.3	10762.5	11275.86	20.5
'13	Lac, gums, resins, vegetable saps and extracts nes	179.4	371.1	1684.4	5558.3	2291.2	360.7	9.759	2270.8	6547.7	3066.36	74.7
'73	Articles of iron or steel	1190.4	1586.3	2071.0	2724.5	2259.4	4289.0	6367.7	6501.2	7677.7	7347.63	30.8
'61	Articles of apparel, accessories, knit or crochet	1400.1	1546.9	1709.0	1556.9	1920.1	5187.3	4566.0	5807.3	5466.3	6959.26	27.6
'72	Iron and steel	609.4	1135.5	1260.2	1229.2	1806.7	4386.4	6996.2	7925.6	7699.8	10206.48	17.7
68,	Ships, boats and other floating structures	2270.0	1869.3	4925.1	1678.9	1707.2	3763.2	4223.3	7048.3	4124.6	3597.49	47.5
'39	Plastics and articles thereof	443.3	623.5	1000.8	938.9	1112.2	2331.5	3630.3	5465.3	4936.2	6222.70	17.9
.88	Aircraft, spacecraft, and parts thereof	460.3	795.2	588.7	579.3	1062.2	1088.8	1534.9	2302.5	1776.3	4151.80	25.6
'10	Cereals	359.4	363.4	623.1	877.0	988.2	2986.6	2923.7	5371.0	8729.1	11592.46	8.5
138	Miscellaneous chemical products	400.0	560.7	651.5	698.7	893.0	1671.0	2070.1	2521.0	2700.7	3398.01	26.3
'57	Carpets and other textile floor coverings	428.5	589.4	621.2	673.5	867.4	978.2	1330.4	1279.5	1350.7	1715.70	50.6

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 7: India's imports from TTIP and the World Unit US\$ Million

			India's	India's Imports from TTIP	from TT	IP & World	-ld					
Duoduot			India's in	India's imports from TTIP	om TTIP		In	India's imports from the World	orts from	the Wor	ld.	Share of imports
code	Product label (2-digit)	6002	2010	2011	2012	2013	2009	2010	2011	2012	2013	from THP in India's total World imports, 2013 (%)
'71	Pearls, precious stones, metals, coins, etc	6623.41	10189.3	16437.3	16007.7	13794.5	42613.7	08989	93596.9	81575.9	6.66429	20.4
'84	Machinery, nuclear reactors, boilers, etc	10516.2	11157.8	13778	13688.6	11766.6	23766.9	27770.5	35489.4	36226.3	31945.8	36.8
.85	Electrical, electronic equipment	6032:36	6104.28	8436.14	6795.87	5250.1	24517.6	25547.2	32261	64967	29790.3	17.6
66,	Commodities not els ewhere specified	2268.55	3654.56	3974.97	3721.05	5192.96	5457.11	8784.64	11687.1	12029.3	11073	46.9
١٥٥	Optical, photo, technical, medical, etc apparatus	2490.85	2933.89	3144.28	3638.49	3640.64	4612.14	5286.22	6113.79	6877.26	6762.69	53.8
129	Organic chemicals	2049.77	2413.48	2954.42	3076.36	2963.79	8490.29	12115.8	14028.7	15243.3	16960.2	17.5
139	P lastics and articles thereof	1679.55	2181.97	2405.03	2709.91	2748.93	5134.34	7327.24	7999.62	9281.09	9984.76	27.5
'72	Fron and steel	2999.5	2881.96	3635.78	4078.08	2526.89	8462.68	10701.3	12945.5	13739.6	10118.9	25.0
189	Ships, boats and other floating structures	604.524	671.041	445.723	1448.61	2405.42	3022.66	3620.55	3352.91	6158.53	7004.95	34.3
127	Mineral fuels, o ils, distillation products, etc	1876.05	1655.03	2531.57	2422.02	2045.99	82661.8	110841	157356	185696	184194	1.1
188	Aircraft, spacecraft, and parts thereof	4646.74	2954.56	1291.11	1648.52	1932.84	5202.62	3335.47	1615.72	2052.02	2566.73	75.3
138	Mis cellaneous chemical products	1289.06	1395.26	1661.13	1637.8	1838.26	2378.18	2967.9	3640.61	3615.72	3843.41	47.8
.87	Vehicles other than railway, tramway	851.668	1510.9	2028.02	1922.78	1759	2753.33	3951.6	5049.02	4977.22	4584.89	38.4
۲73	Articles of iron or steel	1243.46	1038.64	1293.45	1309.96	1188.74	2995.03	3071.3	4458.64	4246.32	3752.24	31.7
'48	Paperand paperboard, articles of pulp, paperand board	638.275	853.113	1083.9	1089.55	1106.13	1368.62	1887.45	2454.71	5266.89	2376.76	46.5
'40	Rubber and articles there of	469.557	609.011	943.099	1122.08	909.983	1581.86	2712.6	3526	3885.3	3471.18	26.2
130	P harmaceutical products	551.682	589.649	689.555	906.902	902.611	1077.86	1223.99	1477.39	1756.56	1667.84	54.1
128	Inorganic chemicals, precious metal compound, is otopes	518.029	635.015	830.354	954.556	851	3226.2	3665.17	5357.33	5541.65	5100.32	16.7
92,	Aluminium and articles thereof	320.579	543.312	735.935	795.093	672.174	1417.46	2063.53	2834.98	3081.74	3177.64	21.2
'47	Pulp of wood, fibrous cellulosic material, waste etc	397.109	536.872	628.22	634.738	654.57	769.149	1107.45	1304.88	1284.96	1370.35	47.8
'31	Fertilizers	1535.24	1286.72	1814.36 1066.91	1066.91	531.32	60.63.79	6162.32	8711.78	2.9787	5958.02	8.9
]];] 								

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 8: India's exports to TTIP and the World Unit US\$ Million

			India'	s Export	India's Exports to TTIP	& World	_					
Droduot			India's	India's exports to TTIP	0 TTIP			ndia's ex	ports to 1	India's exports to the World		Share of exports to
code	Product label (2-digit)	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	World exports, 2013 (%)
'27	Mineral fuels, oils, distillation products, etc	5781.3	7977.2	11071.8	8822.2	12616.1	24021.7	37984.1	56556.8	54380.9	69571.3	18.1
'71	Pearls, precious stones, metals, coins, etc	7434.0	7888.4	11869.2	8.7626	12102.9	32598.1	32464.6	50015.6	43089.7	44157.7	27.4
,62	Articles of apparel, accessories, not knit or crochet	4372.7	4332.2	5585.8	4873.2	5536.5	6124.7	6038.0	7937.5	7430.0	8743.4	63.3
'30	Pharmaceutical products	1924.5	2623.2	3594.4	4385.8	5268.3	5011.4	6096.1	8259.9	9602.4	11731.9	44.9
'29	Organic chemicals	2798.2	3315.8	4402.1	4615.3	5101.1	6967.5	8592.7	11145.9	12549.7	13340.4	38.2
'61	Articles of apparel, accessories, knit or crochet	4049.4	3382.9	4117.8	3672.1	4663.0	5187.3	4566.0	5807.3	5466.3	6959.3	67.0
'84	Machinery, nuclear reactors, boilers, etc	2493.4	2780.9	4004.1	3959.0	4420.9	7167.5	8149.8	10752.3	11070.1	13126.1	33.7
'85	Electrical, electronic equipment	3477.4	4141.5	4583.9	4215.1	3941.3	9624.5	8706.5	11744.3	10762.5	11275.9	35.0
.87	Vehicles other than railway, tramway	2864.0	3088.2	3103.9	3226.6	3751.2	5717.3	9285.9	10280.6	12199.6	13800.1	27.2
'63	Other made textile articles, sets, worn clothing etc	1747.9	2237.3	2898.7	2922.7	3538.2	2318.9	2902.5	3850.5	3973.0	4712.8	75.1
'73	Articles of iron or steel	1587.3	2328.5	3190.3	3509.2	3382.1	4289.0	6367.7	6501.2	7.77.7	7347.6	46.0
'72	Iron and steel	1073.4	2174.0	2508.5	2093.2	2742.7	4386.4	6996.2	7925.6	8.6697	10206.5	26.9
'13	Lac, gums, resins, vegetable saps and extracts nes	219.7	449.2	1802.7	5613.7	2363.6	360.7	97.29	2270.8	6547.7	3066.4	77.1
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	637.8	902.3	1328.8	1422.4	2239.2	1412.4	2163.7	3211.8	3282.1	5033.7	44.5
'64	Footwear, gaiters and the like, parts thereof	1295.4	1430.9	1805.6	1613.8	2039.8	1481.2	1642.9	2090.5	1958.3	2609.8	78.2
'42	Articles of leather, animal gut, harness, travel goods	1185.6	1197.8	1661.3	1610.5	2033.1	1417.5	1447.0	2023.9	2036.4	2513.2	6.08
139	Plastics and articles thereof	694.4	1108.0	1508.0	1354.0	1777.5	2331.5	3630.3	5465.3	4936.2	6222.7	28.6
.57	Carpets and other textile floor coverings	759.3	886.5	959.0	995.1	1233.7	978.2	1330.4	1279.5	1350.7	1715.7	71.9
'38	Miscellaneous chemical products	557.7	610.7	812.5	964.3	1197.5	1671.0	2070.1	2521.0	2700.7	3398.0	35.2
.88	Aircraft, spacecraft, and parts thereof	620.8	1128.4	959.6	962.1	1134.2	1088.8	1534.9	2302.5	1776.3	4151.8	27.3
'40	Rubber and articles thereof	358.5	564.4	876.0	937.0	1067.7	1240.9	1675.4	2583.7	2741.6	2974.7	35.9

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 9: India's exports to TPP by destination Unit US\$ billion

In	dia's expo	orts to TP	P by desti	nation		
Destination	2009	2010	2011	2012	2013	Compound Annual Growth Rate
World	176.77	220.41	301.48	289.56	336.61	17.47
TPP Aggregation	38.40	48.25	68.86	72.46	83.56	21.46
United States of America	19.13	23.59	32.92	37.17	41.96	21.70
Singapore	6.83	9.07	15.63	13.55	14.19	20.07
Japan	3.22	4.81	5.59	6.42	7.33	22.85
Viet Nam	1.83	2.48	3.47	3.66	5.99	34.43
Malaysia	3.52	3.56	3.80	3.79	5.50	11.75
Australia	1.41	1.65	2.10	2.63	2.40	14.19
Canada	1.17	1.25	1.88	2.01	2.31	18.44
Mexico	0.53	0.77	1.34	1.60	2.15	41.80
Peru	0.22	0.40	0.53	0.63	0.71	34.51
Chile	0.26	0.48	0.51	0.65	0.70	28.10
New Zealand	0.25	0.19	0.24	0.31	0.30	4.54
Brunei Darussalam	0.03	0.02	0.87	0.03	0.04	12.31

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 10: India's imports from TPP by source Unit US\$ billion

