India's Free Trade Agreements and Micro, Small and Medium Enterprises: Provisions, Linkages and Possible Impact

A Toolkit for MSMEs

I. *Introduction*

The Micro, Small and Medium Enterprises (MSME) in India play an important role in India's economic and social arena with significant contribution to output, employment and exports. It is important that any major policy in India is used keeping in mind the future growth of MSMEs in mind. India's trade policy has been undergoing significant changes, with India engaging in about 30 bilateral trade and investment agreements covering various chapters other than the exchange of goods (See Box 1). Though Free Trade Agreements (FTAs) can have a significant impact on Indian producers, there is still limited awareness of FTA provisions among stakeholders, especially among MSMEs. This toolkit (Part I & II) is designed to help MSMEs understand FTA provisions, their possible impact on MSME businesses and thereby equip them to actively engage in the FTA making process through their government.

Box 1: What are FTAs?

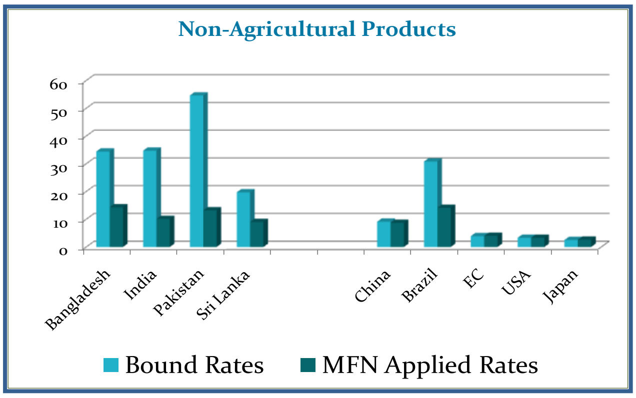
FTAs are trade agreements between two countries (or blocs) which aim to give each other access to markets by lowering or removing border protection measures such as border taxes on exports and imports, and other barriers (such as standards, processes). FTAs can cover trade in goods (such as agricultural or industrial products) or trade in services (such as banking, construction, trading etc). FTAs can also cover other areas such as intellectual property rights (IPRs), investment, government procurement and competition policy.

The Toolkit is divided into 9 sections. **Section I: Introduction** gives a snapshot of the issue. **Section II: India's Trade Policy, FTAs and MSMEs** explains the evolution of India's trade policy to FTAs and their importance for the MSME sector. **Section III: Why are MSMEs Important?** describes the role of MSMEs in India's economy and in trade. **Section IV: The Current Domestic Policy Framework for MSMEs** takes a quick look at the various policies relevant for the MSME sector. **Section V: Gender and Development Issues in the MSME Sector** discusses why the MSMEs and their growth are important for women entrepreneurs and workers and their gender roles in India. **Section VI: FTA Provisions and Implications for Indian MSMEs** takes a detailed look at various goods and non goods trade related provisions/ chapters in FTAs in its sub-sections and their possible impact on MSMEs. Each sub-section discussed contains questions for MSME entrepreneurs which can help them/ their associations assess their situation vis-à-vis these provisions. The section also provides possible strategies or policy options that MSMEs can use or ask for. **Section VII** provides a short conclusion. The Toolkit ends with **Sections VIII and IX** which provide useful resources and links for gathering information on FTAs and for lobbying work with the government. A list of references and useful tables are provided at the end.

II. *India's Trade Policy, FTAs and MSMEs*

Trade policy is an important policy tool at the disposal of the government that determines not only what India trades but what it produces and who benefits from its production. Trade policy determines which products India can import from abroad and which it will domestically produce. It has a critical link with the manufacturing sector. Manufacturing policy shapes the conditions for MSME sector growth. The question emerges whether a country's manufacturing policy should determine its trade policy or vice versa. Most developed countries had high industrial tariffs during their process of industrialisation. The US had an average tariff ranging between 35% and 50% during 1830-1913. In 1950, UK, France and Germany had 23%, 18% and 26% applied industrial tariffs. Most developing countries currently have high tariffs compared to developed ones and use it to protect their growing industries though these are now much lower compared to what the developed countries had during their

Figure 1: Average Bound and MFN Applied Tariffs for Non Agricultural Products (2009)



Source: Based on Data from WTO Tariff Profile (2009)

industrialisation phase. South Asia and India have generally higher tariffs (maximum and applied) than most developed countries and developing countries such as China (see Fig. 1). India has actually been reducing its actual applied tariffs over the past few years allowing more imports to come in. The question is ***how will MSMEs cope with this liberalisation of trade? Will it be an opportunity or a threat?*** As discussed earlier, MSMEs have been seeing a fall in their export share and export growth. ***Are MSMEs less competitive compared to large industry within India and compared to big multinational companies located abroad?***

In addition, India's trade policy framework is changing very fast. India has been signing a number of Free Trade Agreements (FTAs) (see Box 1) with a number of countries. While about 8 are already signed, many more are being negotiated or are being considered for negotiations. Sometimes these are called Comprehensive Economic Partnership Agreements (CEPA) such as the one recently signed with Japan, or Comprehensive Economic Cooperation Agreements (CECA) such as the one with Malaysia. A list of FTAs which are already signed, being negotiated or are Preferential Trade Agreements (where some preferential treatment rather than full reductions is given) is given in the Annex (Table A.2). Negotiations with the EU and EFTA blocs are at an advanced stage and talks with New Zealand and Australia have already begun. In addition, there has been some recent talk of starting FTA talks with the USA and China.

The FTAs represent a bigger package of liberalisation and are moving from liberalisation of just goods trade to the liberalisation of services trade, investment, TRIPS plus IPRs, and sometimes even public procurement and competition policy. India's agreements with South Korea, Japan, Malaysia, and the ones being negotiated with the EU, EFTA are of this variety. Even goods trade under the FTAs imply a reduction of *actual applied duties to zero* on 85-95% of products under both agriculture and industry, and removes tariff protection to a much more significant extent than required by the WTO (See Box 2). Therefore, FTAs represent a substantial part of India's emerging trade policy and can have significant impact on India's manufacturing process, on its growth, employment creation and economic and social impact.

Box 2: Bound and Applied Tariffs

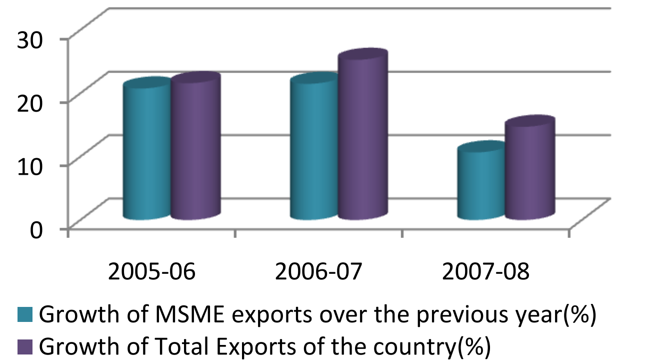
- Bound tariffs are the ***maximum*** duties that a country can impose at the border on the import of goods. Most countries have committed on binding tariffs on all industrial (NAMA) products at the WTO.
- Applied tariffs are the **actual** tariffs that a country imposes on imports. This can vary from year to year according to need.
- Export taxes are also imposed on exports but there is no commitment to bind these as yet at the WTO Or in most FTAs

However, unlike the WTO, the FTA negotiating process is much less open, with draft texts of agreements kept secret and extremely limited access to impact assessment studies. Therefore knowledge and awareness about provisions and likely impacts of FTAs is limited among stakeholders. MSMEs are an important stakeholder and entrepreneurs need to understand FTA provisions and assess the possible impact on their business as FTAs will have an impact not only on their export market but also on the challenges they face in the domestic market. This toolkit is prepared to bridge this gap and is designed to help MSME stakeholders understand the important issues in FTAs. Then they can evaluate their situation and therefore actively engage in the consultation process and lobby the government so that their interests are protected in all aspects of these negotiations. This report discusses mainly the issues for industrial MSMEs (and not services) which come under the Non-Agricultural Market Access (NAMA) segments of the WTO.

III. *Why are MSMEs Important?*

Contribution of MSMEs to industrial production in India is 45% and 8% to GDP 2007-08). The output and value of fixed assets of 28.5 million MSMEs in India stood at Rs. 880805 and Rs 621753 crores in 2008-09 respectively with a per unit output of Rs. 3.08 lakhs[1]. Some of the major subsectors in terms of manufacturing output are food products (18.97%), textiles and readymade garments (14.05%), basic metal (8.81%), chemical and chemical products (7.55%), metal products (7.52%), machinery and equipments (6.35%), transport equipments (4.5%), rubber and plastic products (3.9%), furniture (2.62%), paper and paper products (2.03%) and leather and leather products (1.98%). Geographically, Uttar Pradesh has the highest share of MSMEs (11.93%) followed by Tamil Nadu, Maharashtra and West Bengal (also see MSME Factsheet in Table A.1, Appendix).

Figure 2: Annual Growth of MSME Exports and Total Exports (%)



Source: Based on Data from SIDBI (2010b)

The Indian MSMEs have performed very well on the export front with a share of around 40% in total exports including both direct and indirect exports. The share of direct exports was 30.80% in 2007-08. However, this share has gradually come down from 33% of 2005-06. Annual growth rate of exports has also come down from 20.76% of 2005-06 to 10.67% in 2007-08. This growth rate also lags behind that of overall export growth in every year (see Fig. 2). The MSME sector seems to be facing a falling share especially in basic chemical, pharmaceuticals, & cosmetic products, chemical and allied products, tobacco products and to a certain extent in plastics. Shares fell marginally in leather products and in engineering goods while the performance improved significantly in spices and marine products.

The MSME sector in India has two important characteristics that give it its flexibility as well as its challenges in terms of competitiveness, especially in exports. First, most of the MSME sector in India is very small in size, with 94.67% being classified as micro, while 5.05% are small and a marginal 0.25% are medium enterprises. This means most have a small capital base with investment in plant and machinery not exceeding 25 lakhs for manufacturing units and Rs 10 lakhs for service sector units. The average value of fixed assets per unit of MSMEs actually stood at only 2.18 lakhs in 2008-09. Second, the MSME sector still remains largely unorganised with 94% of MSMEs still being unregistered. 67% of registered MSMEs are in manufacturing as compared to services. However, manufacturing itself is still dominated by unregistered enterprises with an 86% share. This also has an interesting rural-urban dimension. While the rural urban breakup is close to 50:50, the rural share is slightly higher (52%) among unregistered enterprises, while it is slightly lower (44.47%) among registered enterprises.

