

India's FTA Negotiations with Peru: Tariff Concession on Gold can be a Major Concern for India

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India's Free Trade Agreement (FTA) negotiations with Peru represent a significant step towards deepening economic ties between the two nations, aiming to boost bilateral trade and investment.

Since 2017, both countries have been actively engaged in discussions to finalize an FTA that could transform their economic relationship.



Gold is a major concern for India.

Tariff concessions on Gold, accounting for US\$1.8 billion or 80% of India's imports from Peru in FY2023 is the most challenging issue for India.

Gold, a high-value product with low volume, attracts a 10% basic customs duty in India. Even minor tariff concessions could lead to a significant increase in imports. For instance, after tariff concessions under the India-UAE Free Trade Agreement, gold imports from the UAE, India's second-largest gold supplier, doubled in the calendar year 2023 compared to 2022.

Peru, the fifth-largest supplier to India, could see a similar surge in gold imports if concessions are made.

In 2023, India's global imports of unwrought gold were estimated at US\$43 billion, with Switzerland accounting for 40% of these imports.

Given Peru's gold mines, its gold would easily meet any Rules of Origin criteria.

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India's bound duty on gold is set at 40%, but the current applied tariff is 10%. Free Trade Agreements (FTAs) offer concessions on effective duties rather than on the bound duty.

Excluding gold from an FTA would violate the World Trade Organization's Article XXIV, which requires duty cuts on substantial trade for FTAs.

India's bound duty on Gold is 40% and current applied tariffs are 10%.

FTAs allow concessions in effective duties and not on bound duty.

If the FTA does not include gold, it may not meet the WTO Article XXIV condition for FTAs to have duty cuts on substantial trade.

Bilateral merchandise Trade -During FY 2022-23

India exported goods worth \$ 865.91 million and imported goods valued at \$ 2.25 billion resulting in \$1.4 billion trade deficit.

Key exports include automotive vehicles, textiles, pharmaceutical products, and various other goods, totaling \$865.91 million.

Key Indian imports from Peru:

- Gold-US\$1776.7 million.
- Copper concentrates-US\$391 million.
- Calcium phosphate- US\$21.6 million
- Silver-US\$14.5 million

Negotiating Subjects

The key negotiating subjects include trade in goods with focus on tariff elimination, Trade in Services, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures technical barriers to trade.

Strategic importance of the FTA. This potential agreement marks India's third trade engagement with a Latin American country, following its agreements with Chile and the Mercosur bloc (Argentina, Brazil, Uruguay, Paraguay). However, it stands out as India's first comprehensive FTA in the region, signalling a broader scope beyond the goods-focused agreements with Chile and Mercosur, which primarily included tariff concessions on selected items. This move underlines India's strategic interest in expanding its trade footprint in Latin America, leveraging Peru as a pivotal partner in this endeavor.

FORM IV

Statement about ownership and other particulars about newspaper (Bullion World) to be published in the first issue every year after the last day of February

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6. Names and addresses of individuals who own the newspaper and partners or shareholders holding

Mr G Srivatsava
#146, 1-2 Floor, Gopal Towers,
Ramaiah Street, HAL Airport Road, Kodihalli,
Bengaluru 560008

More than one per cent of the total capital

I, Mr. G Srivatsava, hereby declare that the particulars given above are true to the best of my knowledge and belief.

G Srivatsava

Signature of Publisher

Date: 01-03-2024