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India-EFTA trade pact likely by early 2014

Financial Express

New Delhi, 18 October 2013: India and the European Free Trade Association (EFTA) — comprising Switzerland, Iceland, Norway and Liechtenstein — are planning to ink a broad-based bilateral trade and investment agreement (BTIA) by early 2014.

Officials from the EFTA member countries are in the capital for the 12th round of negotiations. The negotiations had begun in October 2008 with a view to boost bilateral trade and investment as well as to strengthen ties in other areas of economic cooperation.

"We have come to the conclusion that there is a window of opportunity and energy on both sides to conclude the negotiations in the next few weeks. If everything goes right, the agreement would be signed by early next year," Swiss ambassador Linus von Castelmur told reporters at an event organised by the Embassy of Switzerland.

He said the agreement will be beneficial to India and the EFTA countries as it would lead to greater investment and enhanced market access for goods and services.

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FTA talks between India, Gulf council to resume soon

Huma Siddiqui, Financial Express

New Delhi, 6 November 2013: The talks for a free trade agreement (FTA) between India and the Gulf Cooperation Council (GCC), which have been in a limbo for a while now, are set to resume. A decision to this effect was taken during a recent visit by E Ahamed, minister of state for external affairs, to Bahrain. "India and the GCC started negotiations on FTA as far back as 2005 but the two rounds of negotiations held so far have not translated into signing the agreement. India is ready to hold the third round of meeting for expeditious conclusion of the FTA," Ahamed said.

Two rounds of talks for finalising aspects like tariff rules, rules of origin have been held and the third round of FTA negotiations is to be held in India, the dates are yet to be decided. Progress on India-GCC FTA has been slow; it was once hoped that a deal could be completed back in 2009.

The FTA will remove restrictive duties and push down tariffs on goods being traded.

This will provide Indian pharma and chemical industry to export their products to the Gulf region.
The first round of negotiations was held in GCC headquarters in Riyadh on March 21- 22, 2006. During this round, the GCC agreed to include services as well as investment and general economic cooperation along with goods in the GCC-India FTA.

Another hallmark of this round is an agreement on the modalities for negotiations that have been finalized. It was also agreed to conclude the negotiations at the earliest.

The second round of negotiations was held in Riyadh on September 9-10, 2008. In this, the discussion progressed in the earlier decided working groups and the proposed tariff liberalization scheduled was discussed during this round.

India's two-way trade with the Gulf region countries has grown to more than $ 181 billion in 2012-13. Today, the GCC is India's largest trading partner group.

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New global trade pacts may cut out India, China

Swaminathan S Anklesaria Aiyar, Times of India

10 November 2013: A new global trading system is being erected, almost unnoticed in India. One of its unstated aims is to check China's rise through economic discrimination. But it could end up discriminating against India too.

Two major new international trade pacts are under negotiation. One is the Trans Pacific Partnership (TPP), creating a free trade area (FTA) of North America and East Asia (including Japan, Australia, New Zealand, Vietnam and some others). For the first time, a once-protectionist Japan plans to join the US in a region of free trade and investment. The unstated but clear Japanese signal is that China must be checked. For this, it is willing to consider dismantling its traditional trade and investment barriers.

The second big FTA under negotiation is the Transatlantic Trade and Investment Partnership (TTIP), covering the US and the European Union. Historically, Europe has felt threatened by US multinationals, technology, and farm produce. The European Common Market came up with a common external tariff, aimed at binding together European members and standing up to competition from the US. But Europe's recent economic stagnation, plus the rising threat from China, has concentrated minds wonderfully. Europe is now ready to consider a grand bargain with the US, mutually opening up investment, trade and services.

Earlier, the three economic giants — the US, Europe and Japan — saw one another as global rivals. Each sought to conclude FTAs with neighbours and selected developing countries, creating trade blocks within which each had tariff advantages. Now, for the first time, the three big players are seeking FTAs with one another.

What has changed? The rise of China, of course. Now, officials in Washington DC, Brussels and Tokyo will deny heatedly that either the TPP or TTIP is aimed against China. They will claim to be merely carrying forward the logic of globalization and global integration, a trend that has steadily deepened since World War II. But the strategic anti-China aim is clear.