The MSME sector provided a significant 659.35 lakh jobs in 2006-07 of which 51.65% was generated in the manufacturing segment. However given its dominance in the registered segment, the manufacturing sector provided 86% of the jobs in registered enterprises. The labour to capital ratio in the MSME sector is much higher than in the large industries. In keeping with its largely informal nature, 84.14% of MSME sector jobs are in unregistered enterprises, and accounts for 72% of manufacturing jobs and a huge 95.4% of service sector jobs. Of the registered sector jobs, 68.65% are in micro while 23.78% and 7.56% are in small and medium enterprises.

Given the high contribution of MSMEs in India's total output, export, and employment, it remains an important determinant of India's economic as well as social well being. It also remains special because of its highly unorganised nature and micro based orientation, which give it both advantages and disadvantages. It is imperative that any major policy of the government should not adversely affect the future growth of MSMEs. This is exactly what the Prime Minister's Task Force Report (2010) on MSMEs also points out.

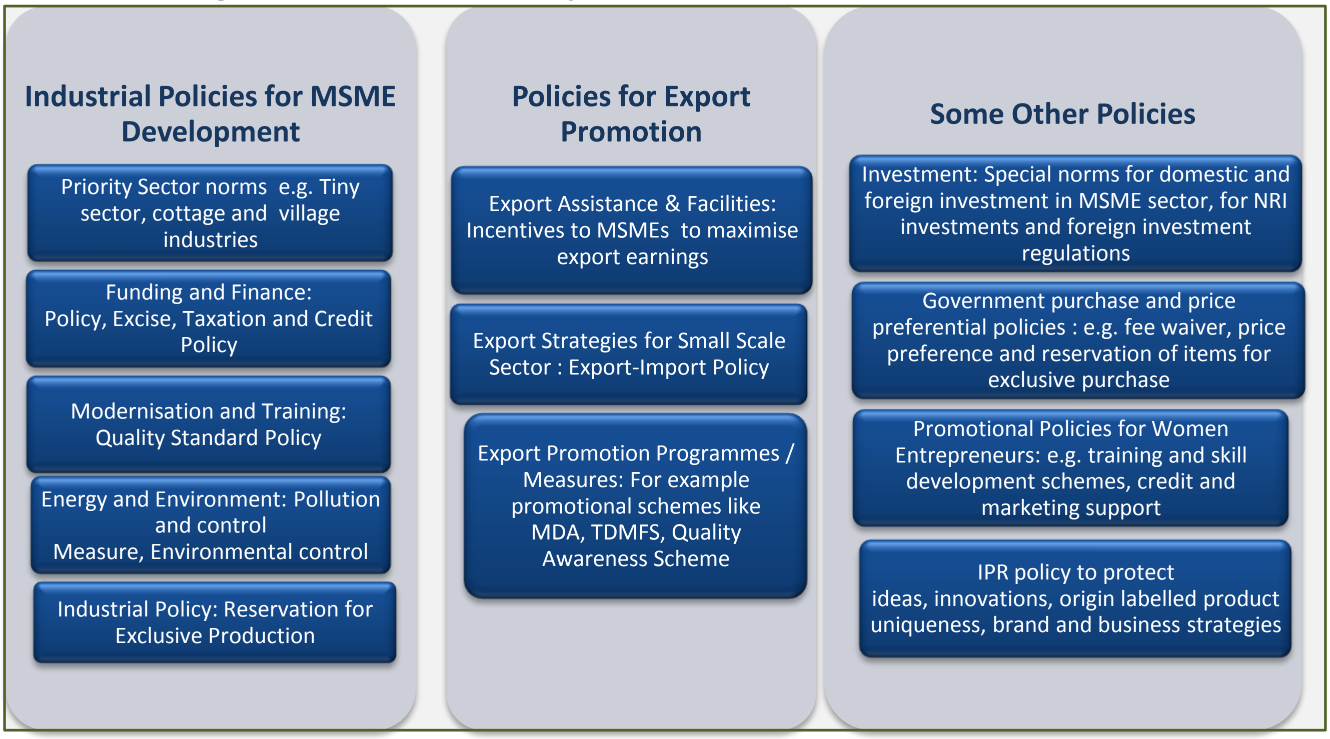
IV. *The Current Domestic Policy Framework for MSMEs*

The PM's Task Force on MSMEs classified their common problems into 6 major thematic areas; i) credit, ii) marketing, iii) labour, iv) rehabilitation and exit policy, v) infrastructure, technology and skill development, and vi) taxation (GOI 2010a). In the past, several Committees/Study Groups have looked into the issues mentioned above

[1] Output and capital assets data is calculated 2001-02 constant prices. All data is from SIDBI (2010 a and 2010b).

relating to MSMEs. The important ones among them are: *P.R. Nayak Committee (1991) on Institutional Credit to SSI*, *Abid Hussain Expert Committee(1995) on Small Enterprises*, *S.L. Kapur High Level Committee(1998) on Credit*, *S.P. Gupta Study Group (1999) on Development of Small Scale Enterprises* and the *A.S. Ganguly Working Group (2003) on Flow of Credit to SSI Sector*. The Government also constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) in September 2004 under the chairmanship of Dr. Arjun Sengupta to examine the problems confronting enterprises in the unorganized sector which submitted 11 reports and made several

Figure 3: The Domestic Policy Framework Relevant for MSMEs in India



recommendations for facilitating adequate access to credit, technology, and skill development. The **most** recent and the most high profile intervention has been the constitution of the Prime minister's Task Force on Micro, Small and Medium Enterprises in 2009 which came out with a Report in 2010.

On the MSME policy front a crucial step forward has been the adoption of MSMED Act, notified in 2006, to address the whole gamut of socio-economic policy issues affecting MSMEs. Subsequently, the Government of India (Allocation of Business) Rules, 1961 was amended to facilitate the merger of the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries into the Ministry of Micro, Small and Medium Enterprises (MSME). At the national level, this Ministry is responsible for designing policies, programmes, projects and schemes and monitors their implementation with a view to assist MSMEs and helps them scale up. Among the key policies by the Government of India (GOI) are: the MSMED Act 2006, MSME Promotional Package 2007, Eleventh Five Year Plan Working Group on SME sector, National Manufacturing Competitiveness Programme (NMCP), PM Task Force, Policy of Reservation, Sector Specific Initiative, Policy for Under Developed Regions, New Initiative by KVIC and Coir Board, Policy for FDI and Environment Related Policies. However, for promotion and development of MSMEs, the role of the state governments is very-very crucial as Government of India's role is only a supplementary one.

The government has over the years attempted to address the above mentioned common problems restricting the growth and development of MSMEs. These policy interventions can be broadly categorized into three groups: Industrial development Policy, Export Promotion Policy and Other Policy (see Fig.3 for various schemes under each group).

Under **industrial policies**, the GOI has broadly four categories;

a. A separate *industrial policy for under-developed regions* that focuses on development of industrial infrastructure and providing necessary support services for the MSME sector in North-Eastern Region (NER), and Jammu and Kashmir, Uttarakhand and Himachal Pradesh.

b. There has been a marked shift in the *reservation policy* for the MSME sector, from providing protection to enhancing competiveness in the global environment through building capacity, upgrading technology, promotion of exports and helping to achieve economies of scale. As of July 2010, only 20 items are reserved for exclusive manufacture in the micro and small enterprise sector.

c. *Marketing Support* is provided with a policy emphasis on two key areas; technology upgradation and management improvement under programmes such as the Ministry under the National Manufacturing Competitiveness Programme (NMCP).

d. The *credit policy schemes* are basically aimed at easing out the credit related problems such as lack of availability of adequate and timely credit; high cost of credit, collateral requirements and limited access to equity capital. The MSME ministry has a Scheme namely Credit Linked Capital Subsidy Scheme (CLCSS) for technology upgradation of micro and small enterprises (MSEs) by providing 15% capital subsidy on institutional finance availed by them for induction of identified technology in selected sub-sectors/products. The maximum limit of eligible loan for calculation of capital subsidy under the revised scheme is Rs. 100 Lakh . The ceiling of capital subsidy under the scheme is Rs. 15 lakhs. Another scheme, named *Credit Guarantee Fund Scheme* is aimed at making credit available to micro and small enterprises (MSEs), particularly micro enterprises, without collateral/third party guarantees. For making loans accessible to very small entrepreneurs under the Micro Finance Programme, the government has set up a fund under SIDBI called 'Portfolio Risk Fund' (PRF), which is utilised for security deposit requirement of the loan amount from the MFIs/NGOs.

There are certain **policies for export promotion** of MSMEs. Various export assistance and facilities are provided to maximise export earnings including;

a. Free import of capital goods/raw material and other essential inputs, and in certain cases duty free or with concessional rate of Custom Duty, so as to ensure higher production for exports;

b. Refund of duties paid on the raw material used in export production by a system of Duty-Draw-Back;

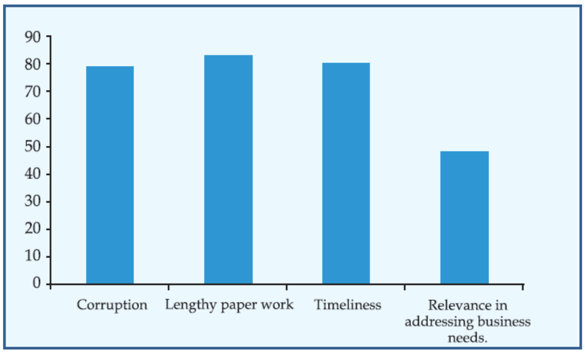
c. Pre and Post shipment Credit to the exporters at concessional rate of interest, etc;

d. Recognition of Export Houses/ Trading Houses, etc;

e. Special Import Licence (SIL) to recognized exporters;

f. Eligibility condition for small scale exporters for SIL in case of series of quality certification.

Figure 4: Problems Faced by MSMEs in Accessing Government Schemes (% Reporting)



Source: Based on Survey by Rajiv Gandhi Institute for Contemporary Studies, SIDBI, 2010a

In addition, some of the key export promotion related programmes and measures towards realising the policy goals are; (i) assistance for participation in international fairs/exhibitions; (ii) training for packaging for exports; (iii) sensitisation of Indian exporters about bar coding for exports; (iv) national awards for quality products and awards to exporters; (v) promotional schemes such as Technology Development and Modernisation Fund Scheme and Quality Awareness Scheme.

