

## OVERVIEW

The mandate of the Department of Commerce is the regulation, development and promotion of India's international trade and commerce through formulation of appropriate international trade and commercial policy and implementation of the various provisions thereof. The Department has set a long term vision of making India a major player in international trade and working out a new international order for trade and commerce including the WTO negotiations. The Foreign Trade Policy (FTP) (2004-09) spelt out a bold vision of doubling India's percentage share of global merchandise trade in the next five years and making trade an effective instrument of economic growth by giving a major thrust to employment generation. The export target of US \$ 75 billion for 2004-05 was sought to be doubled to US \$ 150 billion by the terminal year of the Policy, i.e. 2008-09.

The vision and roadmap provided by the FTP with clearly enunciated objectives and strategies has been instrumental in putting exports on a higher growth trajectory. Indian merchandise exports have witnessed a sustained high growth rate of more than 20% per annum during the Tenth Plan. Exports reached a level of US \$ 126.3 billion in 2006-07 registering a growth rate of 22.5% over the previous year. Against the target of US \$ 160 billion for the year 2007-08, exports reached a level of US \$ 111.1 billion during April–December 2007. With the present trend growth, exports during the current year are expected to reach a level of US \$ 152-155 billion. The high growth of Indian exports during the recent years has been possible due to a conscious and concerted efforts made by the Government to reduce trade barriers, bring down transaction costs and

facilitate trade accompanied by a favourable international environment.

There has, however, been a deceleration in the growth of exports during the current year. The impact has been much more pronounced in rupee terms wherein the exports recorded a growth rate of 7.7% during April-December 2007 as against a growth rate of 21.8% in dollar terms. Concerns about the global slow down especially of the US economy and a continuous appreciation of the Indian rupee are the two important factors affecting the export growth. The rupee has been appreciating against major convertible currencies particularly the US dollar since September 2006. The recent appreciation of the rupee against the US dollar has been sudden and substantial – appreciating by 13.17% between December 2006 and December 2007 against an average annual appreciation of just 3% between 2003-04 and 2005-06. As most of India's trade is through US dollars, continuous appreciation of the rupee against the dollar has a significant impact on exports. The recent rupee appreciation has been a major cause of slow down in the growth of exports particularly in products with low import intensity and high employment content like textiles, leather, handicrafts, marine products etc.

Annual Supplement to the Foreign Trade Policy  
The Annual Supplement to the Foreign Trade Policy (FTP) announced in April 2007 introduced a number of measures for identifying and nurturing special focus areas which have large potential for generating additional growth and employment opportunities particularly in rural and semi-urban areas. Measures have also been

introduced for unshackling of controls and creating an atmosphere of trust and transparency by further simplifying procedures and bringing down transaction costs. Some of the major initiatives introduced are given below:

### **Focus Market and Focus Product Schemes**

The Focus Market Scheme was introduced with effect from 1.4.2006 with a view to offset the high freight cost and other disabilities faced in accessing select international markets. The scheme allowed duty credit facility @ 2.5 per cent of the FOB value of exports of all products to the notified countries. In order to give further thrust to the Focus Market Scheme, 16 additional markets have been notified during the year which shall be entitled for duty credit scrip on export with effect from 1.4.2007. In total, 57 markets are covered under the scheme. The scheme has enhanced India's export competitiveness in these regions.

The Focus Product Scheme was introduced with effect from 1.4.2006. It provides incentives for export of products which have high employment potential in rural and semi urban areas with a view to offset the inherent infrastructure bottlenecks and other associated costs involved in marketing of such products. The scheme allowed duty credit facility on notified products. In order to give further thrust to the Focus Product Scheme, 19 additional products have been notified during the year which shall be entitled for duty credit scrip on export with effect from 1.4.2007. In total, 103 products are covered under the scheme. In addition to this, 2 more products have also been notified during the year under the High Tech Products Scheme which is a part of the Focus Product Scheme.

### **Vishesh Krishi and Gram Udyog Yojana**

The Vishesh Krishi and Gram Udyog Yojana seeks to provide a thrust to employment intensive exports by awarding a duty credit scrip at 5% of the FOB value of exports to ensure that the benefits of foreign trade percolate to rural and semi-urban areas. The objective of the Scheme is to promote export of fruits, vegetables, flowers, minor forest produce, dairy, poultry and their value added products, and Gram Udyog products. In order to give further thrust to the scheme, 153 new products have been notified to be eligible for benefit under the scheme with effect from 1.4.2007.

