



नीति आयोग
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A NOTE ON FREE TRADE AGREEMENTS AND THEIR COSTS*

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* **Disclaimer:** Opinions and recommendations in this article are exclusively of the authors and not of any other individual or institution.

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Introduction

Trade theory has consistently been a strong proponent of free trade of goods, services, capital and labour. However, a growing wave of protectionism and trade wars have dominated global trade recently. To underscore the prevailing sentiments regarding protectionism, it is instructive to look at what a free-trade champion and Nobel Laureate Paul Krugman had to say on the issue of seamless trade:

“It’s also true that much of the elite defense of globalization is basically dishonest: false claims of inevitability, scare tactics (protectionism causes depressions!), vastly exaggerated claims for the benefits of trade liberalization and the costs of protection, hand-waving away the large distributional effects that are what standard models actually predict.”

New York Times, 9th March, 2016

While it is difficult to assess whether the trade war will lead to a significant shift in the global trade paradigm, in the current scenario India should carefully review existing Free Trade Agreements (FTAs) before negotiating new ones. Evidences from recent FTAs suggest unfavorable gains to our trade partners. Worsening of our trade balances with our FTA partner countries merits attention. This note identifies India’s trade patterns, its export potential, competitiveness vis-à-vis trade partners, India’s FTA gains and losses and some **policy recommendations**.

India’s Trade Patterns, Value Added and Export Potential

India is a fairly open economy with overall trade (exports plus imports) as a percentage of GDP around 40%. Its trade deficit has grown from USD 6bn in FY01 to USD 109bn in FY17 (Table 1). However, India has diversified its exports since the 1990s both geographically and product-wise. In a working paper for the International Monetary Fund (IMF), [Anand et.al](#) state *“structural transformation, future growth and export performance depend on: (i) diversification across destinations, products, and services (ii) composition of the export basket measured by technological content, quality, sophistication, and complexity of exports and (iii) how closely related a country’s goods and services exports are to globally-traded products and services.”*

India’s exports have diversified both in terms of markets and products and services in the past two decades. Indian exports have gradually found their way into new markets. The size of developed countries in India’s exports has declined and that of emerging economies has increased. India now exports over 50% of its exports to emerging and developing economies surpassing the share of advanced economies. In fact, European Union (EU) and United States of America (USA) now account for only 30% of India’s total exports compared to 45% in 2000. In terms of the product mix, there has been a gradual shift as the export sector has moved up the value chain, leading the way with high-value products like industrial machinery,

automobiles and car parts, and refined petroleum products. Manufactured goods along with petroleum products accounted for nearly 85% of India’s export basket in FY17. A breakdown is available in Table 2. In terms of outward reliance, the foreign content of India’s exports (value of imported intermediate goods and services that are embodied in India’s exports) has increased significantly and across all industries in the last two decades, more than doubling from under 10 percent in 1995 to 24.0 percent in 2011. The share of foreign value addition in the exports of the manufacturing sector is the highest and clocks nearly 50 percent. (OECD Trade-in-value added Database).

Figure 1: India’s Trade Balance (USD) over the years (FY’00 – FY’17)

