

COMMENTS ON TRADE, INVESTMENT AND ECONOMIC COOPERATION

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THE GROWING ECONOMY

- “ 28 States and 7 union territories with 1,250 million people
- “ One of the world fastest growing economy with the GDP growth average 7% per annum over the past 10 years
- “ The 487.6-million worker Indian labour force is the world's second-largest.
- “ The service sector makes up 55.6% of GDP, the industrial sector 26.3% and the agricultural sector 18.1%.

UNDERSTANDING INDIA

- “ Strength – middle income of 300 million people, over 50% of population at the age less than 25, high growth driven by domestic consumption, high number of well-educated people, good educational system, ICT system, ...
- “ Weakness – complicated regulatory/political system between the central government and local authority, cultural and religious diversity, lack of infrastructure, high poverty gap, protected financial sector,
- “ Opportunity – high demand from the young wealthy family, inward investment opportunity, growing economy
- “ Threat – political relations with neighbouring countries

THAILAND AND INDIA

- “ EHS since 2003 for 83 traded items including fresh fruits, fish and sea food, plastics, precious stones, some metals and alloys, machinery and appliance, refrigerators and television. Zero tariff since March 2006.
- “ Bilateral trade between Thailand and India with double digit growth for total trade started at 27% in 2003 and reached the peak in 2007 at 38% and 28% in 2011. Trade surplus for Thailand since 2005.
- “ FDI from India – automobiles, steel, software, chemicals, textiles, pharmaceuticals, IT, telecommunication, ..., engineer and construction services
- “ FDI from Thailand – Agro-processing, construction, auto parts, electronics, real estate, malamine, and hotels

ATIONAL MANUFACTURING POLICY

- “ 20-years plan to improve share of manufacturing sector in GDP with more job creation.
- “ Sustainable growth based on the use of its natural resources, environmental friendly, and energy efficiency.
- “ Promote
 - “ Investment zone
 - “ Infrastructure for connectivity for rail-road-port
 - “ Financial support such as a long term debt
 - “ Delhi Mumbai Industrial Corridor (DMIC) for investment

