

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

STARRED QUESTION NO:165

ANSWERED ON:16.07.2004

FREE TRADE AGREEMENT

Deora Shri Milind Murl;Shakya Shri Raghuraj Singh

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) the countries with which India has entered into free trade agreement;
- (b) whether the Government has studied the likely effects of free trade on indigeneous industries;
- (c) if so, the details thereof;
- (d) the steps taken or proposed to be taken to protect the indigenous industry;
- (e) whether Government is taking care of the rules of origin with different countries with regard to FTA; and
- (f) if so, the details thereof?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY ( SHRI E.V.K.S. ELANGO VAN)

(a) to (f) A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 165 FOR 16TH JULY, 2004 REGARDING FREE TRADE AGREEMENT

(a) India has entered into Free Trade Agreements with the following countries/ regions:-

(i) India - Sri Lanka Free Trade Agreement signed on 28th December, 1998 and the implementation began in March, 2000.

(ii) The Agreement on South Asian Free Trade Area (SAFTA) signed by the SAARC member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) during the 12th SAARC Summit held in Islamabad on 6th January 2004. The Agreement is scheduled to come into operation from 1st January 2006.

India has also bilateral trade treaties with Nepal and Bhutan, under which duty free imports are allowed, from these two countries on the principle of non-reciprocity.

(b) & (c) Before giving any tariff concessions under the Free Trade Agreements (FTAs), consultations are held with the domestic stake holders through the Apex Chambers of Commerce and Industry as well as the administrative Ministries and Departments. Detailed consultations are held with the domestic stakeholders while preparing the Negative/Sensitive List items on which no tariff concessions shall be granted under the FTA.

(d) The objective of the FTAs is to provide preferential access to imports on only such products which are produced or manufactured in the Signatory Parties only. For this, preferences under the FTAs are subject to fulfillment of the qualifying criteria under the Rules of Origin prescribed for each Agreement. To protect the vulnerable sections of the domestic industry, these Agreements provide for each country to maintain a negative/sensitive list of items on which no tariff concessions shall be granted under the FTA. In addition, the Agreements provide for trade defence measures which an importing country can take recourse to. In case of a surge in imports and injury to the domestic industry, a country is allowed to take measures such as anti-dumping and safeguards. The Agreements also provide for cooperation among customs authorities for ensuring that the Rules are not violated.

(e) & (f) The tariff preferences granted under the FTAs are subject to the fulfillment of the qualifying criteria as prescribed under the Rules of Origin. For the purpose of determining the originating status under the Rules of Origin, goods are classified under two categories namely, wholly obtained and not wholly obtained. In our negotiations on the Rules of Origin for the not wholly obtained category of goods under FTAs with our trading partners, due care is being given for specifying value addition, substantial transformation and defining the non-qualifying operations.