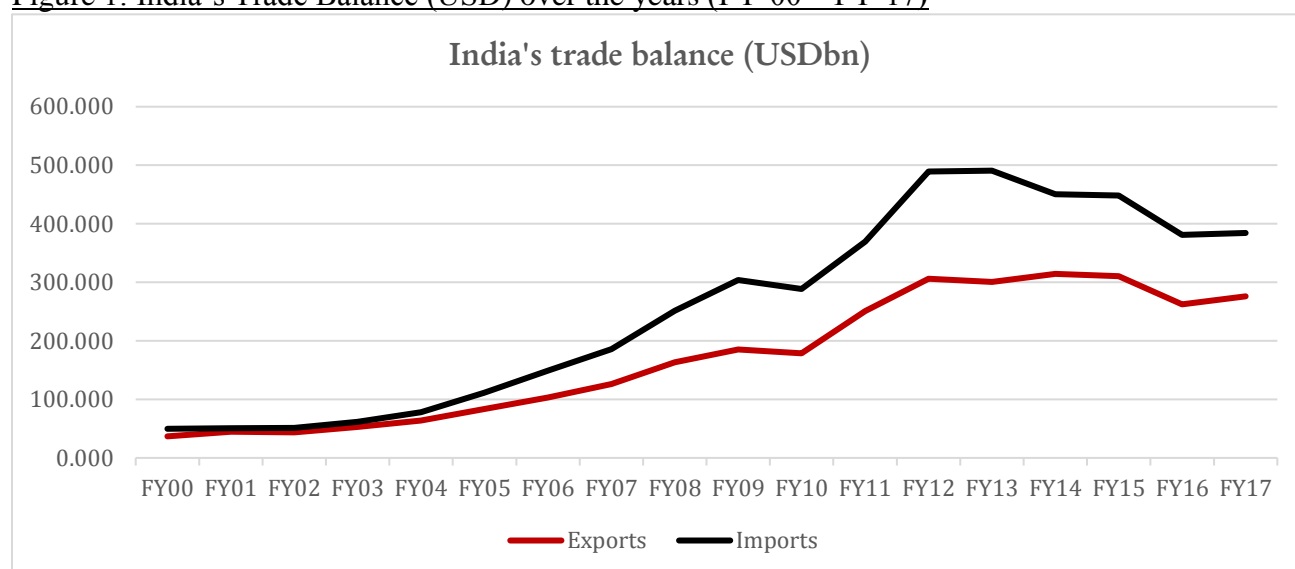
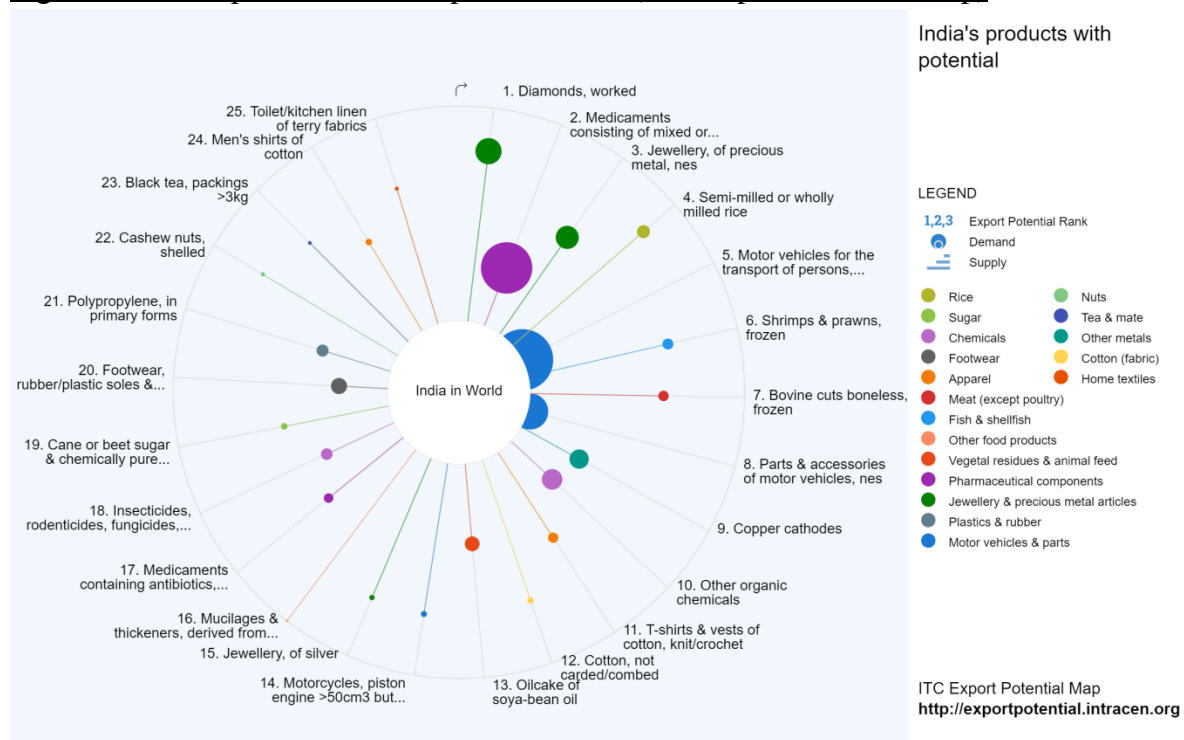


Figure 2: India's exports by category

(% share of total exports)	FY92	FY02	FY17
Petroleum & crude products	1.8	4.8	11.4
Agricultural & allied products	17.9	13.5	12.1
Ores & minerals	4.0	2.9	1.2
Manufactured goods	74.9	76.1	74.3
Leather & leather manufactures	5.8	4.4	1.9
Chemicals & related products	7.1	9.8	12.2
Engineering goods	12.2	13.2	23.0
Electronic goods	1.4	2.7	2.5
Textiles (excluding readymade garments)	13.0	11.9	6.0
Readymade garments	11.6	11.4	6.3
Other manufactured goods	23.8	22.8	22.4
Other commodities	1.2	2.7	1.1

In terms of export potential, the International Trade Center (ITC) estimates India's untapped export potential to around USD 201.4bn with a corresponding import potential pegged at USD 181.8bn. Worked diamonds shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth USD 17.2 bn. Also, the markets with greatest potential for India's exports are United States of America, China and United Arab Emirates. United States of America shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth USD 18.6 bn. These numbers are significant in the view of rising trade volatility.

Figure 3: India's products with Export Potential (ITC Export Potential Map)



This infographic is available [here](#).

Drivers of India's Exports

It is also important to understand what drives India's exports. Indian exports are sensitive to price changes, global demand and supply side bottlenecks. The way our export basket has evolved over the past two decades, it has made them much more responsive to global demand as compared to price changes. This is because India now exports more income sensitive items like engineering goods, petroleum, gems and jewelry and chemical products. As per a 2015 IMF [paper](#), in the long-run, "a 1% increase in India's international relative export prices could reduce export volume growth by about 0.9% for all industries and by about 1.1% for the manufacturing sector." The long-run coefficient on global demand is estimated to be slightly above 1.5, which suggests that India's exports are more sensitive to changes in external demand

than price changes. Thus, given the export basket composition first, increase in global demand drives India's exports much more than price cuts.

Further, the IMF research suggests that binding supply-side constraints like energy shortages dampen price responsiveness of exports. In case of industry with an energy share of about 4% in the gross value of its output (which is about the average share in manufacturing), a 1% relative price depreciation will result in export growth of 0.6%. However, in the same industry in case of energy deficit of about 10%, the export growth will decline to 0.4%. Second, shows that tackling the issue of energy deficit can boost export performance considerably.