### **Gems & Jewellery Sector**

With a view to give competitive edge and also to sharpen the core strength of the gems and jewellery sectors and the handicraft sector, duty free access to tools, machinery and equipment has been provided. Export of rhodium polished silver jewellery has been encouraged further by way of enhanced entitlement of duty free consumables up to 3% which would compensate the price rise of rhodium, an essential ingredient for polishing. To reduce the transaction cost for the diamond sector, testing facility at Dubai has been incorporated in the list of certifying agencies.

### **Duty Neutralisation Schemes**

Developers and Co-Developer of Special Economic Zones have been notified for benefits under all duty neutralisation schemes like Duty Entitlement Pass Book (DEPB), Duty Free Import Authorisation Scheme (DFIA) and Advance Authorisation Scheme.

## **Duty Free Import Authorisation Scheme (DFIA)**

A new Scheme called DFIA was made effective from 1.5.2006. It offers duty free imports for exports and transferability of scrip or the imported inputs, once the export obligation is completed. This scheme has undergone changes, making it more user friendly both in terms of procedural simplification and reduction in interface with the government authorities.

## **Service Tax on Exports**

Government has announced in principle, that exporters should only export goods and not the taxes and duties thereon. In line with this, services rendered abroad and charged on exports from India would be exempted from Service Tax.

## **Deemed Export**

The time limit for claiming deemed export benefits has been enhanced from 6 months to 12 months from the date of payment. These claims can be filed Invalidation Letter/ARO wise, against individual licences, within the time limit as specified above. 100% TED refund will be allowed after 100% surplus have been made physically and payment received up to 90%.

## **Initiatives in Plantation Sector**

Plantation Crops has been the traditional exports of India providing employment to millions of workers. Ageing bushes/ plants which results in low productivity, high cost of production, low value addition, lack of strong build up of 'brand India' and volatility of international demand and prices are the major constraints facing this sector. Some of the major initiatives undertaken in this

sector during the year to address these issues include:

- With a view to ensure healthy growth and improved productivity of the tea gardens, the Government has set up a Special Purpose Tea Fund for extending financial support to the needy tea estates for undertaking replanting, replacement planting and rejuvenation of old aged tea bushes. The objective is to cover 2.12 lakh ha. over a fifteen-year period. Government approval has been obtained for phase-I of the programme, that is, for activities to be completed till the end of the XI Plan period (2007-12).
- The Government has approved a Rehabilitation Package for 33 closed tea gardens lying closed as on 1.4.2007. These gardens involve employment of more than 30,000 workers.
- An externally funded project for development of organic tea is to be implemented during the 11<sup>th</sup> Plan period with a contribution of US \$ 1.60 million from Common Fund for Commodities (CFC).
- An online Darjeeling Tea Trade Supply Chain Integrity System (a trade chain management system) for surveillance and monitoring the supply chain and to address the traceability issue in the Darjeeling tea trade chain has been introduced.
- The Coffee Board in collaboration with the Agriculture Insurance Company of India Ltd. has implemented the "Rainfall Insurance Scheme" during 2007-08 for the benefit of small coffee growers (less than 10 ha.). The scheme covered around 12,000 growers benefiting around 25,000 hectares under the monsoon risks.

- For Rubber, a Clean Development Mechanism (CDM) Project has been finalized with the help of the Energy and Resources Institute, New Delhi to earn carbon credits under the Kyoto Protocol for the biomass gasifiers installed in the Technically Specified Rubber (TSR) factories.
- A new Crop Insurance Scheme for tea, rubber, tobacco and spices is proposed to be implemented at three levels during the Eleventh Plan beginning 2008-09.
- Personal Accident Insurance scheme has been modified to increase insurance cover to Rs.1,00,000 per grower having holding upto 4 hectares and their permanent plantation workers in the sectors of Tea, Coffee, Rubber, Tobacco and Spices.
- Govt. has approved a Global Environmental Facility (GEF) Project for energy conservation in small sector Tea processing units in South India which involves GEF funding of US \$ 9,50,000.

