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India's Trade Agreements and the Future of Indian Trade Policy

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India's Trade Agreements and the Future of Indian Trade Policy

I. Introduction

The Indian economy has come a long way from the depths of the 1970s, when an extremely repressive trade regime had rendered India a near autarky, when trade in goods had dropped to less than 10 percent of GDP and the stranglehold of the state over economic activity had plunged growth rates to very low levels, averaging just over 3 percent in the years 1965-1980 (Panagariya, 2003). With subsequent domestic and external reforms, the most dramatic of which were initiated in the early 1990s, and which have continued nearly monotonically ever since, the Indian economy took off, with growth rates rising rapidly and reaching a high of over eight percent during the 2000s and averaging around seven percent in recent years. India is now the third-largest economy in the world.

I. 1 Background: Trade and India's Development Trajectory

Despite these impressive achievements of the preceding decades, India's development trajectory now faces significant pressures. India possesses an abundance of low-skill workers, a large fraction of which is employed in agriculture. Agriculture is a relatively unproductive sector: while roughly half of India's workforce is employed in the agriculture, the sector generates only around fifteen percent of Indian output. Further, in the coming decades, about 8 to 10 million new workers are predicted to join the labor force each year. Ensuring employment for these workers is a top policy priority. The expected trajectory for the evolution of the Indian economy involved the steady movement of rural workers out of the agricultural sector and into low-skill manufacturing and perhaps later into economic activity higher up the value chain. This was indeed the path taken by many low-skill labor-abundant countries along their growth path, China being the most notable recent example. The Indian economy has not followed this path, however. The Indian manufacturing sector has not grown -- it has stagnated at about fifteen percent of GDP for the last couple of decades; the economy has experienced instead an expansion of the services sector, including that, somewhat surprisingly, of high-tech services and high tech exports.

The rapid growth in IT exports, rather than manufacturing exports, reflects an important self-contradiction, in a manner of speaking: While we would expect India's production patterns and exports to reflect its relative abundance of low-skill labor, as is the case for instance in China, Indian export growth has been strongest in the IT sector, which requires relatively scare high-skill workers instead (reflecting the disconnect between India's production patters and its comparative advantage). While the impressive growth of the high-tech services sector in India has been justly celebrated, the expansion of services, especially high-tech services, does not, in itself, does offer a sustainable path forward. The vast majority of workers in the agricultural sector do not have the skills necessary for employment in the high-tech services sector. They will need to transition into low-skill jobs in manufacturing.

Any reasonable growth strategy for India must therefore take into account the large numbers of low-skill workers in the labor force and the need to increasingly employ them in sectors other than low-productivity agriculture over time. A large global market that demands low skill manufactures offers one solution to this problem. Large markets allow production at scale and thus lower cost and greater competitiveness. India’s penetration of global markets is still quite small, even in sectors of traditional strength. Thus, while global exports of clothing are close to 500 billion USD in 2018, India exported less than 20 billion. Overall, India account for less than 2 percent of global exports and hosts only a little over 1 percent of the stock of global Foreign Direct Investment (FDI) (OECD, 2019) implying that there is very substantial scope for India to follow an export and FDI-led growth strategy.

Against this backdrop, there are a number of significant issues that confront Indian policymakers in the design of trade policy. The first issue concerns the failures of the multilateral system (WTO) to bring to a successful conclusion the Doha development round of trade negotiations. This round was to have lowered agricultural subsidies in the west and improved access to their agricultural markets, raising the prices of agricultural output globally and thus the earnings of Indian farmers. This failure of the round bodes poorly for India and for other developing countries that rely upon negotiation success at the WTO to improve their access to markets worldwide.

A second of issues concerns developments that are external to India, but that nevertheless impact its economy and its trade. Among the most pressing is the rapid expansion of preferential trade agreements by countries,[*] exclusion from which effectively lowers India's access to those countries' markets. Of particular concern are the "mega-regional" agreements, such as the Trans-Pacific Partnership (TPP – a large grouping that includes the United States and a number of Pacific-rim countries including Japan and Australia altogether including over 40 percent of world output) that are currently under negotiation.[†] These cover large fractions of world output and, thus, have the potential to significantly alter the global trade landscape and India's place in it. India too has negotiated its own trade agreements, but this far, these account for a small share of its trade and have had a limited impact, as we will discuss below.

A final issue concerns India's unilateral trade policy choices themselves. Despite the impressive external liberalization undertaken by India in the period 1991-2008, with average tariffs dropping from 150 percent to 12 percent in manufactures and the dramatic increases in growth rates and poverty reduction that followed, Indian liberalization has stalled and arguably partially reversed itself, with an increased and excessive use of non-traditional instruments of trade policy such as antidumping duties on imports. Agricultural protection remains at extraordinarily high levels. Additional liberalization of trade (even if challenging, given domestic political economy factors) and improvement in trade infrastructure will both be essential for India to expand its trade and participate more effectively in global production networks, which have recently proven to be very

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[*] For comprehensive discussions on the economics and politics of preferential trade, see Bhagwati (1993), Bhagwati, Krishna and Panagariya (1999), Krishna (2014) and Panagariya (2000).

[†] The withdrawal from the TPP by the US, under the direction of President Donald Trump, has excluded the US from this agreement for now. However, a slightly modified agreement called Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed by the remaining countries in 2018, with the US leaving open the possibility that it might join to form the previously negotiated TPP eventually.

important for realizing production efficiency and increasing employment growth, especially in Asia.

Taken together, the global economic environment offers significant challenges but also some opportunities for Indian policy making in the area of international trade and investment in the coming years.

In Section II of this paper, we discuss more specifically India's engagement with the world trade system, paying particular emphasis to the lack of liberalization momentum at the multilateral (WTO) level and the global drift towards bilateralism (in the form of preferential trade agreements). India too has signed a number of bilateral and plurilateral trade agreements of its own. In Section III, we discuss trade outcomes under India's own preferential trade agreements, noting that these agreements have not delivered significant trade outcomes – the evolution of imports and exports within India's free trade agreements is rather similar to the evolution of imports and exports outside of these agreements. In Section IV, we discuss possible future trade agreements that India may enter into such as the Regional Comprehensive Economic Partnership (RCEP) involving China (which is currently under negotiation) and also more comprehensive agreements involving negotiation over a number of non-trade issues such as the Trans Pacific Partnership. We discuss there as well the potential for such regional agreements (and indeed even unilateral liberalization) to enhance India's participation in global value chains. Finally, in Section V, we discuss factors that limit India's competitiveness and domestic policy reforms as well that will be necessary to improve trade and job creation for India.

II. India and the Global Trade System

India's engagement with the world trade system has been a somewhat asynchronous one. After the end of World War II, the Bretton Woods institutions – the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) provided the necessary underpinning for the global economic system. The largely even-handed and multilateral architecture of the GATT, which mandated non-discrimination in trade relations, provided member countries an even playing field in which to work out their trade and development strategies. Developing countries, through a set of exceptions, broadly referred to as “special and differential treatment” were allowed to be less than full obligation members, whereby they could benefit from the liberalization of others without being called upon to liberalize their external regime themselves. India, a founding member of the GATT, started its post-independence years with a relatively open regime. But, by the late 1960s, as the grip of the state over economic activity significantly strengthened, India took advantage of these GATT protections and erected egregiously high trade barriers, reducing the economy to a near autarky.

