

India inks FTAs, pries open markets for its exporters



Mr J A Chowdary, Co-Chairman, FICCI Andhra Pradesh State Council addressing the participants. On the dais from left, Mr Walter D'Souza, Chairman, FIEO(SR); Mr Siddharth, Joint Secretary, Department of Commerce; and Mr V Satyanarayana, Committee Member, PHARMEXCIL.

FIEO (Andhra Pradesh Chapter) and FICCI jointly organized a seminar on "India's Engagement with Free Trade Agreements: Business Opportunities and Challenges" on January 10, 2012 in Hyderabad. The programme was attended by more than 150 participants.

In his keynote address, Mr Siddharth, Joint Secretary, Department of Commerce, Ministry of Commerce and Industry, said exporters should make optimum use of India's engagement with FTAs that have opened up many markets. "With our import bill going up, it is getting difficult to bridge the trade deficit. Therefore, we have to match the rising imports with increase in exports," he said.

Listing out the FTA's concluded by India, Mr Siddharth said India signed the first trade agreement with South

Korea in 2009 and later with Japan and Malaysia in 2011. "We signed an agreement with ASEAN as a group in 2009, but it came into being with individual countries only in 2010 and 2011," he pointed out.

He highlighted that Japan opened 87% of its tariff lines on zero duty in the first year, while India gave only 16%. "These agreements are effective tools to gain market access," he added.

Earlier, Mr Walter D'Souza, Regional Chairman, FIEO (Southern Region), in his welcome address stated that post the announcement of the Foreign Trade Policy 2009-14 which set the target of doubling India's export by 2014, India has been on course. "Indian exports during April-November, 2011 recorded a 33.2% growth to reach \$192.7 billion. However, imports for the same period

grew at around 30% widening the trade deficit to \$117 billion which is a cause of concern," he said.

He pointed out that in view of rising interest rates, FIEO appealed to the Ministries of Finance and Commerce as well as the RBI to provide 2% interest subvention to exporters. He thanked the government for agreeing to the same. He enumerated that the Revenue Department and the Commerce Ministry also announced substantial reforms and simplification in Fiscal Policy and Trade Policy to reduce transaction costs and hassles, but much more needs to be done to make it reasonable when compared to transaction cost in the US, EU or China.

He further lamented about the inadequacies in the Indian ports sector, which prolonged the turnaround time of ships carrying goods for exports as



Mr Walter D'Souza, Regional Chairman, FIEO(SR) addressing the participants.

compared to foreign ports. He informed that infrastructure bottlenecks are responsible for 10-8% decrease in exports from India.

Ms Suchismita Palai, Director, Department of Commerce, making a presentation on the salient features of the India-Korea Comprehensive Economic Partnership Agreement (CEPA) informed that as per the trade statistics of DGCIS, after coming the India-Korea CEPA came into force, bilateral trade has increased by more than 13.5% as compared to the previous year. The potential for further growth in this area is very high and the target of \$30 billion looks set to be achieved by 2014.

She elaborated that the negotiations for the CEPA with South Korea commenced in March 2006 and the agreement was signed on August 7, 2009. This is India's second such pact, the first being with Singapore, and the first CEPA with any OECD country. The agreement covers not only trade in goods but also investment, services and bilateral cooperation in areas such as Customs, audio visual co-productions, and new and renewable energy etc.

Highlighting the major gains from

the agreements for trade in goods she said that Korea has put 5326 lines (47.3% of total tariff lines) under immediate tariff liberalization i.e. bringing down the duties to zero immediately for India. And as 50% of India's trade (volume wise) falls under these lines, this liberalization will benefit Indian exporters of these items to Korea. Further, Korea has kept 6.7% of the total tariff line in the negative/exclusion list whereas India has kept 14.69% in the negative list. This agreement covers more than 85% of India's trade and more than 90% Korea's trade and tariff lines.

