

**Stakeholder Consultation Meeting
Mega Regional FTAs and Indian Economy: Impacts and Counter Measures**

Thursday, 11th September 2014

PHD House, Sector 31
Chandigarh

Report

1. Introduction

- 1.1. CUTS International, with support from the UKAid, is implementing a project titled “**External Preferential Trade Agreements and the Indian Economy: An Analysis of Impacts and Counter Measures**”.
- 1.2. As part of this project, a series of Stakeholder Consultation Meetings(SCMs) in India is underway to generate awareness among relevant stakeholders (exporters, importers, industry experts, SMEs, economists, policy makers, business chambers, think tanks and market leaders) about mega regional trade agreements - EU-ASEAN Free Trade Agreement, the Trans-Pacific Partnership agreement (TPP), and the Trans-Atlantic Trade and Investment Partnership agreement (TTIP).
- 1.3. These SCMs are to grab the attention of stakeholders to the changing dynamics of international trading system and seek discussion on pre-emptive strategy to be adopted by India across policy and procedural levels akin to sustainable economic development and growth.



- 1.4. Inputs of these SCMs will be shared with the Department of Commerce, Government of India to instigate appropriate policy and procedural measures to reduce the potential impact of Mega FTAs on the Indian Economy. In the phase-I, these SCMs are being held in Indian cities of Bhubneshwar, Chandigarh, Chennai, Mumbai and Ranchi.

2. Key reflections of the stakeholders

- 2.1. Dalip Sharma, Director, PHD Chamber of Commerce and Industry welcomed the participants and specified the meeting's objective as in to generate awareness among the stakeholders, to obtain specific input from them on the potential impact of these external PTAs, to sensitize policy makers as well as other stakeholders to prepare policy response which will prevent the negative impact on the Indian economy from these external PTAs."
- 2.2. Archana Jatkar, Coordinator and Deputy Head, CUTS Centre for International Trade, Economics and Environment, said, "Though manufacturers are willing to comply with WTO standards, the cost of compliance to the standards set under the Mega FTAs will be significant. That is likely to impact the Small and Medium Enterprises (SMEs) the most."
- 2.3. Surendar Singh, Policy Analyst, CUTS Centre for International Trade, Economics and Environment, through his presentation, reckoned that the eventuality of the three Preferential Trade Agreements (PTAs)- Trans-Pacific Partnership agreement (TPP) Trans-Atlantic Trade and Investment Partnership (TTIP) agreement and EU-ASEAN free trade agreement (FTA) will have far reaching implications on the Indian economy besides affecting the competitiveness of India's exports in these countries among other impacts.



- 2.4. Singh further argued that exports of agriculture commodities, processed food, textile and wearing apparel and heavy manufacturing are likely to be affected. He reflected that Trade and Investment implications will be greater in case of TPP & TTIP agreements as it will restrict the access of non-participating countries to integrate in TPP & TTIP led global value chain. This may cause shift in production center particularly in textile, apparel and heavy manufacturing.
- 2.5. Outlining what could be the counter strategy, experts present shared that a strategic focus on bilateral trade agreements in TPP region has to be brought in coupled with India's engagement in Regional Comprehensive Economic Partnership (RECP) may help to mitigate the potential impact of these agreements. Besides, investment in trade related institutions such as Bureau of Indian Standards Act and other bodies to enable compliances and focus on capacity building programs to enhance the knowledge of India trading community could be effective.

- 2.6. Col. (Retd.) P K Vasudeva highlighted that US & EU are trying to redefine the international standards to restrict market access for India and other developing countries, adding that India should focus on the trade facilitation measures in order to enhance competitiveness of India's export.
- 2.7. Participants urged policy makers to prevent the misuse of Rules of Origin clause in current frameworks including the agreement on South Asia Free Trade Area (SAFTA) where Bangladesh imports yarn from China and exports the finished goods to India whereas India under SAFTA can insist Bangladesh to import yarn from her to avail the zero duty benefit else impose the prescribed custom duty.
- 2.8. Some of the participants voiced their concern over the cumbersome process of export documentations, procedural barriers and levied penalties-in case of non-compliance- thereof. The custom officials and relevant agencies including banks should deploy a predictable and transparent mechanism to help facilitate India's exports. In order to submerge the potential impact of Mega FTAs, facilitative, simple and hassle free trade related administrative set ups coupled with enhanced competitiveness across sectors and products will be the key.