Besides, the World Trade Organization (WTO), the original global forum for promoting global integration, has become gridlocked, with little inclination to move forward. The WTO works on the basis of consensus, so any country can veto any deal. India has used its veto in the WTO to block various proposals in the Doha Round of negotiations. So have some African countries. Hence the Doha Round has achieved nothing concrete despite 13 years of talk.

Faced with this, the US and European Union have lost interest in multilateral deals within WTO. They have opted for FTAs with a limited number of partners willing to strike deals containing the clauses vetoed in WTO by India and other countries. In FTAs, the US has been able to get free capital flows, tough patent laws and stiff environmental conditions that it would not be able to get in WTO. So to a lesser extent has the European Union.

Thus the world has shifted from multilateral deals (where all members agree to common conditions) to FTAs (where small groups extend mutual preferences, cutting out outsiders). India too has tried cutting deals with neighbours, but with few clear benefits, and some disadvantages. India has held preliminary talks on FTAs with the European Union and US, but these have run into serious headwinds.

Why? India is a more reluctant globalized than trade rivals. In WTO, India always opposed free capital flows, free foreign bidding for Indian government contracts, untrammelled investment rights for foreign investors, liberal patent laws and lowered protection for agriculture. It is reluctant to give way on these issues in FTAs with the US or Europe.

But rival developing countries with fewer inhibitions have entered into dozens of FTAs with such conditions. This has given them a trade edge over India, one reason why Indian exports have risen so slowly over the last three years despite massive currency depreciation.

The richest countries are now moving to create giant economic agreements of their own. These, along with existing FTAs, will cover most international trade. This will cut out China. It may also cut out India, seriously disadvantaging it.

To avoid this, India will have to dilute many historical concerns in order to strike serious bargains with the US and European Union. It also needs to make the multilateral WTO system more relevant by helping clinch the Doha Round by diluting its old positions. A lot of political will is required for this.

The TTP and ITTP will take years to be clinched. European and Japanese groups (notably farmers) fearing US competition will oppose these pacts. But the anti-China lobby will probably triumph. So, India must act to avoid potential isolation in global trade and investment.

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PM panel tells commerce ministry to conclude SAFTA talks early

Dilasha Seth & Soma Banerjee, Economic Times

New Delhi, 6 December 2013: A high-level panel headed by Prime Minister Manmohan Singh has asked the commerce department to conclude the next round of negotiations for the Agreement on South Asian Free Trade Area (SAFTA) at the earliest even as it has called for an impact analysis of India's free trade agreements on all sectors.

"The commerce department has been mandated to proceed and conclude the next round of negotiations at the earliest," said a government official. The urgency on regional trade pacts follows the realisation that multilateral trade talks under the World Trade Organisation (WTO) are not likely to make much headway, added the official, who did not wish to be named.

The trade and economic relations committee had concluded in its meeting last month that India was committed to honour whatever had been agreed to earlier under the SAFTA. The committee comprises ministers and top government officials from the ministries of finance and commerce, and Planning Commission, among other departments.

The SAARC (South Asian Association of Regional Cooperation) nations are negotiating to reduce the sensitive list, address the non-tariff barriers and implement trade facilitation measures that include smoothening of customs procedures. The grouping includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Sri Lanka, Pakistan and Nepal.

The SAFTA agreement came into force on January 1, 2006. It required the developing countries in South Asia (India, Pakistan and Sri Lanka) to bring their customs duties down to 20% in the first phase of the two year period ending in 2007 and to zero by 2016 in phases.

In 2012, India had reduced its sensitive list from 868 to 614 products, on which tariff concessions will not apply. For the least developed countries, it gave duty-free quota free access to all items barring just 25 products. India has the shortest sensitive list among these nations after Maldives.

Pakistan's delay in giving 'Most Favoured Nation' (MFN) status to India has held up progress of the regional trade pact.

The two countries had agreed to a roadmap in September 2012 that required India to bring down its sensitive list under SAFTA to 100 tariff lines by April 2013 while Pakistan had agreed to give India MFN status by December 2012. Pakistan has missed the December deadline.