Similarly, higher logistics costs have been a major impediment to export growth. Various studies peg logistics cost in India to be around twice of that in developed countries. Average logistics costs in India are about 15% of GDP while such costs in developed countries are about 8%. Improving Ease of trading is a high priority area for the government as Indian exporters face high transaction costs making them less competitive in the global market. The Economic Survey 2017-18 also points out that, *“Improved logistics have huge implications on increasing exports, as a 10% decrease in indirect logistics cost can contribute to around 5-8% of extra exports.”*

In the Global Competitiveness Index 2017-18 compiled by the World Economic Forum, while China ranks 27th, India is placed 13 points below at the 40th place. Competitiveness as a factor plays out crucially in determining export advantage nations have. Table 3 compares India and China on few key competitiveness metrics.

Table 1: Global Competitiveness Indicators 2017, compiled by World Economic Forum (WEF)

[Global Competitiveness Indicators 2017]

India vs China , From the WEF 2017 Rankings

Metrics ▼	India	China
Basic requirements	63	31
Business sophistication	39	33
Efficiency enhancers	42	28
Financial market development	42	48
Goods market efficiency	56	46
Health and primary education	91	40
Higher education and training	75	47
Infrastructure	66	46
Innovation	29	28
Innovation and sophistication	30	29
Institutions	39	41
Labor market efficiency	75	38
Macroeconomic environment	80	17
Market size	3	1
Technological readiness	107	73

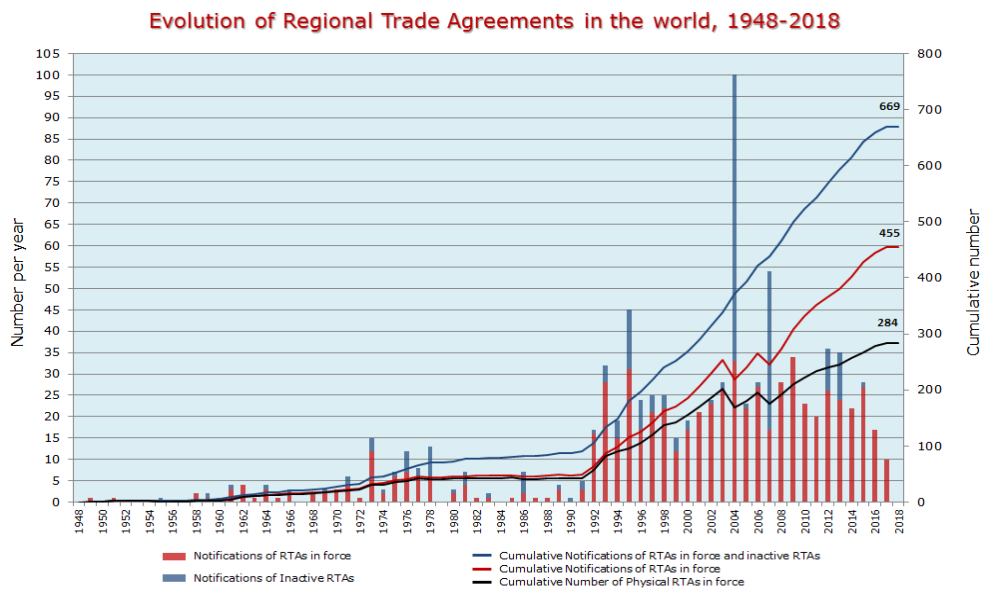
There is no doubt that China is way ahead of India in terms of its manufacturing capability and export performance. United Nations Industrial Development Organization's (UNIDO) CIP

(Competitiveness of Industrial Production) is a composite index that measures “the ability of countries to produce and export manufactured goods competitively”, with 1.0 being the best score. The CIP consists of eight sub-indicators grouped along three dimensions of industrial competitiveness—capacity to produce and export manufactures, technology deepening and upgrading, and world impact. India’s CIP score improved from 0.04 in 2000 to 0.07 in 2010. In comparison, China’s CIP score improved from 0.16 in 2000 to 0.33 in 2010. While India managed to increase its share in world manufacturing value added from 1.1% in 2000 to 2.0% in 2010, China more than doubled its share from 6.7% to 15.0% over the same period. The technological backwardness of Indian manufacturing exports can be gauged by the share of medium and hi-tech activities. India’s share in manufacturing exports improved from 18.7% in 2000 to 28.2% in 2010, but is still far behind that of China’s, 60.2% in 2010.

India’s experience with Free Trade Agreements (FTAs)

Regional trade agreements (RTAs) have become increasingly prevalent since the early 1990s. RTAs cover more than half of international trade and operate alongside global multilateral agreements under the World Trade Organization (WTO). The first eleven years (1995-2005) of the WTO were paralleled by a tripling of RTAs from 58 to 188. Currently, 455 RTAs are in force globally. 14 RTAs are in force in India with a dozen more under negotiation.