J	ndia's imp	orts from	TPP by s	ource		
Source	2009	2010	2011	2012	2013	Compound Annual Growth Rate
World	266.40	350.03	462.40	488.98	466.05	15.01
TPP Aggregation	51.43	59.36	74.17	80.31	75.78	10.17
United States of America	16.00	19.10	22.57	24.11	22.60	9.02
Australia	12.02	12.06	13.42	12.93	10.87	-2.47
Japan	6.69	8.27	11.22	12.36	10.49	11.91
Malaysia	4.99	6.00	9.11	10.49	9.33	16.94
Singapore	6.14	7.26	8.16	7.80	7.03	3.42
Mexico	0.98	0.98	2.17	3.50	4.30	44.57
Chile	0.89	1.57	1.83	2.50	3.24	38.20
Canada	2.30	2.07	2.30	2.56	3.01	6.89
Viet Nam	0.44	0.99	1.55	1.95	2.83	58.94
Brunei Darussalam	0.49	0.21	0.70	0.94	0.77	11.87
Peru	0.07	0.21	0.43	0.42	0.69	77.87
New Zealand	0.42	0.65	0.72	0.76	0.63	10.76

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 11: India's exports to TTIP by destination *Unit US\$ billion*

Inc	lia's expo	rts to TTI	P by dest	ination		
Destination	2009	2010	2011	2012	2013	Compound Annual Growth Rate
World	176.77	220.41	301.48	289.56		17.47
TTIP Aggregation	55.52	65.18	87.65	85.81	98.24	
United States of America	19.13	23.59	32.92	37.17	41.96	
European Union	36.39	41.60	54.73	48.64		+
United Kingdom	6.53	6.44	8.88	8.10		
Netherlands	6.46	6.57	9.69	9.47	9.17	
Germany	5.85	5.99	8.26	7.13	8.08	
Belgium	3.55	5.03	7.40	5.56	6.86	17.87
Italy	3.30	4.19	5.05	4.29	5.62	
France	3.31	4.90	5.05	5.02	5.60	
Spain	1.95	2.31	2.97	2.89		
Poland	0.41	0.62	0.78	0.77	1.02	
Denmark	0.59	0.63	0.78	0.71	0.82	8.52
Sweden	0.47	0.58	0.80	0.70	0.78	13.47
Portugal	0.34	0.46	0.57	0.49	0.68	19.45
Finland	0.21	0.24	0.31	0.31	0.45	21.40
Ireland	0.31	0.26	0.39	0.39	0.43	8.47
Czech Republic	0.16	0.20	0.27	0.26	0.39	24.69
Austria	0.27	0.71	0.33	0.32	0.37	7.99
Hungary	0.40	0.20	0.30	0.32	0.36	-2.56
Greece	0.65	0.32	0.80	0.35	0.36	-13.80
Romania	0.52	0.33	0.35	0.27	0.31	-12.20
Slovenia	0.20	0.15	0.24	0.23	0.24	5.34
Malta	0.47	0.99	0.87	0.30	0.20	-18.96
Bulgaria	0.05	0.06	0.10	0.14	0.19	39.04
Croatia	0.08	0.09	0.12	0.11	0.15	15.40
Lithuania	0.05	0.08	0.10	0.15	0.13	25.32
Slovakia	0.03	0.05	0.09	0.10	0.11	35.89
Latvia	0.04	0.10	0.09	0.10	0.11	32.30
Estonia	0.03	0.05	0.10	0.10	0.08	27.12
Cyprus	0.14	0.04	0.05	0.06	0.07	-16.84
Luxembourg	0.00	0.02	0.01	0.01	0.01	27.98

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 12: India's imports from TTIP by source Unit US\$ billion

In	idia's impo	orts from	TTIP by so	ource		
Source	2009	2010	2011	2012	2013	Compound Annual Growth
World	266.40	350.03	462.40	488.98		Rate 15.01
3 0 (All 200 All 200 A	54.32	61.48	77.73	78.26		7.28
TTIP Aggregation United States of America	16.00	19.10	22.57	24.11	22.60	9.02
European Union	38.32	42.39	55.16	54.11		
	10.97		14.90	14.77		4.50
Germany	5.50	7.45				
Belgium			10.35	10.24	10.0	16.33
United Kingdom	4.05	5.17	7.45	6.64	6.43	12.23
Italy	3.68	4.31	5.20	5.15	4.24	3.57
France	4.40	3.82	3.90	4.34		
Netherlands	1.98	2.02	2.19	2.62	2.87	9.65
Spain	1.06	1.43	1.71	1.76		16.36
Sweden	1.59	1.47	2.02	1.83	1.67	1.27
Finland	1.26	1.39	1.97	1.36		-6.51
Austria	0.80	0.78	1.03	1.01	0.85	
Poland	0.34	0.40	0.57	0.85	0.67	18.45
Czech Republic	0.48	0.62	0.73	0.70		3.26
Ireland	0.25	0.24	0.37	0.41	0.53	20.94
Denmark	0.60	0.44	0.60	0.52		-5.05
Romania	0.25	0.20	0.35	0.38	0.39	11.44
Portugal	0.06	0.08	0.27	0.34	0.31	47.68
Hungary	0.20	0.33	0.41	0.29	0.23	3.43
Slovenia	0.10	0.11	0.12	0.13	0.12	
Greece	0.15	0.09	0.12	0.11	0.11	-8.25
Estonia	0.03	0.04	0.17	0.28	0.11	34.40
Bulgaria	0.03	0.05	0.10	0.08	0.09	30.36
Latvia	0.15	0.17	0.18	0.07	0.08	-15.52
Slovakia	0.03	0.07	0.10	0.10	0.05	8.77
Luxembourg	0.03	0.04	0.06	0.05	0.04	11.51
Malta	0.01	0.03	0.04	0.04	0.04	46.05
Lithuania	0.15	0.13	0.21	0.05	0.04	-28.60
Cyprus	0.14	0.02	0.02	0.02	0.02	-38.42
Croatia	0.02	0.04	0.03	0.01	0.01	-9.56

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistics

Table 13: India's exports to EU-ASEAN by destination Unit US\$ billion

Ind	India's exports to EU-ASEAN by destination						
Destination	2009	2010	2011	2012	2013	Compound Annual Growth Rate	
World	176.77	220.41	301.48	289.56	336.61	17.47	
EU-ASEAN	54.29	64.55	89.23	80.94	94.17	14.76	
ASEAN	17.90	22.96	34.50	32.30	37.89	20.62	
Singapore	6.83	9.07	15.63	13.55	14.19	20.07	
United Kingdom	6.53	6.44	8.88	8.10	10.56	12.77	
Netherlands	6.46	6.57	9.69	9.47	9.17	9.13	
Germany	5.85	5.99	8.26	7.13	8.08	8.42	
Belgium	3.55	5.03	7.40	5.56	6.86	17.87	
Viet Nam	1.83	2.48	3.47	3.66	5.99	34.43	
Italy	3.30	4.19	5.05	4.29	5.62	14.25	
France	3.31	4.90	5.05	5.02	5.60	14.08	
Indonesia	3.00	4.56	6.40	6.02	5.56	16.64	
Malaysia	3.52	3.56	3.80	3.79	5.50	11.75	
Thailand	1.71	2.14	2.77	3.45	4.20	25.20	
Spain	1.95	2.31	2.97	2.89	3.12	12.47	
Philippines	0.70	0.80	1.01	1.12	1.47	20.48	
Poland	0.41	0.62	0.78	0.77	1.02	25.33	
Denmark	0.59	0.63	0.78	0.71	0.82	8.52	
Sweden	0.47	0.58	0.80	0.70	0.78	13.47	
Myanmar	0.21	0.27	0.46	0.53	0.74	37.44	
Portugal	0.34	0.46	0.57	0.49	0.68	19.45	
Finland	0.21	0.24	0.31	0.31	0.45	21.40	
Ireland	0.31	0.26	0.39	0.39	0.43	8.47	
Czech Republic	0.16	0.20	0.27	0.26	0.39	24.69	
Austria	0.27	0.71	0.33	0.32	0.37	7.99	
Hungary	0.40	0.20	0.30	0.32	0.36	-2.56	
Greece	0.65	0.32	0.80	0.35	0.36	-13.80	
Romania	0.52	0.33	0.35	0.27	0.31	-12.20	
Slovenia	0.20	0.15	0.24	0.23	0.24	5.34	
Malta	0.47	0.99	0.87	0.30	0.20	-18.96	
Bulgaria	0.05	0.06	0.10	0.14	0.19	39.04	
Croatia	0.08	0.09	0.12	0.11	0.15	15.40	
Cambodia	0.04	0.06	0.09	0.11	0.14	34.68	
Lithuania	0.05	0.08	0.10	0.15	0.13	25.32	
Slovakia	0.03	0.05	0.09	0.10	0.11	35.89	
Latvia	0.04	0.10	0.09	0.10	0.11	32.30	
Estonia	0.03	0.05	0.10	0.10	0.08	27.12	
Cyprus	0.14	0.04	0.05	0.06	0.07	-16.84	
Lao PDR	0.03	0.01	0.01	0.03	0.06	22.85	
Brunei Darussalam	0.03	0.02	0.87	0.03	0.04	12.31	
Luxembourg	0.00	0.02	0.01	0.01	0.01	27.98	

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistic

Table 14: India's import from EU- ASEAN by source *Unit US\$ billion*

I	lia's import	I		I		Compound
						Annual
Source	2009	2010	2011	2012	2013	Growth Rate
World	266.40	350.03	462.40	488.98	466.05	15.0
EU-ASEAN	62.29	72.03	95.49	96.89	91.66	10.1
ASEAN	23.97	29.64	40.33	42.74	42.31	15.2
Indonesia	7.60	9.70	13.96	14.07	14.98	18.5
Germany	10.97	11.44	14.90	14.77	13.08	4.5
Belgium	5.50	7.45	10.35	10.24	10.07	16.3
Malaysia	4.99	6.00	9.11	10.49	9.33	16.9
Singapore	6.14	7.26	8.16	7.80	7.03	3.4
United Kingdom	4.05	5.17	7.45	6.64	6.43	12.2
Thailand	2.78	3.94	5.06	5.50	5.48	18.5
Italy	3.68	4.31	5.20	5.15	4.24	3.5
France	4.40	3.82	3.90	4.34	3.38	-6.4
Netherlands	1.98	2.02	2.19	2.62	2.87	9.6
Viet Nam	0.44	0.99	1.55	1.95	2.83	58.9
Spain	1.06	1.43	1.71	1.76	1.94	16.3
Sweden	1.59	1.47	2.02	1.83	1.67	1.2
Myanmar	1.18	1.12	1.26	1.35	1.37	3.6
Finland	1.26	1.39	1.97	1.36	0.96	-6.5
Austria	0.80	0.78	1.03	1.01	0.85	1.6
Brunei Darussalam	0.49	0.21	0.70	0.94	0.77	11.8
Poland	0.34	0.40	0.57	0.85	0.67	18.4
Czech Republic	0.48	0.62	0.73	0.70	0.55	3.2
Ireland	0.25	0.24	0.37	0.41	0.53	20.9
Denmark	0.60	0.44	0.60	0.52	0.49	-5.0
Philippines	0.34	0.39	0.45	0.49	0.41	4.4
Romania	0.25	0.20	0.35	0.38	0.39	11.4
Portugal	0.06	0.08	0.27	0.34	0.31	47.6
Hungary	0.20	0.33	0.41	0.29	0.23	3.4
Slovenia	0.10	0.11	0.12	0.13	0.12	5.2
Lao PDR	0.00	0.02	0.07	0.14	0.11	389.4
Greece	0.15	0.09	0.12	0.11	0.11	-8.2
Estonia	0.03	0.04	0.17	0.28	0.11	34.4
Bulgaria	0.03	0.05	0.10	0.08	0.09	30.3
Latvia	0.15	0.17	0.18	0.07	0.08	-15.5
Slovakia	0.03	0.07	0.10	0.10	0.05	8.7
Luxembourg	0.03	0.04	0.06	0.05	0.04	11.5
Malta	0.01	0.03	0.04	0.04	0.04	46.0
Lithuania	0.15	0.13	0.21	0.05	0.04	
Cyprus	0.14	0.02	0.02	0.02	0.02	-38.4
Cambodia	0.00	0.01	0.01	0.01	0.01	35.9
Croatia	0.02	0.04	0.03	0.01	0.01	-9.5