India is still keen to push the trade talks ahead and open more sectors for intra-region trade. "The idea is to increase the quantity of regional trade. Negotiations are on for not just reducing the sensitive list but also the non-tariff barriers.

This will lead to complete implementation of the goods pact," said Ram Upendra Das, senior fellow at the Research and Information System for Developing Countries (RIS).

SAARC ministers have been urging further reduction of products covered in the sensitive lists under SAFTA, especially removal of the products that are actively traded or have the potential of being traded under SAFTA.

Besides goods, the South Asian countries are also negotiating SAARC Agreement on Trade in Services (SATIS) and Agreement on Promotion and Protection of Investment is under talks. India's exports to the South Asian region grew by 13% in 2012-13 even as its overall exports dipped 1.82%. Inbound shipments from the region increased 6% last fiscal.

The committee also noted that there should be a calibrated approach to FTAs.

Finance minister P Chidambaram was reported to have raised concern over India's rising imports with the FTA partners and warned against hasty signing of FTAs.

Commerce and industry minister Anand Sharma, however, defended his ministry saying that India's exports had seen a substantial jump due to the free trade pacts. As far as SAFTA was concerned, Sharma said, India had a trade surplus of about $12 billion while in the case of ASEAN (Association of Southeast Asian Nations), exports have more than doubled after signing of the Indo-ASEAN Trade in Goods Agreement in 2009.

"The commerce department has been asked to conduct an impact analysis of the FTAs on all sectors and come up with meaningful conclusions," the official added.

The secretaries of commerce, department of industrial policy and promotion, finance and external affairs were directed to collectively examine the pros and cons of the agreement with economic groupings and were asked to prepare an agenda of change or action needed on different fronts to retain India's global competitiveness.

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India and the mega-regional trade deals: What these might mean, and what India should do

Prof. Jean-Pierre Lehmann and Deepali Fernandes, Forbes India

8 January 2014: With the successful outcome in Bali on 7 December, trade multilateralism has lived to see another day. Two key players, the US and India, whose last-minute brinkmanship would either make or break the round, finally reached an agreement taking into account India's domestic concerns on food security. The resulting Bali package,which addresses trade facilitation, agriculture and the issues of least developed countries (LDCs), has restored some degree of faith in the WTO.

However, there remains a wide gap between WTO rules and on-the-ground business realities. It is these "new realities or 21st century issues" such as technology, environment, intellectual property (IP) and finance that are at the core of two ambitious "mega-regional" trade deals--the Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). The TPP, with 12 member countries, is estimated to account for over a quarter of world trade. The TTIP, with 28 countries, makes up almost a third. Together the "mega-regionals" account for 60% of world GDP. If concluded, these deals will very likely change the structure of global trade. And they exclude India.

Groupings like the TPP can either fragment or spur on the move towards greater trade coherence. The key question for India post Bali is what impact these mega-regionals will have on its emerging economy – forecast to be the world's third largest by 2050 – and its global aspirations. What risks do these deals pose to India--especially the TPP, which is in its backyard? And what should India do about it?

<u>The potential impact of the TPP on India</u>

Isolation as manufacturing sites and services go elsewhere: Should the TPP be concluded, the extent of potential trade diversion from India is difficult to estimate. However, two areas of India's current "inclusive development" trajectory, services and manufacturing, could be affected. India's National Manufacturing Policy promises to create 100 million jobs and contribute 25% to GDP in a decade. But the TPP could result in manufacturing investments and consequently jobs moving to equally well placed TPP members such as Malaysia and Vietnam. India is currently the seventh largest player in global services trade. However, several countries in the TPP configuration have or can potentially develop a stronghold in the services sector, including Malaysia, New Zealand, and Canada. For private operators in both the goods and services sector the TPP disciplines on investment, IP, e-commerce and finance will be a strong incentive enabling potentially seamless operations.

Global Supply Chains(GSCs)move away: Some 80% of global trade is linked to GSCs, making them important sources of investment, technology and job creation, all of which are important for India. GSCs are likely to be enhanced as the TPP rules potentially provide for seamless cross-border operations connecting production/service centers across TPP countries and markets. If this is the case, there is the possibility that the GSCs will gradually shift away from large emerging economies such as India, China, and Brazil. This could potentially isolate India from GSCs in services and manufacturing or it could require India to incorporate TPP terms in order to operate within TPP countries.