Ironically, these pre-1990 years, in which India was the most closed, were the years in which the world trade system, in a sense, was the most open and showed the greatest momentum towards further liberalization. Successive round of trade negotiations, driven by the enthusiastic participation of the major powers, succeeded in bringing their trade barriers on manufactures to nearly zero. This benefitted those developing countries that had sought to integrate with the world economy and use the demand from global markets to propel their own growth, but not India, which was closed instead.

Unfortunately, by the late 1980s, just as India was realizing the enormous costs of protection and had begun taking major steps towards integrating with the multilateral system, enthusiasm for the multilateral process was diminishing in the rest of the world. The United States, for instance, had begun to perceive that the multilateral process was yielding diminishing returns: Liberalization of large industrialized countries has already been substantially achieved, and the large and complex membership of the GATT implied slower future process. Many countries felt that that bilateral negotiations may yield superior outcomes. The diminished enthusiasm for the multilateral system had two immediate consequences. First, the multilateral Doha round of trade negotiations, that began in the year 2001, stalled. Second, the momentum towards bilateral agreements grew rapidly. Both of these developments have had important implications for India.

II.1 Multilateral Negotiations

The multilateral Doha Round of trade negotiations, also called the Doha Development Agenda, because of its focus on the improvement of the trading prospects for developing countries, was launched in the year 2001. The Doha "ministerial declaration" gave this round its mandate to negotiate liberalization in agriculture, industry and services, and intellectual property rights. To date, despite several attempts to advance the negotiations, this round has not been successfully closed, although a preliminary agreement on less contentious issues such as trade facilitation and removal of trade barriers against exports from the least developed countries was at last achieved at the December 2013 WTO ministerial meetings in Bali. Having been labeled the 'development round,' the expectations of developing countries for the round were at least partly based on the idea that agricultural protection is largely a developed country problem. It was argued that: developed-country subsidies and protections hurt the poorest developing countries the most, it was wrong to ask poor countries to liberalize when rich countries heavily protect their own markets, and agricultural subsidies and protection in the rich countries reflect the double standards and hypocrisy on the part of rich countries. The effect of these assertions was to considerably harden the stance of the developing countries and to give them the false hope that they might get one-way concessions from the developed countries, especially in agriculture.

Further, while the initial goal of many food-exporting developing countries was the reduction of developed country production and export subsidies (so that the price of their exports – food – would rise), the 2007-2008 food price crisis, when shortages of particular commodities led to sharp increases in food prices, led the exporting countries to re-evaluate this position. Increases in food prices would perhaps benefit farmers and the rural poor, but could hurt the urban poor (and non-farm rural poor) considerably – a significant economic and political risk in a country with large numbers of people living at subsistence level. Being a net exporter of agricultural output, India stands to gain on net (and especially in the rural sector) from a reduction of global agricultural subsidies. Whether India's institutions will be able to manage the shock of higher global food prices -- with its obvious adverse consequences for food consumers, especially the poor, throughout the country, is another matter. This perhaps drove India's ambivalence towards rationalization of agricultural policy through Doha and for India to perhaps see Doha as less of a priority. In the event, India was an important player in the Doha Round, but was seen as being rigidly defensive in agriculture and (to a lesser extent) also in liberalization on industrial goods. It was strongly opposed to the inclusion of most of the "Singapore" issues (concerning investment, transparency in government procurement, competition policy and trade facilitation), and remained in favor of a strong special and differential treatment for developing countries.[*]

Regardless of the approach taken by India or other countries during the Doha round, the WTO system, in recent years appears to have been overtaken by unexpected external drivers. To the stagnation of the WTO, the Trump administration has added considerable challenge by taking aggressive and unusual stances: imposing tariffs on partners on contrived "national security" grounds, backing out of some nearly completed negotiations (TPP), demanding re-negotiation of existing agreements (NAFTA), and threatening outright exit from the WTO itself if its demands are not met with acquiescence. These belligerent assertions of US power have upended traditional mechanisms for negotiation and exchange in the system, raising fundamental questions about the future of the global order and the necessary steps for progress within it. Most recently, the United States' imposition of tariffs on steel and aluminum imports from India (and many other countries) has provoked retaliation from India and other countries on a range of their imports from the US--taking the world trade system down an uncharted and dangerous path. How these matters will eventually be resolved is yet to be seen. Recovery of multilateral momentum is, however, unlikely in the very short run.

[*] Whatever the merits of India's positions, it was seen and portrayed as obstructive at Doha and as only showing some initiative in services, where it has discovered its strengths in light of the successes of the IT services sector at home. This was certainly unfair – a lot of the blame for the failures at Doha surely rests with United States and the EU and their lukewarm interest in the round

III. India's Preferential Trade Agreements

The slowdown of the multilateral process, as reflected by the failure of the Doha round and negotiation difficulties faced in the Uruguay round, has been matched by a declining interest in the WTO's non-discriminatory architecture. Ever since the late 1980s, when the US abandoned its own principled opposition to preferential trade agreements by signing the Canada-US Free Trade agreement and the North American Free Trade Agreement (by subsequently including Mexico), many countries have found it more attractive to negotiate trade treaties bilaterally, with individual or small groups countries, rather than substantially engaging the multilateral process. Preferential agreements are notified to the GATT, under its Article XXIV, which permits the formation of free trade agreements and customs unions, provided these agreements result in comprehensive liberalization of 'substantially' all trade between the member countries, or through its "Enabling Clause" which permitted developing countries to enter into "arbitrary" agreements (not requiring the comprehensive liberalization mandated by Article XXIV) with each other.

Such preferential agreements are now in vogue, with hundreds of GATT/WTO-sanctioned agreements having been negotiated during this period and with nearly every member country of the WTO belonging to at least one PTA (and the average member belonging to over seven agreements). Among the more prominent PTAs currently in existence are the North American Free Trade Agreement (NAFTA) and the European Economic Community (EEC), the MERCOSUR (the CU between the Argentine Republic, Brazil, Paraguay, and Uruguay).

Over the years, India too has negotiated a number of preferential trade agreements. Table I provides a list of India's bilateral trade agreements, signed with individual partner countries, as also plurilateral agreements signed with multiple countries. India's bilateral agreements are with Afghanistan, Bhutan, Chile, Japan, Malaysia, Nepal, Singapore, Sri Lanka, Thailand and the

Republic of Korea. As Table I indicates, India has also entered into plurilateral agreements with the Association of South-East Asian Nations (the India-ASEAN Free trade agreement) and the MERCOSUR countries (the MERCOSUR-India trade agreement) and is a member of the Asia Pacific Trade Agreement (involving Bangladesh; Sri Lanka; China; India; Korea, Republic of; Lao People's Democratic Republic) and the South Asia Free Trade Agreement (Afghanistan; Bangladesh; Bhutan; Sri Lanka; India; Maldives; Nepal; Pakistan)

The impact of these trade agreements on trade outcomes for the balance of trade has been of significant interest in trade policy circles in India. What are the trends under the different agreement undertaken by India? Have trade balances improved or worsened under the agreements?