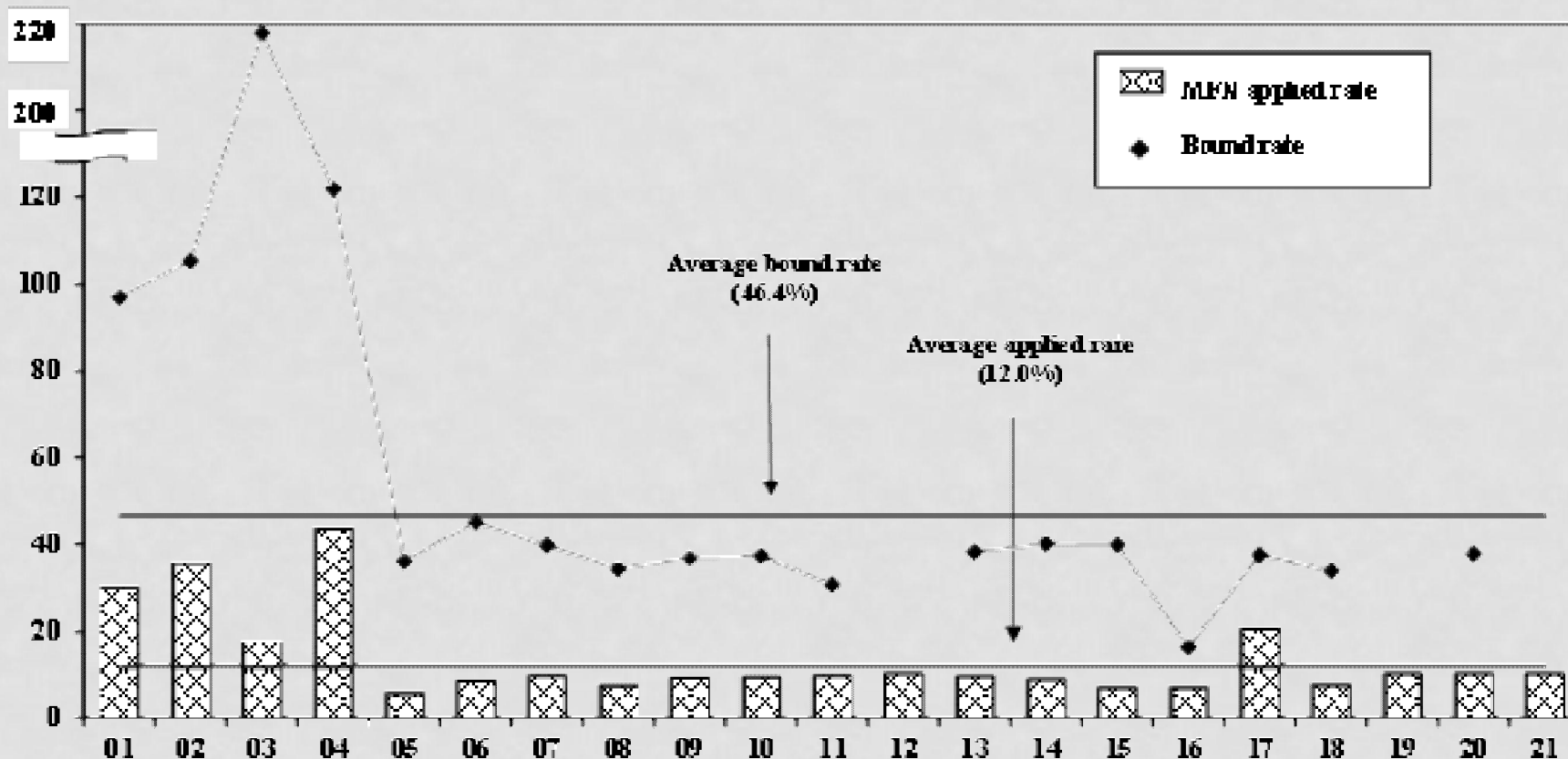
OPPORTUNITY IN INDIA

- “ Infrastructure by local and FDI – national highways, roads, rail, port, power, and DMIC (100% FDI permitted in some areas and PPP model encouraged)
- “ Food Processing industry (100% FDI permitted) as to save large portion of the farm produce which is wasted to increase the value added and to earn from export. Need supporting industries such as packaging, tetsing, warehousing, storage, logistics, ...
- “ Auto parts, environmental friendly technology, ...,
- “ Pharmaceuticals, biotechnology, chemicals,

India – Tariff Rates

bound tariff rates, by HS section, 2010/11

Per cent



01 Live animals & prod.
02 Vegetable products
03 Fats & oils
04 Prepared food, etc.
05 Mineral products
06 Chemicals & products

07 Plastic & rubber
08 Hides & skins
09 Wood & articles
10 Pulp, paper, etc.
11 Textiles & articles
12 Footwear, headgear

13 Articles of stones
14 Precious stones, etc.
15 Base metals and prod.
16 Machinery
17 Transport equipment
18 Precision instrument

