Contents

Preface xiii
Acknowledgments xvii

Chapter 1: Introduction 1
1.1. India’s Trade Policy Reforms 2
1.2. Rationale 5
1.3. Scope 5

Chapter 2: Regional Economic Agreements of India: Status, Potential, and Some Experiences 7
2.1. Experience Gained from Implementation 7
  2.1.1. India–Bhutan Free Trade Agreement 7
  2.1.2. India–Nepal Trade Treaty 8
  2.1.3. India–Sri Lanka Free Trade Agreement 8
  2.1.4. South Asian Free Trade Area Agreement 9
  2.1.5. India–Afghanistan Preferential Trade Agreement 12
  2.1.6. India–Thailand Early Harvest Scheme and FTA 14
  2.1.7. India–Singapore Comprehensive Economic Cooperation Agreement 15
  2.1.8. India–ASEAN FTA 18
  2.1.9. India–Malaysia CECA 21
  2.1.10. India–New Zealand CECA 23
  2.1.11. India–Indonesia CECA 24
  2.1.12. Asia Pacific Trade Agreement — The erstwhile Bangkok Agreement 26
  2.1.13. Global System of Trade Preferences 27
  2.1.14. East Asia Summit 29
Annex 2.1
Annex 2.2
Annex 2.3

Chapter 3: The Economics of Regional Integration and Analytical Insights from Negotiations

3.1. Economic Rationale of Regional Integration
3.1.1. Adjustment cost versus efficiency concerns
3.1.2. Linkages between trade in goods and trade in services
3.1.3. Trade-Investment linkages
3.1.4. Importance of regional economic integration for scale expansion
3.1.5. Trade creation and diversion
3.1.6. Trade diversion not necessarily bad
3.1.7. Rules of origin: Developmental outcomes
3.1.8. Some empirical estimates
3.1.9. Tests of stationarity
3.1.10. Levin–Lin–Chu test
3.1.11. Im–Pesaran–Shin test
3.1.12. Hadri test

3.2. Analytical Insights from Negotiations
3.2.1. “Substantially all trade”
3.2.2. Sensitive list
3.2.2.1. Safeguarding the sensitivities of the agriculture sector: Lessons from RTAs of the ASEAN countries and some developed countries
3.2.2.2. Treatment of agriculture sector in agreements of the developed countries
3.2.2.3. Summary

3.2.3. Rules of Origin
3.2.3.1. The rationale
3.2.3.2. Modalities
3.2.3.3. Change in tariff heading versus change in tariff subheading
3.2.3.4. Rules of Origin as a development policy tool
3.2.3.5. Enhancing the feasibility of welfare-inducing FTA

3.2.4. Trade in services
3.2.4.1. Uniqueness of services
3.2.4.2. Major characteristics of services
3.2.4.3. Theories of trade in services
3.2.4.4. Relevance of services trade integration in SAARC

3.2.5. Investment cooperation

Annex 3.1
Annex 3.2

Chapter 4: Empirical Estimation of Economic and Welfare Gains

4.1. Computable General Equilibrium Modeling Estimates (GTAP Simulations)

4.2. Effects of Tariff Reduction and Trade Facilitation
4.2.1. Simulation results
4.2.1.1. GDP and welfare gains
4.2.1.2. Trade gains
4.2.1.3. Saving, investment, and net foreign capital inflows
4.2.1.4. Intra-FTA imports and prospects for exports to the world

4.3. Bilateral FTA
4.3.1. India–Thailand FTA
4.3.1.1. The model and assumptions
4.3.1.2. Impact not captured by the model
4.3.1.3. Potential areas of trade expansion
4.3.2. India–Malaysia FTA
4.3.2.1. Bilateral exports projection
4.3.2.2. Computable General Equilibrium simulations
4.3.2.3. Gains from the EAS process
Chapter 5: Policy Implementation Issues in Regional Trading Arrangements

5.1. Circumvention
5.1.1. Objective to check unfair trade practices
5.1.1.1. Antidumping Duty (AD):
- Price-discrimination
5.1.1.2. Countervailing duty: Foreign export subsidy
5.1.2. Circumvention of rules: Case studies
5.1.2.1. Tariff-rate quota
5.1.3. Are rules necessarily bad?
5.2. Improving Implementation
5.2.1. Harmonization of codes, valuation, and procedures
5.2.2. E-implementation

Chapter 6: Issues for Further Negotiations

6.1. Non-tariff Barriers
6.2. Major Categories of Non-tariff Measures and Related Policies
6.2.1. Quantitative restrictions and similar specific limitations
6.2.2. Non-tariff charges and related policies affecting imports
6.2.3. Government participation in trade, restrictive practices, and more general government policies
6.2.4. Custom procedures and administrative practices
6.2.5. Technical barriers to trade
6.3. Trade in Services
6.3.1. GATS framework
6.3.2. Approaches to trade in services liberalization
- 6.3.2.1. Economic Needs Tests
- 6.3.2.2. Negotiating modalities
6.3.2.3. Approaches to interrelated services sectors 196
6.3.2.4. Transparency in domestic regulation 196
6.3.3. Rules of origin for services 196
6.4. Investment Cooperation 200
6.4.1. Investment and services inter-linkages in 206
Regional Trading Agreements
6.5. Trade Facilitation 209

Chapter 7: Conclusion 215

Bibliography 217

Index 229