

Special note for SHEFEXIL

Analysis on Tariff preferences given to SHEFEXIL Product Lines.

On completion of comprehensive study of SHEFEXIL products, we have found that almost all existing FTA partners of India, viz. ASEAN, Japan, S. Korea, China (under APTA) and SAFTA are providing tariff preferences to the SHEFEXIL products. The following table illustrates how many tariff lines of SHEFEXIL (based on product list shared by SHEFEXIL) are getting tariff preferences under which agreements and under which staging categories.

FTA/ CECA/ CEPA	Country	% of Tariff Lines Covered	Staging Categories under relevant FTA/CECA/CEPA
ASEAN	Brunei	3	Most of the tariff lines are under NT-1 category. However, since MFN Rate is "0%" for almost 97% tariff lines of SHEFEXIL, actual tariff preference is found only on 3% of tariff lines.
	Cambodia	87	NT-1, ST
	Indonesia	95	NT-1, NT-2, ST
	Lao PDR	75	NT-1, ST
	Malaysia	98	-
	Myanmar	50	NT-1, NT-2,ST
	Philippines	51	NT-1, NT-2, HSL C
	Singapore	-	-
	Thailand	91	NT-1, NT-2, ST
	Viet Nam	57	NT-1, NT-2, ST, HSL C
IJCEPA	Japan	58	A, B-10, B-15
IKCEPA	South Korea	61	E-0, E-5, E-8, SEN
APTA	China	33	Margin of Tariff Preference under APTA
Non-FTA members	Australia	3	As the MFN rate itself is 0, limited tariff lines are attracting GSP rate
	New Zealand	2	As the MFN rate itself is 0, limited tariff lines are attracting GSP rate
SAFTA	Afghanistan	33	-
	Bangladesh	78	-
	Bhutan	98	-
	Maldives	57	-
	Nepal	55	-
	Sri Lanka	19	-
	Pakistan	55	-

(the above table does not count products which are under Exclusion List and where the tariff lines are attracting zero basic customs duty)

- No export of any product of SHEFEXIL is made in 2014-15 and 2015-16 to Lao. Lao provides tariff preferences on 75% of total tariff lines. This means we have not explored possibility to export to Lao, even if market access is provided under IAFTA. Exporters must find opportunities to export products to Lao.
- Our exports (of SHEFEXIL tariff lines) to Brunei and Cambodia, are very low in value terms, and not all products are exported to these countries. These countries have already provided tariff preferences under respective FTAs/CECAs/CEPAs.

Export of Ginseng roots - Japan imposes MFN rate of 4.3% on Ginseng roots and it has given zero duty market access under IJCEPA. However no exports of ginseng roots are made to Japan in 2014-15 and 2015-16 from India. As per International Trade Center's (ITC) Trade Statistics (<http://www.trademap.org/Index.aspx>), Japan imported Ginseng Roots worth USD 40.615 Million from China, S.Korea, Chinese Taipei, USA, Canada and Hong Kong China in the year 2015. This example itself shows our inefficiencies to explore newer markets or to grow exports in existing importing countries. Detailed information on which countries provide how much concession under which FTA/CECA/CEPA is provided in Database created for this purpose.

- For items, which are covered under Sensitive Track (ST), zero duty market access should be sought under RCEP Negotiation, if our exports to RCEP Members are substantial. This is because if a product is under ST, duties will be reduced to 5% or 4.5% maximum. Hence no further reduction would be allowed under existing FTAs, whereas same countries have provided zero duty treatment to its other FTA partners. For example, export of fenugreek seed (HS Code 09109912) to Indonesia. This product is categorized in ST by Indonesia, under IAFTA. MFN rate for this product is 5%. Since the product is under ST, there are no chances of further duty reduction under IAFTA. However if we refer ITC's Trade Statistics, Indonesia is importing this product from Malaysia, which is ASEAN member country. Fenugreek seeds imported from Malaysia into Indonesia attract 0%. Such incidences create obstacles for India's export of fenugreek seed.
- Generically, speaking the products of SHEFEXIL are primarily "raw materials" in nature. Therefore value-wise exports would not grow substantially, unless India is having competitive advantage in terms of quality or pricing. SHEFEXIL therefore should make efforts to promote export of value added products to ASEAN and other FTA partner countries, rather than just concentrating on export of these products in raw forms.

