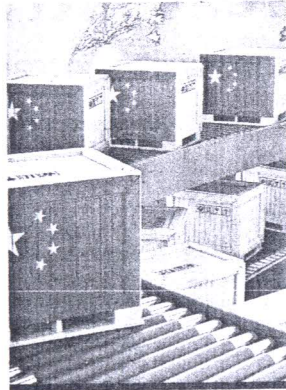


No FTA undercutting India's exports to China: Study

JYOTI MUKUL & SUBHAYAN CHAKRABORTY
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India's free trade agreements (FTAs) are not the only sore point for domestic manufacturers. Pacts between major trade partners and third countries also restrict India's export growth, especially if the partner does not have an FTA with India. This has made the government analyse 200 export items where China's FTAs with third countries are impacting India.

A new analysis by the ministry of commerce has said that studies attributing increase in imports to FTAs should be treated with caution. "On the flip side, trading with non-FTA nations which have FTAs with competing nations, limits the scope of exports. This is due to higher tariffs faced by exporters as compared to competing nationals who have secured tariff concessions under their FTAs," the study has pointed out. Officials said the analysis would now form the basis for India's arguments at the fifth round of Asia Pacific Trade

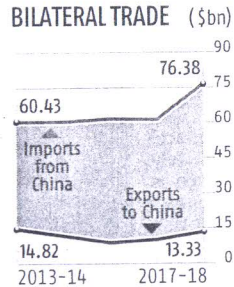


Agreement (APTA) negotiations scheduled for next year. At present, India has limited concessions under the APTA. "Since both India and China are a party, the identified lines can be inculcated in India's further negotiations with China under this agreement," says the com-

merce ministry study.

Analysing Peru, Pakistan, Australia, South Korea and Asean, the study has suggested that India can take advantage of pitching for liberalisation in a relatively smaller group of APTA rather than under RCEP (Regional Comprehensive

TRADE SCENARIO



* In the product stage

Source: Report titled 'Sino-Indian Trade - A perspective' by the Ministry of Commerce and Industry

INDIA'S SHARE IN CHINA'S IMPORT OF MAJOR ITEMS

Item	China's global imports in 2017 (\$bn)	India's share (%)*
P-xylene (organic chemical)	12.17	6
Polyethylene having specific gravity (plastic component)	7.54	2
Ethylene glycol (organic chemical)	7.38	Nil
Automatic regulating or controlling instruments	4.00	1
Parts for switches, fuses & panels	3.93	1

mond, where despite the absence of tariff concessions by China, the share of India's exports to China in its total imports exceeds 70 per cent. This implies that India has a strong potential in these categories, according to the study. With further tariff concessions, India's share in Chinese market can rise further, it adds. China is the biggest trade partner for India.

Imports within exports rise

India has continued a sustained rise in the share of imported inputs even among its overall exports. Most of these originate in China. According to the report, a prime example of this is inbound mobile and landline phones. India's import of these items reduced from \$6.34 billion in 2014 to \$3.31 billion in 2017, as more manufacturers set up shop in India. However, the components for these devices continued to be sourced from China and elsewhere as manufacturers repeatedly cited lower cost of components from abroad. Lack of local ecosystem was yet another reason for importing compo-

nents. This is despite the government focus on mandatory local sourcing norms. Among others, technology giant Apple had cited the local sourcing norm as a dampener for its India manufacturing plans.

On the other hand, China has reduced the gamut of imports that go into their exports, signalling its transition to a complete design and build stage with focus on domestic ancillarisation, according to the report. The commerce ministry puts the blame on the large number of raw materials and primary goods that make up the country's export basket. Finding ways to transition exports into high-value finished products is among the prime mandate of a 12-member high-level advisory group to look into ways to promote export.

India's trade deficit with China has widened to more than \$80 billion in the first five months of the current financial year as the value of the rupee nose dived. In 2017-18, a disproportionate share of the \$162 billion total trade deficit was due to India racking up almost \$ 76 billion in trade deficit with China.