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistic

Table 15: India's exports to the EU-ASEAN and the World Unit US\$ Million

			India's I	Exports to	India's Exports to EU- ASEAN	AN & World	orld					
Dundung		In	dia's exp	oorts to E	India's exports to EU-ASEAN	7		India's ex	ports to t	India's exports to the World		Share of exports to
code	Product label	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	EU-ASEAN in India's total World exports, 2013 (%)
27	Mineral fuels, oils, distillation products, etc	8651.0	14455.3	21184.6	17839.1	19951.8	24021.7	37984.1	8.95595	54380.9	69571.3	28.7
29	Organic chemicals	2586.1	3136.2	4511.2	4960.2	5438.2	6967.5	8592.7	11145.9	12549.7	13340.4	40.8
71	Pearls, precious stones, metals, coins, etc	4004.8	3647.8	6066.1	4856.6	5112.0	32598.1	32464.6	50015.6	43089.7	44157.7	11.6
84	Machinery, nuclear reactors, boilers, etc	2489.7	2733.1	3798.4	3703.4	4439.7	7167.5	8149.8	10752.3	11070.1	13126.1	33.8
72	Iron and steel	1450.9	2162.5	2633.1	2424.2	3741.8	4386.4	6996.2	7925.6	8.6697	10206.5	36.7
87	Vehicles other than railway, tramway	2798.7	3345.3	3200.4	3407.9	3645.3	5717.3	9285.9	10280.6	12199.6	13800.1	26.4
62	Articles of apparel, accessories, not knit or crochet	2960.7	2949.2	3903.7	3245.5	3641.2	6124.7	6038.0	7937.5	7430.0	8743.4	41.6
85	Electrical, electronic equipment	3552.5	3585.5	4141.8	3356.2	3373.0	9624.5	8706.5	11744.3	10762.5	11275.9	29.9
61	Articles of apparel, accessories, knit or crochet	2921.1	2128.6	2740.0	2399.2	3106.7	5187.3	4566.0	2807.3	5466.3	6959.3	44.6
2	Meat and edible meat offal	508.2	652.3	1219.0	1508.9	2845.3	1178.7	1775.1	2686.7	3147.5	4770.6	59.6
30	Pharmaceutical products	1069.2	1287.2	1737.2	1910.4	2299.1	5011.4	6096.1	8259.9	9602.4	11731.9	19.6
3	Fish, crustaceans, molluscs, aquatic invertebrates nes	587.0	814.9	1496.4	1476.3	2259.3	1412.4	2163.7	3211.8	3282.1	5033.7	44.9
73	Articles of iron or steel	1022.3	1266.8	2114.7	2104.0	2247.8	4289.0	2.7969	6501.2	7.77.7	7347.6	30.6
68	Ships, boats and other floating structures	3001.3	1878.6	4388.7	2581.4	2066.7	3763.2	4223.3	7048.3	4124.6	3597.5	57.4
49	Footwear, gaiters and the like, parts thereof	1168.4	1316.2	1665.4	1408.9	1764.9	1481.2	1642.9	2090.5	1958.3	2609.8	9.79
10	Cereals	399.1	437.2	1087.9	1843.1	1754.5	2986.6	2923.7	5371.0	8729.1	11592.5	15.1
39	Plastics and articles thereof	618.7	1009.7	1376.3	1330.7	1662.3	2331.5	3630.3	5465.3	4936.2	6222.7	26.7
42	Articles of leather, animal gut, harness, travel goods	93.6	8.686	1383.7	1302.5	1626.1	1417.5	1447.0	2023.9	2036.4	2513.2	64.7
52	Cotton	580.2	1079.8	1206.0	1018.3	1502.0	3194.8	6889.9	7795.5	8568.9	11294.0	13.3
88	Aircraft, spacecraft, and parts thereof	669.1	778.8	967.2	835.9	1469.3	1088.8	1534.9	2302.5	1776.3	4151.8	35.4
23	Residues, wastes of food industry, animal fodder	812.7	815.2	978.1	1096.8	1387.4	1707.6	2066.6	2754.1	2638.6	3697.5	37.5

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistic

Table 16: India's imports from EU-ASEAN and the World Unit US\$ Million

			ndia's In	ports fro	India's Imports from EU- ASEAN	SEAN &	& World					
Droduot		Ind	ia's impo	rts from	India's imports from EU-ASEAN	N.	In	dia's imp	orts from	India's imports from the World	ld	Share of imports
code	Product label	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	from EU-ASEAN in India's total World imports, 2013 (%)
84	Machinery, nuclear reactors, boilers, etc	10112.2	11246.6	14058.6	14155.7	12374.2	23766.9	27770.5	35489.4	36226.3	31945.8	38.7
71	Pearls, precious stones, metals, coins, etc	5505.0	8261.6	14124.5	13289.8	12006.7	42613.7	68630.0	93596.9	81575.9	67499.9	17.8
27	Mineral fuels, oils, distillation products, etc	7074.2	7896.4	11727.7	10810.9	10773.4	82661.8	110840.7	157356.4	110840.7 157356.4 185696.1	184194.0	5.8
85	Electrical, electronic equipment	7539.7	7843.4	10659.3	9270.5	8384.4	24517.6	25547.2	32261.0	29649.0	29790.3	28.1
15	Animal, vegetable fats and oils, cleavage products, etc	3710.1	4705.7	6.1889	8081.6	7307.4	4942.6	6440.5	9228.1	11003.6	9820.0	74.4
29	Organic chemicals	2609.8	3483.2	4242.0	4281.1	4775.0	8490.3	12115.8	14028.7	15243.3	16960.2	28.2
39	Plastics and articles thereof	1715.2	2384.6	2642.4	3048.0	3347.2	5134.3	7327.2	9.6662	9281.1	9984.8	33.5
68	Ships, boats and other floating structures	1025.7	1216.1	932.1	2340.4	2917.5	3022.7	3620.5	3352.9	6158.5	7004.9	41.6
06	Optical, photo, technical, medical, etc apparatus	1862.1	2160.8	2510.9	2835.4	2759.6	4612.1	5286.2	6113.8	6877.3	6762.7	40.8
72	Iron and steel	2562.1	2685.5	3443.7	3847.2	2579.0	8462.7	10701.3	12945.5	13739.6	10118.9	25.5
87	Vehicles other than railway, tramway	935.6	1646.7	2188.0	2135.4	2042.2	2753.3	3951.6	5049.0	4977.2	4584.9	44.5
66	Commodities not elsewhere specified	1499.6	1883.2	1936.0	1841.2	1886.5	5457.1	8784.6	11687.1	12029.3	11073.0	17.0
40	Rubber and articles thereof	684.9	1184.3	1505.3	1988.1	1838.0	1581.9	2712.6	3526.0	3885.3	3471.2	53.0
44	Wood and articles of wood, wood charcoal	876.7	1072.0	1434.2	1590.9	1687.1	1372.2	1697.6	2410.8	2606.7	2680.5	62.9
38	Miscellaneous chemical products	8.006	1102.3	1405.2	1455.1	1457.3	2378.2	2967.9	3640.6	3615.7	3843.4	37.9
73	Articles of iron or steel	1320.8	1056.3	1740.3	1485.5	1211.0	2995.0	3071.3	4458.6	4246.3	3752.2	32.3
88	Aircraft, spacecraft, and parts thereof	3305.5	1589.5	819.2	1153.8	1210.7	5202.6	3335.5	1615.7	2052.0	2566.7	47.2
26	Ores, slag and ash	957.2	902.7	1277.1	814.3	1178.6	3438.7	5540.7	6449.3	6484.2	8485.2	13.9
48	Paper and paperboard, articles of pulp, paper and boar	655.7	779.2	927.1	890.3	916.0	1368.6	1887.5	2454.7	2266.9	2376.8	38.5
9/	Aluminium and articles thereof	416.9	664.8	852.2	867.3	789.9	1417.5	2063.5	2835.0	3081.7	3177.6	24.9
30	Pharmaceutical products	428.8	472.1	8.665	749.5	750.8	1077.9	1224.0	1477.4	1756.6	1667.8	45.0

Source: ITC calculations based on Directorate General of Commercial Intelligence & Statistic

Annex 2

Table 1: GTAP region aggregation

Code	Region description	Constituent countries / regions
1) INDIA	India	India
2) SOUTHASIA	South Asia	Bangladesh, Nepal, Pakistan, Sri Lanka, Rest of South Asia
3) SEASIA	South East Asia not in TPP	Cambodia, Indonesia, Lao People's Democratic Republ, Philippines, Theiland
4) TPPSEASIA	South East Asia in TPP	Malaysia, Singapore, Viet Nam, Rest of Southeast Asia
5) EASTASIA	East Asia	China, Hong Kong, Japan, Korea, Mongolia, Taiwan, Rest of East Asia
5) OCEANIA	Australia, New Zealand	Australia, New Zealand
7) ROOCEANIA	rest of oceania	Rest of Oceania
8) USA	United States of America	United States of America
9) NAMERICA	North America	Canada, Mexico, Rest of North America
10) LATINAMER	Latin America(other)	Argentina, Bolivia, Brazil, Colombia, Ecuador, Paraguay, Uruguay, Venezuela, Rest of South America, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador, Rest of Central America, Caribbean
11) TPPLATIN	Latin American countries in TPP	Chile, Peru
12} EU_28	European Union 25	Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom, Bulgaria, Croatia, Romania
13) RESTOFWORLD	Rest of World	Switzerland, Norway, Rest of EFTA, Albania, Belarus, Russian Federation, Ukraine, Rest of Eastern Europe, Rest of Europe, Kazakhstan, Kyrgyztan, Rest of Former Soviet Union, Armenia, Azerbaijan, Georgia, Bahrain, Iran Islamic Republic of, Israel, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, United Arab Emirates, Rest of Western Asia, Egypt, Morocco, Tunisia, Rest of North Africa, Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Guinea, Nigeria, Senegal, Togo, Rest of Western Africa, Central Africa, South Central Africa, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, Rest of Eastern Africa, Botswana, Namibia, South Africa, Rest of South African Customs, Rest of the World