In addition, **other policies** such as cluster development, policies for skill development, and policies for women entrepreneurs such as entrepreneurship training, recognition through awards, credit and financial support do exist. Government purchase and price preference policy also gives certain preferences to MSMEs by waiving various fees, reserving 358 items for exclusive supply by MSMEs, and price preferences of up to 15%. There is also an IPR policy by which policymakers attempting to encourage the ability to protect ideas, innovations, origin labelled product uniqueness, brand and business strategies against infringement and also avoiding infringement of the intellectual property belonging to others by creating awareness. The government of India has gone for policy liberalization to facilitate access to /entry of Foreign Direct Investments (FDI) into the MSME sector. An industrial undertaking with interests in industry can invest upto 24% equity in a SSI unit. For foreign investment outside the automatic route, clearance has to be obtained from Foreign Investment Promotion Board (FIPB). Applications for setting up a 100% Export Oriented Unit are also required to be filed with the SIA.

However, as rightly pointed out in PM's Task Force report, due to flawed implementation of these measures, the policy measures have not worked to the extent they should have. The existence of the policies represents only the potential for use, but not the actual use or benefits from such policies and MSMEs continue to suffer from several problems. According to a survey conducted on 200 MSMEs by the Rajiv Gandhi Institute for Contemporary Studies (done on behalf of SIDBI) "the top 8 issues which are of major concern to MSMEs for their growth and development are: (i) non-availability of adequate infrastructure support, (ii) non-availability of adequate and timely credit, (iii) inability to upgrade production facilities (e.g. greater automation) to achieve cost competitiveness, (iv) lack of adequate knowledge about government schemes and facility with respect to adoption of information and communication technology (ICT), (v) non-availability of skilled personnel, (vi) constraints in adopting energy efficiency in production process, (vii) lack of proper means and support for brand building, and (viii) inadequacy of requisite R&D support" (P.250, SIDBI 2010a). Most of those surveyed reported inability to access government schemes due to reasons such as corruption, paperwork, timeliness and lack of relevance to business needs (Fig.4). This was echoed in our discussions with MSME entrepreneurs about the lack of a level playing field vis-à-vis foreign competitors as they continue to suffer from constrained availability and access to several basic facilities.

V. *Gender and Development Issues in the MSME Sector*

Box 3: Gender Issues in the MSME Sector & FTAs

Do Women entrepreneurs…

- Need more protection as they are less competitive than male counterparts?
- Have the financial and human resource to compete with bigger foreign companies?
- Continue to get concession in terms of promotional policies of the government?

Women workers in MSMEs….

- If MSMEs do well under FTAs, will additional jobs go to women?
- Even if they get jobs, do female workers face wage disparity, stricter rules regarding leave, inadequate maternity benefits etc?
- When MSMEs do badly, will women workers get fired first?

Looking at MSMEs from a development perspective, their employment creating role emerges as an important one. Though 84% of MSME workers are in informal jobs in unregistered enterprises, it provides a source of income to many. Therefore, workers' interests are closely connected to entrepreneurs' interest in this sector.

MSMEs also emerge as an option for women entrepreneurs and workers, and can be termed a gender-sensitive sector. Because women are assumed to generally have lower capital base, technical know-how, and entrepreneurial skills, MSME sector is a softer option for them. Women also face 'time-poverty' after looking after their household and children, and that is why a sector with smaller size and lower demands are considered an easier option for them.

13.83% or 206000 of all registered MSME enterprises were owned and managed by women (2006-07), a steady increase from 7.69 % (44784 in number) of 1987-88[2], but still very low in absolute terms. For the unregistered enterprises the figure is even lower at 7.83% in 2006-07 (1924000 in number). The NCEUS Report (2007) shows that women owned enterprises have a lower capital base. There are then several concerns regarding women entrepreneurs in the context of FTAs which are described in Box 3.

The government has certain promotional schemes for women entrepreneurs in the MSME sector which focus on training and skill building, credit and marketing assistance. The Micro, Small & Medium Enterprises Development Organisation (MSME-DO), the various State Small Industries Development Corporations (SSIDCs), the nationalised banks and even NGOs are conducting various programmes including Entrepreneurship Development Programmes (EDPs). To cater to the needs of potential women entrepreneurs, who may not have adequate educational background and skills, MSME-DO has introduced process/product oriented EDPs in areas like TV repairing, printed circuit boards, leather goods, screen printing etc (SIDBI 2010a, GOI 2010b).

[2] The figures for 2006-07 and 1987-88 are not strictly comparable as until 2001-02 Census, the data refers to MSEs (SSI) whereas the 2006-07 data refers to MSMEs now including the medium enterprises, KVIC, Coir Board and retail enterprises.

The Small Industries Development Bank of India (SIDBI) has been implementing two special schemes for women namely Mahila Udyam Nidhi which is an exclusive scheme for providing equity to women entrepreneurs and the Mahila Vikas Nidhi which offers developmental assistance for pursuit of income generating activities to women. The SIDBI has also taken initiative to set up an informal channel for credit needs on soft terms giving special emphasis to women. Over and above this, SIDBI also provides training for credit utilisation as also credit delivery skills for the executives of voluntary organisations working for women. Grants for setting up a production unit is also available (SIDBI 2010a, GOI 2010b).

In terms of employment, about 103 lakh women workers were employed in the MSME sector in 2006-07, compared to 9.96 lakhs in 2001-02 (in only SME). However this still represents only 17.28% of total jobs generated in this sector. Among registered enterprises, women formed 23.57% of the workers while in unregistered enterprises this was 16.01%. Interestingly, though women's employment is very low, women seem to be doing comparatively better than their male counterparts in accessing jobs in the registered MSME sector. While only 15.85% of male workers are in the registered segment, 22.81% of female workers are in registered units, indicating the importance of the MSME sector as a decent source of jobs for women workers. It may also give them more flexibility in terms of working from home and other options.

Similar to women entrepreneurs, there are questions regarding women workers in relation to FTAs (see Box 2). An UNCTAD Study (2008) found that of the increased jobs that accrued in India from increased exports, only 36% went to women. On the other hand, if a certain industry loses market share will women lose jobs disproportionately more compared to men? The experience of trade liberalisation has shown that women have got more jobs in textiles and garments, leather, agricultural processed products like marine products, and tobacco products. But experience also shows that female workers may have to face adverse work conditions in terms of wage disparity (UBINIG 2003), stricter rules regarding leaves, inadequate maternity benefits etc. (Sengupta and Gopinath 2009). Jobs are also more volatile and temporary in nature.

As discussed, India has used different tools in hand to promote women's roles in MSMEs. As far as trade policy is concerned, India has often used its sensitive list and carve-outs to protect MSMEs in chapters on goods. However India is yet to use gender sensitivity as a clear criterion for marking sensitive products. In addition, threats to women entrepreneurs and workers may come not only from goods trade but also from: a) increased foreign investment which may be labour saving and target women's labour first (Jhabvala, 2003); b) stricter IPRs to which women have less access; and c) liberalisation of public procurement where women's groups now get preferential access. However, the real impact of these threats will vary according to the precise nature of the women's engagement in the sector.

VI. *FTA Provisions and Implications for Indian MSMEs*

Table 1: India's Trade with Key FTA partners (Signed and negotiating)(in million USD)

	Exports		Imports		Surplus/Deficit	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
EU	39,351.43	36,028.05	42,733.41	38,433.12	-3381.98	-2405.07
ASEAN	19,140.63	18,113.71	26,202.96	25,797.96	-7062.33	-7684.25
Japan	3,025.70	3,629.54	7,886.27	6,734.18	-4860.57	-3104.64
Malaysia	3,419.97	2,835.41	7,184.78	5,176.78	-3764.81	-2341.37
Singapore	8,444.93	7,592.17	7,654.86	6,454.57	790.07	1137.6
S. Korea	3,952.29	3,421.05	8,676.78	8,576.07	-4724.49	-5155.02
Thailand	1,938.31	1,740.16	2,703.82	2,931.52	-765.51	-1191.36
TOTAL	**1,85,295.36**	**1,78,751.43**	**3,03,696.31**	**2,88,372.88**	**-118401**	**-109621.45**

Source: Compiled from Export-Import Data Bank, DGCIS, Dated: 7/4/2011Dated: 7/4/2011

As discussed, India is signing a number of FTAs which cover not only goods but broader trade and investment packages. Non Agricultural Market Access (NAMA) chapters in these agreements deal with; i) reduction of border taxes and other measures such as quantitative restrictions on industrial products; ii) non tariff barriers (e.g. standards, certification process, labelling requirements); ii) rules of origin; iii) dispute settlement; iv) trade facilitation. In addition, other areas not involving goods trade such as; v) investment; vi) IPRs; vii) public procurement; and, vii) competition policy, are also included under FTAs. This brief therefore takes into account all these issues and takes up some of the most important ones for discussion.[3]

India's goods trade is marked by trade deficits with most of its trading partners. India's deficit in NAMA products has increased steadily from Rs. 414 billion in 2000-01 to Rs. 5727 billion in 2008-09, to fall slightly to Rs. 5420 billion in 2009-10. According to the Table below, India shows up a growing total trade deficit which has reduced only in the last year. With the exception of Singapore, **India has a trade deficit, and sometimes an increasing one, with most of its major FTA partners** including with EU with which India is negotiating an ambitious trade agreement. With ASEAN, South Korea, Thailand, India's trade deficit has increased consistently. With Japan, EU, the deficit has recently improved partly due to the financial crisis.

Trade Concepts: Trade under the WTO as well as FTAs encompass some concepts which form the basis of the agreements. The most basic is the '*Fair and Equitable Treatment'* which refers to treating partner countries fairly, without discrimination. *Market Access (MA)* refers to opening up markets and *National Treatment (NT)* refers to treating foreigners and locals equally. The *Most Favoured Nation (MFN)* status under the WTO means treating all member countries equally. Under the FTAs, this comes down to treating FTA partners equally or partners under 'like circumstances' equally. Interestingly, the '*special and differential treatment'* (S&DT) allowed under the WTO to give concessions to developing countries which encompasses notions like 'less than full reciprocity' (LFTR) are not a necessary part of FTAs. FTAs are based on the principle of full-reciprocity where partners are supposed to give in some areas in exchange for getting some benefits.

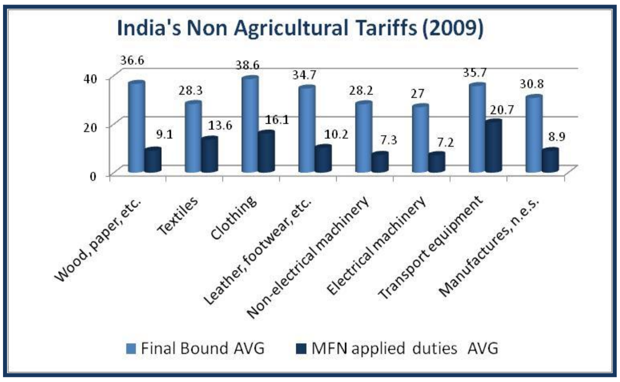
Box 4: FTAs and Import Duties

- FTAs need import duties to go to zero on 85 to 95% (or more) of products including agricultural and industrial products
- So for India, 272 to 812 products can be in exclusion list or have import duties. But even these duties cannot be increased from current levels.
- Other (85-95%) products can have no import duties
- The duty cuts must be effective within 0-10 years of the signing of the FTA.
- Sometimes duties can be increased if there is a sudden and large increase in imports but this can be used only under very limited conditions.

