

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

RAJYA SABHA
UNSTARRED QUESTION NO. 2127
ANSWERED ON 13/12/2024

IMPACT OF FREE TRADE AGREEMENTS ON DOMESTIC INDUSTRIES

2127. SHRI DIGVIJAYA SINGH:

Will the Minister of Commerce and Industry be pleased to state:

- (a) whether Government has assessed the impact of existing Free Trade Agreements (FTAs) on domestic industries, especially small and medium enterprises, since 2020;
- (b) the specific challenges identified for Indian industries under these FTAs, and the measures being taken to address them;
- (c) the details of any ongoing studies or consultations evaluating the economic benefits and trade-offs of FTAs with the European Union and the United Kingdom; and
- (d) whether a mechanism has been established to monitor the long-term impacts of FTAs on employment and industry growth, including the frequency and scope of these assessments?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY
(SHRI JITIN PRASADA)

(a) & (b) The assessment of impact of Free Trade Agreements (FTAs) is a continuous process. A Joint Study Group (JSG) is normally set up to study the feasibility of the proposed FTAs, including their impact on the domestic industry, especially small and medium enterprises. Stakeholders including industry representatives, Apex Chambers of Commerce and Industry, Industry Associations as well as the Administrative Ministries and Departments are consulted from time to time. In order to protect the interests of the domestic industry, including small and medium enterprises, FTAs provide for maintaining sensitive, negative or exclusion lists of items on which limited or no tariff concessions are granted. In addition, in case of surge in imports and injury to the domestic industry, a country is allowed to take recourse to trade remedial measures such as anti-dumping and safeguards on imports within the period as mutually agreed to by the parties under the FTAs.

(c) India and the European Union (EU) have been negotiating a Free Trade Agreement (FTA) since June 2022 and nine rounds of negotiations were held till October 2024. Further, India and the United Kingdom are negotiating an FTA since 13th January 2022. In both the FTAs the negotiating positions have been formulated based on the consultations with relevant stakeholder including Line Ministries/Departments/Industry Bodies/Associations etc. For India-EU FTA, an assessment study was conducted by EXIM Bank and the impact on production, aggregate exports, imports, employment etc. have been examined in the study. For India UK FTA, an ex-ante study has been carried out by EXIM Bank and other institutions.

(d) The impact of the FTAs is monitored through FTA Monitoring Committee under Department of Commerce (DoC) by way of obtaining regular feedback from industry and other sources to identify and address the concerns on import side, like violation of rules of origin or any other provisions of the FTA rules, as also injury through unfair trade practices/surges. Similarly, feedback from industry and other sources to identify and address concern on the export side, including areas like reasons for underutilization of FTAs, addressing FTA related awareness building and facilitation needs of exporters, identifying and addressing domestic & overseas constraints of exporters through suitable steps, including review processes laid down in the FTAs. The DoC endeavours to conduct the meeting of the FTA Monitoring Committee on a quarterly basis. In addition, DoC also gets FTA assessment studies conducted, on need basis, for the purposes of review and to also utilise these learnings in negotiation of new FTAs.