Source: Authors

Table 2: GTAP commodity aggregation

Code	Commodity description	Constituent commodities
1) GRAINSCROPS	Grains and Crops	Paddy rice, Wheat, Cereal grains nec, Vegetables, fruit, nuts, Oil seeds, Sugar cane, sugar beet, Plant-based fibers, Crops nec, Processed rice,
2) MEATLSTK	Livestock and Meat Products	Cattle, sheep, goats, horses, Animal products nec, Raw milk, Wool, silk-worm cocoons, Meat: cattle, sheep, goats, horse, Meat products nec,
3) EXTRACTION	Mining and Extraction	Forestry, Fishing, Coal, Oil, Gas, Minerals nec,
4) PROCFOOD	Processed Food	Vegetable oils and fats, Dairy products, Sugar, Food products nec, Beverages and tobacco products,
5) TEXTWAPP	Textiles and Clothing	Textiles, Wearing apparel,
6) LIGHTMNFC	Light Manufacturing	Leather products, Wood products, Paper products, publishing, Metal products, Motor vehicles and parts, Transport equipment nec, Manufactures nec,
7) HEAVYMNFC	Heavy Manufacturing	Petroleum, coal products, Chemical,rubber,plastic prods, Mineral products nec, Ferrous metals, Metals nec, Electronic equipment, Machinery and equipment nec,
8) UTIL_CONS	Utilities and Construction	Electricity, Gas manufacture, distribution, Water, Construction,
9) TRANSCOMM	Transport and Communication	Trade, Transport nec, Sea transport, Air transport, Communication,
10) OTHSERVICES	Other Services	Financial services nec, Insurance, Business services nec, Recreation and other services, PubAdmin/Defence/Health/Educat, Dwellings,

Source: Authors

Table 3: Source of India's imports (% in total imports in 2007)

	SOUTH	SEASIA	TPPSE ASIA	EASTA	OCEAN	ROOCE	USA	NAME RICA	LATIN	TPPLA	EU_28	RESTOF WORLD	Total
1. GRAINSCROPS	7.6	4.7	14.8	2.1	3.6	0.0	12.5	17.1	2.3	0.3	2.5	32.4	100.0
2. MEATLSTK	1.1	0.9	0.6	4.5	41.6	0.0	5.9	0.2	4.3	0.2	17.2	23.5	100.0
3. EXTRACTION	0.1	1.7	4.5	0.2	4.1	0.2	0.1	1.4	1.4	3.0	9.5	73.6	100.0
4. PROCFOOD	7.9	54.4	6.3	1.8	0.7	0.0	2.3	0.1	17.3	0.2	5.5	3.4	100.0
5. TEXTWAPP	7.6	6.5	2.0	61.3	2.6	0.0	3.5	0.1	0.6	0.0	10.1	5.6	100.0
6. LIGHTMNFC	0.5	2.9	2.6	18.2	0.6	0.0	30.1	1.5	0.7	0.0	27.8	15.1	100.0
7. HEAVYMNFC	0.7	2.7	7.6	29.3	4.1	0.0	7.9	0.8	0.6	0.0	20.9	25.4	100.0
8. UTIL_CONS	8.2	1.0	2.3	16.2	0.7	0.7	11.2	1.0	1.4	0.0	35.9	21.4	100.0
9. TRANSCOMM	0.3	2.1	6.0	16.7	4.2	0.1	17.4	1.5	3.2	0.7	37.1	10.6	100.0
10. OTHSERVICES	0.2	0.7	12.6	9.7	2.2	0.1	19.5	2.8	2.2	0.2	41.9	7.9	100.0
TOTAL	0.7	3.0	6.7	16.1	3.5	0.1	9.6	1.5	1.5	1.0	21.2	35.0	100.0

Source: GTAP 8.1 database

Table 4: Destination of India's exports (% in total exports in 2007)

	SOUTH	SEASIA	TPPSE	EASTA	OCEAN	ROOCE	USA	NAME	LATIN	TPPLA	EU_28	RESTOF	Total
	ASIA		ASIA	SIA	IA	ANIA		RICA	AMER	TIN	2	WORLD	
1. GRAINSCROPS	16.3	5.0	4.7	13.8	1.2	0.0	7.3	0.9	0.4	0.0	15.8	34.4	100.0
2. MEATLSTK	4.3	6.2	14.0	2.3	0.5	0.0	3.7	0.1	0.3	0.0	7.1	61.5	100.0
3. EXTRACTION	1.7	0.3	0.4	84.6	0.3	0.0	1.1	0.2	0.2	0.0	6.8	4.4	100.0
4. PROCFOOD	10.1	7.0	9.0	17.8	1.2	0.0	11.3	1.8	0.5	0.0	19.3	21.9	100.0
5. TEXTWAPP	3.5	0.7	1.0	4.1	1.0	0.1	25.7	2.7	2.4	0.6	39.4	18.9	100.0
6. LIGHTMNFC	2.7	2.3	2.3	9.4	1.2	0.0	24.0	1.5	1.3	0.2	25.9	29.0	100.0
7. HEAVYMNFC	6.6	3.7	4.5	13.6	0.8	0.0	11.9	1.4	4.4	0.2	20.4	32.4	100.0
8. UTIL_CONS	0.4	1.8	2.5	35.3	0.2	0.4	1.6	0.2	1.2	0.2	21.1	35.2	100.0
9. TRANSCOMM	0.3	1.5	3.3	10.8	2.2	0.1	19.4	1.3	2.9	0.6	43.4	14.2	100.0
10. OTHSERVICES	0.3	1.2	3.9	8.7	0.9	0.1	25.2	3.8	4.7	0.2	43.2	7.7	100.0
TOTAL	4.0	2.4	3.6	14.3	1.0	0.1	18.0	2.1	3.2	0.3	29.3	21.8	100.0

Source: GTAP 8.1 database

Table 5: India's share in trade partner's imports and exports (% in 2007)

	- In	ndia's sh	nare (%) is	n total	imports o	of		ndia's s	hare (%)	in total	exports o	of
	SEASIA	TPPSE ASIA	OCEAN IA	USA	TPPLA TIN	EU_28	SEASIA	TPPSE ASIA	OCEAN	USA	TPPLA TIN	EU_28
1. GRAINSCROPS	5.0	7.3	7.7	2.7	0.1	1.3	1.7	8.0	2.6	0.8	0.2	0.1
2. MEATLSTK	5.7	9.6	0.7	0.5	0.1	0.1	0.2	0.4	1.1	0.1	0.1	0.1
3. EXTRACTION	0.1	0.1	0.3	0.0	0.0	0.2	3.9	10.9	6.3	0.6	8.8	10.4
4. PROCFOOD	3.9	5.3	1.0	1.4	0.1	0.5	8.9	1.4	0.2	0.3	0.1	0.1
5. TEXTWAPP	1.7	2.2	3.5	6.6	5.2	4.0	0.8	0.5	4.5	0.7	0.1	0.2
6. LIGHTMNFC	2.1	1.7	0.8	1.5	0.6	0.7	1.4	1.9	1.1	2.8	0.2	0.6
7. HEAVYMNFC	1.4	1.4	0.6	0.9	0.6	0.6	1.5	3.0	7.6	1.4	0.1	0.9
8. UTIL_CONS	0.6	0.4	0.2	0.2	0.4	0.2	0.9	0.8	2.1	1.7	1.3	0.7
9. TRANSCOMM	1.2	1.6	1.7	2.6	1.4	1.4	1.2	2.7	3.2	3.1	1.8	1.3
10. OTHSERVICES	2.7	4.8	2.5	6.4	2.6	3.1	1.8	9.0	3.7	2.6	1.8	1.9
TOTAL	1.6	2.0	1.1	1.8	0.9	1.1	2.2	4.0	4.8	1.9	2.7	1.0

Source: GTAP 8.1 database

Table 6: Bilateral imports by member countries in TPP (% change from BASE)