VI.1. Goods Trade: Import Duties

India currently imposes a bound rate of 34.4% on average on its non agricultural (NAMA) imports and an applied tariff at 10.1% (2009)(Fig.5). In order to ensure competitiveness and in preparation for the WTO, India has been steadily reducing its applied duties. Under the FTAs, India is required to reduce applied rates to zero on at least 85 to 95% of its products (including agricultural goods) within a specified period (3-10 years). Under the Japan FTA, India has opened up 90% of trade volume and 87% of its tariff lines on concessional basis to Japan while Japan will cover 97% of trade volume and 92% of its tariff lines. Under FTAs India can exclude from tariff cuts a limited 5 to 15% of products. India has about 4712 NAMA and about 700 agricultural products or tariff lines. This means India can exclude approximately 270 to 812 products under its FTAs. However, this exclusion list includes both agricultural and industrial products, and India generally needs to use most of it to protect sensitive agricultural products. Duties cannot be increased and face a 'standstill' even on the excluded products.

Figure 5: India's Bound and MFN Applied Non Agricultural Tariffs (some chapters)(2009)



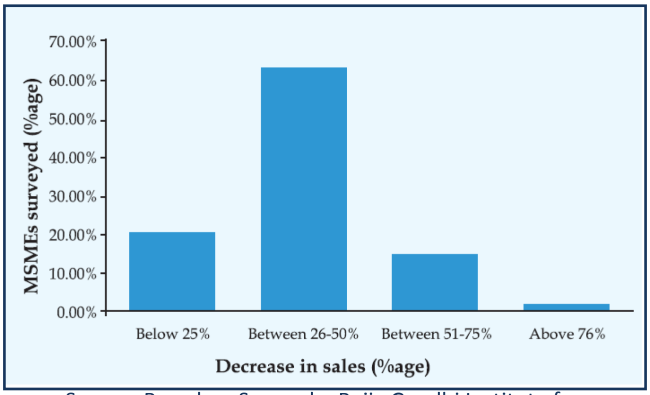
Source: Data from WTO Tariff Profile (2009)

With the reduction of applied tariffs, India's NAMA imports have been going steadily up. Of course imports have also increased due to factors such as domestic growth and demand, exchange rate movements, domestic unavailability of products etc. However numerous examples also

[3] Dispute settlement (which often follows the WTO pattern except for investment which is covered) and trade facilitation are not covered in this brief.

show the increase in imports due to cut in applied tariffs. **For example, as applied duties were cut, toy imports from China flooded Indian markets and destroyed the MSME led Indian toy industry.**

Figure 6: Impact of Import Surge on Sales of Surveyed MSMEs



Source: Based on Survey by Rajiv Gandhi Institute for Contemporary Studies, SIDBI, 2010a

Certain safeguards are allowed against import surges for industrial products under FTAs under the WTO. If imports increase above a certain percentage, countries can raise duties to certain agreed levels. However a similar price mechanism (where prices fall under a certain average price) is often not allowed by developed countries in FTAs. In addition there are many restrictions on the use of safeguards such as cross check (When rise in imports have to be matched by a price fall, or vice versa), notification and data submission to partner country in advance, which make these often unusable.

Increased import competition may be a bigger threat for MSMEs because of their somewhat weak marketing abilities. According to the SIDBI survey, MSMEs report several problems in marketing. "Most MSEs do not have money to invest in market research, advertisement, packaging and are unable to carry out design and technical improvements to keep up with market demands" (P.254, SIDBI, 2010a). According to the study, the five major challenges restricting access to domestic markets are cost of production that emerges from high raw material cost, market information, import surges, regulatory mechanism and availability of professional management skills. In particular, 71% of enterprises overall have found that their sales suffered due to imports (Fig. 6). Sales declined by 26-50 percent for 63% of surveyed units and by less than 25 percent for 21% of the surveyed units.

The Policy Framework

WTO	FTAs	Implications for MSME
Commitment on Bound Rates, loses flexibility	Actual Applied Rates move to zero, lose full protection	Face more competition in home market
		Small producers must remain competitive
		Could MSMEs get Cheaper inputs?
		But will they also get more market access ?

Self Assessment: Questions for MSMEs

- ✓ What is the HS code of my product?
- ✓ What countries is India signing FTAs with?
- ✓ Is my product coming in or being produced in these countries?
- ✓ What is the current Indian duty on my product?
- ✓ Is my product on the sensitive lists (excluded from duty cuts) in already signed FTAs?
- ✓ Are duties being reduced to zero in India or in FTA partner countries? If so, by when?
- ✓ Am I competitive compared to FTA partners? (Price+ quality)
- ✓ Do I qualify the criterion for being included in the sensitive list?
- ✓ Will I benefit if duties are reduced on imports? (Am I importing inputs from FTA partners)
- ✓ What is the current duty on my product in FTA country?

VI.2. Goods Trade: Export Measures

India uses export taxes extensively not only to generate revenues, but to ensure cheaper raw material inputs to industry, especially growing ones. India is the third largest producer of metallic minerals including chromite, other rare earth minerals, and currently restricts exports of iron ore, non iron metal scraps and hides and skins (raw leather). For example, India levies export taxes between 10% and 25% on tanned and untanned hides, skins and leathers including vegetable dyed leather used by the Saddlery industry (except manufactures of leather) to help develop its leather industry. India also imposes export taxes on shellac and lac based products, minerals such as manganese ore, chrome ore, mica, and iron ore, to help ensure these resources do not go out of the country and is available to domestic industry for extraction and for industrial use at cheaper cost.

Some countries, especially developed countries, notably the EU, want export taxes to be completely removed in partner countries in their FTAs. The EU has a specific policy of acquiring raw materials including minerals from resource rich countries under 'The Raw Materials Initiative' and openly uses its trade agreements to achieve this objective. Taxes on exports are apparently asked to be removed by the EU in its current FTA negotiations with India. EU has asked many other countries e.g. the EPA countries in Africa, to remove export taxes with potential adverse effects on their domestic industry (Traidcraft 2010). Under the EU rules, restrictions apply not only to existing but future export taxes as well. "Countries would only be allowed to introduce new export taxes 'temporarily', often only after securing the agreement of the EU, and even then on only a 'limited' number of goods, sometimes after 'justifying' why they are needed" (Traidcraft et al 2010a: P.5).

If India is forced to remove export taxes, MSMEs can be specially affected if their raw material costs go up. The SIDBI Report on MSMEs (SIDBI 2010a) already points out **high raw material cost as one of the major problems of MSMEs in accessing domestic markets.** In fact specific export taxes like the one on leather caters mainly to the needs of the MSME sector. Export taxes have been used the world over to ensure raw material supply to small industry (see box 5). **Removal of export taxes coupled with strong investment rights to foreign investors under FTAs can actually lead to large-scale outflows of much needed raw material from India.**

If India is also asked to remove quotas or prohibitions on exports, there may be problems for certain other products. Currently, India's prohibited products include wood and wood products, shavings of shed antlers products of Chital and Sambhar, sandalwood and red sanders wood, all wild animals, live exotic birds, beef and offal of cows, oxen and calves, tallow, fat and/or oils of animal origin (excluding fish oil), human skeletons, special chemicals, organisms, materials equipment and technologies (SCOMET), chemicals under the Montreal Protocol, undersized lobsters, and peacock tail feathers. India also issues temporary bans on essential products such as food. However, quantitative restrictions on exports can generally stay under FTAs, for example bans on food exports etc, unless a partner country specifically asks for these to be removed. India needs to negotiate these issues cautiously with the active involvement of the MSME sector.

Box 5: Examples of the Use of Export Taxes to Maintain Competitiveness

- ✓ Kenya got its leather industry back on its foot by imposing 40 per cent export duty on raw hides and skins. This policy *increased the number of tanneries in the country, created seven thousand new jobs, increased incomes for another 40,000 people and boosted earnings from the sector by almost €8 million, with the potential for much more*" (Traidcraft et al 2010b; P.1).
- ✓ Malaysia's furniture sector is "dependent on the export restrictions and taxes on raw timber which keep their inputs relatively cheap in order to remain competitive. Without these export restrictions and taxes, furniture SMEs are likely to be unable to compete. Furniture SMEs are 6% of Malaysian SMEs in the manufacturing sector" (Third Industrial Master Plan to 2006-2020, Malaysia, page 166).

The Policy Framework

WTO	FTAs	Implications for MSME
Currently export duties are not included, suggestion by EU to bind maximum. Quantitative bans not allowed unless imposed for specific reasons such as food security	Countries such as EU wants total removal of export taxes. Quantitative restrictions as per WTO	Threat to raw material supply for industry: raw leather, minerals. May increase costs of inputs if there are current export taxes on these. Can get access to cheaper raw material from FTA partners such as EU if these faced export taxes?

Self Assessment: Questions for MSMEs

- ✓ Do I use Indian inputs which have export taxes (e.g. raw hide, minerals)?
- ✓ Does it make raw material cheaper for me by discouraging exports?
- ✓ If raw material costs increased, will it affect my competitiveness?
- ✓ Do I use foreign inputs which face export taxes in those countries?
- ✓ Will removal of those taxes after an FTA help me reduce my cost?

VI.3. Goods Trade: Non Tariff Measures (NTMs)

Non Tariff Measures (NTMs) are all measures other than normal tariffs, namely; trade related procedures, regulations, standards, licencing systems and even trade defence measures such as anti-dumping duties etc which have the effect of restricting trade between nations. In common usage, those NTMS that generally cannot be justified under WTO law are termed as non tariff barriers (NTBs).

Box 6: Some Important Non Tariff Barriers

Standards:

- ✓ High standards in destination countries act as barriers to trade even if tariffs are low.
- ✓ The sanitary and phyto-sanitary measures (SPSMs) are imposed on grounds of quality, food safety, health. These may specify for example the type and proportion of chemicals that can be used in manufacturing a product.
- ✓ Supermarket standards are very high; sometimes even the shape of a fruit can be specified.