Figure 4: Evolution of Regional Trade Agreements in the World, 1948-2018



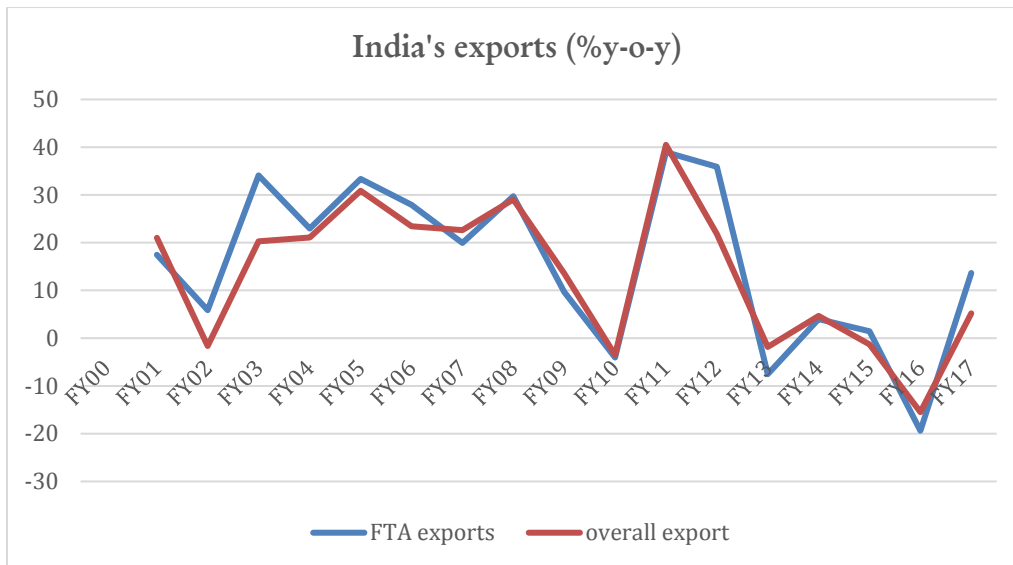
Regional Trade Agreements today go beyond tariff cuts in trade in goods and incorporate various other components like liberalization in services, investment etc. The first RTA of which India became a member was the Bangkok Agreement in 1975. In 2005, this regional initiative between developing economies was re-incarnated as Asia Pacific Trade Agreement (APTA). India’s first bilateral FTA with Sri Lanka (ISFTA) came into effect in March 2000.

In the past decade India's trade policy has seen a marked shift towards regionalism. Overlapping RTAs are a consequence of their proliferation. For example, India has an RTA with Malaysia and Singapore separately while they are also a member of India ASEAN CECA. Another interesting example is Sri Lanka wherein an Indian trader can use either of the four RTAs for trading with Sri Lanka. The multiplicity of RTA's may lead to inconsistencies.

Before we delve into tariff modalities of some key FTAs and impact on specific sectors some key macro takeaways from India's experience with respect to some comprehensive agreements that India has signed in the past decade, here are some stylized facts about India's exports story.

- India's exports to FTA countries has not outperformed overall export growth or exports to rest of the world
- FTAs have led to increased imports and exports, although the former has been greater
- India's trade deficit with ASEAN, Korea and Japan has widened post-FTAs
- According to Economic Survey 2016-17, FTAs have had a bigger impact on metals on the importing side and textiles on the exporting side.
- A 10% percent reduction in FTA tariffs for metals increases imports by 1.4 %
- India's *exports are much more responsive to income changes as compared to price changes* and thus a tariff reduction/elimination does not boost exports significantly
- Utilisation rate of RTAs by exporters in India is very low (between 5 and 25%)

We analysed the growth rate of India's exports to countries and trade blocs with whom India has a trade agreement and also with rest of the world with which India does not have a trade agreement. Since 2006 (India has signed most of its RTAs after 2006), India's exports to RTA partners increased by 13% y-o-y. The trend to non-partner countries was no different with exports increasing at the same pace (chart below). *Thus, export to RTA countries has not outperformed overall export growth, in fact, export to RTA countries parallels the trend growth as with other exports.* Thus, India's export surge could be attributed more to diversification of India's export basket both in terms of destination and commodities and favourable global conditions and less to RTAs. As data on actual trade flows through the preferential route is not available, we cannot bifurcate this data into preferential (FTA route) and Most favoured Nation route.



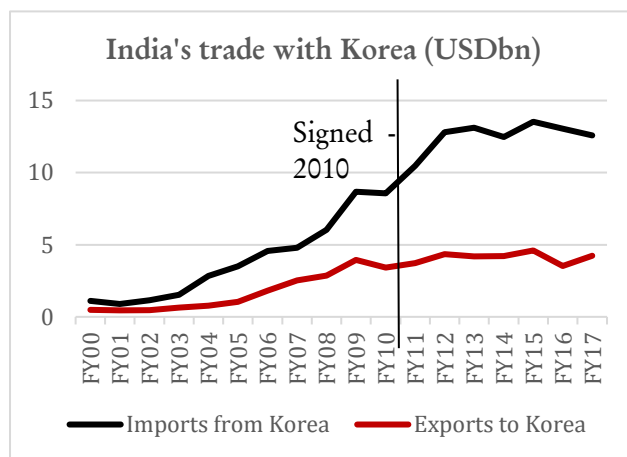
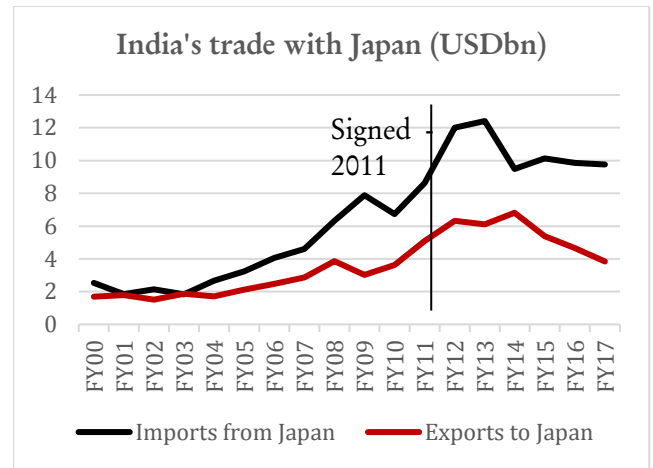
However, the utilization rate of India's FTAs is very low. Most estimates put it at less than 25%. Lack of information on FTAs, low margins of preference, delays and administrative costs associated with rules of origin, non-tariff measures, are major reasons for underutilization.