Importing						Exp	orting co	untrv					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTA			USA	NAME	LATINA	TPPLA	EU 28	RESTOF
Commodity		ASIA		ASIA	SIA	IA	ANIA		RICA	MER	TIN		WORLD
TPPSEASIA				0 100000 00	2000000	000000						-	OR AL MANAGEMENT
1 GrainsCrops	-4.30	-4.04	33.78	-11.36	-4.48	5.27	-3.54	33.55	-2.08	-4.20	56.45	-4.62	-4.62
2 MeatLstk	-2.97	-2.53	2.81	-9.67	-3.29	0.88	-2.80	58.22	3.00	-2.92	59.36	-3.55	-3.54
3 Extraction	1.43	2.19	12.44	-7.92	1.47	8.91	2.43	11.59	1.48	1.62	2.76	1.54	1.52
4 ProcFood	-4.19	-3.91	8.93	-6.45	-4.31	14.52	-4.25	35.46	-2.62	-4.10	40.88	-4.40	-4.41
5 TextWapp	13.48	14.01	26.40	12.06	13.41	59.69	13.43	72.74	14.09	13.71	42.65	13.25	13.24
6 LightMnfc	-2.22	-1.75	17.42	-4.42	-2.22	21.78	-2.19	15.11	-1.93	-1.99	2.90	-2.36	-2.38
7 HeavyMnfc	-1.91	-1.43	16.92	-4.12	-1.85	22.16	-1.71	8.04	-1.57	-1.62	-1.54	-1.93	-1.98
8 Util_Cons	2.09	2.48	1.09	-0.68	2.07	1.04	2.12	1.47	2.30	2.27	1.46	1.97	1.94
9 TransComm	1.04	1.40	-0.16	-1.63	1.02	0.08	1.04	0.47	1.30	1.18	0.63	0.90	0.89
10 OthServices	1.15	1.53	-0.38	-2.03	1.14	0.08	1.18	0.56	1.33	1.30	0.40	1.01	1.00
OCEANIA													
1 GrainsCrops	1.56	1.80	1.79	-6.08	1.40	0.12	2.26	-0.01	3.74	1.65	4.00	1.22	1.22
2 MeatLstk	1.06	1.52	0.20	-2.98	0.72	-1.57	1.17	1.45	7.23	1.07	1.63	0.46	0.46
3 Extraction	-4.39	-3.69	-4.69	8.27	-4.35	-4.68	-3.36	-4.03	-4.34	-4.20	-4.19	-4.27	-4.30
4 ProcFood	0.66	0.95	0.53	0.81	0.55	-0.45	0.61	2.81	2.21	0.76	5.61	0.46	0.45
5 TextWapp	-1.19	-0.66	-1.92	59.08	-1.25	-2.45	-1.26	47.05	-0.59	-0.96	41.29	-1.42	-1.43
6 LightMnfc	-0.86	-0.42	-1.61	19.13	-0.85	-1.95	-0.83	11.12	-0.57	-0.61	11.31	-0.99	-1.01
7 HeavyMnfc	-0.47	-0.01	-0.82	2.42	-0.41	-1.19	-0.25	4.49	-0.12	-0.18	5.31	-0.49	-0.54
8 Util_Cons	0.66	1.06	-0.34	-2.10	0.65	-0.38	0.70	0.05	0.88	0.85	0.04	0.55	0.52
9 TransComm	0.63	0.99	-0.57	-2.04	0.61	-0.33	0.62	0.06	0.89	0.76	0.22	0.48	0.47
10 OthServices	0.74	1.12	-0.80	-2.45	0.72	-0.34	0.77	0.14	0.92	0.88	-0.02	0.59	0.58
USA													
1 GrainsCrops	0.02	0.27	0.28	-6.93	-0.15	2.32	0.78		3.60	0.06	1.31	-0.34	-0.33
2 MeatLstk	-4.23	-3.77	-5.08	-2.83	-4.58	23.32	-4.05		1.82	-4.21	-4.59	-4.83	-4.83
3 Extraction	-0.15	0.60	-0.44	6.29	-0.11	1.32	0.73		-0.09	0.06	0.01	-0.02	-0.06
4 ProcFood	-1.96	-1.66	-2.09	1.98	-2.08	21.01	-2.04		9.26	-1.87	4.48	-2.17	-2.18
5 TextWapp	-3.28	-2.74	-4.02	77.12	-3.34	31.95	-3.35		-2.66	-3.06	91.43	-3.51	-3.53
6 LightMnfc	0.15	0.60	-0.61	16.00	0.15	2.94	0.20		0.42	0.37	-0.54	0.01	-0.01
7 HeavyMnfc	0.11	0.57	-0.25	0.77	0.18	3.39	0.33		0.46	0.39	2.34	0.09	0.04
8 Util_Cons	0.32	0.71	-0.68	-2.44	0.31	-0.73	0.35		0.54	0.51	-0.30	0.20	0.18
9 TransComm	0.37	0.73	-0.83	-2.30	0.35	-0.59	0.36		0.63	0.50	-0.04	0.22	0.21
10 OthServices	0.38	0.76	-1.15	-2.81	0.36	-0.69	0.41		0.56	0.53	-0.38	0.24	0.23
TPPLATIN	4.04	4.66	4.67	46.42	F 40	4.60	4.40	20.01	2.60	4.06	4 74	F 27	F 20
1 GrainsCrops	-4.91	-4.66	-4.67	16.12	-5.10	-1.63	-4.18	20.91	-2.69	-4.86	-4.74	-5.27	-5.28
2 MeatLstk	-1.65	-1.21	-2.52	10.89	-2.01	43.11	-1.54	40.60	4.33	-1.65	-2.04	-2.28	-2.27
3 Extraction	-1.29	-0.48	-1.57	35.06	-1.25	54.35	-0.20	9.35	-1.24	-1.08	-1.15	-1.22	-1.20
4 ProcFood	-1.41	-1.12	-1.55	31.06	-1.54	57.73	-1.45	16.70	0.11	-1.33	-1.61	-1.62	-1.64
5 TextWapp	0.15	0.69	-0.58	62.02	0.09	39.70	0.09	63.22	0.66	0.37	-0.59	-0.08	-0.09 1.70
6 LightMnfc	-1.55	-1.11	-2.31	50.59	-1.54	31.01	-1.50	12.66	-1.28	-1.32	-2.26	-1.68	-1.70
7 HeavyMnfc	-4.09	-3.61	-4.42	31.09	-4.01	32.45	-3.87	12.79	-3.73	-3.79	-4.43	-4.10	-4.15
8 Util_Cons	0.44	0.83	-0.56	-2.29	0.43	-0.61	0.48	-0.17	0.66	0.63	-0.18	0.32	0.30
9 TransComm	0.32	0.68	-0.88	-2.35	0.30	-0.64	0.31	-0.25	0.58	0.46	-0.09	0.18	0.17
10 OthServices	0.51	0.89	-1.02	-2.68	0.49	-0.56	0.54	-0.08	0.69	0.66	-0.25	0.37	0.35

Note: For aggregated regions such as TPPSESIA the GTAP model reports the intra-region trade as well. Changes in such intra-regional trade are reported in Tables 6 through 11.

Table 7: Bilateral exports by member countries in TPP (% change from BASE)

Exporting						lmp	orting co	untry					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTAS	OCEAN	ROOCE	USA	NAME	LATINA	TPPLAT	EU_28	RESTOF
Commodity		ASIA		ASIA	IA	IA	ANIA		RICA	MER	IN		WORLD
TPPSEASIA													
1. GRAINSCROPS	-7.13	-7.82	84.28	-11.36	-6.76	-6.08	-7.03	-6.93	-16.53	-7.19	16.12	-7.61	-7.33
2. MEATLSTK	-5.97	-6.27	71.42	-9.67	-6.22	-2.98	-5.58	-2.83	-56.19	-6.90	10.89	-6.44	-6.20
3. EXTRACTION	-9.07	-8.59	30.47	-7.92	-9.01	8.27	-7.26	6.29	-8.51	-9.21	35.06	-8.88	-8.71
4. PROCFOOD	-2.06	-2.01	46.27	-6.45	-2.00	0.81	-1.88	1.98	-14.65	-2.33	31.06	-2.11	-2.02
5. TEXTWAPP	-1.42	-1.76	30.65	12.06	-1.33	59.08	-1.11	77.12	-1.63	-1.55	62.02	-1.26	-1.29
6. LIGHTMNFC	-2.01	-2.14	42.09	-4.42	-2.03	19.13	-1.95	16.00	-2.02	-2.26	50.59	-2.06	-2.06
7. HEAVYMNFC	-2.08	-2.16	11.66	-4.12	-2.13	2.42	-1.78	0.77	-2.03	-2.24	31.09	-2.18	-2.14
8. UTIL_CONS	-2.71	-2.87	-1.71	-0.68	-2.64	-2.10	-2.63	-2.44	-2.59	-2.84	-2.29	-2.62	-2.62
9. TRANSCOMM	-2.48	-2.74	-1.98	-1.63	-2.50	-2.04	-2.56	-2.30	-2.59	-2.59	-2.35	-2.45	-2.45
10. OTHSERVICES	-2.82	-3.21	-2.31	-2.03	-2.94	-2.45	-3.03	-2.81	-3.03	-3.07	-2.68	-2.98	-2.95
OCEANIA													
1. GRAINSCROPS	-1.13	-1.66	-11.11	5.27	-1.04	0.12	-1.12	2.32	-10.15	-1.40	-1.63	-1.13	-1.15
2. MEATLSTK	-1.81	-2.23	-2.67	0.88	-1.99	-1.57	-1.33	23.32	-51.83	-2.48	43.11	-2.05	-2.10
3. EXTRACTION	0.06	-0.21	-3.69	8.91	-0.07	-4.68	-0.50	1.32	-0.13	-0.34	54.35	-0.37	-0.38
4. PROCFOOD	-1.02	-0.90	-4.52	14.52	-0.85	-0.45	-0.75	21.01	-13.47	-1.18	57.73	-0.95	-0.88
5. TEXTWAPP	-1.28	-1.61	-2.67	59.69	-1.18	-2.45	-0.95	31.95	-1.48	-1.41	39.70	-1.11	-1.14
6. LIGHTMNFC	-0.92	-1.06	-3.10	21.78	-0.97	-1.95	-0.82	2.94	-0.96	-1.16	31.01	-0.99	-0.97
7. HEAVYMNFC	-0.61	-0.71	-2.32	22.16	-0.63	-1.19	-0.32	3.39	-0.53	-0.74	32.45	-0.68	-0.67
8. UTIL_CONS	-0.99	-1.16	0.00	1.04	-0.93	-0.38	-0.92	-0.73	-0.87	-1.12	-0.61	-0.91	-0.90
9. TRANSCOMM	-0.77	-1.03	-0.28	0.08	-0.79	-0.33	-0.85	-0.59	-0.88	-0.88	-0.64	-0.75	-0.74
10. OTHSERVICES	-0.71	-1.10	-0.20	0.08	-0.83	-0.34	-0.91	-0.69	-0.91	-0.96	-0.56	-0.87	-0.83
USA													
1. GRAINSCROPS	-1.24	-1.76	-11.15	33.55	-1.11	-0.01	-1.24		5.84	-1.45	20.91	-1.37	-1.25
2. MEATLSTK	-0.82	-1.37	-1.73	58.22	-1.02	1.45	-0.37		40.26	-1.50	40.60	-1.10	-1.15
3. EXTRACTION	0.23	0.00	-3.46	11.59	0.15	-4.03	-0.26		0.15	-0.13	9.35	-0.15	-0.17
4. PROCFOOD	-0.48	-0.37	-3.99	35.46	-0.32	2.81	-0.23		23.96	-0.64	16.70	-0.42	-0.34
5. TEXTWAPP	-0.46	-0.80	-1.85	72.74	-0.36	47.05	-0.15		-0.52	-0.58	63.22	-0.29	-0.32
6. LIGHTMNFC	-0.53	-0.68	-2.72	15.11	-0.57	11.12	-0.42		-0.21	-0.74	12.66	-0.58	-0.55
7. HEAVYMNFC	-0.47	-0.59	-2.20	8.04	-0.51	4.49	-0.20		-0.24	-0.62	12.79	-0.56	-0.54
8. UTIL_CONS	-0.56	-0.73	0.43	1.47	-0.50	0.05	-0.49		-0.44	-0.69	-0.17	-0.48	-0.47
9. TRANSCOMM	-0.38	-0.64	0.11	0.47	-0.40	0.06	-0.46		-0.49	-0.49	-0.25	-0.36	-0.35
10. OTHSERVICES	-0.23	-0.62	0.29	0.56	-0.35	0.14	-0.43		-0.43	-0.47	-0.08	-0.38	-0.35
TPPLATIN													
1. GRAINSCROPS	0.56	0.09	-9.41	56.45	0.61	4.00	0.49	1.31	-8.51	0.33	-4.74	0.48	0.53
2. MEATLSTK	0.49	-0.10	-0.48	59.36	0.28	1.63	0.94	-4.59	-49.58	-0.23	-2.04	0.22	0.14
3. EXTRACTION	0.36	0.21	-3.31	2.76	0.29	-4.19	-0.05	0.01	0.29	0.03	-1.15	0.01	0.00
4. PROCFOOD	-0.08	0.04	-3.59	40.88	0.08	5.61	0.17	4.48	-12.53	-0.24	-1.61	0.00	0.06
5. TEXTWAPP	-0.77	-1.09	-2.16	42.65	-0.66	41.29	-0.44	91.43	-0.95	-0.88	-0.59	-0.59	-0.62
6. LIGHTMNFC	-0.54	-0.70	-2.74	2.90	-0.59	11.31	-0.44	-0.54	-0.55	-0.76	-2.26	-0.59	-0.55
7. HEAVYMNFC	-0.23	-0.35	-1.96	-1.54	-0.27	5.31	0.04	2.34	-0.16	-0.38	-4.43	-0.31	-0.30
8. UTIL_CONS	-0.57	-0.74	0.43	1.46	-0.50	0.04	-0.50	-0.30	-0.45	-0.70	-0.18	-0.49	-0.48
9. TRANSCOMM	-0.23	-0.48	0.27	0.63	-0.24	0.22	-0.30	-0.04	-0.34	-0.34	-0.09	-0.20	-0.20
10. OTHSERVICES	-0.39	-0.78	0.12	0.40	-0.51	-0.02	-0.60	-0.38	-0.60	-0.64	-0.25	-0.55	-0.52