### **Special Economic Zones (SEZs)**

The Special Economic Zones Policy was announced with the intention of making the Special Economic Zones an engine for economic growth supported by quality infrastructure and an attractive fiscal package both at the Central and State level with a single window clearance. The SEZ concept recognizes the issues related to economic development and provides for developing self-sustaining Industrial Townships so that the increased economic activity does not create pressure on the existing infrastructure. The Special Economic Zone Act, 2005 along with SEZ Rules, 2006 came into effect on 10<sup>th</sup> February, 2006. The main objectives of the Act

are generation of additional economic activity; promotion of exports of goods and services; promotion of investment from domestic and foreign sources; creation of employment opportunities and development of infrastructure facilities. The status of implementation and salient features of the programme include:

- At present, 1277 units are functioning in the SEZs set up prior to enactment of the SEZ Act, 2005. These units are providing direct employment to over 2 lakh persons, out of which 40% are women. Private investment in these SEZs is of the order of over Rs.7104.46 crore.
- 439 formal approvals have been granted for setting up of Special Economic Zones, out of which 201 SEZs have been notified and are in various stages of operation.
- The approved SEZs are spread over 19 States and 3 UTs clearly indicating that these are not concentrated in any particular region.
- The total land area involved in the 439 formally approved SEZs is about 60168 hectares out of which approximately about 20,000 hectares are for the 97 approvals given for State Industrial Development Corporations/State Government ventures. In all these cases either the land was already available with the State Industrial Development Corporations (SIDCs) or was in possession of the private companies setting up the SEZs.
- To address the land acquisition issues further, the State Governments were informed on 15<sup>th</sup> of June 2007 that the Board of Approval would not approve any SEZ where the State Governments have carried out or propose to carry out compulsory acquisition of land after 5<sup>th</sup> of April 2007.

- The new generation SEZs employ 97,478 persons. Out of this, the share of employment generated by Special Economic Zones notified under the SEZ Act 2005 is 61,015 persons.
- An investment of Rs.67,347 crore has already been made in the Special Economic Zones notified under the SEZ Act 2005 in the very short span of time since the coming into force of the SEZ Act in February 2006.
- The SEZs have recorded exports of Rs.40,000 crore during April-December 2007-08. It is estimated that exports in the current year (2007-08) from the SEZs would be Rs. 67,088 crore.

### **Trade Facilitating Reforms and Export Promotion Measures**

It is the constant endeavour of the Government to plan and carry out trade facilitating reforms on a sustained basis to ensure the right type of environment for accelerated growth of international trade. The Government has taken a number of initiatives to simplify procedures relating to international trade and put in place an exporter friendly regime for obtaining import authorizations and disbursement of export linked incentives. These efforts have been recognized internationally. According to the World Bank publication “*Doing Business 2008*”, India has been rated as the top reformer in the Trading Across Borders in 2006-07.

The major areas that require continued attention include simplification of procedures, streamlining of documentary requirements, accelerated implementation of EDI initiatives, improving infrastructure facilities to international standards and initiating necessary institutional and structural

changes to achieve these. During the year, the ongoing reforms were further deepened and new initiatives undertaken to achieve this objective. The major initiatives in this regard include:

#### **eTrade Project**

The project eTrade aims to facilitate export and import led clearances on 24x7x365 basis integrating international standards and best practices. The objectives of this project are to facilitate electronic delivery of services; to simplify procedures; to provide 24 hour access to users with their partners; to make procedure transparent; to reduce the transaction cost and time and to introduce international standards and best practices. This is a community project and the community partners are trade regulatory and facilitating agencies like Customs, DGFT, Sea Ports, Airports, Container Corporation of India (CONCOR), Export Promotion Organisations, Exporters, Importers, Agents and Banks. In order to streamline the Customs electronic interface with its community partners, Customs is implementing a central window facility which would be operationalised during 2008.

#### **e-Procurement**

e-Procurement has been integrated as computerized online comprehensive process covering the identification of buyer requirements and requisition processing, soliciting and receiving bids of all sorts, negotiating and establishing contracts and processing overall purchases and also undertaking vendor registration and inspection of stores to ensure quality. The web-based systems for Purchase, Registration and Inspection have been implemented and made operational in the DGS&D Headquarters and regional/zonal/field

offices of DGS&D. Electronic Payment system for office of Chief Controller of Accounts (CCA) is operational. The system of on-line bidding through E-tendering is also operational in DGS&D. The requisite hardware in terms of servers, Local Area Network (LAN) and Wide Area Network (WAN) have already been installed and made operational in DGS&D and CCA Headquarters, New Delhi.