ASEAN, Japan and Korea FTAs- assessment

We analyze four key FTAs India has signed, with ASEAN, Korea, Sri Lanka and Japan (as they are the most comprehensive ones). Some stylized facts are:

- (a) Bilateral trade increased post signing of all the above FTAs
- (b) Imports from these FTA partners into India increased more than India's exports to partner countries post signing of FTAs
- (c) As imports from Korea, Japan and ASEAN have shot up after the respective agreements came into force, India's trade deficit with these countries has increased since then. Only exports to Sri Lanka have increased much more than imports into India from Sri Lanka.

(d) Overall trade deficit with ASEAN, Korea and Japan doubled to USD 24bn in FY17 from USD 15bn in FY'11 (signing of the respective FTAs) and USD 5bn in FY'06. Trade deficit with Korea grew from USD 5bn in FY'10 to USD 8bn currently. With Japan, deficit grew from USD 3bn in FY10 to USD 6bn currently and with ASEAN deficit doubled to USD 10bn from USD 5bn in FY11.



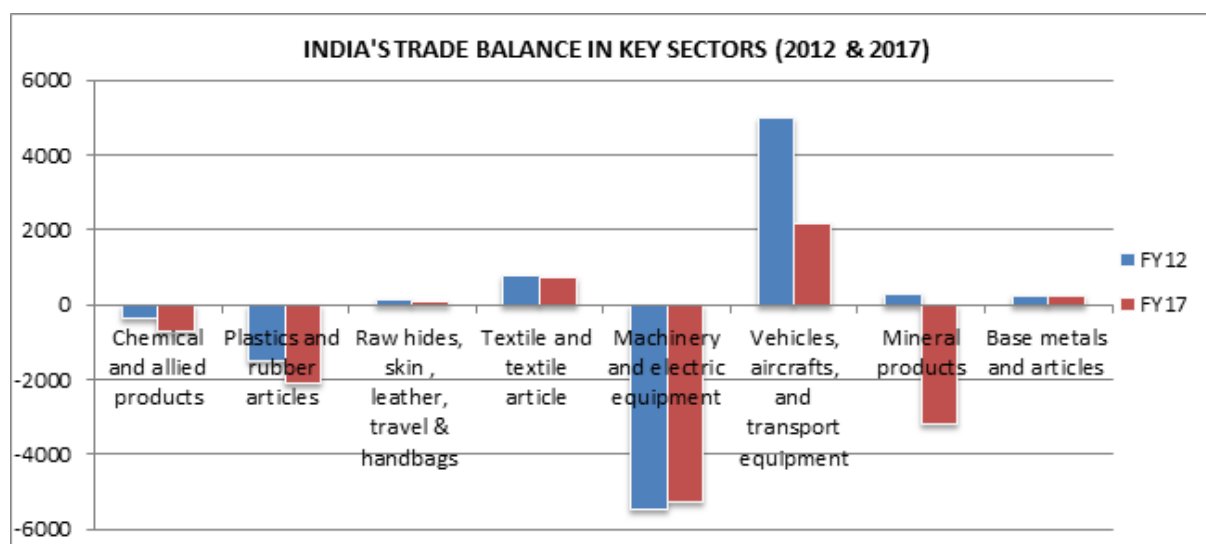
That said, the ASEAN FTA does seem to have the biggest trade impact, which makes sense, since this arrangement saw the greatest reduction in Indian import tariffs. Liberalization under the India-ASEAN FTA covers 75% of the two-way trade. India offered around 9000 products (at the HS 8-digit level) for tariff elimination (NT-1, NT-2) out of about 12000 tariff lines, 1800 lines in sensitive track and almost 1300 lines in exclusion. Thus India kept around 10% of their tariff lines in exclusion, Thailand, Philippines, Myanmar, Brunei and Vietnam kept more number of tariff lines under exclusion compared to India. Motor vehicles, textiles, petroleum products, sugar, wheat, vegetable oil dairy products and other food products were under exclusion/sensitive track in India's list

Given higher margin of preference (MFN-preferential duty) offered by India under the FTAs the surge in imports is much higher compared to surge in exports for India. As per Economic Survey FY'16, average effect of an FTA is to increase overall trade by about 50 percent over roughly four years. The survey also finds out that bigger impact on metals on the importing side and textiles on the exporting side. It analyses FTA tariff reduction in four major sectors: textiles, metals, automobiles and

machinery. The comparator group in this section consists of both non-FTA countries and all sectors other than the four major ones listed above. On the import side, a ten percent reduction in FTA tariffs for metals and machinery increases imports by 1.4 per cent and 2.1 per cent respectively, compared to other products from FTA or all products from Non-FTA countries (note this is the marginal effect of importing metals and machines from FTA countries relative to all products from Non FTA countries). However, the effect on auto imports is not significantly different from the comparator group. *This is also because the auto sector is highly protected in India with most of tariff lines under exclusion criteria under different FTAs.* On similar lines, textile exports to FTA countries increase by 2 per cent relative to comparator group for 10 per cent decrease in tariffs.