Table 8: Bilateral imports by member countries in TTIP (% change from BASE)

Importing						Ехр	orting co	untry					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTA	OCEAN	ROOCE	USA	NAME	LATINA	TPPLA	EU_28	RESTOF
Commodity		ASIA		ASIA	SIA	IA	ANIA		RICA	MER	TIN		WORLD
USA													
1 GrainsCrops	0.11	0.21	0.22	-7.97	0.01	0.59	1.10		3.54	0.20	0.52	24.54	-0.05
2 MeatLstk	-0.03	0.19	-0.93	-6.76	-0.18	0.57	0.62		5.96	0.11	0.51	5.09	-0.32
3 Extraction	0.38	0.91	0.01	-6.09	0.42	0.29	0.09		0.10	0.26	0.55	-9.01	0.45
4 ProcFood	-2.82	-2.66	-2.99	-5.11	-2.85	-2.54	-2.82		8.48	-2.70	-2.70	10.45	-2.90
5 TextWapp	-1.44	-1.12	-2.20	-2.26	-1.34	-1.02	-1.43		-0.77	-1.22	-1.21	53.82	-1.47
6 LightMnfc	0.14	0.40	-0.63	-1.07	0.28	0.49	0.15		0.39	0.37	0.33	7.04	0.14
7 HeavyMnfc	-0.23	0.06	-0.58	-1.37	-0.07	-0.05	-0.20		0.09	-0.01	-0.02	7.31	-0.18
8 Util_Cons	0.90	1.14	-0.12	-0.52	1.00	1.19	0.88		1.22	1.11	1.05	0.70	0.89
9 TransComm	0.85	1.06	-0.37	-0.55	0.94	1.09	0.83		1.27	1.04	0.92	0.64	0.84
10 OthServices	0.93	1.15	-0.63	-0.72	1.04	1.21	0.91		1.31	1.14	1.04	0.67	0.93
EU_28													
1 GrainsCrops	-0.34	-0.24	-0.23	-8.37	-0.43	0.13	0.68	14.75	1.82	-0.24	0.12	-0.54	-0.52
2 MeatLstk	-0.64	-0.41	-1.51	-7.70	-0.75	0.00	0.02	97.71	5.73	-0.48	-0.07	-1.01	-0.91
3 Extraction	-0.15	0.38	-0.50	-6.21	-0.10	-0.25	-0.44	4.32	-0.43	-0.29	-0.13	0.13	-0.08
4 ProcFood	-0.32	-0.17	-0.48	-2.59	-0.35	-0.04	-0.30	44.53	1.43	-0.19	-0.18	-0.51	-0.39
5 TextWapp	0.00	0.33	-0.75	-0.82	0.10	0.43	0.02	50.99	0.71	0.23	0.24	-0.26	-0.03
6 LightMnfc	-0.55	-0.27	-1.30	-1.77	-0.40	-0.18	-0.52	15.96	-0.26	-0.31	-0.33	-0.63	-0.54
7 HeavyMnfc	-0.55	-0.25	-0.90	-1.68	-0.39	-0.36	-0.51	12.21	-0.22	-0.33	-0.33	-0.59	-0.50
8 Util_Cons	0.19	0.43	-0.82	-1.23	0.29	0.48	0.18	-1.79	0.51	0.40	0.34	-0.01	0.18
9 TransComm	0.26	0.47	-0.96	-1.15	0.35	0.50	0.24	-1.47	0.68	0.44	0.32	0.05	0.25
10 OthServices	0.34	0.56	-1.22	-1.32	0.45	0.61	0.32	-1.46	0.72	0.55	0.45	0.08	0.33

Table 9: Bilateral exports by member countries in TTIP (% change from BASE)

Exporting						Imp	orting co	untry					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTAS	OCEAN	ROOCE	USA	NAME	LATINA	TPPLAT	EU_28	RESTOF
Commodity		ASIA		ASIA	IA	IA	ANIA		RICA	MER	IN		WORLD
USA													
1. GRAINSCROPS	-2.57	-3.00	-12.28	-4.50	-2.16	-2.75	-3.21		5.35	-2.51	-3.09	14.75	-2.61
2. MEATLSTK	-3.73	-3.46	-4.35	-0.81	-3.52	-4.37	-3.98		39.29	-3.35	-3.88	97.71	-3.45
3. EXTRACTION	-1.27	-1.42	-4.95	-0.06	-1.07	1.13	-1.16		-0.79	-1.19	-1.30	4.32	-1.54
4. PROCFOOD	-1.58	-1.45	-5.13	-2.52	-1.47	-1.72	-1.72		23.11	-1.71	-1.84	44.53	-1.54
5. TEXTWAPP	-2.51	-2.64	-3.85	-3.18	-2.54	-2.55	-2.45		-1.88	-2.18	-2.54	50.99	-2.44
6. LIGHTMNFC	-2.01	-2.28	-4.39	-3.09	-2.20	-2.30	-2.29		-1.14	-2.24	-2.24	15.96	-2.26
7. HEAVYMNFC	-2.11	-2.23	-3.95	-3.31	-2.15	-2.00	-2.10		-1.23	-1.93	-1.80	12.21	-2.17
8. UTIL_CONS	-1.88	-2.03	-0.97	-1.02	-1.94	-1.88	-1.78		-1.54	-2.10	-2.00	-1.79	-1.95
9. TRANSCOMM	-1.51	-1.70	-1.02	-1.10	-1.63	-1.65	-1.58		-1.58	-1.65	-1.59	-1.47	-1.57
10. OTHSERVICES	-1.42	-1.64	-0.83	-0.96	-1.49	-1.56	-1.52		-1.40	-1.61	-1.58	-1.46	-1.52
EU-28													
1. GRAINSCROPS	0.26	-0.19	-9.58	-1.85	0.46	-0.11	-0.52	24.54	-8.18	0.20	-0.31	-0.54	0.13
2. MEATLSTK	-0.35	-0.21	-1.16	2.53	-0.19	-0.98	-0.59	5.09	-48.51	-0.06	-0.68	-1.01	-0.11
3. EXTRACTION	0.46	0.29	-3.47	1.51	0.41	2.74	0.41	-9.01	0.78	0.40	0.20	0.13	0.14
4. PROCFOOD	-0.07	0.05	-3.65	-1.03	0.03	-0.21	-0.25	10.45	-12.29	-0.23	-0.36	-0.51	-0.04
5. TEXTWAPP	-0.29	-0.45	-1.66	-0.97	-0.34	-0.35	-0.24	53.82	0.14	-0.02	-0.37	-0.26	-0.22
6. LIGHTMNFC	0.29	-0.01	-2.15	-0.82	0.05	-0.07	-0.09	7.04	0.74	-0.03	-0.02	-0.63	0.00
7. HEAVYMNFC	0.02	-0.07	-1.79	-1.15	0.01	0.15	0.05	7.31	0.75	0.19	0.32	-0.59	-0.01
8. UTIL_CONS	-0.10	-0.24	0.81	0.76	-0.15	-0.09	0.00	0.70	0.24	-0.32	-0.22	-0.01	-0.16
9. TRANSCOMM	0.01	-0.18	0.49	0.42	-0.11	-0.13	-0.06	0.64	-0.06	-0.13	-0.07	0.05	-0.05
10. OTHSERVICES	0.12	-0.10	0.71	0.58	0.04	-0.03	0.02	0.67	0.14	-0.08	-0.04	0.08	0.02

Table 10: Bilateral imports by member countries in EU-ASEAN (% change from BASE)

Importing						Ехро	orting co	untry					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTA	OCEAN	ROOCE	USA	NAME	LATINA	TPPLA	EU_28	RESTOF
Commodity		ASIA		ASIA	SIA	IA	ANIA		RICA	MER	TIN		WORLD
SEASIA													
1. GRAINSCROPS	-6.88	-6.76	-11.06	85.19	-6.93	-6.24	-6.04	-8.07	-4.77	-6.80	-6.41	32.54	-7.07
2. MEATLSTK	-0.72	-0.50	-8.51	68.77	-0.77	0.00	-0.08	-1.82	5.26	-0.63	-0.17	45.78	-1.06
3. EXTRACTION	-4.15	-3.58	-5.36	31.88	-4.12	-4.28	-4.46	-4.05	-4.15	-4.09	-4.09	13.21	-4.04
4. PROCFOOD	-6.02	-5.89	-8.30	43.24	-6.04	-5.71	-6.01	-6.33	-4.50	-5.93	-5.90	46.59	-6.15
5. TEXTWAPP	-0.94	-0.69	-3.86	32.83	-0.89	-0.52	-1.00	-1.44	-0.42	-0.82	-0.82	77.69	-1.09
6. LIGHTMNFC	-5.65	-5.43	-8.22	39.00	-5.58	-5.35	-5.72	-6.04	-5.47	-5.53	-5.58	42.86	-5.77
7. HEAVYMNFC	-3.13	-2.87	-5.42	10.23	-3.03	-2.98	-3.17	-3.42	-2.89	-2.96	-3.00	25.14	-3.17
8. UTIL_CONS	2.57	2.77	-0.46	-0.02	2.61	2.85	2.51	2.25	2.70	2.67	2.62	2.36	2.47
9. TRANSCOMM	1.82	2.00	-1.71	-0.76	1.86	2.05	1.77	1.51	2.00	1.88	1.81	1.60	1.71
10. OTHSERVICES	2.09	2.28	-2.03	-0.98	2.13	2.34	2.03	1.77	2.18	2.15	2.08	1.84	1.98
TPPSEASIA													
1. GRAINSCROPS	-0.90	-0.76	32.70	-9.65	-0.94	-0.30	-0.08	-2.05	1.18	-0.77	-0.38	73.65	-1.07
2. MEATLSTK	3.02	3.25	1.88	-5.71	2.97	3.77	3.67	1.90	8.92	3.12	3.57	22.39	2.69
3. EXTRACTION	1.27	1.82	11.12	-5.92	1.31	1.14	0.86	1.42	1.34	1.39	1.44	6.84	1.38
4. PROCFOOD	-4.59	-4.45	6.38	-7.28	-4.61	-4.28	-4.60	-4.90	-3.04	-4.51	-4.48	43.41	-4.71
5. TEXTWAPP	0.89	1.15	11.62	1.20	0.93	1.32	0.84	0.38	1.40	1.00	1.01	96.97	0.74
6. LIGHTMNFC	-3.83	-3.61	14.04	-5.48	-3.76	-3.51	-3.90	-4.22	-3.61	-3.71	-3.77	24.82	-3.94
7. HEAVYMNFC	-1.70	-1.44	15.17	-3.80	-1.60	-1.55	-1.74	-1.99	-1.46	-1.52	-1.57	10.08	-1.74
8. UTIL_CONS	1.80	2.00	-1.23	-0.79	1.84	2.08	1.74	1.48	1.93	1.90	1.85	1.60	1.70
9. TRANSCOMM	0.97	1.15	-2.56	-1.61	1.01	1.20	0.92	0.66	1.15	1.03	0.96	0.76	0.86
10. OTHSERVICES	1.06	1.25	-3.06	-2.01	1.10	1.31	1.01	0.74	1.15	1.12	1.05	0.81	0.95
EU-28													
1. GRAINSCROPS	-0.10	0.02	31.43	-7.22	-0.13	0.42	0.73	-1.35	2.12	-0.02	0.39	-0.28	-0.32
2. MEATLSTK	-0.52	-0.28	84.99	9.59	-0.57	0.24	0.15	-1.67	5.84	-0.43	0.03	-0.83	-0.86
3. EXTRACTION	-0.09	0.43	7.27	13.66	-0.07	-0.23	-0.40	0.06	-0.03	0.00	-0.04	-0.06	0.00
4. PROCFOOD	-0.41	-0.27	39.11	26.52	-0.43	-0.09	-0.42	-0.72	1.24	-0.32	-0.30	-0.56	-0.53
5. TEXTWAPP	-1.39	-1.12	45.38	58.61	-1.34	-0.96	-1.45	-1.90	-0.85	-1.27	-1.28	-1.41	-1.54
6. LIGHTMNFC	-0.16	0.05	26.19	25.70	-0.10	0.18	-0.22	-0.55	0.08	-0.04	-0.09	-0.35	-0.28
7. HEAVYMNFC	-0.01	0.25	9.42	5.56	0.10	0.16	-0.03	-0.29	0.26	0.17	0.13	-0.13	-0.04
8. UTIL_CONS	0.22	0.42	-2.82	-2.38	0.26	0.50	0.16	-0.10	0.35	0.32	0.27	0.01	0.12
9. TRANSCOMM	0.28	0.46	-3.25	-2.30	0.32	0.51	0.23	-0.03	0.46	0.34	0.27	0.06	0.17
10. OTHSERVICES	0.28	0.47	-3.84	-2.79	0.32	0.54	0.23	-0.04	0.37	0.34	0.28	0.03	0.17