### **Online Services by Director General of Foreign Trade (DGFT)**

The Director General of Foreign Trade (DGFT) maintains a comprehensive website [www.dgft.gov.in](http://www.dgft.gov.in). The details of Foreign Trade Policy, Hand Book of Procedures, all important Notifications, Public Notices, Circulars, minutes, etc. are available on the website. Single online application form for all the schemes/ activities is also available on the website. To facilitate issuance of Import Export Code (IEC) number, an online system of issuing IEC by DGFT has also been made operational.

### **Use of Information and Communication Technology**

The use of Information & Communication Technology has to play a major role in any reforms programme to improve efficiency, transparency and decentralization of the decision making process. Various ICT based systems, applications and packages have been developed and implemented to facilitate the necessary support in decision making, monitoring, analysis and e-governance. The electronic interface with community partners for trade facilitation, Electronic Payment through Net Banking and Digital Signature have been integrated with the systems. The Department's web site (<http://>

[commerce.gov.in](http://commerce.gov.in)) maintained by the NIC is the major source of information dissemination and Government-to-Citizen (G2C) and Government-to-Business (G2B) interfaces for electronic delivery of services, trade facilitation and monitoring various applications.

### **Grievance Redressal Committee**

A Grievance Redressal Committee (GRC) has been set up to handle grievances of exporters against decisions of the DGFT relating to Trade and Policy. The Exporters shall send their grievances to the Committee in Electronic form, besides all other normal modes. Grievance Committee functioning in DGFT may be approached in the first instance for redressal of the grievances. The petitioner may thereafter refer the matter to GRC if still aggrieved with the decision of the Grievance Committee of DGFT. The Committee would also afford a personal hearing to the petitioner to redress the grievance by considering applications in its meetings. The petitioners would be able to see the minutes of the meeting on the website of the Department of Commerce (<http://commerce.gov.in>). During the period April-December 2007, the Grievance Redressal Committee met 6 (six) times wherein 85 cases were considered and disposed off.

### **Kimberly Process Certification Scheme (KPCS)**

At present, KPCS has 48 Member States as participants including the European Community. In the Plenary meeting of KPCS held in Brussels during 5-8 November 2007, India formally took over as the Chair of the Scheme for the calendar year 2008. As Kimberly Process Chair, India will be responsible for overseeing the Kimberly Process Scheme.

## **Assistance under MAI and MDA Schemes**

During April-December 2007-08, a total of 109 projects/ export promotion events and 15 market studies/ export promotion surveys were undertaken by various Export Promotion Organizations and other eligible bodies with the assistance provided under the MAI scheme. Against the approved outlay of Rs.45 crore for 2007-08, the actual expenditure upto December 2007 was Rs.27.33 crore. Similarly, under the MDA, a total of 393 projects/ export promotion events were organized by the various Export Promotion Councils and other eligible organizations with the assistance provided under the scheme. The actual expenditure under this scheme upto December 2007 was Rs.29.63 crore against the approved annual provision of Rs.52.25 crore.

## **Footwear Design & Development Institute (FDDI), Rae Bareli**

In view of the huge shortage of trained manpower for the footwear industry at all levels and in line with the efforts to expand the training infrastructure in the country, the Govt. of India has approved to establish a branch of Footwear Design & Development Institute at Fursatganj, Rae Bareli (U.P) in 2006-07. For this purpose an amount of Rs.96.16 crore has been sanctioned during 2007-08. Out of this amount, Rs.38.17 crore have already been released. FDDI, Fursatganj will be a state of the art institute with a training capacity of 600-700 students. The Institute will start its operation from the Academic session 2008-09.

## **IIFT Centre at Kolkata**

During 2006-07, the Government had approved a proposal for setting up a Centre of the Institute

at Kolkata. The Govt. of West Bengal has allotted 7 acres of land free of cost in the south Kolkata for the campus of the Institute. The work towards finalization of design and related parameters is under progress.

