

INDIA'S DFTP SCHEME: AN ANALYSIS

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Objectives

- Prime Minister of India announced the Duty Free Tariff Preference (DFTP) Scheme for all the LDCs IN THE India Africa Forum Summit in April 2008. The Scheme has been implemented in 2008.
- The objective of this Scheme is to grant tariff preferences on the exports of products originating in the LDCs on imports to India to improve their trading opportunities and use it as a tool for their development.
- Though undertaken unilaterally, it is in line with the decision taken in the World Trade Organisation's (WTO's) Hong Kong Ministerial Declaration of December, 2005.

Eligibility

- The Scheme is open to all the LDC members, a total of 49, including 34 LDCs in Africa, named as “Beneficiary Country”.
- To become a “Beneficiary Country”, the interested LDC members are required to give a **Letter of Intent** to the Government of India that they wish to be covered under this Scheme and that they would comply with the provisions of this Scheme.

Modalities for Tariff Preferences

- **Duty Free List**: 85% of the total tariff lines (at 6-digit HS) to become duty-free in a 5 year time frame.
- **Positive List**: In addition, on 9% tariff lines limited tariff concessions would be available (ranging from 10% to 100%).
- **Exclusion List**: Only 6% of the tariff lines are excluded from the preferential tariff treatment.

Rules of Origin

- **Tariff concessions available only on the originating products from LDCs & accompanied by a valid Certificate of Origin.**
- **Products classified:**
 - Wholly produced or obtained category; or
 - Not wholly produced or obtained category.
- **Single set of rules for manufactured products, no complicated or product specific rules:**
 - Change in Tariff Heading (CTH i.e. change at 4-digit HS level) between non-originating inputs & the export product and value added of 30% on FOB basis.

Rules of Origin (2)

- Preferential concessions will be granted only if the consignments are supported by a DFTP Certificate of Origin (format prescribed in the Scheme).
- The Certificate of Origin is required to be issued by a Government authority designated by the exporting Beneficiary Country.
- The Beneficiary Countries are required to submit the names and addresses of their respective issuing authorities well in advance so that their export consignments can enjoy tariff preferences upon imports to India.

Other Provisions

- Technical Cooperation
- Consultations
- National Nodal Points – Beneficiary Countries
- Suspension of preferences – frauds or misuse etc.
- Preferential Safeguards
- Government of India – Nodal Point notified.

Action to be taken by LDCs

- Give a Letter of Intent
- Notify respective Nodal Focal Point
- Notify the Government Agency which will issue Certificate of Origin
- Circulate their seals, signatures etc.

Present Status

- Benin, Burkina Faso, Cambodia, Eritrea, Ethiopia, Gambia, Lao PDR, Madagascar, Malawi, Mozambique, Myanmar, Rwanda, Samoa, Senegal, Sudan, Tanzania and Uganda have submitted letters of intent.
- All these countries, except Senegal and Sudan (received only recently), have already been notified as beneficiary countries.
- Benin, **Cambodia, Ethiopia, Lao PDR, Malawi, Myanmar, Senegal and Tanzania** have given details of agencies which would be responsible for issuing Certificates of Origin as required under the Scheme.

Market Access Potential

- Used the WITS database using COMTRADE.
- Countries selected: Cambodia, Ethiopia, Lao PDR, Malawi, Myanmar and Tanzania. Their global exports were compared with:
 - (1) the global imports of India for 2008 (to assess the size of Indian import market),
 - (2) the applied 2008-09 rates of India (to examine the extent of preference that would be available on exports),
 - (3) the products under the Exclusion List (so as to exclude them from the top trading items), and
 - (4) the extent of concessions that would be available under the Positive List having a specific margin of preference (MOP).

Findings

- **Cambodia:** 93 top global export items - concessions are available. The products are apparel and garments, footwear, bicycles etc. The total Cambodian global exports are to the tune of US \$ 3.63 billion whereas India's global imports on these items account for US \$ 7.26 billion.
- **Ethiopia:** 33 top global items - concessions are available. The products are kidney beans, cane sugar, leather, footwear, peas etc. The total global exports of US \$ 151 million whereas India's global imports on these items account for US \$ 2.04 billion.

Findings

- **Lao PDR:** 47 top global export items - concessions are available. The products are apparel and garments, wooden products etc. The total global exports of US \$ 244.84 million and India's global imports on these items account for US \$ 4.7 billion.
- **Malawi:** 26 top global export items - concessions are available. The products are cane sugar, cotton, apparel and garments, lentils, wooden products etc. The total global exports of US \$ 110.84 million and India's global imports on these items account for US \$ 1.62 billion.

Findings

- Myanmar: 29 top global export items - concessions have are available. The products are shrimps, apparel and garments, fish and fish products, lentils, chickpeas, etc. Their total global exports of US \$ 305.83 million whereas India's global imports on these items account for US \$ 335.62 million.
- Tanzania: 49 top global export items - concessions are available. The products are sugar, cotton, light oils and preparations, vehicles, bicycles, vegetables etc. The total global exports of US \$ 172.85 million whereas India's global imports on these items account for US \$ 2.05 billion.

Future Action

- Unilateral Scheme, no conditionality attached. LDCs are only required to commit themselves to adhere to the rules of origin and cooperate in cases where verification with the Customs is required to be made.
- Thus giving a Letter of Intent to become a Beneficiary Country for availing the preferences under this Scheme is for their benefit only.
- Second step: To notify the Agency which will issue the preferential Certificate of Origin.
- Is this a big task? All the LDCs are enjoying the preferences under the GSP Scheme or a member of other Regional Trade Agreements. They can nominate the same agencies for issuing the DFTP Certificate of Origin without any additional burden or cost.
- Identify technical assistance needs and take up with India.
- Organise seminars/Workshops for their industry for creating opportunity and for policy makers to build their capacity.
- Business to business meet – essential.

Centre for WTO Studies

- The Centre for WTO Studies was created in the year 1999 with the idea to create a permanent memory cell and a professional body that would provide research and allied inputs to the Government for negotiations in WTO and other matters. In this context, the Centre has been mandated to perform the following functions:
 - Research Activities,
 - Publications,
 - Outreach & Capacity building – organizing seminars, workshops, subject specific meetings etc., and
 - Trade Resource Center.
- If requested, we can also do detailed studies for each LDC for identification of items which have edge over other exporters to India so as to disseminate it to their exporters. Can also provide training or need based specialised capacity building programmes.

THANK YOU