Sector-wise impact of FTAs

Quality of trade has also deteriorated under India ASEAN FTA. Apart from the surge in total trade deficit due to tariff cuts, a close look at the sector wise trade flows also paints a grim picture. As per the UN’s Harmonised system of product classification, products can be grouped into 99 chapters and further into 21 sections like textiles, chemicals, vegetable products, base metals, gems and jewelry etc (similar to sector classification). *The analysis shows that trade balance has worsened (deficit increased or surplus reduced) for 13 out of 21 sectors.* This also includes value added sectors like - chemicals and allied, plastics and rubber, minerals, leather, textiles, gems and jewellery, metals, vehicles, medical instruments and miscellaneous manufactured items. Sectors where trade balance has improved include animal products, animal and vegetable fat, wood and articles, paper and paperboard, cement and ceramic, arms and ammunitions. *Sectors where trade deficit has worsened account for approximately 75% of India’s exports to ASEAN.* Trade surplus sectors have also shown only marginal improvement. Overall it can be concluded that India’s quality of trade has not improved under AIFTA. India’s tariff rates declined for Japan-FTA from 11.4% to 7.5% and for Korean-FTA decline from 11.1% to 8.3%. This had implications for the domestic industry.



- Recent case in hand: The steel dispute at WTO with Japan. In September 2015, India imposed provisional safeguard duty of 20 per cent on import of certain categories of steel with a view to protect domestic producers.
- Recent case in hand: Paper imports from Korea with Basic Customs Duty progressively moving towards nil by January 2018 while domestic capacity remaining underutilized.

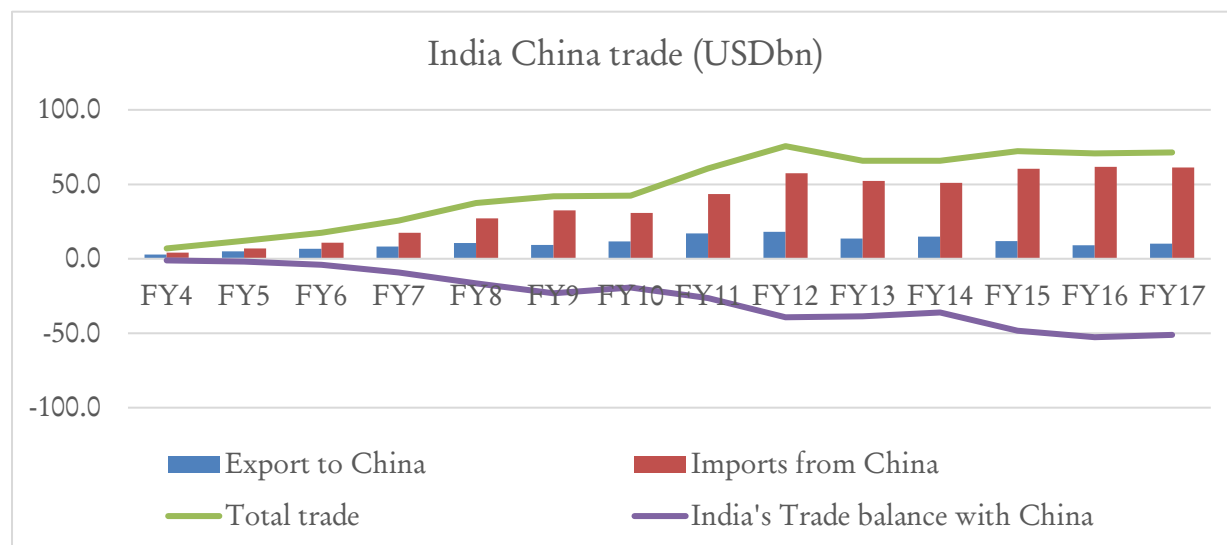
The Chinese threat to India: FTA with China ?

China is India's biggest trading partner accounting for almost 10% of India's overall trade. Sino-Indian bilateral trade increased from a mere USD1.8bn in FY00 to USD 72bn in FY17 making China India's biggest trading partner. The trade specially picked up after China's accession to WTO in 2001. China's trade surplus with India rose from USD 0.6 bn in FY01 to touch USD52bn in FY17. China accounts for almost half of India's total trade deficit. India's exports to China have grown at an average of 13% since FY04 while Chinese imports into India have increased at 26% y-o-y (almost double that of export growth). This has led to a widening trade gap between the two countries.

Below are some numbers which explain the sharp rise in India's trade deficit with China. China's exports to India rose from USD 4bn in FY04 to USD 61bn in FY17 while imports from India grew from USD 3bn in FY04 to USD 10bn in FY17. China's share in India's imports from the world is 15% while India exports only 4% of its exports to China. China's phenomenal export performance has been expedited by its accession to World Trade organisation (WTO) in 2001. China today is the leading exporter in the world and accounts for 14% of global exports. China accounts for the top share in global exports various items, like electrical and electronic equipment; machinery and boilers; furniture, lighting and signs; articles of apparel, accessories; iron and steel and its articles; aluminium and articles; organic chemicals; and articles of leather. Regional production networks in Asia have grown substantially in the past decade largely centered on China.. China is also the second largest global importer in the world, after the US, with a share of 10% in world's imports. China is presently the world's leading importer major items like electrical, electronic equipment; ores, slag and ash; optical, photo, technical, medical, apparatus; plastics and articles; copper and articles; oil seed, oleaginous fruits, grain, seeds and fruits; cotton; and leather etc.