Rule taker or rule maker? If the mega-regionals are concluded, given the US involvement in both, they will create common regulatory sets across the Atlantic and the Pacific. This is likely to result in much higher degrees of regulatory convergence and co-operation amongst member countries. If India is left out, the regulatory sets will be created and later multilateralized, leaving India in the position of being a rule taker rather than a rule maker.

Between the dragon and the eagle: The US,as the main driver of the TPP, has trade, but also political and security interests on its agenda. The TPP is seen as an effort to contain China and strengthen US influence as part of the "pivot to Asia". If this is the case, then India in effect will find itself involved in a chess game between the Chinese dragon and the US eagle. The US is India's second largest export market, China is fourth; in imports, the position is reversed with China being India's largest import source, and the US in fifth position. The Sino-Indian relationship is critical, but from a security perspective the US is key to India's future. India could find itself between a rock and a hard place.

India and FTAs: India has in general been cautious in its approach to free-trade agreements(FTAs), concluding mostly regional (SAFTA, BIMSTEC) and south-south deals (Latin America, ASEAN). Interestingly, since 2005India has already concluded FTAs (ASEAN, Singapore, Malaysia, Chile) or is in the process of doing so with several TPP negotiating partners (Australia, Canada, EU, EFTA, New Zealand, Japan and the US). Depending on how stringent the rules of origin for goods and services contained in these agreements are, India would in effect have an entry point into the TPP market. Conversely, TPP members who have not concluded FTAs with India would potentially have access to the Indian market through for instance the India-ASEAN FTA or the India-Singapore FTA. In this case India's cautious "protection of the market" approach to trade liberalization may no longer be valid.

Policy options – Back to the WTO

A question constantly posed is why India does not embrace trade liberalization more forcefully, as China has done since its 1978 reforms. One reason is India's complex and divided political system, which makes it hard to reach compromise on critical issues such as trade policy. And with approximately 32% of the population still below the poverty line, the job-creation versus job-destruction perspective of trade policy is extremely sensitive. This is all the more so as currently two-thirds of India's population lives in rural areas: food security is understandably a national obsession.

Given these domestic constraints, inclusive growth and a calibrated approach to trade policy is a necessity for India, not a choice. Acceding to or joining the current TPP negotiations may not currently be its best option. However, if the mega-regionals were to be concluded, India would be presented with a fait accompli with potentially quite a negative impact.

As opposed to the "mega-regional non platform", the WTO provides India with an existing and functioning platform to tie up its domestic considerations with its global trade ambitions. The successful passage of the Bali package was an important step in this direction. India maintained a balance, playing a co-operative role on issues such as trade facilitation and the LDC package, while ensuring sufficient flexibility to implement its Food Security Bill.

Thus the risks of trade isolation and of ending up as a rule taker are reason enough for India, in a post-Bali scenario, to play a more proactive role in the multilateral rules-based system. India can, and in our opinion should, play a greater role commensurate with its aspirations to be a major actor in the global arena.

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India-EFTA free trade pact talks stuck on IPR issue

PTI

New Delhi, 19 January 2014: Negotiations for the free trade agreement between India and EFTA, four-member grouping that includes Switzerland, was stuck on the issue of intellectual property regime (IPR).

"EFTA (European Free Trade Association) wants India to commit more in IPR, a proposal which was not agreed by the Indian officials. India has clearly conveyed its stand on the matter to them. We are now waiting for their response. They have to accept India's stand," an official told PTI.

The EFTA is a grouping of four countries -- Switzerland, Iceland, Norway and Liechtenstein.

"In IPR, EFTA are asking for mutual recognition for Geographical Indicators. But it is not permissible under Indian laws. They are also demanding for data exclusivity, which India is completely opposed to," the official said.

Data exclusivity provides protection to the technical data generated by innovator companies to prove the usefulness of their products.

In pharmaceutical sector, drug companies generate the data through expensive global clinical trials to prove the efficacy and safety of their new medicine. Switzerland has huge interest in this sector.