Table 11: Bilateral exports by member countries in EU-ASEAN (% change from BASE)

Exporting						lm	porting co	untry					
country /	INDIA	SOUTH	SEASIA	TPPSE	EASTAS	OCEAN	ROOCEA	USA	NAME	LATINA	TPPLAT	EU_28	RESTOFW
Commodity		ASIA		ASIA	IA	IA	NIA		RICA	MER	IN		ORLD
SEASIA													
1. GRAINSCROPS	-3.90	-4.51	-11.06	32.70	-3.60	-3.98	-4.28	-4.32	-13.00	-4.29	-4.72	31.43	-3.83
2. MEATLSTK	-7.98	-7.57	-8.51	1.88	-7.55	-8.88	-8.58	-8.96	-57.15	-8.25	-8.58	84.99	-7.84
3. EXTRACTION	-0.86	-1.40	-5.36	11.12	-1.17	1.34	-0.88	-1.65	-1.36	-1.58	-1.48	7.27	-1.45
4. PROCFOOD	-1.37	-1.68	-8.30	6.38	-2.04	-2.31	-2.36	-3.65	-14.75	-2.44	-2.45	39.11	-2.09
5. TEXTWAPP	-2.93	-3.03	-3.86	11.62	-2.97	-2.99	-2.77	-2.66	-2.80	-2.81	-2.97	45.38	-2.92
6. LIGHTMNFC	-2.40	-2.39	-8.22	14.04	-2.42	-2.48	-2.34	-2.39	-2.50	-2.56	-2.51	26.19	-2.39
7. HEAVYMNFC	-2.18	-2.10	-5.42	15.17	-2.20	-2.09	-1.94	-2.20	-2.24	-2.32	-2.18	9.42	-2.20
8. UTIL_CONS	-2.97	-3.04	-0.46	-1.23	-2.96	-3.00	-2.85	-2.83	-2.90	-3.05	-2.95	-2.82	-2.90
9. TRANSCOMM	-3.36	-3.49	-1.71	-2.56	-3.40	-3.45	-3.35	-3.25	-3.42	-3.40	-3.33	-3.25	-3.31
10. OTHSERVICES	-3.78	-4.06	-2.03	-3.06	-3.94	-4.05	-3.91	-3.84	-3.98	-3.97	-3.94	-3.84	-3.90
TPPSEASIA													
1. GRAINSCROPS	-8.76	-9.57	85.19	-9.65	-8.55	-9.59	-9.24	-9.88	-18.49	-9.01	-10.33	-7.22	-9.22
2. MEATLSTK	-8.88	-8.42	68.77	-5.71	-8.99	-10.13	-9.43	-9.65	-58.52	-9.22	-9.59	9.59	-8.53
3. EXTRACTION	-6.99	-6.64	31.88	-5.92	-6.89	-4.41	-5.11	-7.42	-6.62	-7.09	-7.47	13.66	-6.75
4. PROCFOOD	-1.76	-2.08	43.24	-7.28	-2.44	-2.69	-2.68	-4.05	-15.17	-2.82	-2.87	26.52	-2.50
5. TEXTWAPP	0.31	0.19	32.83	1.20	0.28	0.25	0.49	0.62	0.47	0.43	0.28	58.61	0.32
6. LIGHTMNFC	-1.51	-1.49	39.00	-5.48	-1.55	-1.57	-1.53	-1.48	-1.61	-1.68	-1.61	25.70	-1.53
7. HEAVYMNFC	-1.98	-1.97	10.23	-3.80	-1.98	-1.87	-1.74	-1.99	-2.02	-2.11	-2.06	5.56	-2.01
8. UTIL_CONS	-2.53	-2.60	-0.02	-0.79	-2.52	-2.56	-2.41	-2.39	-2.46	-2.61	-2.51	-2.38	-2.46
9. TRANSCOMM	-2.41	-2.54	-0.76	-1.61	-2.45	-2.50	-2.40	-2.30	-2.47	-2.45	-2.38	-2.30	-2.36
10. OTHSERVICES	-2.73	-3.01	-0.98	-2.01	-2.89	-3.00	-2.86	-2.79	-2.93	-2.92	-2.89	-2.79	-2.85
EU-28													
1. GRAINSCROPS	0.42	-0.18	32.54	73.65	0.22	0.01	-0.26	-0.17	-8.92	-0.08	-0.58	-0.28	0.16
2. MEATLSTK	-0.37	-0.30	45.78	22.39	-0.41	-1.27	-0.83	-1.31	-49.79	-0.38	-0.66	-0.83	-0.16
3. EXTRACTION	0.26	0.07	13.21	6.84	0.23	2.91	0.36	-0.13	0.10	-0.03	-0.05	-0.06	-0.08
4. PROCFOOD	0.66	0.43	46.59	43.41	0.11	-0.16	-0.17	-1.45	-12.57	-0.26	-0.33	-0.56	0.05
5. TEXTWAPP	-0.04	-0.16	77.69	96.97	-0.08	-0.10	0.14	0.27	0.11	0.07	-0.07	-1.41	-0.02
6. LIGHTMNFC	-0.05	-0.05	42.86	24.82	-0.11	-0.12	-0.05	-0.06	-0.16	-0.20	-0.15	-0.35	-0.05
7. HEAVYMNFC	-0.01	-0.04	25.14	10.08	0.01	0.08	0.20	0.01	-0.03	-0.14	-0.10	-0.13	-0.05
8. UTIL_CONS	-0.15	-0.22	2.36	1.60	-0.13	-0.17	-0.02	0.00	-0.08	-0.22	-0.13	0.01	-0.08
9. TRANSCOMM	-0.05	-0.18	1.60	0.76	-0.09	-0.14	-0.04	0.06	-0.11	-0.09	-0.02	0.06	0.00
10. OTHSERVICES	0.09	-0.19	1.84	0.81	-0.08	-0.18	-0.04	0.03	-0.12	-0.10	-0.07	0.03	-0.03

Table 12: India's exports (% change from BASE)

	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
1. GRAINSCROPS	-0.5	-0.5	-0.3	-0.2	8.1
2. MEATLSTK	-0.3	0.4	0.3	0.0	-14.7
3. EXTRACTION	0.1	0.1	0.2	0.3	32.6
4. PROCFOOD	-0.9	-0.8	-1.1	-1.6	5.6
5. TEXTWAPP	-0.7	-0.4	-0.5	-1.7	-19.4
6. LIGHTMNFC	0.0	-0.1	-0.2	-0.2	27.5
7. HEAVYMNFC	-0.1	-0.2	-0.1	-0.2	100.4
8. UTIL_CONS	0.2	0.1	0.2	0.4	-7.6
9. TRANSCOMM	0.3	0.3	0.3	0.7	-5.9
10. OTHSERVICES	0.3	0.5	0.3	0.9	-19.6

Table 13: India's imports (% change from BASE)

Ī	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
1. GRAINSCROPS	-0.5	-0.6	-0.7	-1.0	78.2
2. MEATLSTK	-0.7	-0.1	0.0	-0.9	39.3
3. EXTRACTION	-0.1	-0.1	-0.1	-0.1	19.1
4. PROCFOOD	-0.1	-0.1	-0.7	-0.7	88.2
5. TEXTWAPP	-0.2	-0.1	-0.2	-0.3	58.9
6. LIGHTMNFC	-0.2	-0.3	-0.2	-0.5	36.8
7. HEAVYMNFC	-0.1	-0.1	-0.1	-0.3	32.5
8. UTIL_CONS	-0.1	-0.2	-0.1	-0.4	7.1
9. TRANSCOMM	-0.2	-0.2	-0.2	-0.5	7.8
10. OTHSERVICES	-0.3	-0.3	-0.2	-0.5	8.6

Table 14: Sectoral output in India (% change from BASE)

	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
1. GRAINSCROPS	0.0	0.0	0.0	0.0	-2.7
2. MEATLSTK	0.0	0.0	0.0	0.0	0.0
3. EXTRACTION	0.1	0.0	0.1	0.1	-5.2
4. PROCFOOD	-0.1	-0.1	0.0	-0.1	-5.9
5. TEXTWAPP	-0.2	-0.1	-0.2	-0.6	-10.0
6. LIGHTMNFC	0.0	0.0	0.0	0.0	1.0
7. HEAVYMNFC	0.0	-0.1	0.0	0.0	10.9
8. UTIL_CONS	0.0	-0.1	0.0	-0.1	4.0
9. TRANSCOMM	0.0	0.0	0.0	0.0	1.2
10. OTHSERVICES	0.0	0.1	0.0	0.1	-2.7
GDP quantity index	-0.01	-0.01	-0.01	-0.02	2.4