India's overall trade deficit with China has risen thirteen fold in the past decade. In fact, China now accounts for about 50% of India's trade deficit. This trade asymmetry is compounded by the nature of goods flow. India tends to export primary materials such as ores, minerals and cotton, whereas Chinese exports to India are mostly a wide variety of sophisticated products higher up in the value chain (with higher profit margins and which create more jobs at home) like capital and manufactured goods. China's export basket is better diversified than that of India's. It is this composition of bilateral trade which worries Indian policy makers more. Export of non-ferrous metals, iron ore and cotton constituted almost 50% of Indian export to China whereas about half of the total share of the imports from China comprised electrical machinery and telecom equipment, nuclear reactors and boilers. Thus, India's

exports to China are significantly different from its exports to the rest of the world. For India, China is yet to emerge as an important destination for India's most significant exports



Source: CEIC: A Euromonitor Institutional Investor Company

India's trade with China (FY'17)

India: major Imports from China		India: major exports to China	
% share		% share	
Electrical Machinery, Telecom Eqpt, Audio & Video Recorders	36	Ores, Slag and Ash	16.2
Nuclear Reactors, Boilers, Machinery & Mechanical Appliances	18	Cotton	13.2
Organic chemicals	9	Organic chemicals	8.7
Plastic and articles	3	Mineral Fuels, Oils, Waxes & Bituminous Substances	7.8
Ships, boats and floating structures	2.4	Copper and articles	6.9
Iron and steel	2.2	Salt, Sulphur, earths and stones	5.5
Fertilisers	2	Nuclear Reactors, Boilers, Machinery & Mechanical Appliances	5.2

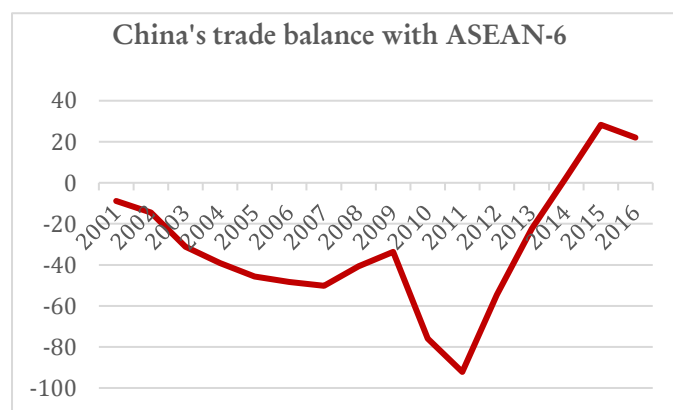
Source: MoCI, Export import databank FY17

“China’s emergence as a great economic power has induced an epochal shift in patterns of world trade. Simultaneously, it has challenged much of the received empirical wisdom about how labor markets adjust to trade shocks. Alongside the heralded consumer benefits of expanded trade are substantial adjustment costs and distributional consequences. These impacts are most visible in the local labor markets in which the industries exposed to foreign competition are concentrated. Adjustment in local labor markets is remarkably slow, with wages and labor-force participation rates remaining depressed and unemployment rates remaining elevated for at least a full decade after the China trade shock commences. Exposed workers experience greater job churning and reduced lifetime income with gains yet to materialize...”

[David Autor](#), American Economic Review (2016)

India’s learnings from China-ASEAN FTA

Since full enactment of the ACFTA in 2010, ASEAN- 6 countries’ (Indo, Malay, Thai, Viet, Phil, Sing) goods trade with China has gone from a surplus of USD 53bn to a deficit of USD 54bn in 2016.



ASEAN trade balance with China (USDbn)

	2005	2010	2016
Thailand	11	23	3
Malaysia	18	52	32
Indonesia	-0.5	-3	-15
Singapore	-0.2	-10	-32
Philippines	18	13	-10
Vietnam	-3	-23	-32

Thailand and Malaysia are the only countries which have a trade surplus with China. However, the surplus has reduced since 2010. China has been the largest market for ASEAN exports of parts and components (intermediate goods) since 2004. The substantial trade between the two countries was a result of surge in intermediate goods trade particularly in IT and electronics goods. With the exception of Brunei, Cambodia and Laos, all ASEAN countries significantly participated in the trade of intermediate goods.

Consumer electronics and car parts and components are particularly important in Regional Value Chains between ASEAN and China, with Singapore, Malaysia and Thailand playing a key role, while RVCs in textiles and clothing are significant only for CLMV (Cambodia, Laos, Malaysia and Vietnam). China lags behind ASEAN in the competitiveness of electronics production chain. A study of the trade flows between the two partners as per 2-digit HS code reveals that the key drivers of trade between ASEAN and China are – machinery, electrical equipment, mineral products and fuels . Malaysia and Thailand’s trade surplus with China is primarily due to surplus in the machinery and electric equipment, mineral fuels and oil category. Philippines also has a trade surplus in electric machinery, equipment and appliances wrt China. Vietnam maintains a trade deficit across all

categories with China. Indonesia also maintains a trade deficit with China in all categories except mineral fuel, oils and vegetable oil. Thus Indonesia is not fully integrated into the regional value chain under the China ASEAN FTA. While looking at the benefits generated from an FTA in terms of RVCs created under China ASEAN FTA, India should look at Indonesia's role in China ASEAN FTA and not compare itself to Malaysia and Thailand. It is important to note that China maintains a trade surplus with all ASEAN countries in categories like - base metals, textile apparel and auto and auto parts

Given China's current structure with excess capacity in most industries, subsidies to domestic industries and its price competitiveness across sectors, it is not surprising that China currently has the maximum number of Anti dumping duty initiations against it. It is worth noting that nearly one-sixth of anti-dumping cases on China are from India (149/840).