Technical Barriers to Trade (TBTs)

- ✓ Labelling, packaging requirements
- ✓ Process requirements
- ✓ Mutual Recognition Agreements (MRAs) may be signed in FTAs between countries to recognise each others' conformity assessments (certification processes etc).

Anti Dumping Duties:

- ✓ Countries can impose and face additional duties on grounds of selling below actual cost (with the help of hidden subsidies).
- ✓ India has faced several cases of dumping and has also filed many cases against other countries on grounds of dumping.
- ✓ These can act as barriers to trade if used as protective instruments in disguise.

As tariff barriers have been going down worldwide, the role of non tariff barriers has expanded. These barriers may be imposed on several grounds (see Box 6 for examples): as *standards* to be met by imports sometimes on quality grounds or on health and food safety grounds; as *technical or procedural barriers* such as labelling, customs procedures etc.; as *anti dumping measures*; or even *labour and environment standards*. The Ministry of Commerce provides extensive lists of NTMs that Indian exports face in other countries[4].

A criticism of NTBs is that in the absence of tariffs, these are used as a protective measure to block imports. Developed countries have been especially accused of this. But NTBs are not limited to developed countries alone, even developing countries including India have started using NTBs more extensively. However it is difficult for developing countries such as India to use them as a protectionist tool by raising NTBs to a point where it will be difficult for developed countries to meet them, given that Indian domestic producers will also then have to meet those standards. Therefore, developing country NTBs including India's are generally used against other developing countries.

MSMEs generally find it more difficult to meet these as meeting high quality standards not only requires more investment, thus raising costs (See Box 7), but accessing the process requirements may be more complicated, time consuming and costly. A problem in exporting to developed country markets is that their standards are much higher than that of India's and Indian certification bodies and labs are often not recognised by them. The EU is well known for its high standards not only in food products but in a range of other products as well.

With the increase in FTAs, NTBs have been included under its purview. However, NTB discussions are sometimes avoided under the FTAs because they are being ostensibly discussed multilaterally at the WTO (UNDP, 2005). For example, the Canada-Chile FTA negotiations do not address these issues. However, some FTAs do include NTB discussions on a bilateral basis. Most FTAs affirm at least WTO level standards and sometimes even raises them. But often FTAs can target to get a Mutual Recognition Agreement (MRA) to ease process requirements. The point to note here is that FTAs cannot lower standards per say but have the potential to address the procedural issues and the technical barriers. India has managed to get some MRAs in its agreements such as with Japan. However, many developed countries are very resistant to giving MRA in their FTAs and most FTAs around the world do not see major achievements in the field of NTB negotiations. These also require immense negotiating skills and technical resources.

Box 7: Cost is an Important Issue for MSMEs

In our interviews with MSME producers, we found that a shoe manufacturer cannot sell shoes to the EU because he cannot meet a certain standard, which can only be met if he buys a machine worth Rs. 3.5 crores. This machine is manufactured only by a European company.

Therefore he has bought a Chinese machine and can export only to countries such as Russia, Kazakhstan, Egypt.

[4] http://commerce.nic.in/trade/NTB_productwise.pdf and http://commerce.nic.in/trade/NTB_countrywise.pdf

The Policy Framework

WTO	FTAs	Implications for MSME
Agreement	Affirmation of WTO levels of standard or often more, process may be eased in some cases.	Difficult for MSMEs to meet high standards and process requirements, standards actually hardly ever come down
		Scope for bilateral negotiation for mutual recognition
		Use India's own NTBs to protect MSME products if having to reduce/ remove import duties?

Self Assessment: Questions for MSMEs

- ✓ Can I meet current standards and process requirements on exports to FTA partners?
- ✓ Is it affordable to meet process requirements?
- ✓ Has the FTA eased the process requirements?
- ✓ If Indian NTBs go up, can it protect my product effectively? (Competitor has lower quality product)
- ✓ If Indian NTBs go up, can I myself meet those standards?

As mentioned, developed countries such as the EU and USA attempt to impose labour and environment standards on developing country exports through FTAs. This is done under a chapter on 'sustainable development'. Developing countries such as India sees these as NTBs and protectionist instruments. India has resisted any attempt to include such standards in its FTAs, most notably with the EU, on the ground that these are non trade issues. Though many Indian exports have to often meet such labour and environment standards anyway in order to access developed country markets, agreeing to these in FTAs will make it compulsory for all Indian exports to meet these standards. Some development analysts feel that while these must be pursued domestically, committing to these in trade agreements represents an invasion of India's domestic policy space.

WTO	FTAs	Implications for MSME
Labour & environment standards are out of the WTO	In (North South FTAs)	May be good for workers but controversial asto whether should be included in trade agreements, developing countries see as NTBs
		Compliance Costs are high

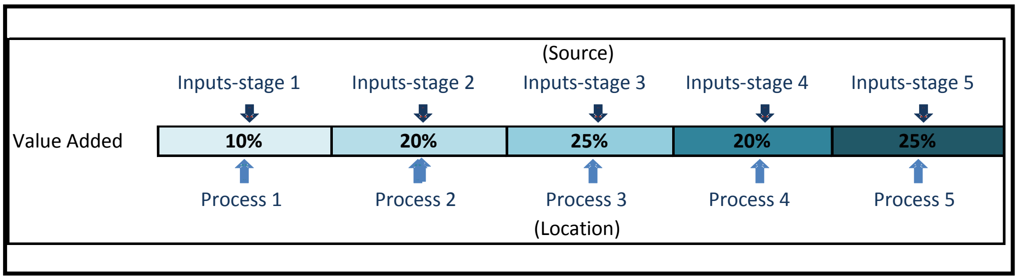
Self Assessment: Questions for MSMEs

- ✓ What standards do I need to conform to in terms of labour and environment standards to sell to an FTA partner?
- ✓ Can I meet the required standards of an FTA partner?
- ✓ What is the cost implication of upgrading to meet FTA partners' standards?
- ✓ How much additional and actual market access will I get if I upgrade standards to conform to partners' standards?
- ✓ Is the FTA bringing in easier process requirements (certificates etc)
- ✓ Is the FTA then reducing costs for meeting these standards?
- ✓ Will workers be benefitted if I raise standards? If yes, how?

VI.4. Goods Trade: Rules of Origin (ROO)

Preferential ROO describe the local processing requirements necessary for a good to be considered as being of local origin and hence qualify for preferential market access. This is used to block access of non partner countries to preferential tariffs and creating trade deflection.

Figure 7: Creation of a Final Product and ROO



Generally, manufactured products have several stages of processing before it turns into the final product. Each stage requires inputs and processing which may be sourced from India or from abroad. Sometimes an entire stage of processing may be done outside India. Each stage contributes some value to the overall value added of the product as described in the example in Fig. 7, For a product that is to be exported to a FTA partner country, the product must have enough local content, specified by the ROO, to be able to get the preferential duty (zero or lower than the general duty).

There are several ways of specifying ROO, as described below (See also Box 8 for specific examples).

- *Changes in Tariff Heading/ Classification (CTC/CTH)* involves showing that the tariff heading of the final product is substantially different from the tariff heading of the imported inputs. This can also refer to changes in tariff sub heading at a more disaggregated (6 digit) level (CTSH).
- *Local Value Added (VA) or Value Content (VC)* requires that the share of local (or regional in case the partner is a trading bloc) content must be a certain minimum percentage. This can be specified in terms of local value content (RVC), or import content (MC: difference between the value of the final good and the costs of the imported inputs) or the value of parts (VP).This is now the most common rule adopted for ROO. Generally about 30-60% for MC and 25-65% are adopted for MC and RVC. VP is usually specified around 67%.
- *Specific Production Process* (SP) may specify that all or most processes must take place in the origin country. The USA has this rule in many of its FTAs.

Box 8: ROO will vary from FTA to FTA

- ✓ The developed countries usually want strict ROO with minimum local value content + CTC + local process requirements + PSR.
- ✓ The Indian FTAs generally have VC specified at 35-40% + CTSH.
- ✓ The India-South Korea and India- Japan FTAs have CTSH + 35% VC +PSR.
- ✓ The India-ASEAN and India-Malaysia Agreements have CTSH+35% VC but no PSRs. Some commentators and industries (especially car and car parts manufacturers) feel that ROO in the ASEAN FTA is too relaxed as it is easy to meet this rule even with important intermediate goods being imported from outside. This may allow import of a huge number of manufactured and plantation products from ASEAN countries, which are partly manufactured in other countries (such as China).

- *Cumulation of Origin* rule may allow some specified regional content, say allow inputs or processing from South Asian countries for an Indian product. FTAs by developed countries are often quite strict and allow little regional content. However, sometimes special concessions are given for content within a regional bloc (e.g. EU allows this for some African countries within the ACP countries or IEPA).
- *Product Specific Rules* (PSR) may be there for products of key interest to partner countries. The USA is famous for its 'fibre forward' or 'yarn forward' rules in textiles and garments, where every input and all processing from fibre onwards or yarn onwards must be sourced from within the partner country in order to sell garments to USA through an FTA.

ROO imposes certain restrictions on exports that can be made on preferential treatment. First, the 'cummulation of origin' rule, followed by the EU, is generally strict and may hamper options for regional integration. India needs to negotiate this to be able to import cheaper inputs from other parts of Asia to reduce costs. Second, there are complicated procedural requirements involved in ROO. Products need to get certificate of origin, meet consignment criteria e.g. label origin country, sometimes even city (e.g. EU-Israel FTA). These procedures may be more difficult for MSME products, and for agro based products as these are both costly and complicated. Unless procedures are considerably simplified, especially by developed countries, this chapter may prove to be a block towards generating actual additional access in FTA partner markets for Indian exports. The third issue is the duty drawback scheme of GOI which refunds import duties paid on imported inputs for products which are exported from India. This boosts the import content of exports and makes them cheaper. However, under FTAs these products may get blocked off by the ROO.

The Policy Framework

WTO	FTAs	Implications for MSME
Not very strong	Strong RoO	MSMEs may pass simple ROO in partner countries.
		If Indian ROO is strict enough, then it may block imports from third countries. If not other country products may come into India

Self Assessment: Questions for MSMEs

- ✓ Do I import raw material/ inputs/ intermediate goods?
- ✓ What is the share of imported goods in the total value of my product?
- ✓ Can I meet the ROO in my product for relevant FTAs? (Otherwise I may not get the zero tariff)
- ✓ Is there any product specific rule of origin on my product?
- ✓ Am I able to meet the process requirements currently while exporting to FTA countries?
- ✓ Will the FTA(s) help me export by easing process requirements?