Table II provides statistics on the import and export shares of India with its partner countries – looking in particular at comparison between the years 2007 and 2017. Specifically, Table II provides data on India's trade with the individual countries with which it has bilateral agreements. These are also aggregated into an India-Bilateral category). Table II also provides information on trade trends under India's plurilateral agreements: ASEAN, APTA, SAFTA and MERCOSUR.[*] Finally, for comparison purposes, Table II provides data on trade between India and the United States, the European Union and China.

It should be readily evident, from Table II, that trade between India and most of these partner countries has stayed very steady over the past many years. Consider first trade between India and its bilateral agreement partners. Overall imports with these countries stood at 13.3 percent of total imports in 2007 and moved to 11.8 percent by 2017. Exports to these countries stood at 13.7 percent in 2007 and moved to 14 percent by 2017. Trade between India and its bilateral partners has, thus simply kept up with its global trade patterns. Trade with the larger countries in this grouping -- Korea, Japan, Malaysia and Singapore -- also looks remarkably steady,

[*] We should note that many countries have individual agreements with India and are also part of a separate plurilateral agreement Thus, Singapore has its own trade agreement with India and is also part of the India-ASEAN free trade agreement. Goods are free to be imported or exported under whichever agreement gives them a "better" treatment.

especially in the aggregate.: the slight increase in import share from Korea appears to be offset by reductions in import share from Japan, Malaysia and Singapore.

India's trade under plurilateral agreements – notably India-ASEAN and India-MERCOSUR looks mostly steady as well. Trade with ASEAN countries rose slightly (import share rose from 9.6 percent to 10.2 percent and the export share rose from 9.5 percent to 12 percent). India-MERCOSOUR trade slightly as well. MERCOSUR's import share rose from 0.7 to 1.7 percent and the export share dropped slightly from 1.5 to 1.3 percent of overall exports. The conclusion here is a straightforward one. India's trade share with its bilateral and plurilateral partners did not rise significantly over the years 2007-2017.

One concern that is frequently expressed in India concerns the balance of trade between India and its PTA partners – specifically that India's trade agreements have led to an expansion of its trade deficits. However, the data indicate otherwise. Trade deficits with India's bilateral partners accounted for 12.6 percent of the overall trade deficit in the year 2007. In 2017, they accounted for a considerably smaller 7.5 percent. Similarly, India's trade with ASEAN and MERCOSUR accounted for 9.1 percent of the total trade deficit in 2007 and accounted for 9.2 percent of the overall deficit in 2017. Thus, while India's trade deficits widened over the years in nominal dollar terms, its PTAs do not account for an appreciably larger fraction of its trade deficit than they did before.

While trade shares within India's agreements seem relatively steady over time, there is a question of what this looks like at a sectoral level. For instance, are there specific dis-aggregated sectors where the growth of trade within agreements is significantly greater than growth outside of India's trade agreements? Might specific sectors in India have suffered due to a surge in import from its partner countries?

An examination of disaggregated 3-digit trade data from 2007-2017 helps to identify sectors in which trade growth was faster within trade agreements than outside of it. The data indicate that sectors in which trade grew faster than 25 percent within India's bilateral agreements than trade with the world amounted to about 18 billion dollars of imports and 10.2 billion dollars of exports in 2017. For ASEAN, the corresponding figures are 15 billion dollars of imports and 26 billion worth of exports. For sectors in which trade within bilateral agreements more than doubled relative to trade with the world, the volume of trade amounted to 4.8 billion dollars' worth of imports and 3 billion of exports. For ASEAN, the corresponding figures are 7 billion worth of imports and 10 billion of exports in 2017. Taken together, this amounts to 12 billion of imports and 13 billion of exports in 2017. From this we can conclude that sectoral import "surges" do not exceed export "surges" and also that these surges are quantitatively small compared to the overall volume of trade (amounting to 6.5 percent of overall trade and 12 billion or 3.5 percent of overall imports).

The preceding discussion suggests that India's trade agreements did not significantly alter its trade patterns, i.e., that trade under India's trade agreements not grow any faster than India's trade outside its agreements. Why is this the case?

One explanation for this has to do with the fact that India's agreements were relatively shallow – that they have entailed less liberalization, thus far, than one might have imagined in the first instance. As indicated in Table I, most of India's agreements – with the exception of agreements with Japan and Singapore - were notified to the WTO under the Enabling Clause. This implies that unlike Article XXIV agreements which require liberalization on "substantially all trade," the enabling-clause-notified agreements undertaken by India were of generally of a "partial scope" nature with varying, but often only a limited amount of liberalization undertaken. The agreements have also involved a range of implementation schedules, with liberalization undertaken both by India and its partners committed to be phased over a number of years after the agreements were first notified to the GATT. Thus, for instance, while liberalization under the India-Japan trade agreement began in the year 2011, implementation is complete for only about 23 percent of the tariff lines. For 63 percent of the goods, tariff liberalization by India is only expected to be undertaken by the year 2021. Another 14 percent of goods excluded from the agreement altogether. Similarly, under the India-Korea agreement, signed in 2010, only about 8 percent of tariff lines had been fully eliminated prior to 2017. Over 60 percent of the tariff lines were to be liberalized by India only by 2017 and about 20 percent of tariff lines were excluded from elimination altogether. Equally, the India-ASEAN free trade agreement, which began liberalization in 2010, undertook elimination of 9000 tariff lines, but fully only by the year 2016.

The trade outcomes under India's preferential trade agreements are mirrored, to some extent, in outcomes under preferential agreements in the rest of the world (see Krishna, 2014). Thus, the World Trade Report 2011 (henceforth WTR) argues that while there has indeed been a significant increase in the value of trade taking place between PTA members over time, much of this trade is not taking place on a preferential basis. Consider trade in 1990 between PTA partners – this trade made up around 18 percent of world trade and rose to 35 percent by 2008 (in both cases, the figures indicated exclude intra-EU trade). When the European Union is included, intra-PTA trade rose from about 28 percent in 1990 to a little over 50 percent of world trade. In dollar terms, the value of intra-PTA trade, excluding the EU countries, rose from 537 billion USD in 1990 to 4 trillion USD by 2008 and from 966 billion to nearly 8 trillion once the EU is included. This might suggest that by now a large share of world trade is taking place between PTA members. However, as the WTR importantly points out, these statistics vastly overstate the extent of preferential trade liberalization and thus the extent of preferential trade that is taking place. This is so because much of the trade between PTA members is in goods on which they impose MFN tariffs of zero in the first place. And goods which are subject to high MFN tariffs are also often subject to exemptions from liberalization under PTAs, so that the volume of trade that benefits from preferences is, on average, quite low.