Table 15: Domestic market price in India (% change from BASE)

	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
Commodities					
1. GRAINSCROPS	-0.1	-0.2	-0.1	-0.3	0.4
2. MEATLSTK	-0.1	-0.2	-0.1	-0.3	1.3
3. EXTRACTION	0.0	-0.1	0.0	-0.1	-2.2
4. PROCFOOD	-0.1	-0.2	-0.1	-0.2	0.6
5. TEXTWAPP	-0.1	-0.1	-0.1	-0.2	1.3
6. LIGHTMNFC	-0.1	-0.1	-0.1	-0.2	0.3
7. HEAVYMNFC	0.0	-0.1	0.0	-0.2	-2.1
8. UTIL_CONS	-0.1	-0.1	-0.1	-0.2	1.5
9. TRANSCOMM	-0.1	-0.1	-0.1	-0.2	3.2
10. OTHSERVICES	-0.1	-0.1	-0.1	-0.2	4.5
Factors of production					
1 LAND	-0.2	-0.3	-0.2	-0.4	-4.9
2 UNSKLAB	-0.1	-0.2	-0.1	-0.3	5.3
3 SKLAB	-0.1	-0.1	-0.1	-0.2	4.5
4 CAPITAL	-0.1	-0.2	-0.1	-0.3	5.7
5 NATRES	0.4	0.1	0.3	0.4	-28.6

Table 16: Welfare impacts for India (change from BASE)

	TPP	TTIP	EU-ASEAN	ALL3PTAs	MLTL
Aggregate welfare (US\$ millions)	-322	-408	-336	-757	21216
Welfare as % of GDP	-0.03	-0.03	-0.03	-0.06	1.68
GINI index	0.0036	0.0041	0.0029	0.0082	-0.0666
Poverty head count	0.3	0.5	0.2	0.8	-12.3
Poverty gap	0.5	0.5	0.5	1.2	-16.0
Poverty FGT index	0.8	0.8	0.8	1.6	-17.9

Source: Authors

Note: Aggregate welfare is reported in US\$ million and as a % of GDP in the scenario. The inequality and poverty measures are percentage change from BASE levels.

Table 16A: Total welfare gain / loss for India (US\$ million)

Commodities	All3PTAs + Unilateral Trade Liberalisation
GrainsCrops only	573
MeatLstk only	-758
Extraction only	3,072
ProcFood only	2,213
TextWapp only	-764
LightMnfc only	-1,298
HeavyMnfc only	-14
All sectors	7,564

Annex 3

Table 1: India's Intermediate Exports to Mega Regional Countries as percentage to its World Intermediate Export by sector 2012

Sector	Australia	Canada	Brunei	Chile	New Zealand	Singapore	Sn	Peru	Vietnam	Malaysia	Mexico	Japan	EU	ASEAN
Textile	0.78	0.83	0.01	99.0	0.19	0.61	8.47	2.34	1.30	0.77	1.24	1.23	20.92	6.37
Electrical machinery	1.60	1.27	0.02	0.12	0.20	3.63	18.97	0.25	0.93	1.48	3.43	2.62	27.40	9.49
Stone, clay, glass and concrete products	0.97	89.0	0.00	0.02	0.09	1.78	27.78	0.02	0.07	0.44	0.64	2.14	12.32	4.75
Transportation Equipment	69:0	2.02	0.00	0.13	0.05	0.93	27.30	0.20	0.03	0.54	5.18	2.47	29.95	8.71
Pulp, Paper and Wood	1.58	1.54	0.01	0.26	0.14	0.79	43.52	0.35	1.25	06.0	0.85	1.16	16.76	5.37
Household electric appliances	1.78	2.63	0.04	0.07	0.36	0.49	31.18	0.04	90.0	0.43	1.02	0.29	42.80	1.61
Iron and steel, Nonferrous metals	1.78	2.03	0.00	0.57	0.11	1.54	14.91	0.89	1.21	1.59	1.23	1.74	21.38	8.99
Chemicals	0.86	1.97	0.00	0.34	0.18	2.65	14.22	0.39	1.28	2.39	1.93	2.74	23.00	12.63
Precision machinery	1.34	1.08	0.00	80.0	0.02	4.42	15.44	0.05	0.07	5.64	0.41	0.71	37.77	11.82
Foods	0.23	0.22	0.02	0.01	0.11	0.48	1.40	0.01	10.24	7.25	0.01	13.87	11.54	33.85
General machinery	1.20	1.95	0.01	0.16	0.07	3.03	26.34	0.20	0.51	1.35	2.22	1.44	32.65	10.16
Oil and Coal	0.43	0.29	0.00	0.00	0.01	23.76	8.54	0.00	0.05	1.87	1.12	6.77	16.54	26.57
Toys and Miscellaneous goods	69.0	0.44	0.13	0.19	0.07	1.02	13.55	0.03	0.21	0.75	0.45	0.71	2.03	6.24

Source: RETI-TID, 2014 http://www.rieti.go.jp/en/index.html.

Table 2: India's Intermediate Imports from Mega Regional Countries as percentage to its World Intermediate Import

	;	,	:	,	,		New	,			į	į	
	Australia	Canada	Chile	Japan	Malaysia	Mexico	Zealand	Peru	Singapore	USA	Vietnam	EU	ASEAN
Oil and Coal	0.18	0.02	0.05	1.57	1.82	0.02	0.01	NA	5.30	3.52	0.19	0.42	7.80
Toys and Miscellaneous goods	0.48	0.49	0.00	4.24	0.63	0.54	0.01	0.00	14.80	10.79	0.32	19.89	21.47
Textile	0.09	0.07	0.01	3.18	1.60	0.10	0.02	0.02	0.55	2.71	1.36	10.31	8.89
Electrical machinery	0.17	0.28	0.01	7.41	4.58	0.70	90.0	0.01	5.35	6.90	1.06	27.96	15.14
Stone, clay, glass and concrete products	90.0	0.07	0.00	1.23	0.36	0.11	0.00	0.01	0.43	10.18	0.58	20.05	3.26
Transportation Equipment	0.20	0.97	0.00	10.50	0.40	0.99	90.0	0.00	0.97	12.81	0.54	36.15	8.70
Pulp, Paper and Wood	0.24	1.94	0.23	1.05	17.49	0.03	0.58	0.01	0.18	3.25	0.35	10.43	55.22
Household electric appliances	0.21	0.19	0.02	1.34	3.24	0.14	0.02	NA	1.20	3.47	0.10	12.47	15.31
Iron and steel , Nonferrous metals	4.93	0.28	0.07	3.31	0.95	0.05	0.01	0.14	1.10	5.25	0.10	14.08	3.26
Chemicals	0.54	99.0	0.26	3.00	2.24	0.23	0.03	0.01	3.81	9.54	0.30	23.18	10.18
Precision machinery	0.15	0.29	0.00	8.74	29.0	0.51	0.01	0.00	6.78	18.12	0.39	31.93	12.50
Foods	0.33	0.73	0.13	0.30	3.63	90.0	2.02	0.32	1.92	3.85	1.57	22.28	13.48
General machinery	0.19	0.51	0.00	10.24	2.74	0.19	0.12	0.00	2.08	10.09	0.18	35.47	9.24
													1

Source: RETI-TID, 2014 http://www.rieti.go.jp/en/index.html.

Annex 4

Table: RTAs new rules and its implications for India

Measure	Likely mega RTA position	Implications for India
Trade Standards	WTO-plus product norms Mutual recognition and duplicative testing Hegemonic harmonisation of norms Accommodate the interests of private sector in developing standards Superior risk assessment procedures for SPS measures	WTO-plus standards could impede market access and GVC participation. Harmonisation could reduce costs of compliance with multiple regulatory regimes Private standards will most likely reflect the requirements of interests groups in advanced countries Standard takers rather than standard setters
Subsidies	 Correct market failures, especially by streamlining subsidies that cause environmental pollution Likely restrictions on direct payments to State owned Enterprises Reforms in farm subsidies less likely 	Serious constraints on sovereign policy space to address development issues
Trade Remedies	Will not affect existing rights and obligations under WTO regime Further refine rules pertaining to transparency and procedural due process	Constraints on available space to use trade remedy instruments (AD, Safeguards, CVD) as effective tools against import surges
Rules of Origin	Will most likely be fine-tuned to improve the participation of mega RTA parties in GVCs and prevent trans-shipment	Impede GVC participation and cause potential trade diversion.
Intellectual Property	 Proposes to introduce high standards of IP protection through TRIPS-plus provisions on data exclusivity, patent linkage, border measures, trademarks, trade Proposes to reduce the threshold for patents (TRIPS-minus). Improve the enforcement of IP rights in third countries. 	 Retard the market entry of generic drugs. Proposed border measures will reduce market access for India's generic drugs even in third countries. Directly impact the cost and availability of crucial drugs.
Export Restrictions	 Likely express prohibition on export taxes Carve-outs from exceptions to Art XI of GATT. Impose WTO-plus conditions while imposing export restrictions 	Refining the scope of export restrictions will limit the policy space available to augment domestic availability.
Environmental and Labour Standards	 Stricter enforcement of domestic laws to discincentivize use of lower standards as a means to achieve comparative advantage. Adoption of Voluntary Sustainability Standards 	Constraints on market access with social standards posing as non-tariff barriers.

About the Project

The slow progress of negotiations at the World Trade Organization, amongst other factors, has had a gradual shift in policy focus of countries from multilateralism towards regionalism. As an outcome of this, regionalism has registered a phenomenal growth worldwide. Over the last two decades, the number of regional trade agreements (RTA) has increased more than fourfold and there are numerous comprehensive economic partnership agreements under negotiation.

India's response to this changing scenario has been slow and it has not gained much from its own trade agreements. Besides this, compounding worries of receding exports in its traditional markets due to competitive pressures from other exporters has increased its trade deficit in the last few years. This can be due to the preferential access given to competing countries through RTAs.

Three of the most important regional trade agreements that are being negotiated, from the point of significance for the Indian economy, are the EU-ASEAN Free Trade Agreement, the Trans-Pacific Partnership agreement (TPP), and the Transatlantic Trade and Investment Partnership agreement (TTIP). CUTS International with support from Department for International Development (DFID) supported Knowledge Partnership Programme (KPP) (through IPE Global, New Delhi) has undertaken this study to bring out the potential effects of these three mega regional trade agreements on the Indian economy and the opportunities India can take to address challenges.

For details, please visit: www.cuts-citee.org/EPTAs/

About CUTS

With its headquarter in Jaipur, India; Regional Centres, in Lusaka, Nairobi, Accra and Hanoi; and an International Centre in Geneva, CUTS International has three verticals: Trade, Regulations and Governance. Through policy- and action-research, advocacy, networking and capacity building, it has established its relevance and impact in several policy-making areas and among the larger development community.