## **Non-Tariff Barriers facing Indian Exports**

With the lowering of tariffs across the globe, NTMs have come into prominence with Members using these measures to erect entry barriers for goods and services. It is therefore, not surprising that the developed countries with relatively lower tariffs are the more prolific users of NTMs/ NTBs especially to keep out developing country exports. With a view to strengthening its information base on NTMs/ NTBs, the Department of Commerce has attempted to put in place a database of NTMs/ NTBs imposed by trading partners on its exports. These are available at <http://commerce.nic.in>. Inputs from the trade and industry, apex chambers of commerce, export promotion councils, trade analysts, researchers etc on specific NTMs/ NTBs imposed against Indian exports are welcome with a view to expanding this database.

## **International Trade Agreements**

The Department of Commerce also engages in trade negotiations and agreements at multilateral, regional and bilateral levels. It interacts with international agencies such as the World Trade Organisation (WTO), the United National Conference on Trade & Development (UNCTAD), the Economic and Social Commission for Asia and Pacific (ESCAP), etc. as well as individual countries or group of countries on a wide range of issues including tariff and non-tariff barriers, international commodity agreements, preferential/ free trade arrangements, investment matters, etc. Some of the major

initiatives taken by the Government during the year towards evolving improved trading relations at the bilateral, regional and multilateral levels are:

## **Doha Round**

The negotiating mandate agreed to by all the members of the World Trade Organisation is contained in the Doha Ministerial Declaration of 14 November 2001, as elaborated and complemented by the General Council Decision of 1 August 2004 (commonly called the July Framework) and the Hong Kong Ministerial Declaration of 18 December 2005. At Hong Kong, the Trade Ministers of the WTO Members had resolved to complete the negotiations in 2006, within interim timelines for establishing modalities across all areas. However, the negotiations were suspended on 24 July 2006 as the gaps in the positions of WTO Members were too wide, particularly in respect of market access and domestic support issues in agriculture. The negotiations resumed on 7 February 2007.

At the meeting of the General Council held on February 5, 2008, the WTO Director-General as the Chairman of the Trade Negotiations Committee (TNC), reported that the political conditions for reaching a deal on modalities in Agriculture and NAMA had clearly improved, and that delegations had never been nearer to achieving this goal. He indicated that the Chairs of the Agriculture and NAMA Negotiating Groups would circulate comprehensive revised modalities texts soon and the texts would go back to the two negotiating groups for consideration in the multilateral format. The level of engagement from participants in the negotiating groups would determine the time that would be required for the membership to take appropriate

decisions on adopting the modalities. The DG's view was that the process of adoption of modalities on Agriculture and NAMA should be completed around Easter (23 March 2008) in order to conclude the talks by the end of 2008, allowing 6-8 months after establishing modalities for the scheduling exercise in Agriculture and NAMA and to conclude negotiations in the other areas.

Delegations who spoke at the General Council meeting, *inter alia*, agreed generally with the Director-General's remarks on the way forward, but expressed differing views regarding the scope of the horizontal process including cautioning against overloading that process. Several delegations underscored once again the importance they attached to continuing with a transparent, inclusive and bottom-up approach to the negotiations as essential for ensuring a substantive outcome, and to addressing specific developing-country concerns. India emphasised the need to have discussions on Services and Rules simultaneously with Agriculture and NAMA in any horizontal process.

The Chairs of the negotiating groups on Agriculture and Non-Agricultural Market Access (NAMA) came out with Draft Modalities on Agriculture and NAMA on 17 July 2007. The WTO Members discussed these draft Modalities during the period from September 2007 to January 2008. Based on these discussions, the Chairs have come out with their revised draft texts on 8 February 2008. The discussions on the revised draft texts commenced on 18 February 2008.

The third major pillar of the negotiations, viz. Services, has only shown halting progress during the past year. For India, Services are an important sector in the Doha negotiations and additional market access in Modes 1 and 4 with disciplines

in Domestic Regulations are going to be a very important component of the final outcome.