Specifically, WTR calculations (see Table III) indicate that despite the recent explosion in PTAs, only about 16 percent of world trade takes place on a preferential basis (the figure rises to 30 percent when intra-EU trade is included in the calculations). Furthermore, less than 2 percent of trade (4 percent when the EU is included) takes place in goods which receive a tariff preference that is greater than 10 percent. For instance, well over 50 percent of Korean imports enter with zero MFN tariffs applied to them. Korea offers preferences to about 10 percent of its imports, but a preference margin greater than 10 percent on virtually none of its imports. A similar picture emerges on the exporting side. One of the countries that has actively negotiated PTAs is Chile and 95 percent of Chilean exports go to countries that it has a PTA with. However, only 27 percent of Chilean exports are eligible for preferential treatment and only 3 percent of its exports benefit from preference margins greater than 10 percent. Table III provides an additional breakdown of the volumes of trade that enter on a preferential and on an MFN basis for a number of sample PTAs. Clearly for most PTAs the majority of their trade takes place under zero MFN tariffs. It is only a small fraction of trade that enters on a preferential basis, especially outside of the EU and NAFTA. Taken together, the preceding statistics suggest that the extent of trade liberalization undertaken through PTAs has been quite modest, despite the large number of PTAs that have in fact been negotiated (see also Table IV) – a picture that is not altogether from that of liberalization undertaken in Indian PTAs.

Some of this should not perhaps be too surprising. It is widely understood that a major factor working against trade liberalization is the political opposition of the import competing lobbies. If this is the case, it is unclear why lobbies that oppose trade liberalization at the multilateral or unilateral level would easily support liberalization undertaken on a preferential basis. We should therefore expect that political lobbies would mostly only permit preferential agreements in which their rents were protected, either through access to partner country markets, or, more simply, through an exemption of liberalization on imports of those goods that compete with their own production, suggesting complementarities between MFN and PTA tariffs.[*] This is similar to the Indian context, where, as we have argued, liberalization within India's agreements has been quite limited and where exclusions and sensitive goods categories are maintained in each trade negotiation.

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[*] To explore the question of whether MFN tariffs and PTA tariffs are indeed complements, Baldwin and Seghezza (2010) examined correlations between MFN and PTA tariffs at the 10-digit level of disaggregation for 23 of the top exporting countries within the WTO (for which data was available). Consistent with the preceding discussion, they find that MFN tariffs and PTA tariffs are complements, since the margin of preferences tends to be low or zero for products where nations apply high tariffs. The implication is that we should not expect liberalization that is difficult at the multilateral level, to necessarily proceed easily at the bilateral level.

Finally, utilization of trade preferences in the context of trade agreements has been argued to be cumbersome for a number of reasons. A recent report by Saraswat, Priya and Ghosh (2017), suggests that preference utilization under India's PTAs is only about 25 percent, due to a lack of information about preferences, low margins of preference, delays and administrative costs associated with rules of origin and impediments caused by non-tariff barriers. While data on preference utilization is quite hard to come by, several surveys of trading firms suggest that preference utilization by exporting firms in Asian FTAs is not high, in general – the Indian experience is not unusual. Thus, for the sample of 841 firms in East Asia, a study by Kawai and Wignaraja (2011) shows that only around 28 per cent of exporting firms currently use PTA preferences. 36 per cent of reporting firms in the Republic of Korea and 14 per cent in China cited "having had no substantial tariff preference or having had no actual benefits from such" as the major reason for not utilizing the PTA preferential tariffs. Firms in the Philippines and Singapore attributed their low preference utilization to the countries' overwhelming "export concentration in electronics", which is characterized by "low MFN tariff rates".

Preference utilization is also limited by "rules of origin" (RoOs) which are formulated in the context of PTA agreements to prevent "trade deflection" (i.e., to ensure that goods that pass duty free within the union are actually within-union goods and not produced outside). This is particularly important in the context of global production networks, which, through trade in intermediate goods, involve two or more countries in the production of a single final good. Often RoOs result in far less trade liberalization than is implied by the preferences negotiated within an agreement as RoOs may raise transaction costs for firms to a degree that makes utilization of FTA preferences uneconomical. This is especially likely when margins of preference described above. Furthermore, as the number of concluded agreements increases, different RoOs in multiple, overlapping PTAs can pose an additional burden on firms.

III. 1 Future Trade Agreements

Looming over the horizon are the “mega-regional” agreements, such as the Regional Comprehensive Economic Partnership (RCEP), which is a free trade agreement that was launched in 2011 and is currently being negotiated between ASEAN nations and ASEAN's FTA partners. The RCEP includes 16 countries, which include: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Korea, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, and Vietnam – a grouping that constitutes about a third of the world's trade with a population of 3 billion and a gross domestic product (GDP) of about 20 trillion USD.

The fundamentals of the negotiating agenda of the RCEP cover trade in goods and services, investment, economic and technical cooperation, intellectual property, competition policy, and dispute settlement. However, since RCEP's primary focus seems to be on trade itself rather than on rules concerning the production of traded goods (such as labor or environmental standards), it is anticipated that agreement over RCEP will be easier to reach. It will not engage domestic political considerations beyond those that are generally involved with trade liberalization. Needless to say, the politics of trade liberalization in goods (i.e., disregarding other issues) may be complicated enough to scuttle the agreement altogether. Indeed, India's own position has been an apparently hesitant one for some easily understood reasons. India suffers a comparative disadvantage in manufacturing as compared to other RCEP members. This has put Indian manufacturing industry in fear of the rush of imports that will come across the border, especially from manufacturing powerhouses like China. On the other side, India has established strength in services. Thus, India’s interests lie in the export of services which it can supply using its skilled and semi-skilled labor (for instance, the potential market in China for outsourcing services in Information Technology (I.T.) was estimated at 140 billion USD in 2020, of which the demand from domestic Chinese firms would be approximately 70 billion USD). The challenges faced by Indian firms include qualifying certifications (for example, Systems Integrations Certificate), nonrecognition of international standards (like PMI), licenses (for BPO operations), and language constraints. India has reportedly already been aggressively negotiating the free movement of professionals as part of the agreement. It also perceives competitive strength in pharmaceuticals and textiles and has sought liberalization in these areas as well.

Whether liberalization of services within RCEP will be sufficient to induce Indian participation or not, this narrow calculation of Indian interests (manufacturing imports versus services exports) misses a few important features of the global economy and the trends in global production and trade. Notably, it ignores the fact that the RCEP can provide the benefit of linkage effects of regional and global value chains in manufacturing and in services. For India, such an arrangement is particularly relevant for a number of important reasons. There has been a rapid increase in global production fragmentation, leading to production via what is popularly referred to as 'global value chains,' wherein final goods are produced with inputs made in many different nations and where intermediate inputs may cross numerous international borders with value being added at each stage before being assembled into a final product. The foreign content of exports has been rising across a range of countries. For instance, in China domestic value added in exports dropped from an average of around 90 percent in 1995 to around 65 percent in 2010. In India as well, the domestic value added in exports fell from around 90 percent in 1995 to 78 percent in 2010. Nevertheless, as we have noted earlier, India's participation in sectors that have been organized as global production chains is strikingly small. For instance, in electronics, India's export share in the world is less than 0.5 percent. While a number of factors play a role in determining successful participation in global value chains, high tariffs inhibit the use of high quality imported intermediates which are essential for cost effectiveness and quality improvements. Reducing import barriers on manufacturing within RCEP may well provide the necessary incentives for India to integrate more fully into global manufacturing platforms (or global value chains – GVCs, as they are popularly known)

As a general matter, it has by now been quite well established that the pace and scale of GVC expansion is associated with a reduction of trade costs (OECD, 2013), which include trade policy barriers such as tariff and non-tariff restrictions. Efficient international un-bundling of the production process requires trade costs must be low enough to enable firms to utilize location advantages of countries arising from factor-price differences and economies-of-scale. With production fragmentation, intermediate inputs may be sourced from different countries, partially assembled in stages and then shipped to another destination for final assembly, Importantly, a portion of trade costs - including tariffs - are incurred each time a good-in-process crosses a border.