By gaining exclusive rights over this data, innovator companies can prevent their competitors from obtaining marketing licence for low-cost versions during the tenure of this exclusivity.

An expert on the IPR said that the issue cannot be discussed at the bilateral level.

"Developed countries are pressing hard the developing countries to liberalise norms to grant patents. However, bilateral forums are not the right place to discuss these things," National Intellectual Property Organisation Director T C James said.

India and the four-nation bloc has started the negotiations for the free trade agreement (FTA) in 2007 and both the sides have completed 13-14 rounds of talks till now.

Recently, the Swiss government has said that the negotiations for the pact are expected to concluded by 2014.

Further, India is expected to get greater market access in services sector in those four countries besides in textile."EFTA members manufactures high-end products and India needs that," the official added.

The objective of the FTA is to reduce trade tariffs for mutual benefit.

Two-way trade between India and EFTA stood at USD 34.48 billion in 2012-13 as against USD 37.5 billion in 2011-12.

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Regional trade deals to pose a challenge: Commerce Secretary

Asit Ranjan Mishra, Mint

New Delhi, 21 February 2014: India's export competitiveness risks being eroded when regional trade deals such as the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) come into force, commerce secretary Rajeev Kher warned on Thursday.

Kher, interacting with the industry for the first time after taking over as the commerce secretary on 1 February, said India has to make its export subsidies compliant with the World Trade Organization's (WTO) rules, be a part of global value chains and look for deriving more benefits out of the free trade agreements signed with other countries.

India's five-year foreign trade policy will expire this year and a new policy is expected to be put in place by the next government after the general election due in April-May.

The TPP is a proposed trade agreement under negotiation among 12 countries—Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. TTIP is a trade and investment agreement under negotiation between the European Union and the US.

"US is a big market for India. After implementation of (these) pacts, Indian products will get less preference as compared with the countries which are part of these pacts. Once TPP, TTIP are implemented, it will throw a challenge to us," Kher said at the export summit organized by the Confederation of Indian Industry.

While current entry barriers to such trade pacts are too high for India, this is one of the reasons why India is a part of the negotiations under the Regional Comprehensive Economic Partnership (RCEP) though it is treading extremely cautiously.

"Of course, it has huge challenges like dealing with China, Korea and Japan. So we have to devise a unique strategy for getting into these FTAs (free trade agreements). Find a manner in which we can draw best advantages out of this. Please recognize that 16 countries are coming together offering us a seamless territory. It is a great opportunity," Kher said.

Biswajit Dhar, director general, Research and Information System for Developing Countries, a Delhi-based think-tank, said since seven members are common to the negotiations of TPP and RCEP, some of the negotiation elements of TPP may sneak into RCEP negotiations through the backdoor.

"TPP is being touted as the gold standard of trade agreements. Since US does not have the Congressional mandate to negotiate any such trade deal, it will be basically US standards which will be imposed on other negotiating partners," Dhar said. "At the RCEP, India should make it clear that it will not accept any pre-determined template and negotiations should be carried out in a democratic way based on aspirations of individual countries."

Amid increasing criticism of the negative impact of FTAs signed by India, Kher tried to allay the concerns of critics and said industry needs to fully exploit the market opportunities provided by these bilateral agreements.

“A picture has been painted as if FTAs are nothing but evil. But we have to recognize that this is not the fact. The important thing is that we have to see how we are utilising these FTAs. Go deeper and see how these FTAs can be considered as institutional opportunities,” he added.

But Kher conceded some FTAs had caused problems like an inverted duty structure where input prices are higher than if the final product is imported. “This needs to be addressed and hopefully it will be addressed,” he said.

In the new foreign trade policy the commerce ministry is trying to approach markets and products in a composite manner, Kher said. “Our approach towards addressing products and new markets needs to be substantially multi-layered. That is the only way through which we can put our scarce resources properly for the sector,” he said.

The commerce secretary said India’s export promotion schemes and export subsidies need to conform with multilateral trade laws as several developed countries are raising concerns over such schemes.

He said the WTO Agreement on Subsidies and Countervailing Measures (ASCM), which allows India to provide export subsidies as its per capita gross domestic product on nominal terms (on 1990 prices), is still within $1,000.