The Chair's draft text on Rules (Anti-Dumping, Subsidies including Fisheries Subsidies) came out on 30 November 2007 and this was discussed intensively in the meetings of the Negotiating Group on Rules (NGR) on 12-14 December 2007; 21 January to 1 February 2008 and finally during the period 11-19 February 2008. The WTO Members, including India, have urged the Chairman of the NGR to come out with a revised text on Rules based on these discussions. India, along with the African Caribbean Pacific (ACP) group of countries, has asked for extensive revision of the proposed disciplines on Fisheries Subsidies, in order to fully take on board the livelihood concerns of its poor and vulnerable fishing communities.

On the process to be adopted to reach convergence in the WTO negotiations, India's view remains that the content and not artificial timelines are important. The urgency for reaching a consensus has to be calibrated against the backdrop of realism and has to match the aspirations of the developing world in terms of an outcome that truly lives up to the promise of a Development Round. Towards this end, it is important for the WTO Membership to make comparable progress in not only Agriculture and NAMA, but also in Services and Rules. Only when the membership is fully satisfied that there is sufficient convergence across at least Agriculture, NAMA, Services and Rules, with perhaps just a few issues remaining to be resolved, could there be a horizontal process involving the highest decision making body of the WTO, viz. a Ministerial Conference.

## **Engagements with ASEAN and South-East Asian countries**

To address the economic content of the 'Look East Policy', a continuous dialogue is maintained with ASEAN and the countries of South-East Asia. India participated in the ASEAN and East Asia Summit interactions held in Singapore on 21 November 2007. Matters having overall bearing on the economy of the Asia region formed an integral part of these interactions. This provided India an opportunity to further widen and deepen its economic presence in the region.

During the year, India and Singapore signed a Protocol on 20.12.2007 in New Delhi which amended the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) by expanding the existing trade liberalisation package.

Negotiations for conclusion of the Comprehensive Economic Cooperation Agreement with ASEAN are under way. Both sides have shown flexibility to conclude the agreement by March, 2008. Against this backdrop, four meetings of India-ASEAN Trade Negotiating Committee were held during the year.

Negotiations toward India-Malaysia Comprehensive Economic Cooperation Agreement (CECA) commenced in February 2008. CECA would include agreements in trade in goods, services, investment and other areas of cooperation to be concluded simultaneously. Both sides agreed to conclude CECA negotiations by March 2009.

India and Indonesia have set up a Joint Study Group (JSG) for examining the feasibility of a Comprehensive Economic Cooperation

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Agreement between the two countries. The first meeting of the JSG was held during 30-31 October 2007 in Jakarta, Indonesia.

### **India - Korea CEPA Negotiations**

A Joint Task Force (JTF) was constituted to negotiate the terms of a Comprehensive Economic Partnership Agreement between the two countries. The JTF has had nine meetings and has made considerable progress in finalising the text of the agreement. There has been agreement on the modalities of tariff concessions for trade in goods, and talks are progressing for arriving at a consensus on Trade in Services, Investment, Rules of Origin, Customs Cooperation and Bilateral Cooperation. Texts of the chapters on bilateral Cooperation and dispute settlement have been finalized. The next meeting is scheduled to be held in April 2008.

### **India - Japan EPA/CEPA Negotiations**

During the visit of the Prime Minister Dr. Manmohan Singh to Japan in December 2006, it was decided to launch negotiations for conducting an Economic Partnership Agreement/Comprehensive Economic Partnership Agreement (EPA/CEPA) with Japan. A JTF has been constituted for this purpose headed by Deputy Minister of Foreign Affairs, Japan, and the Commerce Secretary, Government of India as Chief delegates. So far, five meetings of the JTF have taken place. The Sixth meeting is to be held in the last week of March, 2008. During the Japanese Prime Minister's visit to India in August 2007 the two leaders directed their respective negotiators to actively pursue and complete the negotiations as soon as possible. The JTF has finalized the

modalities for tariff liberalization for trade in goods. Negotiations on Services, Investment, IPRs, SPS & TBT issues are progressing. It is aimed to conclude the negotiations by the end of 2008.

### **India-China Joint Task Force (JTF) for RTA Feasibility**

This Joint Task Force (JTF) was constituted to study the feasibility of and the benefits that may derive from a possible China-India Regional Trading Arrangement. The JTF finalized its report in its sixth meeting held on 21<sup>st</sup> and 22<sup>nd</sup> October, 2007. The Prime Minister visited China during 13-15 January, 2008 and discussed the findings of this report with the Chinese Prime Minister. Both the PMs decided to refer the report for consideration by the Joint Economic Group (JEG) headed by the Trade and Commerce Ministers of the two countries.