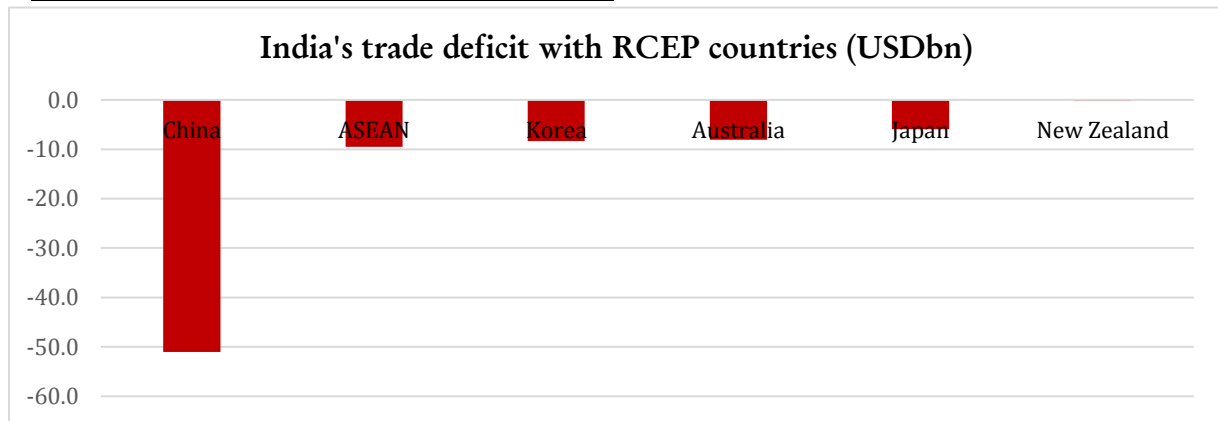
Case In Hand: Imports of 'Toluene Di-Isocyanate (TDI)' originating in or exported from China PR, Japan and Korea RP. (13th December, 2017).

This brings us to a very important question- What are we trying to achieve out of RCEP?

Regional Comprehensive Partnership Agreement (RCEP) is a proposed free trade agreement (FTA) between 10 ASEAN countries and their six FTA partners, namely Australia, China, India, Japan, Korea and New Zealand. It accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows and 45% of the total population. From India's point of view RCEP is critical. RCEP countries account for almost 27% of India's total trade. Exports to RCEP account for about 15% of India's total exports and imports from RCEP comprise 35% of India's total imports. India runs a trade deficit with ASEAN as well as the partner countries of RCEP. India's trade deficit with the bloc has risen from \$9 billion in FY05 to \$83 billion in FY17, of which China alone accounts for over 60% of the deficit. India already has bilateral FTAs with ASEAN, Korea and Japan and negotiations are underway with Australia and New Zealand. There is also tremendous pressure on India to complete negotiations on time and offer tariff eliminations on majority of the tariff lines (more than what was negotiated under AIFTA). Most RCEP countries see India has a huge potential market for their exports.

Given India's inability to negotiate a good services deal in the past, RCEP negotiations especially with China need a second thought. Indian industry will have more to lose than gain if it agrees to a liberal tariff elimination schedule specially w.r.t China. A separate tariff schedule for different partner countries has already been rejected by member countries. At a time of growing protectionism and US's stance towards China opening our market to China can be proved to be disastrous given proper standards and processes are not in place in India. Trade agreements are a means to promote bilateral trade, with both parties benefitting as a result of trade complementarities. With China, India's trade seems to be very skewed and China's capacity overhang in most sectors may lead to a surge of imports into India with very limited access for Indian exports into the Chinese market.

India's trade balance with RCEP (USDbn)



While RCEP negotiations at the current stage need a careful thought, India's current trade pacts also need a rejig. India seems to have underutilised its existing FTAs. The percentage of India's international trade routed through the preferential route/FTAs is very low. According to the Asian Development Bank, the utilisation rate of India's FTAs varies between 5% and 25%, which is one of the lowest in Asia. Moreover, exports to FTA partner countries and non-partner countries have grown at the same pace. Complex rules of origin criteria, lack of information on FTAs, higher compliance costs and administrative delays dissuade exporters from using preferential routes. The compliance cost of availing benefits under these FTAs is so high that exporters prefer using the normal route. India has actively pursued FTAs with several major trading partners in the past without benefitting much.

Some Policy Recommendations

Before getting into any multilateral trade deal India should firstly, review and assess its existing FTAs in terms of benefits to various stakeholders like industry and consumers, trade complementarities and changing trade patterns in the past decade. **Second**, negotiating bilateral FTAs with countries where trade complementarities and margin of preference is high may benefit India in the long run. **Third**, higher compliance costs nullify the benefits of margin of preference, thus reducing compliance cost and administrative delays is extremely critical to increase utilisation rate of FTAs. **Fourth**, proper safety and quality standards should be set to avoid dumping of lower quality hazardous goods into the Indian market. **Fifth**, circumvention of rules of origin should be strictly dealt with by the authorities. In case of India- SriLanka FTA, SriLanka had started exporting copper to India by under invoicing of imported scrap to in order to show higher value addition for qualifying for preferential rates under the FTA. Thus, Rules of Origin (ROO) norms can easily be circumvented by simple accounting manipulation to flood Indian markets. **The over-arching conclusion of this report is that FTAs have to be signed keeping two things in mind, mutually reciprocal terms and focusing on products and services with maximum export potential.**

Notes

All uncited data has been taken from Ministry of Commerce and Industry.