



# INDIA'S REVAMPED FTA STRATEGY

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## CURRENT AFFAIRS GS PAPER-I (Section-II)

### Background: .

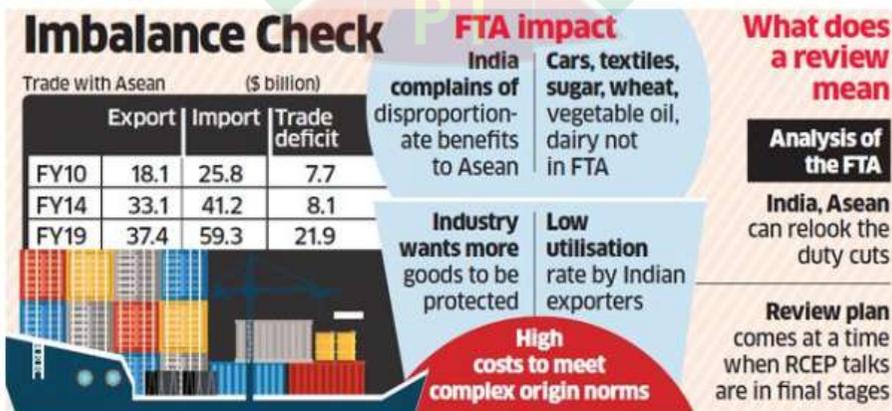
- ✎ India's new approach to the Free Trade Agreement (FTA) is a welcome step, but there are many challenges that needs to be addressed first.

### What are Free Trade Agreements?

- ✎ Free trade agreements are concluded by two or more countries that wish to enter economic cooperation between them and agree on the terms of trade. In the agreement, member countries specify the duties and tariffs that will be imposed on member countries for imports and exports.

### Key provisions of the free trade agreement and free trade area include:

- ✎ **Imported** goods are products produced from abroad, imported into another country and consumed by people in the country.
- ✎ **Exports** are the opposite of imported goods - a producer in one country sells its product to a buyer abroad.





## India's Disinclination Towards FTAs:

- ✘ In the recent last 10 years, India has not signed any major FTAs, while the significance and need of regional trade agreements has gone high and got a hike from 224 to 350.
- ✘ The only signed major trade agreement of India in recent times is Comprehensive Economic Cooperation Agreement (CECA) with Malaysia in 2011.
- ✘ **Withdrawal from RCEP:** India withdrew itself from the Regional Comprehensive Economic Partnership (RCEP) in 2019, after seven years of negotiations.

## India's Recent Change Towards FTA Policy:

- ✘ India in its renewed interests towards FTA's signed the Early Harvest Scheme (EHS) with Australia and the UK.
- ✘ EHS is a limited trade initiative with the intention of liberalizing change in a small set of listed commodities. To ensure business safe and profitable, one should look at possible EHS objectives:
  - ✘ Responsible care and management accountability.
  - ✘ Integrate EHS with every business.
  - ✘ Legal compliance.
  - ✘ **Zero harm culture:** Focus on preventing accidents, save life and limb, bring in culture change, concern for environment, and prevent damage to assets.
  - ✘ **Health management:** Aim to prevent occupational diseases, promote wellness, and health risk assessment.

## Challenges Associated with EHS Trade Policy:

- ✘ **Tariffs are high and protectionism Continues:** Sectors like automobiles and alcoholic beverages, dairy products, etc. still protected by high tariffs and India is unlikely to change in this regard.

- ✎ **Experience shows reluctance to switch to FTAs:** EHS with Thailand has not yet switched to FTAs after 17 years of existence.
- ✎ **Limited integration with UK and Australia trade agreements:** These big and old economies will not give India an ethical and proper opportunity to integrate with the low-skill, labor-intensive supply chains that may be shifting their business firms out of China during and after the pandemic.



### Way Forward:

- ✎ The EHS will be monitored using the FTA framework with a specific timetable for the final steps of the negotiations. The growing intensity of FTAs with GVCs deepening the East Asia and ASEAN member economies. These economies offering India to intensify its low skilled labor forces for up-gradation, opportunities, and integrated.