

Negative List Identification: Under an PTA: A Preliminary Approach



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Two Approaches

1. Desktop Work based on Trade and Tariff data
2. ****Stakeholder Consultations****

**These two approaches should be always blended for
arriving at the final list of Negative lines**

Desktop- Steps Involved in the Analysis (8 steps)

1. **RCA Step:** RCA of India/RCA of Japan < 1 ;
(Less competitive products)
2. **Unit Value Step:** ((Japans unit price of imports from India/(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)

Steps Involved in the Analysis....Cont

5. **Remove raw materials** Chapters 26 and 27;
(To avoid the Inverted Tariff)
6. **Information Technology Agreement-I** These lines will have to be removed;
7. **Those in line in other RTAs** of India should be considered - especially those with LDCs;
8. The 6 digit lines with significant incidence of NTMs;
9. The **Final List** will thus give consideration to all these and will be the basis for any negotiation on PTA

Negative list of India-Japan FTA

You require the following information's:

1. Export values, Quantity at the most disaggregated levels;
2. MFN tariff rates for nearly last five years;
3. Information on the negative list of recent FTAs
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 Rquirement	1108	551
LDC NL (India's DFQF Scheme)	326	235
Grand Total	3511	3071
ITA-1 (should be excluded from the list)		

Broad things to be kept in mind for any PTA

- Total size of the market (inclusive of the partner);
- Trade basket of the two partners – do they complement each other or supplement ?
- Average tariff scenario in the partner country;
- domestic sensitivities;
- 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.*)
- If all these indicators gives a positive feedback then go for the PTA.

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;