The regional nature of GVCs is also related to the role played by trade costs. Other things being equal, countries appear to source intermediates from nearby countries in order to minimize transportation costs. Regional integration agreements may partly reduce trade costs between countries within a respective region, especially if such agreements provide for deep integration beyond market access. In other words, integration agreements that include liberalization of services trade, investment provisions, intellectual property rights protection, and the harmonization of standards and regulations will make cross-border production more efficient.

The empirical literature is rich with evidence pointing to a positive association between the regional trade agreements and existence of regional value chains (regional production fragmentation -- see, for example, Johnston and Noguera (2012). It appears that these two forces are mutually supporting; comprehensive trade integration agreements go hand-in-hand with more expansive production sharing across borders in the region. Regional integration across Asia has opened opportunities for firms spread production stages across Asia and the Pacific. For example, technology-intensive parts and components of electronics products are produced in relatively advanced industrial countries of the region, such as Japan, and the Republic of Korea, while the assembling of different intermediates into finished products is taking place elsewhere in the region, such as in China and Vietnam. From India’s perspective, reducing import barriers on manufacturing within RCEP may well provide the necessary incentives for Indian suppliers to integrate more fully into global manufacturing platforms.

Trans-Pacific Partnership

Prior to the unceremonious exit of the United States from the TPP following the election of Donald Trump as President, the TPP was negotiated as a trade agreement among 12 countries: Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam – an economically significant group representing about 40 percent of global output making it perhaps the largest economic arrangement of its kind. From an Indian perspective, TPP negotiations were instructive since, in addition to the liberalization of trade in goods, TPP also included new disciplines on policies that affect trade and investment in goods and services. The TPP also goes well beyond what has typically been included in other trade agreements, especially in Asia.

TPP members were expected to eventually eliminate nearly all of their tariff lines and also reform a variety of non-tariff barriers (especially on local content requirements and rules of origin for autos and parts as well as for textiles and apparel). In addition to market access reforms for trade in goods, however, the TPP included broad ranging disciplines in a number of areas many of which would have been of significant concern to India. Since the TPP negotiations apparently proceeded as per the United States' "negotiation template", its structure provided an opportunity to understand the US's negotiation approach and its relevance for India. The most significant non-trade issues in the TPP included labor regulations, environmental regulations, rules on intellectual property protection, and provisions on the functioning of state-owned enterprises (SOEs).

Each of the non-trade issues in TPP are, in principle, of concern to India, as the same issues are likely to arise in any future negotiations with the United States or the members of the European Union.

Labor Regulations

TPP rules on labor, as articulated in its labor "chapter," requires that TPP members ensure that their national labor laws conform to the core principles of the International Labor Organization (ILO) Declaration on Fundamental Rights at Work, which include freedom of association and recognition of the right to collective bargaining, elimination of all forms of forced labor, the abolition of child labor, and the elimination of discrimination with respect to employment and occupation.

It is noteworthy that despite the clear reference to the ILO declaration, the TPP did not go further in asking for countries to conform to the eight formal conventions that correspond to the latter. This was not surprising since even the United States has only signed two of the eight conventions. Because countries are legally only required to comply with ratified conventions, this ambiguous positioning of the TPP on labor issues caused considerable anxiety in both the rich countries within the TPP (whose labor unions would like greater enforceability) and in developing countries (which sometimes see even the inclusion of labor standards as an attempt to dilute their comparative advantage based on labor abundance).

Prima facie, the US reticence in pursuing more stringent rules on paper and greater reticence on pursuing abuses of labor laws in partner countries in previous agreements indicated, on balance, that labor standards would not be a significant deterrent to Indian interest in joining an agreement. But whether powerful lobbies such as the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) will allow the US indifference to sustain once the US starts including large labor abundant countries India in the TPP is another matter.

Environmental Regulations

Dashing the hopes of those who sought more stringent environmental rules via the TPP and allaying the fears of those who worried that significant environmental regulations in TPP would weaken the motivation of countries to participate in the agreement, the TPP does not go much further than existing arrangements. It mostly insisted that countries do more to implement and enforce their obligations under the multilateral environmental agreements already signed by them (participation in which varies widely among even the TPP member countries).

The TPP included commitments to promote sustainable fisheries management; to promote the long-term conservation of species at risk such as sharks, sea turtles, seabirds and marine mammals; and to combat illegal fishing, including implementing port state measures and supporting increased monitoring and surveillance. Specifically, the TPP did not include any disciplines concerning global warming or policies that reduce distortions with respect to demand for fossil fuels and renewable energy supplies. These commitments are in line with commitments that India has already undertaken, but again these commitments may change were India to join the TPP and become a member.

Intellectual Property Protection

At its core, the TPP established rules on intellectual property protection that are consistent with international norms drawn from the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). India is a signatory of the TRIPS agreement. The TPP did, however, establish new rules on the patenting on pharmaceuticals – covering both patent term extensions and copyright protections and more controversially, on data protection and data exclusivity for patented drugs (including biologics derived from genetic material, cells and other biological sources). While the pharmaceutical industry sought protections for a period of 12 years and advocates from poorer countries wanted to reduce this duration to 5 years, the agreement finally provided 8 years of protection. On the margin, the longevity of protection would adversely affect producers of generics or biosimilar drugs and would therefore adversely impact India.

India and the US have locked horns multiple times on the issue of intellectual property rights and the right to protect access to inexpensive life-saving medicines. Further, the US and the EU appear concerned about Indian rules which allow the Indian Patents Controller to deny patents on items that are not significantly different from their older versions. This prevents pharmaceutical companies from getting fresh patents on medicines with expired patents, by making small and largely cosmetic changes in its formulation. India's dominance in the pharmaceutical sector may induce partner countries to seek more stringent Intellectual Property Rights (IPR) protections in the context of trade agreements with India. IPR negotiations will clearly be an important and challenging component of any trade deals between India and partners such as the US or the EU.

Operation of State Owned Enterprises

Perhaps the most challenging rules concerning the potential membership of India in mega-regional trade agreements such as the TPP has to do with the operation of state owned enterprises. While international trade rules under the WTO have sought to discipline the behavior of state owned enterprises, they have only had limited success. The TPP was much more ambitious. It sought to ensure that the commercial activities of SOEs (purchases and sales) are done with only commercial considerations in mind, without discriminating against other TPP firms. It also prohibited the use of subsidies to support SOEs. It required judicial jurisdiction over related disputes concerning the operation of SOEs and administrative mechanisms to ensure implementation and compliance with any judicial rulings.

