

Negative List Identification: Under an PTA



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Two Approaches

1. Desktop Work based on Trade and Tariff data

2. Stakeholder Consultations

These two approaches should be blended to arrive at the first list of Negative list

Desktop- Steps Involved in the Analysis (8 steps)

- 1. RCA Step:** $RCA \text{ of India} / RCA \text{ of Japan} < 1$; (*Less competitive products*)
- 2. Unit Value Step:** $((\text{Japans unit price of imports from India} / (\text{India's export unit price} + (0.13))) < 1$;
(*Requiring Tariff Protection*)
- 3. Overlap of Step 1 and Step 2 gives hardcore negative list;**
- 4. Tariff lines with low MFN Applied Tariffs**
(*5 years average should be taken*) (*add*)
- 5. Remove raw materials Chapters 26 and 27;**
(*To avoid the Inverted Tariff*)

Steps Involved in the Analysis....Cont

6. **Information Technology Agreement-I** These lines will have to be removed;
7. **Those in line in the other RTAs** of India will need to be considered- especially those with LDCs;
8. **To take a call on the 6 digit lines with significantly strong NTMs;**
9. **Historically low traded lines can be removed**
9. **A Final List** will thus give consideration to all these and will be the basis for any negotiation on PTA

Those in RED Colour should be done only at the end of and upon consultation with your senior officers

Let us arrive at the basic Negative list of India-Japan FTA

You require the following information's:

- 1. Export values** along with quantity at the most disaggregated levels;
- 2. MFN tariff rates** for nearly last five years;
- 3. Information on the negative list** of recent FTAs

(region and based on the level of Dev.)

- 4. Information on any other plurilateral sectoral agreement** signed by India.

(for keeping these line of the Negative list)

Results of Negative list : India-Japan FTA

Reasons for Incl./Excl. in the NL	No. of Tls before removing the overlaps	No. of Tls after removing the overlaps
Already Tariff low	231	113
Lack of Competitiveness	2172	2172
Tariff Protection Requirement	1108	551
LDC NL (India's DFQF Scheme)	326	235
Grand Total	3511	3071
ITA-1 (should be excluded from the list)		

There should be a comprise between Substantial trade in the FTA as per the WTO Agreement.

Broad things to be kept in mind for any PTA

1. Total size of the market (inclusive of the partner);
2. Trade basket of the two partners – do they complement each other or supplement?
3. Average tariff scenario in the partner country and domestic sensitivities;
4. If possible check for the domestic production base – do a thorough stakeholder consultation-*(invite written feedbacks from stakeholders, which included industry associations, state governments, export promotion councils and experts.)*

Some of the Databases:

1. Tariff Analysis Online (WTO);
2. Tariff Profile (one page, WTO);
3. World Trade Atlas;
4. World Integrated Trade Solutions(WITS);
5. World Development Indicators – World Bank
6. FAO – Database;
7. Centre for WTO Studies online database at the weblink <<http://wtocentre.iift.ac.in/>>

THANK YOU