Opportunities for Market Access:

One of the largest exported products under SHEFEXIL, “Guargum treated & pulverized(HS Code 13023230)”is taken into consideration to analyze the current export scenarios as it has widespread applications among various industries such as textile, cosmetics, pharmaceutical, paper, explosives and Shale Oil and Gas extraction.

FTA	Country	MFN Rate	Category	PREFE. TARIFF	Export Statistics	
					Export in Lacs (INR) For 2014-15	Export in Lacs (INR) For 2015-16
ASEAN	Brunei	0	NT-1	0(NTP)	No Export	No Export
	Cambodia	15	ST	11	No Export	No Export
	Indonesia	5	ST	4.5	2462.52	2,213.70
	Lao PDR	10	NT-1	3	No Export	No Export
	Malaysia	0	NT-1	0(NTP)	1820.4	854.00
	Myanmar	5	NT-1	3	25.65	No Export
	Philippines	3	NT-1	1	977	721.98
	Singapore	0	-	-	630.54	15.48
	Thailand	30	NT-1	0	2197.11	1,511.96
Viet Nam	5	NT-1	2	495.39	308.72	
IJCEPA	Japan	0	A	0	4657.39	308.72
IKCEPA	South Korea	19.7	EXC	NTP	1392.5	1,166.80
NON-FTA	Australia	0	-	-	3472.83	2,408.46
	China	15	-	10	13663	10,047.34
	New Zealand	0	-	-	233.08	120.28
SAFTA	Afghanistan	5	-	NTP	No Export	No Export
	Bangladesh	10	-	3	13.6	45.01
	Bhutan	30	-	0	No Export	No Export
	Maldives	25	-	11.5625	No Export	No Export
	Nepal	10	-	6	3.5	1.82
	Sri Lanka	0	SL	0	82.19	94.54
	Pakistan	20	-	5	6.39	No Export

*NTP: No tariff Preference, NT-1: Normal track 1, EXC: Exclusion List, ST/SL: Sensitive Track/Sensitive List

- From above table we can figure out that, in case of ASEAN, most of the countries have categorized “Guargum treated and pulverized” into “NT-1” category. Indonesia is the largest customer, within ASEAN region.
- As far as export to other FTA partners – Japan and South Korea are concerned; Japan provides zero duty whereas South Korea has excluded this product from providing preferential treatment under India-Korea CEPA (IKCEPA).
- From other countries, Australia, China and New Zealand, China is the largest importer. In fact China is the top importer amongst all other countries mentioned in the table.

Let us analyze the import statistics of these countries. This will allow us to understand India's share in their total import of related countries.

Note: Since “Guargum treated & pulverized” is classified by ASEAN and other countries under HS Code 1302.32.00 or 1302.32.00.00 and the trade statistics of these countries are available at six digit level – 1302.32, we have considered trade data for 1302.32, which please note.