The TPP poses fundamental challenges to countries like China and India on the matter of SOE regulations. China has the largest SOE sector in the world, with over 100,000 SOEs (which has been the basis of much anti-Chinese rhetoric in the United States and elsewhere over the years). SOEs owned by the center earned over three trillion USD in 2015 with sub-central SOEs earning a lower, but nearly equal figure according to available estimates, adding up to a total of 6 trillion USD in annual earnings. While smaller, India too has a significant state-owned sector, with turnover of around 150 billion USD. It is likely that the TPP members will push for stricter rules and increased transparency of SOE operations in China and India should they seek entry into the TPP. One important exception to the TPP rules comes through its allowance for services supplied by a state-owned enterprise of a Party “within that Party’s territory” (USTR, 2016) such services are deemed not to cause adverse effects on rival firms and are permitted to receive subsidies from their governments.

In a certain sense, the discussion about India joining the TPP is moot. Leaving aside India's own lack of interest at the present moment, the United States, under President Trump has pulled itself out of the TPP, while leaving open the possibility that the US might come back to the agreement at some future date. In the meantime, the remaining members have reached an agreement (the Comprehensive and Progressive TPP – CPTPP) under rules largely similar to those previously negotiated, but excluding issues that the US had previously insisted on having to do with government procurement, intellectual property protection and investment. Should the US return to TPP, these issues will undoubtedly be brought back in. It is virtually certain then that for India to join such an agreement, it will have to contend these various non-directly-trade related issues, which could present insuperable challenges for India, given its own economic and political constraints – including those from its own state owned enterprises.

IV. Unilateral Liberalization

Historically, much of India's trade liberalization has come about through *unilateral* measures (as opposed to reforms negotiated at the WTO or through bilateral trade agreements). This happened mostly in two waves: first in 1991-94 and then in 1998-2007, with pauses in 1995-97 and after 2007. Average tariffs came down from more than 150% in 1991 to about 12% in 2007.

The large-scale liberalization undertaken by India, might, in the first instance, suggest that the task of trade liberalization is now complete. However, this is not the case. India's tariff regime is characterized by pronounced disparities between bound rates (i.e., the rates that under WTO rules generally cannot be exceeded) and the most favored nation (MFN) applied rates charged at the border. India's average bound tariff rate is around 50 percent, while its simple MFN average applied tariff is around 13 percent. Given this large disparity between bound and applied rates, exporters to face uncertainty because India maintains flexibility to change tariff rates at any time. For example, in January 2013, India issued a customs notification announcing an immediate doubling of the tariff on imports of crude edible oils. While this is not a typical occurrence and while tariff rates are quite stable overall, long term investments by trading partners (in the context of global value chains, say) require regulatory certainty, which can be achieved by lowering bound rates to bring them closer to applied rates.

Further, many of India's bound tariff rates on agricultural products are among the highest in the world, ranging from 100 percent to 300 percent. India's average bound tariff for agricultural products is 118.3 percent. While many applied tariff rates are lower (averaging 33.5 percent on agricultural goods in 2013), they still present a significant barrier to trade in agricultural goods and processed foods (e.g., potatoes, apples, grapes, canned peaches, chocolate, cookies, and frozen French fries and other prepared foods used in quick-service restaurants). The large gap between bound and applied tariff rates in the agriculture sector allows India to use tariff policy to make frequent adjustments to the level of protection provided to domestic producers, again creating uncertainty for traders.

India also maintains very high tariff peaks on a number of goods, including flowers (60 percent), natural rubber (70 percent), automobiles and motorcycles (60 percent to 75 percent), raisins and coffee (100 percent), alcoholic beverages (150 percent), and textiles (some ad valorem equivalent rates exceed 300 percent). Further, while India has bound all agricultural tariff lines in the WTO, over 30 percent of India's non-agricultural tariffs remain unbound, (i.e., there is no WTO ceiling on the rate). Overall, rather than undertake simple liberalization, India has operated a number of complicated schemes including duty drawbacks, and duty remission schemes for imports. This appears to be an unnecessarily complicated administrative structure that can be considerably simplified by unilateral liberalization.

Despite the immense success of the reforms in taking the economy forward, external liberalization stalled between 2004 and 2014 under the Congress-led government. Despite its stated goal of moving toward Association of Southeast Asian Nations (ASEAN) tariff rates (approximately 5 percent on average), India has not systematically reduced its basic customs duties in the past five years.

Several related observations on Indian unilateral trade policy choices may be made:

First, applied tariffs far below their bound levels suggests that policy is, unusually, more liberal in practice than it is in principle. The reasons for this gap are unclear (at least to this author) but may have to do with different political forces that are engaged in unilateral decision making as compared to those engaged in multilateral negotiations or potentially due the strategic value that high bound tariffs have as bargaining chips in future multilateral negotiations. Be all this as it may, India may do well to lower its bound tariffs to bring them closer to applied levels, either unilaterally or as part of a multilateral negotiation.

Second, a case to be made for revenue neutral liberalization and rationalization of the tariffs. Figure 1 below shows the tariff levels and the revenue obtained at those levels for India. The highest tariff levels that contribute substantial revenue are 150 and 100. Beverages/Spirits are charged at 150 percent and contribute 2 percent of tariff revenues, while crude palm oil is charged at 100 percent and contributes 16 percent to import revenue. Beverages and spirits make up 0.1 percent of all imports and crude palm oil accounts for 1.4 percent. The other substantial spikes in import revenue occur at 10 percent and 7.5 percent, which consist of various dutiable goods. One possible rationalization to consider would be to harmonize all rates around the trade weighted average of say 7 percent (with some exceptions for sensitive goods). This rationalization would correct distortions where inputs to industries are charged higher tariffs (tariff inversion) while also bringing additional political economy benefits associated with having uniform tariffs.

Third, alongside the liberalization undertaken in the last two decades, India has become one of the world's leading users of anti-dumping duties, filing 20-25 percent of the global anti-dumping cases (vastly disproportionately to its share of global imports). While most of these duties have been in a single sector (chemicals) and do not seem to have greatly affected Indian imports, flexible use of anti-dumping duties against global competitors raises fear about India's willingness to bend to domestic political economy pressures to use such policies in other sectors as well. Greater self-restraint in the use of antidumping duties will signal a more stable trade regime.

Fourth, as we have observed earlier, Indian participation in global production networks is rather limited, especially in manufactures. While a number of factors drive this outcome (including relatively poor transport infrastructure and trade facilitation) high and potentially variable tariffs are surely also to blame.

V. Domestic Reforms

In addition to trade reforms and market access, improving India's trade and effective participation in global production networks will require a number of domestic improvements. These include improvements in domestic transport and trade infrastructure and reforms that increase the productivity of its stagnating manufacturing sector.