“Surely we would have or very soon we will cross this bridge and then we will not have the protection which would mean that all export subsidies will be prohibited,” he added.

Citing the example of textiles, Kher said the sector is reported to have crossed 3.5% share in the global market at a certain point of time and India would not be able to provide export subsidies to the sector.

“The textiles sector has gone into the area of being competitive as defined by the WTO’s ASCM law. Therefore, textiles sector is not now eligible for export subsidies. Now this is what we have to recognize. Sooner than later, new programmes and new schemes will also reach that stage,” he said.

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Why free trade agreements are ever more vital for India

Bipul Chatterjee & Venugopal Ravindran, Business Standard

22 March 2014: The direction of global trade is set to change as mega agreements like the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) come into force. The TPP includes 12 of the Pacific Rim countries including the US and Australia, whereas TTIP is between the US and the European Union. Respectively, they represent around 39 per cent and 60 per cent of the world GDP. They have the potential to adversely affect excluded countries such as India by diverting trade and investment away from them and weakening their positions in global value chains.

In a study that CUTS had done we found an increasing number of products in India's export basket being threatened by either TPP or TTIP. According to another study by Sao Paulo-based Center on Global Trade and Investment, as a result of TPP and TTIP, India's nominal GDP (gross domestic product) is expected to be reduced by more than one per cent and the resultant negative multiplier effects on revenue and employment generation will be substantial.

Much of this impact will not be on account of reduction in tariffs in TPP and TTIP countries, as they are already low, but as a result of removal and/or harmonisation of non-tariff measures, particularly in respect to process and product standards, the application of intellectual property rights and other behind-the-border trade facilitation measures.

As a result, some of the TPP and TTIP countries are expected to enhance their internal supply potential which can further shrink the existing export markets that India enjoys with them. The data show that both agriculture and manufacturing sectors are expected to be threatened by these agreements.

Most of those products are highly sensitive to our economy, meaning they are produced and exported in large quantities from India. For example, automobile products where India has considerable amount of production and export capacity are under potential threat from TPP. The effect of TTIP also seems to be on a similar list of products.

This calls for immediate actions including taking appropriate measures through India's National Foreign Trade Policy, which will expire this year. The new trade policy should have strong linkages with other major macroeconomic policies such as monetary, fiscal, manufacturing policies. There should be specific emphasis on simultaneous reforms in the markets of factors of production for improving trade competitiveness and the existing free trade agreements should be utilised to their full potential.

Furthermore, specific trade policy measures including their compatibility with India's commitments to the WTO regime and its negotiating strategy with respect to free trade agreements should be taken to safeguard Indian exports and enhance its trade competitiveness against far-reaching expected changes in the global trade scenario over the next five years or so. Enhancing trade competitiveness through subsidies will not be a viable option in the long-run because many such subsidy schemes will gradually become WTO-incompatible.

Although the enhancement of trade competitiveness is a gradual and long-term process, negotiations and implementation of other free trade agreements can be effectively utilised to reduce trade costs and, thus, partially improve trade competitiveness. Unfortunately, Indian industry has remained sceptical about many of these FTAs, particularly in respect to their effectiveness in the long-run, and has under-utilised these channels to get integrated into the global value chains. The government is under considerable pressure to review them. Industry is concerned that the existing FTAs are eating into their domestic market share, which may be true in the short-run.

On the other hand, there is little attempt to use them effectively to integrate into the global value chains. Integrating into and moving up the global value chains is essential conditions for greater competitiveness and higher growth. Effective participation in global value chains is intrinsically linked with foreign direct investment, which can result in more trade through export obligations of FDI. When TPP and/or TTIP come into force they could attract potential investment among its members, some of which may otherwise possibly come to India. This means that India's hope of integrating into and moving up the global value chains will be hampered.

The options left for any excluded country in such a scenario are either to join these agreements or negotiate counter agreements. At this point the former is not an option for India because the standards set by the members of both these agreements are very high and would be higher than the standards set by the WTO members.