Indonesia

Importer	Total import of “Guargum treated and pulverized” in 2015 in USD Million	Exporting Country	Total value in USD Million (exports to Indonesia from India and others)	% Share of Exporting country in total imports	MFN Rate in Importing Country	Tariff Preference	FTA
Indonesia	10.637	India	5.123	48.2	5%	4.50%	IAFTA - under Sensitive Track (ST)
		Italy	1.518	14.3	5%	none	None
		Spain	0.829	7.8	5%	none	None
		China	0.716	6.7	5%	0%	ASEAN-CHINA FTA
		United States of America	0.705	6.6	5%	none	none

Source of information - <http://www.trademap.org/Index.aspx>

Observations:

- Indonesia is largest importer amongst ASEAN region.
- MFN Rate imposed by Indonesia is 5%. If the product is imported from India, under IAFTA, importer will have to pay basic customs duty 4.5% (concessional tariff under IAFTA). However if it is imported from China, the duty is 0%.
- Under the IAFTA, “Guargum treated and pulverized” - (HS code 13023200 as per Indonesian Classification) is covered under Sensitive Track. Hence there are no chances of further reduction.
- Indian product therefore gets limited market access as against China, even if India is more competitive and largest source for Indonesia.
- Limited market access hinders India's export growth and therefore SHEFEXIL can seek better market access under negotiation of Regional Comprehensive Economic Partnership (RCEP) Agreement. This is possible as Indonesia has already provided zero duty to China, which can be extended to India under RCEP atleast.
- Since the product is used in many industries, deeper market access to would reduce cost of inputs for the Indonesian Industries substantially.

South Korea

Importer	Total import of "Guargum treated and pulverized" in 2015 in USD Million	Exporting Country	Total value in USD Million (exports to S. Korea from India and others)	% Share of Exporting country in total imports	MFN Rate in Importing Country	Tariff Preference	FTA
S. Korea	5.683	India	1.908	33.6	8%	EXC	IKCEPA-ITEM IS UNDER EXCLUSION LIST OF S.KOREA
		Italy	1.104	19.4	8%	0%	KOREA-EU FTA
		Japan	0.684	12	8%	none	none
		Turkey	0.618	10.9	8%	2.6%	KOREA-TURKEY FTA
		Denmark	0.391	6.9	8%	0%	KOREA-EU FTA

Source of information - <http://www.trademap.org/Index.aspx>

Observations:

- If we analyze export to South Korea, the MFN rate is 8%.
- Indian product is not getting tariff preference as the same is under "Exclusion list" of South Korea under India-Korea CEPA.
- However South Korea has given zero duty market access to its other FTA partners, viz. Italy (second largest source of S. Korea after India) and ASEAN Countries under its FTAs with these countries.
- Not only this, Turkey is provided with concessional duty rate of 2.6%, which is quite lower than MFN rate of 8%.
- Though South Korea is importing largely from India, it has not provided even a concessional duty rate under IKCEPA.
- SHEFEXIL should therefore seek zero duty market access under RCEP Agreement.

China

Importer	Total import of "Guargum treated and pulverized" in 2015 in USD Million	Exporting Country	Total value in USD Million (exports to China from India and others)	% Share of Exporting country in total imports	MFN Rate in Importing Country	Tariff Preference	FTA
China	38.778	India	16.034	41.3	15%	10%	APTA
		Pakistan	7.396	19.1	15%	0%	CHINA-PAKISTAN FTA
		United States of America	4.900	12.6	15%	15%	none
		Spain	2.615	6.7	15%	15%	none
		Italy	1.871	4.8	15%	15%	none

Source of information - <http://www.trademap.org/Index.aspx>

Observations:

- China is India's largest buyer amongst all the countries.
- India is top most source for China to import products covered by 1302320000.
- Second top most source is Pakistan.
- China is having FTA with Pakistan and China and India are member countries of Asia Pacific Trade Agreement (APTA).
- China has provided zero duty to Pakistan under China-Pakistan FTA but for India, concessional tariff rate of 10% is provided under APTA.
- Though India is a top most source for China, Indian product is getting limited market access under APTA.

India is top most supplier of "Guargum treated and pulverized". Not only this, Indian Guargum is exported World over, however, the preferential treatment given to India under its existing FTAs with RCEP and other region is limited. This distracts Indian Exports as under other FTAs, importing countries are providing zero duty market access. Therefore, SHEFEXIL must represent to have zero duty market access under RCEP for this product.