The relatively weak performance of the manufacturing sector and the reasons for its low productivity are many (and are generally well understood): Land acquisition for projects is a major hurdle. The regulatory framework that needs to be engaged in order to install capital and begin production is cumbersome -- getting the necessary permits from the various ministries is highly challenging. Taxes relating to domestic and foreign investors have been variable, generate unnecessary uncertainty for investors. Indian infrastructure clearly needs dramatic improvement. The transportation network remains weak. The quality and coverage of Indian roads lags far behind countries like China, as do India's port facilities. Energy supply, a necessary input for production, remains low and variable. The need for infrastructural investments to support economic activity is obvious. Overall, the ease of starting and doing business in India remains low, despite recent improvements.

An additional factor, that has been widely recognized as an impediment to the growth of the manufacturing sector is the highly restrictive set of labor laws that govern employment in India. The Industrial Disputes Act requires firms employing more than 50–100 workers to obtain the permission of the government in order to retrench or lay off workers. Since this permission is not easily forthcoming, it raises the effective cost of labor usage in production and induces distortions in labor hiring. The Industrial Employment Act regulates the terms and conditions of work and applies to manufacturing firms employing over 10 workers. While no one would argue that we do not need to have worker protections in the law, it seems clear that Indian labor regulations, as they stand, often work against the interests of labor itself. Making it difficult or impossible to fire workers makes firms reluctant to hire workers, especially into formal jobs. This implies that we have a larger pool of informal “contract” workers who don’t enjoy the legal protections and job security that the law intended for them in the first place. Restrictive labor regulations can also induce firms to operate less than optimally, for example, by hiring fewer workers than they ideally need or by shifting to capital intensive manufacturing techniques, even if this is costly to do.

Taken together, these factors have conspired to ensure that Indian manufacturing has remained both small in scale and (correspondingly) inefficient: nearly three-quarters of Indian manufacturing workers are employed in small firms (with less than 20 workers each) which collectively produce less than one quarter of Indian manufacturing output. Reducing worker "protections" in order to improve outcomes for workers and the promotion of scale in manufacturing activity (even if it appears biased against small enterprises) to gain productivity are among the necessary changes for Indian manufacturing productivity to rise.

The apparent lack of genuine interest in tackling these issues is an indicator of the political difficulty inherent in bringing about the necessary changes. It also reflects a related and significant ideational challenge: Having put in labor regulations to reduce worker exploitation (itself widely prevalent), how can one now rationalize their removal? Having supported small scale economic activity (including through the very restrictive small scale reservations policy which permitted a range of goods to only be produced by small scale firms) how can one now promote large scale activities instead? Without somehow pledging improved outcomes for every individual worker, how can one get democratic support for these changes? These questions need to be tackled effectively and soon. Rising protectionism in the advanced countries and India's own demographic pressures do not leave much room for delay.

Conclusions

Following global trends, India has signed a number of preferential trade agreements. Our analysis of the India's trade outcomes under the agreements suggests, however, that the trade shares of India's trade partners (on both the imports and the exports side) have not changed much over the last decade. This is primarily because India's agreements, have had gradual liberalization schedules, so that implementation in many agreements was only recently completed and implementation in yet others is slated to completed only years later. India's agreements have also involved a significant number of exclusions, so that goods with large multilateral tariffs have been shielded from import protection in bilateral settings as well. On the one hand, this analysis of trade outcomes rejects alarmist claims concerning imports, under these agreements, having had devastating effects on domestic industry. On the other hand, the lack of a significant impact on trade shares may lead to a questioning of the relevance of agreements. Regardless of past outcomes, it is clear that, going forward, India needs to use global markets to propel its economy. Market access is important, but domestic productivity and competitiveness is also crucial. How India manages both these issues will crucially determine its development trajectory over the coming years.

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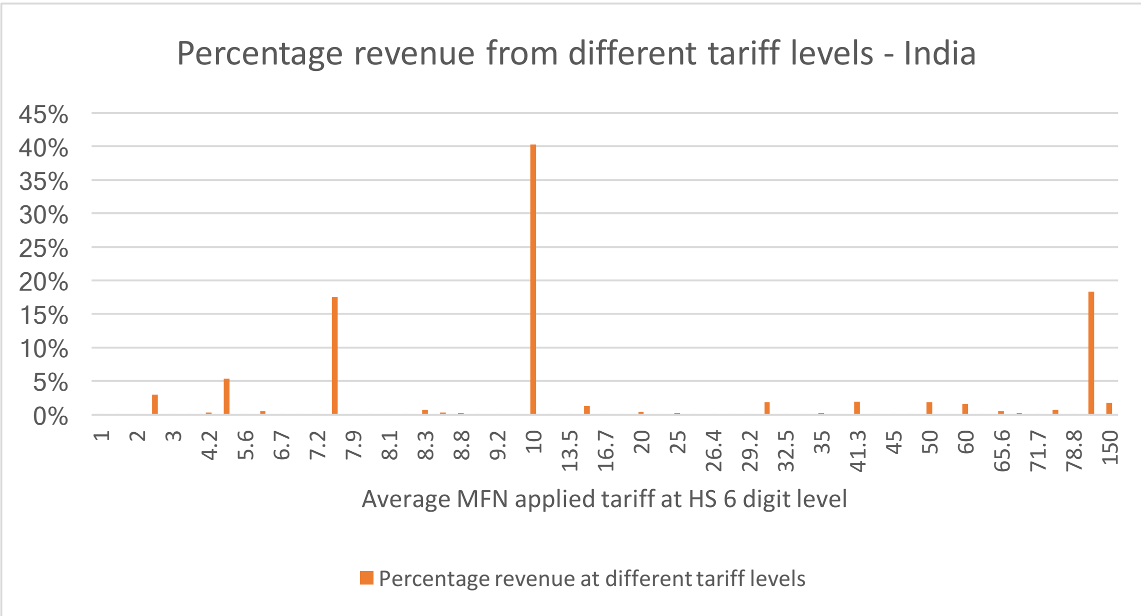
Figure I



Source: Constructed from Indian Budget documents and data from Export-Import bank

