

423. [The questioner Shri Rajeev Chandrasekhar was absent. For answer *vide* page 23 *infra*.]

Exports and Imports under FTA

*424. SHRI AMIR ALAM KHAN: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether international trade between India and several other countries is being carried out under the Free Trade Agreement (FTA):

(b) if so, the details thereof alongwith the names of the countries with which FTA has been signed;

(c) the reduction in taxes applicable under the agreement; and

(d) the average value of annual exports and imports made under the agreement during the last three years?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) Yes, Sir.

(b) to (d) A Statement is laid on the Table of the House.

Statement

(b) and (c) The details alongwith the names of the countries with which India has signed FTAs and the tariff reduction schedule are given in enclosed Statement-I (See below)

(d) Country-wise details of the commodities, exported and imported during the last three years are given in Statement-II.

Statement-I

Details of Free Trade Agreements and tariff reduction schedule

Name of the Agreement/Country	Date of signing	Date of Implementation	Tariff Liberalization Programme
1	2	3	4
India-Sri Lanka FTA	28th December 1998	March, 2000	Zero duty entry of Sri Lankan goods since March, 2003, except for items kept in sensitive/negative list.
Agreement of SAFTA (Bangladesh, Bhutan, Maldives, India, Nepal, Pakistan and Sri Lanka)	4th January, 2004	1st January, 2006 (Tariff concessions implemented from 1st July, 2006)	Zero duty for LDCs (from 1.1.2008 by India) and 0-5% for Non-LDCs. Being further liberalized in 2008. A sensitive/negative list is kept to take care of domestic interests.
India-Singapore CECA	29th June, 2005	1st August, 2005	Zero duty in April, 2009. Supplemental agreement by CCEA in November 2007 for items other than those kept in sensitive/negative list.

1	2	3	4
India- Nepal Treaty of Trade	6th March 2007	Agreement valid for five years from 6th March 07 Fresh negotiations to commence in 2008	Zero duty entry of goods already allowed (except items in Negative List and Tariff Rate Quota (TRQ) *List)
India-Bhutan Agreement on Trade Commerce and Transit	Renewed from 29th July, 2006	Agreement valid for ten years from 29th July 2006	Zero duty entry of goods already allowed

*Tariff Rate Quota (TRQ): A tariff quota is a two-tiered tariff. In a given period, a lower tariff (in-quota tariff) is applied to the first specified units of imports and a higher tariff (over-quota tariff) is applied to all subsequent imports. The higher tariff is often set so high that imports are not profitable beyond the limited volume.

Statement-II

Country-wise details of the commodities exported and imported during last three years (2005-2008)

Country	2005-2006		2006-2007		2007-08 (April-Dec. 07)	
	Export	Import	Export	Import	Export	Import
Singapore	3366.19	1789.76	6021.06	5470.16	5133.64	5620.01
Bangladesh	1664.36	127.03	1628.58	228.3	1599.53	93.05
Bhutan	99.17	88.77	58.68	141.44	62.68	154.02
Maldives	67.58	1.98	68.6	3.06	61.39	2.77
Nepal	859.97	379.85	931.45	306.02	913.72	311.94
Pakistan	689.23	179.56	1348.32	323.19	1320.37	211.86
Sri Lanka	2024.67	577.7	2254.11	470.52	1916.13	330.52

श्री अमीर आलम खान: सभापति महोदय, मैं आपके माध्यम से माननीय मंत्री जी ये यह जानना चाहूंगा कि मुक्त व्यापार समझौते के क्या फायदे हैं और भविष्य में किन-किन देशों के साथ इस प्रकार के समझौते किए जाने का प्रस्ताव है। मुक्त व्यापार समझौता, Most Favoured Nation अर्थात् MFN से किस प्रकार से भिन्न है और भारत में किन-किन देशों को MFN का दर्जा दिया है और इसका क्या आधार है?

SHRI JAIRAM RAMESH: Sir, as is well known, the policy of the Government of India and of the successive Governments has been to give priority to multilateral trade negotiations. Our effort has always been to have a multilateral trade agreement under the aegis of the WTO. However, pending the conclusion of the Doha Round, many countries have gone into bilateral Free Trade Agreements. India cannot afford to remain a mute spectator to this. That is why, India too has started negotiating FTAs with a number of countries. The hon Member wants to know with how many countries, we have FTAs as of now. As of now, Sir, we have five Free Trade Agreements. We have a Free Trade Agreement with Sri Lanka. We have a South Asian Free Trade Agreement, which is, SAFTA. We have a Comprehensive Economic Partnership Agreement with Singapore. We have a Free Trade

Agreement with Bhutan. We have a Free Trade Agreement with Nepal. A number of Free Trade Agreements are being negotiated, like with ASEAN, Mauritius, the Gulf Cooperation Council, Israel and the European Union. But, as of now, we have only five Free Trade Agreements.

श्री अमीर आलम खान: सर, यह जवाब तो माननीय मंत्री जी ने अपने उत्तर में दे दिया था। मैं माननीय मंत्री जी से यह कहना चाहूंगा कि उनके उत्तर से ऐसा लगता है कि चीन के साथ हमारा कोई मुक्त व्यापार समझौता नहीं है, परन्तु उसका माल हमारे देश में इतना अधिक आ रहा है कि यहां के उद्योग धन्ये बर्बाद होते जा रहे हैं। सरकार हमें यह बताए कि चीन का माल इतनी बड़ी मात्रा में यहां किस प्रकार आ रहा है और उसको रोकने के लिए क्या उपाय किए जा रहे हैं?