19 Arms & ammunition
20 Miscellaneous manuf.
21 Works of art, etc.

India and its RTA

Preferential lines ^a (% of all tariff lines)	Total		WTO agriculture		WTO non-agriculture		Textiles		Clothing		
	Avg. (%)	Duty-free rates (%)	Avg. (%)	Duty-free rates (%)	Avg. (%)	Duty-free rates (%)	Avg. (%)	Duty-free rates (%)	Avg. (%)	Duty-free rates (%)	
MFN		12.0	3.2	33.2	5.6	8.9	2.8	9.6	0.0	10.0	0.0
Regional agreements											
SAFTA I ^b	69.3	8.9	3.2	22.5	5.6	6.9	2.8	7.4	0.0	10.0	0.0
SAFTA II ^c	87.6	2.3	89.2	15	66.7	0.5	92.4	0.04	98.7	6.5	34.8
ASEAN ^d	79.1	8.8	3.5	28.8	5.6	5.9	3.2	6.4	0.0	6.7	0.0
APTA ^e	10.3 ^f	11.5	4.3	33.1	5.6	8.4	4.1	9.6	0.0	10.0	0.0
MERCOSUR ^g	3.4	11.9	3.2	33.2	5.6	8.9	2.7	9.5	0.0	10.0	0.0
Bilateral agreement (FTA)											
Sri Lanka ^h	91.6	2.3	79.1	6.4	91.9	1.7	77.3	7.1	4.4	5.0	0.0
Korea, Rep. of ⁱ	50.8	11.0	4.8	30.5	5.6	8.2	4.7	9.0	0.5	9.4	0.0
Singapore ^j	43.0	8.8	22.5	31.0	12.4	5.7	23.9	7.9	13.7	8.7	0.0
Table III.7 (cont'd)											
Thailand ^k	5.6	11.8	5.4	33.1	6.1	8.7	5.3	9.6	0.0	10.0	0.0
Chile ^l	1.3	11.9	3.2	33.1	5.6	8.9	2.8	9.6	0.0	10.0	0.0
LDCs ^m	90.4	6.6	3.2	25.0	5.6	4.0	2.8	4.0	0.0	6.1	0.0

AIFTA

Provisions concerning goods

Rules of origin, dispute settlement, safeguards, balance-of-payment measures, customs-related measures, exceptions (general and for security), and dispute settlement

Trade in goods

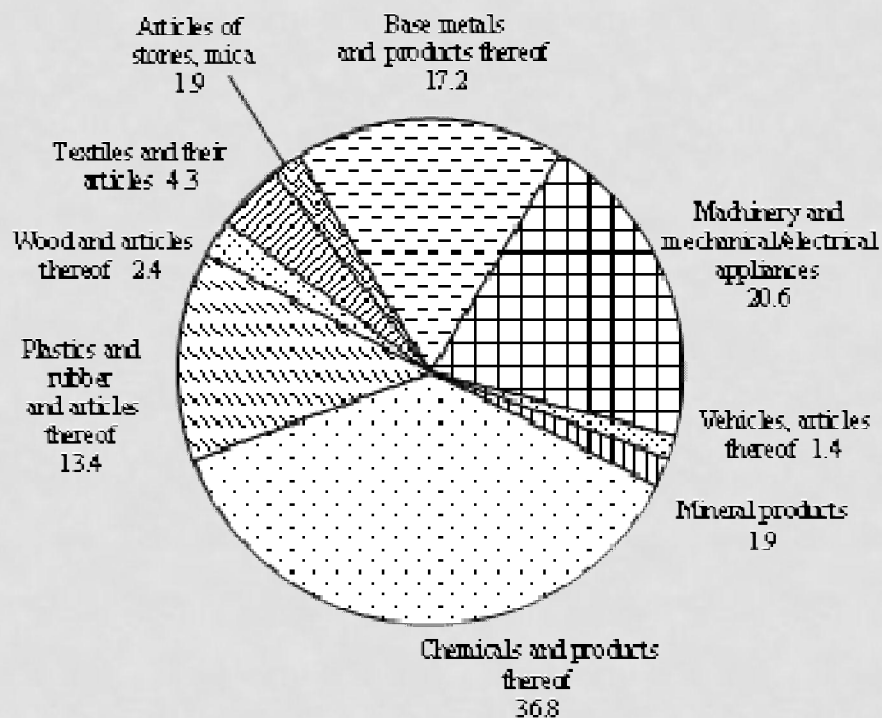
Tariff concessions apply to 12,169 HS eight-digit tariff lines. For "normal track" products, applied MFN rates will be reduced and subsequently eliminated by end December 2013 (7,775 HS eight-digit tariff lines) and by end December 2016 (1,252 HS eight-digit tariff lines). For "sensitive track" products (1,805 HS eight-digit tariff lines), applied MFN rates higher than 5% will be reduced to 5% by end December 2016. For special products^f, applied MFN rates will be reduced from 70%-100% to 37.5%-50% by end December 2019. For "highly sensitive" products, MFN applied rates will be reduced to 50% for category I products (nine HS eight-digit tariff lines), 45% for category II products (30 HS eight-digit tariff lines), and 37.5% for category III products (one HS eight-digit tariff line) by end December 2019. The exclusion list (1,297 HS eight-digit tariff lines) must be reviewed annually