Tabe I: India's Trade Agreements

Trade Agreement	Coverage	Type	Notification	Date of entry into force	Signatories
India - Afghanistan	Goods	PSA	Enabling Clause	13-May-03	Afghanistan; India
India - Bhutan	Goods	FTA	Enabling Clause	29-Jul-06	Bhutan; India
India - Chile	Goods	PSA	Enabling Clause	17-Aug-07	Chile; India
India - Japan	Goods & Services	FTA & EIA	GATT Art. XXIV & GATS Art. V	1-Aug-11	India; Japan
India - Malaysia	Goods & Services	FTA & EIA	Enabling Clause & GATS Art. V	1-Jul-11	India; Malaysia
India - Nepal	Goods	PSA	Enabling Clause	27-Oct-09	India; Nepal
India - Singapore	Goods & Services	FTA & EIA	GATT Art. XXIV & GATS Art. V	1-Aug-05	India; Singapore
India - Sri Lanka	Goods	FTA	Enabling Clause	15-Dec-01	Sri Lanka; India
India - Thailand	Goods	PSA	Enabling Clause	1-Sep-04	India; Thailand
India - Republic of Korea	Goods & Services	FTA & EIA		1-Jan-10	India; Korea, Republic of
India - ASEAN	Goods & Services	FTA & EIA	Enabling Clause & GATS Art. V	1-Jan-10	India; Brunei Darussalam;Myanmar;Cambodia;Indonesia;Lao People's Democratic Republic;Malaysia;Philippines;Singapore;Viet Nam;Thailand
Asia Pacific Trade Agreement (APTA)	Goods & Services	PSA & EIA	Enabling Clause & GATS Art. V	17-Jun-76	Bangladesh; Sri Lanka; China; India; Korea, Republic of; Lao People's Democratic Republic
South Asian Free Trade Agreement (SAFTA)	Goods	FTA	Enabling Clause	1-Jan-06	Afghanistan; Bangladesh; Bhutan; Sri Lanka; India; Maldives; Nepal; Pakistan
South Asian Preferential Trade Arrangement (SAPTA)	Goods	PSA	Enabling Clause	7-Dec-95	Bangladesh; Bhutan; Sri Lanka; India; Maldives; Nepal; Pakistan
Southern Common Market (MERCOSUR) - India	Goods	PSA	Enabling Clause	1-Jun-09	India; Argentina;Brazil;Paraguay;Uruguay

Trade Agreement	Signatories
India - Afghanistan	Afghanistan; India
India - Bhutan	Bhutan; India
India - Chile	Chile; India
India - Japan	India; Japan
India - Malaysia	India; Malaysia
India - Nepal	India; Nepal
India - Singapore	India; Singapore
India - Sri Lanka	Sri Lanka; India
India - Thailand	India; Thailand
India - Republic of Korea	India; Korea, Republic of
India - ASEAN	India; Brunei Darussalam;Myanmar;Cambodia;Indonesia;Lao People's Democratic Republic;Malaysia;Philippines;Singapore;Viet Nam;Thailand
Asia Pacific Trade Agreement (APTA)	Bangladesh; Sri Lanka; China; India; Korea, Republic of; Lao People's Democratic Republic
South Asian Free Trade Agreement (SAFTA)	Afghanistan; Bangladesh; Bhutan; Sri Lanka; India; Maldives; Nepal; Pakistan
South Asian Preferential Trade Arrangement (SAPTA)	Bangladesh; Bhutan; Sri Lanka; India; Maldives; Nepal; Pakistan
Southern Common Market (MERCOSUR) - India	India; Argentina;Brazil;Paraguay;Uruguay

Table II: Trade Shares

	2007			2017		
	Import Share	Export Share	Trade Balance Share	Import Share	Export Share	Trade Balance Share
India-Bilateral	13.3	13.7	12.6	11.8	14	7.5
India - Afghanistan	0.3	0.1	-0.19	0.09	0.21	-0.15
India - Bhutan	0.09	0.04	0.18	0.05	0.13	-0.13
India - Chile	0.86	0.15	2.27	0.25	0.25	0.63
India - Japan	2.7	2.2	3.5	2.3	1.52	3.9
India - Malaysia	2.6	1.27	5.3	2	1.8	2.2
India - Nepal	0.2	0.8	-1	0.09	1.8	-3.4
India - Singapore	3.1	4.3	0.7	1.6	3.9	-2.9
India - Sri Lanka	0.2	1.7	-3	0.15	0.15	-2.5
India - Thailand	1	1.1	0.7	1.4	1.2	1.9
India - Republic of Korea	2.5	1.7	4	3.6	1.5	7.8
India - ASEAN	9.6	9.5	9.9	10.2	12	6.6
Asia Pacific Trade Agreement (APTA)	2.7	4.8	-1.39	3.9	5.4	10
South Asian Free Trade Agreement (SAFTA)	0.7	5.2	-8.2	0.5	6.6	-11.5
India-Southern Common Market (MERCOSUR)	0.7	1.5	-0.8	1.7	1.3	2.6
India-China	11.2	6.5	20.7	16.1	4.2	39.7
India-USA	6.4	13.7	-8.1	5.4	15.6	-14.6
India-EU	14.8	21.7	1	9.9	17	-4.65

Table III: Trade Under Preferences (2008)

Regime	Preferential Trade			Non-Preferential Trade			MFN=0	Trade
	Total	PM > 10%	PM < 10%	Total	MFN > 10%	MFN< 10%		Billions (USD)
MFN	**0**	0	0	**44.8**	4.9	40	**53.9**	4874
EU-intra	**63.7**	9.4	54.3	**0**	0	0	**34.4**	3807
Reciprocal Regimes	**43.7**	5.8	37.9	**7.6**	1	6.6	**47**	2803
NAFTA	**60.9**	6.3	54.7	**0.1**	0	0	**38.2**	912
EU - Switzerland	**56.9**	3.9	53	**1.3**	0.5	0.8	**41**	261
ASEAN*	**20.1**	4	16	**3.6**	0.3	3.3	**72.9**	141
EU-Turkey	**78.4**	15.2	63.2	**0.9**	0.5	0.4	**20**	141
EU-Mexico	**51.2**	13.5	37.7	**0.9**	0.6	0.3	**43.2**	58
Non-Reciprocal Regimes	**17.6**	1	16.6	**26.3**	5.4	21	**55.6**	2067
EU-GSP	**13.3**	0.1	13.2	**23**	5.7	17.3	**63.4**	1012
US-GSP	**8.3**	0.2	8.1	**62.4**	5.6	56.8	**28.8**	258
US-AGOA	**90.1**	1.5	88.6	**0.1**	0	0	**9.9**	84

Source; World Trade Review 2011

Table IV: Intra-PTA and Extra-PTA Trade (2008)

Preferential Trade Agreement	World (Billions USD)		Intra-PTA Share		Extra-PTA Share	
	Export	Import	Export	Import	Export	Import
ANDEAN Community	94	93	7	8	93	92
ASEAN Free Trade Area (AFTA)	966	929	25	24	75	76
Asia Pacific Trade Agreement (APTA)	2043	1897	11	19	89	81
Caribbean Community and Common Market (CARICOM)	26	29	16	12	84	88
Central American Common Market (CACM)	25	44	24	11	76	89
Common Market for Eastern and Southern Africa (COMESA)	57	115	10	5	90	95
Commonwealth of Independent States (CIS)	693	456	18	27	82	73
Economic Community of West African States (ECOWAS)	71	58	8	9	92	91
European Free Trade Association (EFTA)	374	279	1	1	99	99
European Union (27)	5806	6083	67	60	33	40
Global System of Trade Preferences (GSTP)	1437	1486	19	22	81	78
Gulf Cooperation Council	704	366	2	7	98	93
Latin American Integration Association	814	760	16	18	84	82
North American Free Trade Agreement (NAFTA)	2047	2882	49	33	51	67
Pan-Arab Free Trade Area (PAFTA)	892	607	6	11	94	89
South Asian Free Trade Agreement (SAFTA)	211	374	6	2	94	98
Southern Common Market (MERCOSUR)	278	249	17	18	83	82

Source: World Trade Review 2011