VI.5. Anti Concentration Clause

Partner countries are allowed to keep some products in a sensitive list where they do not cut tariffs. Each industry may come under several chapters and each chapter has a number of tariff lines or products classified by 8 digits. The *Anti Concentration Clause* proposal in the WTO (which is still under negotiations) stipulates that a minimum of 20% tariff lines or 9% of the value of imports in each tariff chapter would be subject to the full formula tariff reduction. Many countries, for example EU want to include the anti concentration clause in their FTAs. But how much trade or tariff lines will actually need to be covered for full tariff reduction will vary from FTA to FTA, depending on the negotiating ability and the sensitivity of the sector.

This clause may be problematic for industries where all or most tariff lines under a chapter are sensitive, for example in auto industry, textile and garments, fisheries (included under NAMA). The government may also try to keep industries where MSMEs dominate in the sensitive list. But this may be difficult to do under the anti concentration clause, if most products of that industry or a certain segment (chapter) of it, is produced by MSMEs (such as sports goods, leather, textile and garments, food processing, wool and wool products). This can also be a problem for gender sensitive products i.e. products where women workers proliferate if such a criterion was ever seriously considered for deciding on the sensitive list. For industries like food processing, where all products may be gender sensitive, the anti concentration clause will force the government to choose between products as all cannot be exempted. There is the also the question as to why should the Indian government agree to the anti concentration clause in its FTAs if it has resisted it at the WTO.

The Policy Framework

WTO	FTAs	Implications for MSME
Yes (being negotiated)	Yes under North South FTAs	Entire sectors cannot be protected, problem where MSMEs dominate, whom to protect

Self Assessment: Questions for MSMEs

- ✓ **In my** sector (Chapter) is there a lot of MSME products which need protection?
- ✓ If yes, then will my product manage to get protection?

VI.6. Sectorals (Zero for Zero duty reduction)

Under this WTO proposal, trading partners reduce import duty to zero in some sectors *with immediate effect* on a voluntary basis. This is a relatively new and much contested proposal even in the WTO which may be replicated in some FTAs. At the WTO, efforts have been made by the developed countries to turn this into a compulsory commitment rather than a voluntary one, especially from countries like India and China. There are currently 14 sectors under consideration for sectorals. These are; Automotive and related parts; Bicycles and related parts; Chemicals; Electronics/Electrical products; Fish and Fish products; Forestry products; Gems and Jewellery products; Raw materials; Sports equipment; Healthcare, pharmaceutical and medical devices; Hand tools; Toys; Textiles, clothing and footwear; and Industrial machinery. The discussion on April 29 of WTO saw EU proposing a new text on sectorals with cuts being proposed in three sectors; chemicals, electronics and industrial machinery where developing countries are asked to make cuts beyond the formulae cut, matching with those by developed countries.

Under FTAs, since most segments see duties reduced to zero, it is actually close to what sectorals are to cover under the WTO. But under FTAs some segments may see zero duty on both sides with immediate effect. For example in the India-Japan CEPA, textiles is opened up immediately on a zero for zero basis. The difference with WTO sectorals is that a lot more tariff lines are offered on a zero duty basis under FTAs, some with immediate effect. On the other hand, unlike the WTO where concessions are made to many members, these may be made to only one partner at a time. The industry must be fully competitive in order to open up under this provision. It is important for MSMEs to discuss how competitive they are and whether they are ready to take on zero-for-zero cuts in import duty with immediate effect under FTAs.

The Policy Framework

WTO	FTAs	Implications for MSME
Yes (being negotiated)	Yes under North South FTAs	Full opening up, competitiveness necessary to ensure viability
		May get access to FTA markets with immediate effect?

Self Assessment: Questions for MSMEs

- ✓ Am I under the sectors being discussed?
- ✓ Can I remain competitive if I face full elimination of tariffs with immediate effect?
- ✓ Will I get better access to FTA markets if import duties are removed in those sectors immediately? (e.g. garments, leather)

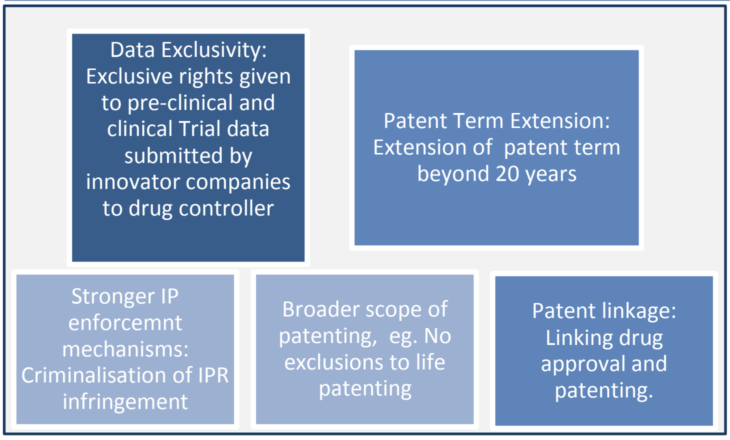
VI.7. Non Goods Trade Issues: Intellectual Property Rights (IPRs)

Trade Related Intellectual Property Rights (TRIPS) is an associated WTO agreement that member countries signed up to in 1995. The TRIPS mechanism was set up to lay down minimum harmonised standards of protection of intellectual property, or the ownership of ideas, knowledge and technology, for the smooth conduct of free trade. Its primary purpose is to encourage innovation by giving the inventors rights over their creation. The short-run costs are to be offset by long-run gains for society in terms of knowledge and technology. The TRIPS Agreement relates to innovation as well as to the smooth transfer and dissemination of technology between inventor and users. It refers specifically to 'trade related' aspects of intellectual property. The system asks for several forms of intellectual property protection such as Patents, Geographical Indications (GIs), Trademark, Industrial Design rights, Copyright etc. TRIPS sets minimum standards, often strengthening existing standards (e.g. Patent protection of not only products but processes, and having minimum coverage of 20 years in least developed countries).

The TRIPS regime of IPRs has generated some major criticisms. First, the high cost of conforming to the intellectual property is difficult to meet for developing countries. For MSME producers, costs of applying for IP instruments, following up, as well as complying with others' IP rights are expensive. Smaller producers are often pushed out by bigger companies, especially multinationals, which can get IP rights such as patents much more easily as they have huge resources to spend on R&D as well as on patent application and follow up. Second, the extensive coverage of intellectual property in often very complex terrains has generated much controversy. It has made access to many essential commodities, produced by smaller producers and sold cheap, much more restricted by allowing patents and other forms of IPRs. This has threatened access to cheaper products made by MSMEs and has thus threatened even the developmental role of MSMEs. The threat to the access to cheap generic medicines, of which India is a major producer, is the most glaring example. The public health and access to cheap medicines debate remains the strongest criticism of the TRIPS regime worldwide.

Another major criticism of TRIPS, relevant for MSMEs, is that a significant part of technology and R&D ability to generate new technology, processes and products is held by developed countries. The developed countries were projected to hold 87% of global patents (Choudhary, Pal and Manghnani, 2006). Most developing countries are net intellectual property importers. For example, Malaysia's payments of royalties on intellectual property exceeded its receipts of royalties by USD 867 million in 2009 and 98% of patents granted in Malaysia are to foreigners. Only 1.65% of SMEs registered patents, this is probably because they lack the resources and capability to do research and development and acquire advanced technologies (Reid Smith, 2008). TRIPs, in effect gives considerable control to developed countries over critical resources in developing economies. It also threatens products which are based on traditional knowledge such as herbal medicines often produced by MSMEs.

Figure 8: TRIPS plus IP Provisions in Free Trade Agreements



However, TRIPS does provide certain flexibilities for balancing IP rights and public interest, especially related to public health (such as compulsory licensing, parallel importation) or for research. Given this scenario, the FTAs often include chapter on IPRs that attempt to go beyond TRIPS and include extra provisions that further strengthen the IP regime (see Fig.8). *Data exclusivity* that gives protection over trial data submitted by innovator for marketing rights, *patent term extension* by another 5 years or more, *strong IP enforcement* where products supposedly violating IP rights can be seized at the border of third countries (not countries of seller or buyer), are some of the TRIPS plus provisions brought in by FTAs. These may have the potential to limit some of the TRIPS flexibilities, strengthen IP rights and pose even a bigger threat to MSMEs. Developed countries such as EU, USA, Japan, and Switzerland impose TRIPS plus norms in their FTAs. India has however refused to give TRIPS plus IPRs in any of its concluded FTAs, including Japan. TRIPS plus demands by EU, Switzerland (part of EFTA) are part of the FTAs being currently negotiated.

The Policy Framework

WTO	FTAs	Implications for MSME
Yes	TRIPs Plus provisions (imp for pharmaceuticals)	If able to secure GIs/ patents etc, may benefit
		But will also need to recognise partners' IPs

Self Assessment: Questions for MSMEs

- ✓ Have I applied for or registered any intellectual property instruments? E.g. Geographical Indications, Patents, Trademark, Collective Mark etc
- ✓ Have I ever faced any IP barrier while selling or exporting my product? (e.g. someone else had a patent)
- ✓ If a producer from an FTA partner country had an IP (e.g. GI, patent) on a similar product to what I sell, will it adversely affect my business?

VI.8. Non Goods Trade Issues: Investment

Investment policy determines the pace of investment as well as the ownership of investment and therefore of ownership of domestic companies. Because of the sensitivity of this issue, opening up full foreign direct investment in all segments of the economy was kept out of the WTO, under the Singapore Issues[5]. Investment was restricted to 'Trade Related Investment Measures' (TRIMS). However, Bilateral Investment Treaties (BITS) between India and other countries and investment chapters in FTAs may allow both; a) ***liberalisation of investment*** or entry of FDI in all/specified sectors (additional market access); as well as, b) ***strong investor protection*** by giving foreign investors strong legal rights (See Box.9). The investment chapter may contain several important features described in Box 9.

In addition to FDI caps, countries usually impose performance requirements on foreign investment such as; limits on ownership, board membership, and on exports; compulsory local content, compulsory transfer of technology etc. These requirements can be used to improve opportunities for MSMEs. But under FTAs, imposing such performance requirements on FDI is usually prohibited. Under the Japan FTA (IJCEPA), both National Treatment and MFN (see Box 9) are included and performance restrictions are no longer permissible under Article 89 (Prohibition of Performance Requirements or PPR), Chapter 8. However, certain exceptions are allowed in certain sectors.

