



Mains Marathon

Day 10: India needs to rethink its free trade agreement (FTA) with her trading partners. Explain (250 words)

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Approach / Explanation / Answer

- Introduce FTA and India's recent examples of signing the Free Trade Agreement.
- Explain the issues with previous FTA signed by India and what India has to rethink about its free trade agreement with her trading partners with adequate way forward.
- Conclude suitably.

Answer:

Free Trade Agreement (FTA) is a pact between two or more nations to reduce barriers to imports and exports among them. Under a free trade policy, goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange. The concept of free trade is the opposite of trade protectionism or economic isolationism. Example of few recent FTA signed by India are India-UAE CEPA (2022), India-Mauritius CECPA (2021).

India needs to reassess its free trade agreements (FTAs) with its trading partners due to several factors.

- **Trade Imbalances:** India has experienced trade deficits with many of its major trading partners, under these agreements. This can have negative consequences for domestic industries, as they face stiff competition from cheaper imports, leading to unemployment and loss of market share.
- **Sector-Specific Issues:** Different industries have varying levels of competitiveness and sensitivity. Some sectors may benefit greatly from FTAs by accessing new markets and increasing exports, while others may struggle to compete with imports. India needs to carefully assess the impact of FTAs on specific sectors and prioritize those that are strategically important for its economy. E.g., Dairy industry going to face competition from the Australia and New Zealand.
- **Intellectual Property Rights (IPR):** FTAs often involve provisions related to intellectual property rights. India needs to ensure that the IPR provisions in its agreements strike a balance between protecting innovation and allowing for affordable access to essential medicines, technology, and knowledge.
 - Revising FTAs can provide an opportunity to negotiate terms that are in line with India's developmental goals and safeguard its domestic interests.
- **Non-Tariff Barriers:** While reducing tariffs is a primary objective of FTAs, non-tariff barriers (NTBs) can hinder trade flows.
 - India should reassess the effectiveness of existing FTAs in addressing NTBs and negotiate

agreements that ensure a level playing field for its exporters. Addressing issues related to customs procedures, technical standards, and sanitary and phytosanitary measures can enhance market access and facilitate trade.

- **Domestic Market Access:** India needs to evaluate the extent to which its FTAs provide market access for its domestic industries and services. While attracting foreign investment is important, it is equally crucial to ensure that domestic companies can compete fairly in international markets.
 - Reconsidering FTAs can help identify areas where India's interests can be better served and negotiate provisions that promote reciprocal market access.
- **Regional and Global Dynamics:** The geopolitical and economic landscape is constantly evolving. India should regularly assess the changing dynamics of its trading partners, regional blocs, and global trade arrangements.
 - This evaluation will help identify emerging opportunities and challenges and enable India to align its trade policies accordingly.

Some possible steps that India could take to improve its FTA policy are:

- **Conduct a comprehensive review and assessment of its existing and ongoing FTAs.** India should evaluate the performance and impact of its FTAs on various indicators, such as trade flows, trade balance, value addition, employment generation, technology transfer, environmental protection, etc. It should also identify the gaps and challenges in the implementation and utilization of its FTAs, such as ROO issues, NTBs issues, dispute settlement issues, etc. Based on this assessment, India should seek to renegotiate or amend its FTAs where necessary to address the shortcomings or safeguard its interests.
- **Prioritize quality over quantity in negotiating new FTAs.** India should be more selective and focused in choosing its FTA partners and negotiating new FTAs. It should target those countries or regions that offer significant market potential or strategic value for India's trade and investment interests. It should also ensure that the new FTAs are comprehensive and balanced in covering all relevant sectors and issues for India's economic development. Moreover, it should avoid overlapping or conflicting commitments with other existing or proposed FTAs or multilateral agreements.
- **Strengthen the domestic capacity and readiness for engaging in FTAs.** India should enhance its institutional capacity and coordination for negotiating, implementing, and monitoring its FTAs. It should also improve its data collection and analysis on trade and investment issues to support its FTA decision-making and advocacy. Furthermore, it should undertake necessary policy reforms and measures to improve its competitiveness and productivity in key sectors and industries, and to address the potential adjustment costs or adverse effects of FTAs on certain segments of the economy or society.
- **Increase stakeholder participation and consultation in the FTA process.** India should involve and consult various stakeholders, such as state governments, industry associations, civil society groups, and consumers, in the FTA negotiation and implementation process. It should also enhance the transparency and communication of its FTA policy and activities to the public and the media. This would help to create more awareness, understanding, and support for India's FTAs among its domestic constituencies, and to address any concerns or grievances that may arise from the FTAs.

Rethinking India's FTAs is necessary to strike a balance between promoting trade and protecting domestic industries. By carefully evaluating the impact of these agreements, addressing trade imbalances, protecting sensitive sectors, ensuring fair market access, and aligning with evolving regional and global dynamics, India can optimize the benefits of its trade relationships and enhance its overall economic growth and development.