Making a presentation on the India-Japan CEPA, Ms Sonia Pant, Deputy Secretary, Department of Commerce, said Japan's offer to India is significantly superior to Japan's Revised Offers in the WTO and also compares favourably with its commitments under other FTAs including its agreements with various ASEAN countries.

There is a separate chapter on trade through movement of natural persons and that Japan has agreed for GATS plus disciplines in domestic regulations. The agreement is most comprehensive of all the agreements concluded by India so far as it covers more than 90% of trade, a vast gamut of services, investment, IPRS, customs and other trade related issues. The Japanese side has agreed that applications for registration and release of generic medicines in the Japanese market will be granted a treatment no less favorable than what it grants to such applications from its own nationals. Significantly, this is for the first time Japan has allowed such access to its pharma market to any of its trading partners.

Making a qualitative analysis of the India-Malaysia CECA, Ms Pant said Malaysia has agreed on common definitions for categories of natural persons resulting in conceptual clar-



A cross-section of participants.

ity. The commitment for a given duration of stay for each category of natural persons engaged in the supply of services provides a sense of certainty to the service supplier.

Malaysia has also removed all requirements relating to Economic Needs Tests and Labour Market Tests from its schedule of commitments. This is a major gain for India in terms of ensuring clarity and certainty in commitments. Both countries have also agreed right to work for spouses and dependents as per laws and regulations of the host country.

Concluding the session, Mr Abhay Jain, Under Secretary, Department of

Commerce said India's engagement with ASEAN started with its "Look East Policy" in the year 1991. ASEAN has a membership of 10 countries .After 23 meetings of the ASEAN-India Trade Negotiating Committee (TNC), India and the ASEAN have signed agreements during 2009 which are showing good results. The present agreement covers only trade in merchandise, and does not apply to services, which is India's strong point. The balance of merchandise trade between India and the ASEAN region is tilted towards the ASEAN. This is likely to remain unchanged even after the expansion of mutual trade, post-FTA. The imbalance can be corrected only when services and

investments are covered with a fresh agreement pertaining to trade in services just like the agreement on trade in goods (TIG). ■

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CRR cut of 50 basis points to infuse liquidity: FIEO Chief

Mr M. Rafeeqe Ahmed, President, FIEO, while commenting on the Third Quarter Review of the Monetary Policy today stated that the status quo in policy rates is as anticipated. The previous 13 successive policy hikes have been detrimental for investment/capital formation and the manufacturing indices (both IIP and PMI) have been adversely impacted.

The FIEO Chief explained that the liquidity crunch resulting in average bank borrowing of Rs 1.26 trillion every day from the RBI's repo window this month has prompted a CRR cut as banks pay 8.5% for short term asset-liability mismatch requirements and 9.5% to borrow from the marginal standing facility.

Mr Ahmed expressed concern that GDP in the first half of the fiscal was 7.3%, the second quarter was down to 6.9% and the third quarter as per analysts again shows a downward bias. Global growth prospects for 2012 have further deteriorated and while the World Bank has already revised global trade forecast to 4.4 % from 7.4%, the IMF may also do the same shortly, observed Mr Ahmed. In the circumstances, it is felt

that proactive policy measures may be taken to stimulate the economy. These would include:

- (i) Reversal of policy hikes/interest rates to enable credit off-take for export sector;
- (ii) Extending interest subvention beyond March 31, 2012 for exports across sectors, as at present it is confined to handicrafts handlooms, carpet and manufacturers in small and medium enterprises (SMEs), given the slowdown in the advanced economies;
- (iii) Incentivizing investment linked proposals from the MSME export sector by a low cost corpus of funds from banks at 7%;
- (iv) The RBI may set up a committee to monitor new proposals being submitted to banks and ascertain reasons for rejection, if any.
- (v) As the Budget is round the corner, corporate tax needs to be reduced to 25% and MAT on book profits must be cut to 10% (as against 18.5% presently). This would provide the necessary stimulus to industry.