### **India-Nepal Bilateral Trade Agreement**

The current Treaty of Trade signed by India and Nepal was renewed for a further period of five years with effect from 6.3.2007 till 5.3.2012. Under this Treaty, both countries give duty-free facility without any quantity restriction for primary products from each other which do not require any value addition. On a non-reciprocal basis, India gives duty-free facility, without any quantity restriction, to goods manufactured in Nepal subject to fulfilling the prescribed twin criteria of 30 per cent value addition and four -digit tariff head change. However, duty-free facility is restricted to annual quotas on four sensitive items from Nepal, namely, Vanaspati, Copper Products, Acrylic Yarn and Zinc Oxide.

## **Negotiations between India and Pakistan**

India and Pakistan have no formal trade agreement. India granted MFN status to Pakistan but Pakistan is yet to reciprocate. Pakistan has so far maintained a list of importable items from India, called Positive List, as notified from time to time. The present Positive List consists of 1802 items. Both countries have set up a Joint Study Group (JSG) at Commerce Secretary Level for adopting a strategy to boost trade and economic cooperation between the two countries. The third JSG meeting was held on 2<sup>nd</sup> July 2007 in New Delhi.

Apart from JSG, discussions on trade and economic cooperation are held within the framework of Composite Dialogue between the two countries. The fourth round of talks was held in New Delhi on 31<sup>st</sup> July-1<sup>st</sup> August 2007 on Economic and Commercial Cooperation within the framework of the Composite Dialogue.

## **India-US Trade Policy Forum**

Bilateral meetings of the India-US Trade Policy Forum are being held twice a year – one at the Ministerial co-Chaired by the Commerce & Industry Minister of India and the US Trade Representative (USTR) and the other at the level of Commerce Secretary and Deputy USTR. The discussions are structured around five focus groups – (i) Innovation and Creativity or IPR issues (ii) Investment (iii) Agriculture (iv) Tariff & non-Tariff Barriers and (v) Services. At the Ministerial level meeting held in April 2007, the export of Indian mangoes to USA and the issue of emission standards for heavy motorcycles were resolved. A meeting of the Trade Policy Forum (TPF) co-chaired by the Commerce Secretary and Deputy USTR was held in Washington on 25<sup>th</sup>

September, 2007 and a ministerial level Trade Policy Forum meeting co-chaired by the Hon'ble Minister for Commerce & Industry and USTR was held in Chicago on 19<sup>th</sup> February, 2008. Application of the ICICI and SBI for bank branch licences at New York have been approved by the US Federal Reserve.

## **MOU between India and Mexico**

A Memorandum of Understanding (MOU) was signed between India and Mexico on 21 May, 2007 at New Delhi for the establishment of a Bilateral High Level Group on Trade, Investment and Economic Cooperation. This MOU envisages establishing a Bilateral High Level Group (BHLG) on Trade, Investment and Economic Cooperation that shall meet once a year alternately in each country, unless otherwise agreed and special meetings of working groups or ad-hoc expert groups may be arranged when required. The functions of the BHLG mainly include promoting bilateral cooperation, maintaining liaison in the economic, commercial, technical and other related fields and information exchange. A preparatory meeting of the BHLG was co-Chaired by the Commerce Secretary and the Vice-Minister of International Trade Negotiations on 10 September, 2007 at New Delhi. At the meeting, both sides agreed to create six Working Groups on – (i) Trade Promotion (ii) Investment promotion (including infrastructure) (iii) Custom Cooperation (iv) Services (v) Tourism and (vi) Industrial dialogue with private sector participation in the Chemical-Pharma, Textiles and Bio-fuels sectors.

## **India-EU Trade and Investment Agreement**

India and the EU have enjoyed healthy economic relations. India has bilateral framework

Agreements with a number of individual EU countries in areas of trade, investment and avoidance of double taxation. An Agreement on Economic Cooperation between India and Bulgaria was signed on 12 September, 2007.

India-EU bilateral relations are reviewed at the official level by the India-EC Joint Commission, which had its last meeting in November 2007.