Among others, these agreements propose numerous WTO-plus and extra rules such as enhanced intellectual property protection, harmonisation of process and product standards, regulation of e-commerce, competition rules, liberalisation and protection of investments, regulation of trade-related aspects of state-owned enterprises, provisions on small and medium-sized enterprises, rules of international supply chains.

The Indian economy is not in a position to adhere to such high standards and still be competitive. There should be gradual and incremental progress. The quality and effectiveness of domestic regulatory institutions hold the key.The latter option is more viable and India has started exercising it in the form of the Regional Comprehensive Economic Partnership agreement, which is being negotiated among India, Australia, New Zealand and Asean+3 countries (China, Japan and South Korea). India is also negotiating free trade agreements with Australia, New Zealand and the European Union. Furthermore, FTAs with the Asean group of countries and with Japan and South Korea are already in place. The coverage of RCEP and many of these FTAs is similar to that of TPP and TTIP. Their scope should remain relatively lower than TPP and TTIP and should be gradually expanded by taking into account domestic regulatory and development concerns.

As over the last two decades the centre of gravity of India's trade has shifted towards the East, our trade policy officials have rightly decided to strengthen the country's economic partnership with those in the Asia-Pacific region, particularly in East and South East Asia. India should effectively negotiate the RCEP agreement and its FTAs with key trading partners such as the European Union and Australia in order to gradually remove and/or harmonise non-tariff measures affecting trade among these countries and improve its domestic regulatory regimes for process and product standards, intellectual property rights and other behind-the-border trade facilitation measures.

Simultaneously, there should be gradual reforms in the markets of factors of production - land, capital and other means of production - not only to make reforms in goods and services markets sequentially compatible with those in the factor markets but also and more importantly to enhance India's trade competitiveness through stronger linkages between inputs and outputs for enhancing the incremental capital-output ratio of the Indian economy. It is true that FTAs are posing some challenges but they should be addressed proactively in order to convert them into opportunities.

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Commerce secretary, Rajeev Kher urges industry to adopt global standards fast to counter TPP, TTIP impacts

Economic Times

New Delhi, 17 April 2014: Commerce secretary Rajeev Kher on Wednesday called upon the Indian industry to upgrade its quality standards to successfully counter the adverse effects of two of the world's biggest free-trade treaties being negotiated by the US. The proposed mega deals—Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP)—are being seen as attempts to divert trade and investment away from emerging economies like India.

TPP includes all the 12 Pacific Rim countries, including the US, Australia and Japan, while TTIP will essentially be an agreement between the US and the European Union.

Speaking at a conclave on the role of standards in international trade organised by CII and the commerce & industry ministry, Kher said the mega deals would throw up a completely new paradigm of standards and that it was time the Indian industry gave greater importance to them. "If you do not follow this pathway, then either you will fall by the wayside or you will simply go to those pre-1991 days where you will increasingly find yourself isolated," Kher said. "The whole focus is now shifting from typical, traditional manner of trading to how non-tariff related issues are harmonised and synchronised."

India's exports have often run into the wall of standards, which have in the past been dismissed as non-tariff barriers to block imports by countries, but there is a growing realisation that the country needs to take the issue seriously.

Kher said the government was looking to prepare a 10-year roadmap and sought help from all stakeholders and urged all government departments to come together.

At present, the Bureau of Indian Standards (BIS) is involved in formulating standards, certification and testing services."If you do not conform to standards and technical regulations, your honeymoon will be only for a short period of time." Kher warned the industry, adding that unless international standards are adopted, Indian business will not be able to integrate with larger markets.

Cabinet secretary Ajit Seth backed the need for urgency on this count. "It is essential that the Indian industry inculcates a culture driven by standards... In many countries, product standards are developed through a voluntary consensus of companies engaged in producing competing products," he said, adding that lack of standards add to transactions costs for exporters. "Despite the crucial role that standards play in facilitating transactions, India does not have a standards-driven culture. This has implications for both domestic and international sales. It is not surprising that Indian exporters have to incur high costs in order to comply with standards and technical regulations in main foreign markets," Seth said. He also called for a coordinated mechanism to develop a roadmap on product standards in a time-bound manner.

"If we are unable to act with clarity and speed, we run the risk of not only exposing our consumers to inferior goods but also slowly getting excluded from main export markets," Seth added.

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