

Changing contours of India's FTAs

EXPORT THRUST. Along with greater trade co-operation and lower duties, new free trade agreements include digital trade

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The free trade agreements (FTAs) that India is now negotiating with the UK and the EU show how this trade policy tool is evolving to keep pace with new-age requirements.

Where the old agreements were merely exchanges of Customs duty concessions between partners, the new ones are considering the strategic requirements of the country. In fact, over the decades, India's FTAs have changed quite dramatically. The recent agreements go beyond the exchange of trade concessions; now they are designed to enable a stronger position for India in the Global Value Chains (GVCs) and include several new components.

THE FTA JOURNEY

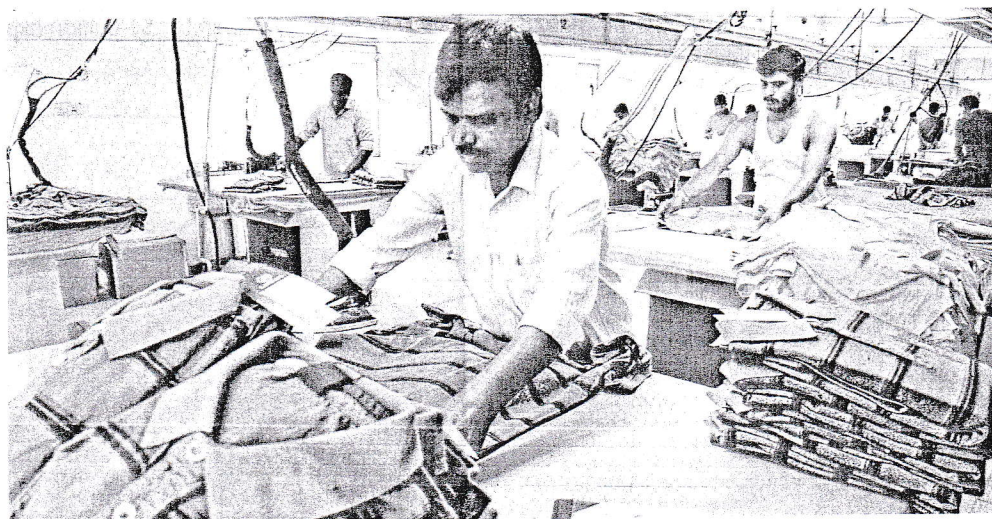
India's FTA journey started in 1975 with the Bangkok Agreement but it was in 1998, with the signing of the India-Sri Lanka FTA that duties were eliminated on substantial tariff lines for the first time. After the 'Look East Policy' was announced, several agreements were signed with East Asian countries.

However, by 2019, questions were being raised about these FTAs' economic benefits for India. That these agreements did not in any meaningful way tackle non-tariff barriers, the benefit to India's FTA trading partners was seen to be more.

India in 2019 exited the 16-country RCEP as it was felt that the agreement included inadequate safeguards for Indian industries and its scope itself had been widened beyond the original mandate.

Post the withdrawal from RCEP, and subsequent Covid-19 hiatus, India has started looking at countries from where it can seek investment, technology, IP, and, more importantly, a ready as well as a potential market for its goods and services, in exchange for access to its markets.

Therefore, FTAs were signed in quick succession with Mauritius, the UAE, and



TRADE MATTERS The new FTAs lined up are expected to benefit sectors such as textiles among others S SIVA SARAVANAN

Australia; partners that offer Indian products and services scope for enhanced market access. India is currently in negotiations with the UK, the EU, and Canada.

The UK agreement is expected to conclude by Diwali and that with Canada by the end of this year. These countries offer many of the factors that India needs to establish a dependable production capability serving both global and domestic markets. With these FTAs, sectors such as gems and jewellery, engineering goods, agro-processed foods, textiles, technology, and financial services are likely to gain.

To achieve the \$2-trillion export

target by 2030, India's active participation in GVCs is essential. Today, 70 per cent of the global goods and services exports come from GVCs. GVCs require close trade cooperation, lower duties, and efficient customs administration. An FTA ensures increased trade cooperation and lower duties. Additionally, the inclusion of new-age areas like digital trade in FTAs is a welcome step since digital technology continues to disrupt and transform GVCs by lowering entry barriers, increasing transparency, and facilitating collaborative networks.

TRADE FACILITATION

There is also a need to improve the efficiency of ports, shipping, Customs, etc., via automation, which can also be a big boost for participation by MSMEs.

The existing value chains are being disrupted as many organisations and countries feel the need to develop alternative sources of supply in which all the components are available in the vicinity or within the country's own economy. Therefore, India must look at

a hybrid model to source from the most efficient suppliers, including domestic players.

The new-age FTAs being signed look at trade more holistically which reflects the changing paradigm of international economic relations. Trade in services, e-commerce, labour, climate/environment, digital trade, public procurement, supply chains, gender, etc., all find a place.

While India's FTAs with Australia and the UAE are a mix of traditional and modern elements, the new agreements with the UK and the EU have more modern elements.

India is expressing its understanding of these changes and adopting the elements that drive the modern economic trade order. The implications are that these FTA obligations will also impact domestic rules and regulations in several of these areas.

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