India's trade with the EU is hampered by sanitary and phytosanitary standards, technical barriers, complex system of quota/tariff, use of anti-dumping/anti-subsidy measures against Indian products. These issues, which have a bearing on market access for India's exports to the EU, are regularly taken up in the Joint Working Groups and Sub-Commission on Trade.

At the 7<sup>th</sup> India-EU Summit held in October, 2006 in Helsinki, it was agreed that both sides should move towards negotiations for a future broad based bilateral trade and investment agreement. These negotiations commenced in June, 2007 with a first round of negotiations being held in Brussels on 28-29 June, 2007. The second and third round of negotiations took place in New Delhi and Brussels in October, 2007 and December, 2007 respectively.

The 8<sup>th</sup> India-EU Summit and the Business Summit were held in New Delhi on 30<sup>th</sup> November, 2007. India and the EU reaffirmed their commitment to a rules-based multilateral trading system and to a deeper level of bilateral trade relations.

### **India-SACU PTA**

The Southern African Customs Union (SACU), with a common Custom Tariff Policy, comprises

of South Africa, Lesotho, Swaziland, Botswana and Namibia. India and SACU have expressed their intent to enter into a Preferential Trade Agreement with the aim to promote expansion of trade between the two parties and with the intent to provide a mechanism to negotiate and conclude a comprehensive Free Trade Agreement within a reasonable time. India and SACU commenced negotiations for PTA at Pretoria (South Africa) on 5<sup>th</sup>-6<sup>th</sup> October, 2007.

### **India-Chile PTA**

A preferential Trade Agreement (PTA) between India and Chile was signed on March 8, 2006. The Parliament of Chile approved it in April 2007 and President of Chile signed the decree on August 16, 2007 implementing the PTA in Chile. Under this PTA India and Chile have offered to provide fixed tariff preferences ranging from 10% to 50% on various items imported from each other. The products on which India has offered tariff concessions relate to meat and fish products, rock salt, iodine, copper ore and concentrates, chemicals, leather products, newsprint and paper, wood and plywood articles, some industrial products, shorn wool & noils of wool and some others. Chile's offer covers some agriculture products, chemicals and pharmaceuticals, dyes and resins, plastic, rubber and miscellaneous chemicals, leather products, textiles and clothing, footwear, some industrial products, etc..

### **SAARC Summit**

The Fourteenth SAARC Summit was held in New Delhi on 3-4 April 2007 and India became the current Chairman of the SAARC. During the Fourteenth SAARC Summit, India, inter alia, announced that before the end of 2007, India would allow the LDC countries of SAARC duty

free access to its markets, and India will also further reduce the Sensitive List of SAFTA for these countries. In pursuance of this, India has notified tariff reductions to zero per cent for SAARC LDC countries under SAFTA, with effect from 1.1.2008.

### **Asia Pacific Trade Agreement (APTA)**

The Asia Pacific Trade Agreement (APTA) was signed on 2nd November, 2005 in Beijing, China. The Agreement is operational among five countries namely, Bangladesh, China PR, India, Republic of Korea and Sri Lanka. Three Rounds of Trade Negotiations have taken place so far.

The Second Session of the Ministerial Council Meeting of APTA Ministers' was held in October 2007 in Goa, India. An important decision taken at the meeting was the launch of the 4<sup>th</sup> Round of Trade Negotiations with the objective of concluding them by the 3<sup>rd</sup> Session of the Ministerial Council to be held in 2009. The

Ministers also adopted a common set of operational procedures for the certification and verification of the Origin of Goods under APTA.

### **Economic and Social Commission for Asia and the Pacific (ESCAP)**

India is one of the founding members of ESCAP which provides the strategic link between global and country-level programmes and issues. The 63<sup>rd</sup> Annual Session of ESCAP was held in Almaty, Kazakhstan between 17 and 23 May, 2007 on the theme – “Health Systems Development in Asia and the Pacific”. India had committed financial support to the Asian and Pacific Centre for Transfer of Technology (APCTT), New Delhi, India; Centre for Alleviation of Poverty through Secondary Crops Development in Asia and the Pacific (CAPSA); Statistical Institute for Asia and the Pacific (SIAP); and Asia and Pacific Centre for Agriculture and Engineering Machinery (APCAEM).

