

# Commerce Ministry carries out fresh review of free trade pacts

Will analyse impact of such agreements on various sectors

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The Commerce Ministry is carrying out a fresh review of all free trade agreements entered into by the country so far to analyse the impact of such agreements on various sectors, a government official said.

“While similar studies have been carried out before, we felt that there is a need to find out how things stand at present. The idea is to examine each FTA and see where the Indian industry has gained and what challenges have cropped up due to the pacts,” the official said.

The review is being carried out at a time when the government is struggling to figure out whether India will benefit from the ambitious Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 nations, including India, China and the 10-member ASEAN countries.

While the Centre sees the strategic merit of being part of the biggest free trade zone, the



**Impact assessment** The idea is to examine each FTA and see where the industry has gained and what challenges have cropped up due to the pacts GETTY IMAGES/ISTOCKPHOTO

Indian industry is apprehensive of increased competition from the other member-countries, especially China.

“The Indian industry and farmers have always been wary of free trade pacts. There have been complaints of cheap imports from countries with which India has signed FTAs rendering the domestic products uncompetitive. However, there are also instances where Indian exports have increased due to import duties lowered by FTA partner countries,” the official said.

India has already implemen-

ted a plethora of free trade pacts with a number of countries including Sri Lanka, South Korea, Japan, Malaysia, Singapore and regions such as the ASEAN and SAARC.

“Different sectors have had issues with different FTAs. For instance, the textile industry is not happy with concessions given to South Asia, especially Bangladesh, the electronic goods industry is not happy with concessions to South-East Asia, Japan and South Korea, the spices sector is concerned about imports from Sri Lanka, while the vanaspati industry

has problems with concessions to Malaysia and Indonesia,” the official said, adding that these were a few instances.

While it is not unusual for domestic industry to take a hit in the local market due to cheap imports when FTAs are signed, the bigger issue with India is that utilisation of FTA by Indian exporters to send their goods to partner countries is very low.

## Utilisation rate

In fact, estimates made by the Asian Development Bank, places the utilisation rate of India's FTAs between 5 per cent and 25 per cent which is one of the lowest in Asia. “While the assessment of FTAs being carried out by the Commerce Ministry is not being done with a pre-fixed idea, it is indeed a priority to find out if the pacts have at all been working for the country. The assessment could also throw light on how things could be improved in future,” the official said. India is currently engaged in FTA negotiations with the European Union, Australia, Canada and New Zealand, but talks have almost come to a stand-still over the recent past.