Box 9: Main Features of Investment Chapters

- ✓ **Market Access:** Partners may ask India to open up more sectors to foreign investment, lift caps on foreign investment and remove existing performance requirements.
- ✓ **National Treatment:** Foreign investors have to be treated at par with domestic investors
- ✓ **MFN:** Sometimes partners may ask that if any other country is given access to a particular sector even in future, then they will also automatically get access.
- ✓ **Investor Protection**: Foreign investors get strong legal rights and can sue even governments in international arbitration courts in secret cases. This investor-state clause is very different from the WTO's state-state clause where only governments can sue other governments.

Whether MSMEs can also be given any kind of preferential treatment such as described under Section B, for example, export promotion policies, becomes the question. If GOI gives a certain treatment for domestic MSMEs it must give similar treatment to foreign companies coming under this category (under like circumstances). However, India may choose to exclude giving NT, MFN, or PPR in certain sectors and either keep FDI out of sensitive sectors such as MSMEs or subject them to domestic laws. For example in the IJCEPA: "Items reserved for manufacture by Micro, Small and Medium enterprises" is excluded from "prohibition of performance requirements".

In most industries in India, FDI is already allowed (given certain restrictions or caps) so additional FDI may not necessarily be forthcoming specifically from FTAs. However, wholly foreign owned enterprises may now be set up in many more areas and it could also lead to mergers and acquisitions in certain MSME segments. In the pharmaceutical industry, such acquisitions are already taking place. Technology transfer from FDI cannot generally be made compulsory under FTAs (under PPR), though diffusion of technology may still take place. However, technology transfer may be kept compulsory for MSME investments in the IJCEPA as an exception.

On the other hand, Indian investors may now technically get access to invest in partner countries. Big industries such as Tata Steel and Tata Motors, Reliance, Mahindra, Jindal Steel are already investing heavily abroad and the FTAs may secure more market access and protection for these investors. According to RBI sources, investments by domestic companies in overseas joint ventures and wholly-owned subsidiaries stood at USD 10.3 billion during 2009-10. However, whether it is possible for the MSME sector to invest abroad and get gains from such investment chapters under FTAs is a critical question.

The Policy Framework

WTO	FTAs	Implications for MSME
Out (except Trade Related Investment Measures)	In	Will it wipe out local MSME entrepreneurs?
		Does it increase competition for existing MSMEs?
		Does it increase capital supply for MSMEs?
		Does it impact labour supply and terms of labour

[5] In 2004, after much resistance by developing countries, 3 areas; investment, public procurement and competition policy were found to be sensitive policy areas for developing countries, and were kept out of compulsory commitments at the WTO. These were termed the Singapore Issues.

Self Assessment: Questions for MSMEs

- ✓ Will I benefit from foreign investment in my industry?
- ✓ If fully foreign funded industries (from FTA partner countries) were set up, will I be able to compete?
- ✓ Will there be technology diffusion and increased learning if FDI increases?
- ✓ Will the technology used by foreign companies be more labour intensive or labour displacing?
- ✓ Will I compete for labourers with foreign owned companies (if they offer higher wages)?
- ✓ If investment is allowed in FTA partner countries, am I going to invest there? Do I have the capacity?
- ✓ If I invest abroad, do I want investor protection through the FTAs?
- ✓ If a protection mechanism exists, will I have the resources to take FTA partner countries' governments to court?

VI.9. Non Goods Trade Issues: Public Procurement

Many developed countries, for example the EU, are very keen to get 'market access' to the significant government procurement market in other countries. At the WTO, the Agreement of Government Procurement (GPA) is a voluntary agreement which only 46 members have signed. Developing countries agreed that this agreement should not become mandatory for member countries to join because this was found to be a development policy tool for governments to address economic and social inequalities by giving certain preferences to vulnerable groups such as MSMEs, women's groups, village enterprises, minorities, backward communities. Giving equal rights to foreign companies meant giving up critical policy space to address these needs. Therefore public procurement became one of the Singapore Issues at the WTO (see Footnote 4).

In India, the government procurement (GP) market includes all purchases by central and state governments such as the railways, other public transport services, energy services, health and education services, purchases by public sector undertakings etc. Under public procurement the GOI can: a) reserve items for exclusive production; b) give preferential treatment such as waive tender fees, keep price difference of 15%; and c) ask MSMEs to match the lowest bid and then award the contract on a preferential basis. Even then, MSMEs face difficulties in accessing the GP market due to "unavailability of financial guarantees, lack of knowledge about tender procedures, new opportunities and large size of contracts" (P. 253, SIDBI, 2010a). However the Report suggests that like in many other countries, this market should be specifically used to boost the market and growth of MSMEs.

Though government purchase is generally open to foreign bids in India, foreign companies do not have a legal 'right' to such tenders. But this will change if the government gives market access to public procurement under its FTAs or joins the GPA. Companies/ producers in partner countries or GPA member countries will have a legal right to be treated at par with domestic companies under the 'national treatment' clause.

However, India has not yet given market access in public procurement in any of its FTAs. The India-Japan CEPA has a chapter on public procurement which only agrees to 'transparency'. But if India joins the GPA or gives market access to any of its FTA partners in the future then this chapter has to be re-negotiated to give Japanese companies similar rights. The EU is insisting that India includes GP in the FTA. And if India gives market access in GP to the EU, it will have to give similar access to Japan and perhaps, to some other FTA partners as well. India is not keen to include its GP market under FTAs especially when it is not likely to get much access into developed country GP markets where a host of NTBs block foreign suppliers. In the EU and USA, only about 2% of GP markets are catered to by foreign countries other than USA (for EU) and EU (for USA).

India can possibly use an exception (carve-out) for MSMEs from 'national treatment' and 'market access' clauses in its public procurement chapter if it signs onto one in its FTAs. However, **the MSMEs need to proactively engage with the GOI to ensure this.**

However, the Indian government has been changing the public purchase norms in the recent years. The Central and several State governments have been increasing the turnover limit of companies which can bid for government supply contracts in several segments. For example, in the pharmaceutical segment, the minimum turnover required is now 25 crores in some states and in the Centre. This has been automatically eliminating MSMEs from this segment of government purchase. Like in many other areas, the GOI is raising domestic rules to comply with international trade requirements including that of FTAs. Then they may or may not commit to this in the FTAs. If they do, they give binding rights to foreign companies and cannot give preferential treatment to MSMEs. If they do not, they will enjoy some policy space, but in practice the GP market may become out of bounds for Indian MSMEs.

The Policy Framework

WTO	FTAs	Implications for MSME
Out	In	MSMEs get preferential access to central and state government purchases which may be threatened

Self Assessment: Questions for MSMEs

- ✓ Do I get any special concession in Indian government's purchases?
- ✓ Do I want special access to the Indian government's purchases in the future?
- ✓ Am I able to compete with foreign bidders (especially those from FTA partners) for government purchase contracts?
- ✓ If I currently sell to the government, what percentage of my total sale does this contribute?
- ✓ Do I sell to another larger enterprise which bids for government purchase contracts?
- ✓ if that enterprise loses contracts while competing with foreign companies, will I lose my market too?
- ✓ If PP was opened up in an FTA, can I sell to the partner country governments?
- ✓ Will I be able to match quality standards in FTA partner country's government procurement? (e.g. developed countries like the EU, Australia, Japan etc)

VI.10. Non Goods Trade Issues: Competition Policy

Competition policy was another of the Singapore issues which was kept out of the WTO because of sensitivity from a development perspective. India had strongly resisted its inclusion in the Uruguay Round. However, developed countries now demand that principles of 'non-discrimination' through 'national treatment' and 'MFN' should be applied vis-a-vis competition policy through the FTAs. This implies that partner countries must ensure 'fair competition' not only among domestic companies but give equal treatment to partner countries' companies and establish conformity to competition law. India has set up the 'Competition Commission' to implement competition law in India. However this caters to completely domestic competition laws. Until now, India has not yielded major concessions under this chapter. For example, in its FTA with Japan, though non-discrimination is included it is not enforceable. But the EU, for example, wants a stronger competition policy in conformity with its own domestic competition policy. However the problem is that free competition as envisaged by the developed countries is often dictated by them and standards cannot be followed by developing countries.

If India has to adhere to a high and enforceable standard of competition that must not discriminate between a foreign entity and an Indian one, whether India can pursue some of its preferential policies to certain segments such as MSMEs is a complicated question. 'Non-discrimination' under like circumstances has been interpreted in many ways in international law. Whether it relates to entities with same economic size or in same industry have been some of the questions raised.

In addition, allowing free competition often allows the smaller enterprises to be eaten up by larger ones. The history of competition policy in most countries has shown that mergers and acquisitions of smaller companies have happened rather than new addition to capital stock. Therefore, rather than adding to the number of smaller companies, it has ended up consolidating investments in a few large companies.

Competition policy also often prevents state aid and limits the activities of state trading corporations. For example exports of certain commodities like Gum karaya, Iron ores and Iron ore pellets, Manganese ores (below 46% Mn), Chrome ore lumps (with specific Cr2O3 and silica composition), sugar, crude oil are allowed only through state trading corporations. Whether STCs will be allowed to get exclusive export rights remains a question.

The Policy Framework

WTO	FTAs	Implications for MSME
Out	In	Critical issues for development policy, preferential treatment to MSMEs may be threatened

Self Assessment: Questions for MSMEs

- ✓ Can I compete equally with bigger companies and foreign companies ?
- ✓ If certain state subsidies are removed, will I be able to survive?
- ✓ If preferential policies to MSMEs are removed/ restricted, will I be able to survive?
- ✓ If mergers and acquisitions increase, will I be able to sustain my own business?

VII. *Conclusion*

It seems evident that FTAs are fast bypassing the entire WTO framework of trade liberalisation and cover both more extensive (covering more areas) and intensive (going deeper into existing areas) liberalisation. The FTAs that India is negotiating and signing are getting more ambitious and leaving goods trade far behind. As the Toolkit shows, there are a number of chapters/provisions with varying implications for MSMEs. Implications for MSMEs producers and workers in general may turn out to be tougher and more adverse for women entrepreneurs and workers in this sector. How each MSME will be impacted will depend not only on specific provisions of each FTA, but on the MSME's access to inputs, infrastructure, domestic and international markets, technical know-how, credit and labour. Therefore it is important for MSMEs to understand each provision for each FTA and assess their individual situation with respect to this information. This toolkit provides an idea of some of the more important provisions, and gives some indications about possible impacts and options, and puts down some questions that can assist MSMEs to make this assessment.

Given that the FTA process is quite secret in nature and therefore draft texts of agreements as well as impact assessment studies are often not circulated, there is relative little public understanding of FTA provisions. But given the **extensiveness of the likely impact**, it is important that MSMEs use this assessment to do two things:

1) Prepare themselves to both defend their markets as well as to access new opportunities;
2) Actively engage with the government to make specific and informed demands so that both their offensive as well as defensive interests are protected.

