**Effects of Tariff Reforms and FTAs with South Asia on the various sectors of INDIA**

**SYNOPSIS**

**Submitted by:**

**ANUJ CHAUHAN**

**BTECH COMPUTER SCIENCE AND ENGINEERING**

**IIT KANPUR**

**Introduction**

After the 1991 reforms India fortunately faced a boom in the ITE Sector and also other Developments. Ending the License Quota Raj and Tax exemptions have been a major aspect of the Growth which was caused by better Relations.There is a way to measure growth for India as well as for the Participating Nations due to the Better Relations By Analysing the Distortions in the GTAP model by considering the Welfare effect in multiple regions as proposed by Huff & Hurtel (2001). Major advantages of GTAP Model is that it can capture a whole spectrum of changes in Economy by Simulating bunch of Liberalising factors in trade.

**Theoretical Background of GTAP**

In the GTAP Version 8 database, there are 137 regions, and each regional economy

has five primary factors and 57 production sectors. The five primary factors are **land,**

**capital, nature resources, unskilled labour and skilled labour.** The 57 production

sectors are composed of the agricultural and food processing sectors (sectors 1–25), the

manufacturing sectors (sectors 26–42) and the service sectors (sectors 43–57).

**Table 1**

|  |  |
| --- | --- |
| **Regions** | **Countries in the GTAP region** |
| India | India |
| Brazil | Brazil |
| South Africa | South Africa |
| China | China |
| Rest of Asia | Hong Kong, Japan, Korea, Taiwan, Rest of East Asia, Cambodia, Indonesia, Lao People’s Democratic Republic, Myanmar, Malaysia, Philippines, Singapore, Thailand, Viet Nam, Rest of Southeast Asia, Bangladesh, Pakistan, Sri Lanka, Rest of South Asia |
| Oceania | Australia, New Zealand |
| Rest of South America | Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay,Venezuela, Rest of South America |
| Rest of the world | Rest of Oceania, Canada, USA, Mexico, Rest of North America, Costa Rica, Guatemala, Nicaragua, Panama, Rest of Central America, Caribbean, Austria,  Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, UK,  Switzerland, Norway, Rest of EFTA, Albania, Bulgaria, Belarus, Croatia, Romania, Russian Federation, Ukraine, Rest of Eastern Europe, Rest of Europe, Kazakhstan, Kyrgyztan, Rest of Former Soviet Union, Armenia, Azerbaijan, Georgia, Iran Islamic Republic of, Turkey, Rest of Western Asia, Egypt, Morocco, Tunisia, Rest of North Africa, Nigeria, Senegal, Rest of Western Africa, Central Africa, South Central Africa, Ethiopia etc. |

**Literature Review**

**Welfare Implication of India-ASEAN FTA: An Analysis using GTAP Model**

This paper gives us an insight into the sources of welfare gain providing its decomposition under various simulations describing stages of India-ASEAN FTA. The study also indicates that the bigger ASEAN Members will derive more benefits in terms of welfare growth. The amount of welfare will only increase in case of India iff agreement will be fully implemented. The gains for ASEAN will TOT and for India will be the resource reallocation and change in domestic production.The Simulations conducted in the study by using GTAP7 databases are

* *Tariff elimination for products in Normal track, tariff reductions for the sensitive track products and no tariff change for the products in the exclusion list for India, Malaysia, Singapore & Thailand only.*
* *Tariff elimination for products in Normal track, tariff reductions for the sensitive track products and no tariff change for the products in the exclusion list for India and all the 10 ASEAN members*

**South-South trade liberalisation and shipping geography: a case study on India, Brazil, and South Africa**

This paper aims at filling the gap in the literature by exploring the implications of the latest development of South-South trade – free trade agreement (FTA) among India, Brazil, and South Africa, namely IBSA – on shipping geography and it further highlights the significance of high tariff rates in determining the South-South trade geography.This paper talks about the situation of new trade in the Southern Hemisphere where the IBSA is liberalised.The main factors which it takes into consideration are

* Water Transports
* Containerisable general commodities
* Containerisable agriculture commodities
* Major bulk
* Break bulk and
* minor bulk
* Liquid
* Crude oil\*
* Automobile
* Others

There is a Change in the Cargo volumes caused the IBSA trade liberalisation and which concludes that

* *distance is a major factor determining thre present trade flows*.
* *India will reduce the imports from the Rest of Asia (US $2,119 millions). The exports from Brazil to the Rest of South America decrease (US $1,803 millions). There is also a decrease in the exports from South Africa to Rest of Asia, but the decrease is relatively small (US $262 millions)*
* *as compared to the increase in trade value which is US $17,951 millions.*

So overall IBSA trade liberalisation will cost some but in whole it will be increasing the total trade value.

**India – ASEAN Free Trade Agreement: A Sectoral Analysis**

This paper talks about the impacts of India-Asean Free Trade Agreement using GTAP and SMART model. This study indicates that Indo-ASEAN10 FTA or IAFTA will have a positive welfare , economic and employment effects on India and on ASEAN. Due to the sudden increase in the exports of processed food items, agriculture, and fisheries which might have adverse impacts on employment and wages of the people working in this sector in India. Also The simulated results of SMART Model indicates that the amount of the trade created is restricted to the limited tariff lines.Bilateral exports will rise as given in the table which is good for both partners.

**Table 2**

|  |  |  |
| --- | --- | --- |
| **Commodity Groups** | **Increase in India’s**  **Exports to ASEAN** | **Increase in ASEAN’s**  **Exports to India** |
| GrainsCrops | 28.11 | 356.96 |
| MeatLstk | 23.46 | 105.2 |
| Oil | 11.65 | 141.81 |
| Extraction | 34.21 | 136.28 |
| Fish | 0.75 | 80.78 |
| VOL | 32.57 | 218.79 |
| ProcFood | 36.42 | 665.39 |
| Textile | 138.89 | 69.65 |
| Wapp | 52.86 | 31.36 |
| etc | ... | ... |

**Objectives of Study**

The primary objective of studying these research papers was to get an idea about how ***Liberalisation, Trade Agreements, Tax Reforms*** affects the whole Economic Aspects.It will help in research on the Trade Relations in South Asia considering India, and Rest of the Asia. To see the impact on **Commodities** like

* Land
* Labour
* Capital
* Food
* Manufacturing
* services

And the Macroeconomic Variables like Terms of Trade etc.

**References**

[*Nag, Biswajit and Sikdar, Chandrima, Welfare Implication of India-ASEAN FTA: An Analysis Using GTAP Model (July 1, 2011). Indian Institute of Foreign Trade Working Paper No. EC-11-06.*](https://www.ssrn.com/abstract=2031637)

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