India's merchandise trade (2009/10)

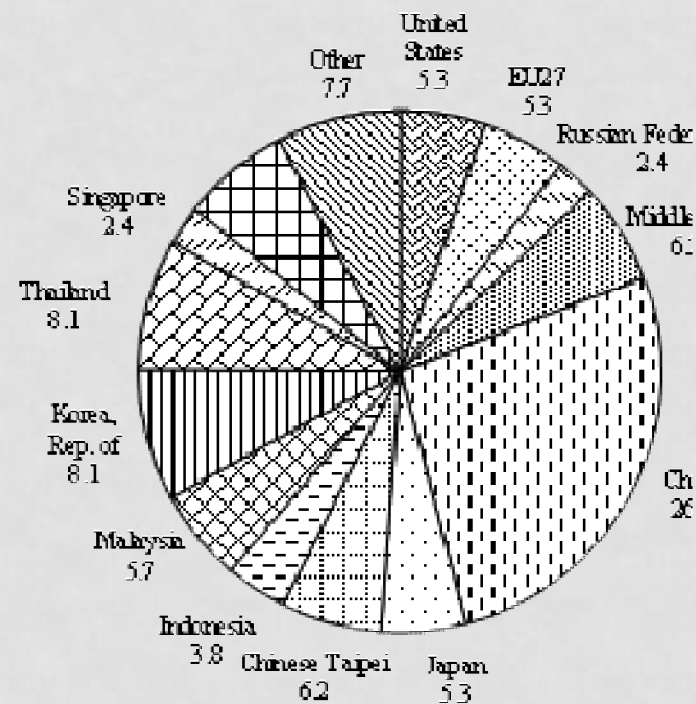
Imports from ASEAN: 8.9% of total; exports to ASEAN: 10.1% of total

(2000-2010) Trade Policy Review 2011.

(b) Initiations by product
Per cent



(c) Initiations by origin
Per cent



Source: Notifications to the WTO.

COMMENTS ON ASEAN INDIA FTA: ASEAN PERSPECTIVE

- “ Objectives – examine the determinants of ASEAN-5's exports of manufacturing goods to India
- “ Tools – an augmented gravity model for the year 2000-2011
- “ Scope – manufactured exports for the ASEAN-5 countries
- “ Expectations – identify the impact of AIFTA on the ASEAN economies

FACT FINDINGS

“ Statistical facts

- “ ASEAN countries can be separated into two groups considering exports to India: Indonesia-Malaysia and Singapore-Thailand-Philippines according to the profile of manufacturing exports to India of total export to India. The former (less than 50%) is low but the latter is high (nearly 90%). Any implication?
- “ Indian Tariff rates are higher than ASEAN ones. AFTA is expected to benefit ASEAN more than India. Any comments on ROO?

FINDINGS FROM THE MODEL

- “ Note that import cost is used to proxy a non-tariff barriers
- “ Well done for the results of Gravity model. Straight forward results for the signs. Any interpretation of the magnitude as compared to the reality?
- “ “Lowing the tariff will improve ASEAN’s export to India”

COMMENTS

- “ The model represents the bilateral relationship between each ASEAN member and India (country i exports to India) but not ASEAN and India. Should the interaction among the ASEAN members be taken into account? Say, the electronic or electrical appliance are exported from ASEAN to India and parts of those products produced by several ASEAN members. Then, it will be the ASEAN-India Analysis.
- “ Certainly, there is an intra-industry trade among ASEAN members. Is there any intra-industry trade between India and ASEAN?
- “ Is there any evidence of the international production networks? (seem no, on page 6) Do we need IPNs to enhance the benefit of AIFTA?
- “ Policy recommendation for the analysis ...

THI'S PRESENTATION

- “ Several countries such as Singapore, Thailand, and Malaysia, also sign and implement the bilateral agreement with India. What is your view by comparing AFTA and the bilateral trade agreement?
- “ Would like to hear your view on the ROO as it seems to be one among the most complicated ROOs.



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