ब-बंगला देश के साथ हमारे मुक्त व्यापार में हानि हो रही है, परन्तु फिर भी बंगला देश को ट्रांजिट राइट प्रदान किया जा रहा है, इसका क्या कारण है और पाकिस्तान के साथ ट्रांजिट राइट बढ़ाने के लिए क्या प्रयास किए जा रहे हैं?

SHRI JAIRAM RAMESH: Sir, as far as Bangladesh is concerned, our total exports to Bangladesh are close to \$ 2 billions. Our imports from Bangladesh are about \$ 200 billion. In fact, we have a huge trade surplus with Bangladesh, not a trade deficit. Now, as far as linking our trade with transit is concerned, we have always been requesting the Bangladesh Government to look at the issue of transit rights through Bangladesh seriously. We have not been very successful. But, we have not held back increasing trade as far as Bangladesh is concerned. As far as Pakistan is concerned, the hon. Member is well aware that Pakistan does not grant us the Most Favoured Nation status. In spite of the fact that Pakistan has not given India an MFN status, which we have given to Pakistan since mid 90's, we have increased our trade with Pakistan. Our exports to Pakistan are about \$1.6 billion and our imports for Pakistan are about \$ 400 million. So, we have a huge trade surplus with Pakistan. As far as China is concerned, we do not have a Free Trade Agreement. We have a Joint Study Group which is examining the feasibility of having a Free Trade Agreement. However, trade between India and China has increased spectacularly. Imports from China have gone up. Our exports to China have also gone up. I do not think it is possible to look at trade balances only in terms of specific countries. We must look at the overall balance of payments and judge from that point of view. I do not think our trade with China is cause for any alarm.

SHRI B.J. PANDA: Sir, of all these Trade Agreements, the most important one is the SAFTA which concerns our immediate neighbours. Recently, the hon. Minister's senior Cabinet colleague was quoted in the media that our MFN status to Pakistan is now under review or would be reviewed because they are not reciprocating the same facilities to us. Would the hon. Minister tell us if Pakistan is, in fact, required to give us MFN status under the SAFTA Agreement? Is it at all our interest to cancel our MFN status to them, because we have a lot of third country exports to them, which go through Dubai and other countries? Is it at all in our interest to consider reviewing this, or, are they required to give it to us?

SHRI JAIRAM RAMESH: Sir, the grant of MFN status is under the WTO regime. Granting MFN status means the country will not discriminate against others. It is a fundamental principle of international trade. America does not give MFN status to Cuba and Pakistan does not give MFN status to India. These are the two examples where the MFN principle has, indeed, been violated. However, Sir, the policy of the successive Governments has been that even though Pakistan has not given us the MFN status, we should continue to pursue economic engagements with Pakistan. That policy has been a success. As I mentioned, our exports to Pakistan today, our legal exports to Pakistan, direct exports to Pakistan is about

\$ 1.6 billion. Our imports from Pakistan are about 300-350 million dollars. We will continue to pursue the grant of an MFN status to India. The continued denial of an MFN status is a clear violation of international law but we do not want to hold that up to pursue economic ties with Pakistan.

श्री अमर सिंह: सभापति महोदय, भारत और चीन के फ्री ट्रेड एग्रीमेंट के संबंध में ज्वायंट टास्क फोर्स की स्थापना यह जानने के लिए हुई थी इसमें भारत को क्या लाभ होगा। मैं आपके माध्यम से माननीय मंत्री जी से जानना चाहूंगा कि अगर ज्वायंट टास्क फोर्स ने अपनी रिपोर्ट दी है, तो इसका क्या विवरण है और सरकार ने इस ज्वायंट टास्क फोर्स के रिपोर्ट के विवरण के आधार पर क्या कार्रवाई की है?

SHRI JAIRAM RAMESH: Sir, I have already answered this question in a previous Session of this House that while there is indeed a Joint Study Group to examine the feasibility of a Free Trade Agreement between India and China, this is an issue in which there are deep divisions, both within the Government as well as within Indian industry. No final decision will be taken on a Free Trade Agreement with China without consultation with all stakeholders including industry. As of now, Sir, pursuing of a Free Trade Agreement with China is not a priority as far as the Government is concerned.

SHRI N.K. SINGH: Sir, I would like to find out from the hon. Minister that in terms of the total number of FTAs which the hon. Minister has enumerated we are undertaking, whether any study has been made on studying the efficacy and value of Free Trade Agreements versus a multilateral trading system and to what extent Free Trade Agreements are trade deflection instead of being incremental in enhancing the multiplier gains from trade.

SHRI JAIRAM RAMESH: Sir, there is no question absolutely in my mind as in the mind of most Economists and trade experts that Free Trade Agreements are the second best option. It is not the best option. The best option remains multilateral trade negotiations rule-based under the aegis of the WTO. However, as I explained, because of the continued impasse, particularly, on Doha round, many countries and blocks of countries have resorted to having bilateral Free Trade Agreements. And, Sir, India will get edged out of regional and international markets if it too does not pursue this course. However, I share the hon. Member's concern that this is not an optimal route. We should continue to pursue multi-lateral trade liberalisation even as we pursue selectively Free Trade Agreements.

As far as the study is concerned, Sir, this matter is under review constantly. The Indo-Sri Lanka Free Trade Agreement has been the longest in existence, and I can categorically say that the Indo-Sri Lanka Free Trade Agreement is an outstanding example of success both for India as well as Sri Lanka. In fact, the political and strategic relationship between the two countries has been transformed because of the success of the FTA. The other FTA that has been in existence for quite some time is the one with Singapore and even with Singapore our trade balance is broadly good. Our exports to Singapore are about six-and-a-half billion dollars and our imports are also about six-and-a-half billion dollars.

So, I want to assure the hon. Member that the impact of the FTAs are constantly under study and if we find that the FTAs are working against our interests, we will take preventive measures to protect Indian industry and Indian agriculture.