The MSMEs can also ask for, as prerequisites, specific domestic policies that enable them to access trade related policies and benefits. Since MSMEs also to play an important developmental role in India, as a generator of jobs for women as well as men, incomes, as well as cheaper consumer products, their growth is essential for India's economy and society. Their survival also dictates, in part, the future of workers and their well being. Using this argument, the MSMEs can ask for special treatment. The GOI does have certain protective mechanisms for them (such as sensitive/negative list of products, carve outs, exemptions in investment provisions, gender sensitivity of specific MSME products) but it is important that MSMEs understand the scope of such mechanisms and lobby with the government so that these are used to the fullest extent. The MSME sector must simultaneously:

a) Look inward and upgrade their own approach to production, technology, labour, and other issues related to environment, and also;
b) Independently lobby on domestic policies that improve their scope for growth.

At the same time, the international trade arena is changing rapidly and unless they get involved in the international policy issues, their domestic market, growth potential and opportunities may get significantly shaped by India's trade policy.

VIII. *Resources to Look Up*

Source and Types of Information on FTAs	*Web-links*
FTA page, Ministry of Commerce and Industry, GOI	http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i
Website exclusively on FTAs	http://www.bilaterals.org/
FTA Page by World Trade Organization (WTO)	http://www.wto.org/english/tratop_e/region_e/region_e.htm
WTO cell of Indian Institute of Foreign Trade	http://wtocentre.iift.ac.in
Information on Non-Tariff Measures (NTMs)	http://commerce.nic.in/trade/international_ntm.asp?id=4&trade=i
Information on Technical Barriers to Trade (TBTs) and Sanitary and Phyto-sanitary Measures (SPS)	http://commerce.nic.in/trade/TBTSPS.asp?id=5&trade=i
Information on IPRs	http://dipp.nic.in/intellectual_property_dipp.htm
Information on investment and industrial policy	http://dipp.nic.in/policy_dipp.htm
For data on India's trade	http://commerce.nic.in/tradestats/indiatrade.asp
For data on trade and commerce	http://dgft.gov.in/
Where can you access more information about MSMEs?	
Website of Ministry of MSME,GOI	http://msme.gov.in/msme_admin.htm
Information on central policy and schemes	http://dcmsme.gov.in/
Information on MSMEs in Uttar Pradesh	http://ssi.up.nic.in/

IX. *How and Whom to Influence in the Government to Make Your Voices Heard?*

- ✓ Get your MSME associations interested & build strong alliance of the MSMEs on the issue
- ✓ Based on the information and analyses, articulate your argument and do collective submission to the following:

Prime Minister, Prime Minister's Office, GOI	Fax: 011-23016857/9545, Tel: 011 2301 2312
Chairman, Standing Committee on Commerce, Rajya Sabha	rsc-comm@sansad.nic.in, Tel: 011 23034036
Minister of Commerce and Industry, Ministry of Commerce and Industry, GOI	cim@nic.in, Fax: 011-23062947
Minister of State for Commerce and Industry, Ministry of Commerce and Industry, GOI	Fax: 011-23062321
Secretary, Department of Commerce, Ministry of Commerce and Industry, GOI	csoffice@nic.in, Fax: 011-23061796
Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GOI	rp-singh@nic.in, Fax: 011-23061598

Appendix

Table A.1: Industry Sector-wise Principal Characteristic of Registered MSMEs, 2006-07

NIC Codes	Industry Sectors	Units	Fixed Assets (Rs. Crore)	Production (Rs. Crore)	Per Unit Production	Employment	Per Unit Employment	Exports (Rs. Crore)
15	Food Products and Beverages	303710	22388	63872	0.21	1293617	4.26	10081.94
16	Tobacco Products	4214	516	3393	0.81	61484	14.59	39.65
17	Manufacturing of Textiles	100160	8601	20532	0.20	681403	6.80	7910.63
18	Wearing Apparel;Dressing & Dyeing of Fur	229457	4557	12878	0.06	684668	2.98	13348.60
19	Leather and Leather Products	54817	2277	7357	0.13	214092	3.91	5951.74
20	Wood & Wood Products	92617	3541	5057	0.05	333174	3.60	1602.43
21	Paper & Paper Products	17304	3003	5798	0.34	140171	8.10	186.80
22	Publishing, Printing and Reproduction of Recorded Media	75150	4594	6409	0.09	307485	4.09	220.52
23	Coke and Refined Petroleum Products	5502	750	2270	0.41	39527	7.18	113.97
24	Chemical and Chemical Products	64095	12125	29973	0.47	592612	9.25	6010.03
25	Rubber and Plastic Products	67020	10917	20984	0.31	428514	6.39	2631.36
26	Non-Metallic Mineral Products	99211	9487	12599	0.13	864651	8.72	2781.50
27	Basic Metals	37769	8384	28643	0.76	334008	8.84	2777.73
28	Fabricated Matal Products	231923	14891	25646	0.11	1033457	4.46	5457.71
29	Machinery and Equipment(Non-electrical component)	77484	7979	16678	0.22	415117	5.36	4135.38
30	Office Accounting and Computing Machinery	1996	390	1385	0.69	14938	7.48	464.04
31	Electrical Machinery AND Apparatus	37426	4435	10848	0.29	213240	5.70	1590.66
32	Radio, Television,and Communication Equipment and Apparatus	6504	1075	2846	0.44	50338	7.74	981.80
33	Medical Precision and Optical Instruments	6695	1730	1922	0.29	45897	6.86	1142.54
34	Motor Vehicles, Trailers and Semi-trailers	12123	2353	5035	0.42	119527	9.86	581.36
35	Other Transport Equipmnets	7581	1219	3293	0.43	62487	8.24	1749.59
36	Manufacturing of Furniture and Fixtures	149924	4276	8110	0.05	511219	3.41	3020.91
37	Recycling	876	92	569	0.65	6396	7.30	18.65
40	Electricity, Gas and water Supply	1036	156	552	0.53	6440	6.22	1.32
50	Repair of Motor Vehicles, & Motor Cycles	97527	2672	4169	0.04	277324	2.84	37.51
52	Repair of Household Goods	229236	2433	3273	0.01	413291	1.80	84.28
63	Activities of Travel Agencies	2978	1678	1033	0.35	24888	8.36	152.95
64	Telecommunication Services	17145	366	371	0.02	32970	1.92	0.76
71	Renting of Machinery & Equipments	1671	84	107	0.06	6382	3.82	0.00
72	Computer and Related Actvities	20461	1483	2545	0.12	81268	3.97	175.07
74	Other Business Activities	34390	1174	1185	0.03	85172	2.48	75.98
85	Health and Social Services	1883	123	75	0.04	6171	3.28	2.73
93	Other Services	7874	293	691	0.09	21495	2.73	14.18
	Total	2097758	140044	310099	0.15	9403421	4.48	76337.08

Source: MSME Database, SIDBI, 2010

Glossary

Anti-concentration clause: An anti-concentration clause restricts the number of products that can be put on the sensitive list in any sector.

Competition Policy: A national law that lays down rules for ensuring fair competition in a country. Certain FTAs may stipulate certain standards/provisions in this law that is implemented by partners.

Import Duties: a tariff or tax that is imposed by the government on the goods entering the border of a nation is called import duty.

Intellectual Property Rights (IPRs): under intellectual property law, owners are granted certain exclusive rights to copyrights, trademarks, patents, industrial design rights and geographical indications (GIs). These cannot be used without prior consent by other companies. IPR is currently governed according to the TRIPS agreement.

Investment Policy: investment policy determines to a large extent the nature, magnitude and pace of investment, along with ownership pattern of domestic enterprises.

Most Favoured Nation (MFN): when a country signs a MFN clause with another country, it obliges to treat the other country not less advantageously than any other trading partner.

Mutual Recognition Agreement (MRA): In the context of NTBs, an MRA is an agreement between partners to recognise each others' certification and other processes.

National Treatment (NT): means that a country needs to treat domestic and foreign companies equally.

Non-Tariff Measures (NTMs) measures, namely trade procedures, regulations, standards, licensing systems etc. are called Non-Tariff Measures.

Non Tariff Barriers (NTBs): Those NTMs that cannot be justified under WTO law are termed as Non Tariff Barriers.

Public Procurement: Public procurement is the procurement of goods and services on behalf of a public authority, such as a government agency.

Rules of Origin (ROO): are used to determine the country of origin of a product for the purpose to decide whether it can benefit from a preferential tariff such as given under a FTA. Essentially, the "Rules of Origin" mean that for a product to be exported to a FTA partner country, the product must have enough local content.

Trade Related Intellectual Property Rights (TRIPS): is an associated WTO agreement that lays down minimum harmonised standards of protection of intellectual property across member countries, for the smooth conduct of free trade.

The World Trade Organisation (WTO): is an international institution governing rules in multilateral trade or trade between several member countries.

Table A.2: India's Free Trade (and Investment) Agreements (as of March, 2011)

Proposed	Preferential/Framework Agreement Signed	FTAs Under Negotiations	FTAs Concluded
New Zealand India Free Trade Agreement	India-Thailand Free Trade Area	India-Mauritius CEPA	India-South Korea CEPA
India Australia Free Trade Agreement	ASEAN-India Regional Trade and Investment Area	India-Egypt Preferential Trade Agreement	ASEAN-India Free Trade Agreement
India-Canada FTA	Bay of Bengal initiative for multi-sectoral Technical and Economic Cooperation(BIMSTEC) Free Trade Area	India-European Union Trade and Investment Agreement	India-Japan Economic Partnership Agreement
India-Venezuela Preferential Trading Arrangement	India-Gulf Cooperation Council Free Trade Area	India-EFTA (European Free Trade Area) Trade and Investment Agreement	Malaysia-India Comprehensive Economic Cooperation Agreement
India Uruguay Preferential Trading Arrangement	India-Mercosur Preferential Trade Agreement		Asia Pacific Trade Agreement
India-Russian Federation Comprehensive Economic Cooperation Agreement	India Afghanistan Preferential Trading Agreement		India-Singapore Comprehensive Economic Cooperation Agreement
India-Israel Preferential Trade Agreement	India-Chile Preferential Trading Agreement		India-Sri Lanka Free Trade Agreement
India-Indonesia Comprehensive Economic Cooperation Arrangement (CECA)			Indo-Nepal Treaty of Trade
China-India Regional Trading Arrangement			India-South Asian Free Trade Area (SAFTA)
India-Columbia Preferential Trading Arrangement			Early Harvest List of India-Thailand CECA

Source: Compiled by Authors

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Network for Social Change

Commonwealth Foundation

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