

Exports to FTA countries contract at a faster rate

Shipments to partners down 18% against 8% dip in overall exports

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MOST OF THE free trade agreements (FTAs) that India has entered into over the years are not delivering the expected benefits. Giving a stark view of this, a recent analysis has showed that exports to the countries with which India has no bilateral trade pacts are holding up better in the current scenario, as compared to the shipments to the FTA partner countries.

In the first six months (January-June) of 2023, merchandise exports to FTA partners declined 18.2% on year; the overall decline in shipments during the period was only 8.1%, according to the analysis by trade policy think tank Global Trade Research Initiative (GTRI).

The decline in exports to FTA partners brought down their share in overall exports to 26.8% in the January-June period from 30.1% in the same period last year.

The FTA partners with the biggest decline in exports are South Asia Free Trade Area (SAFTA) (33.2%), South Korea (30%), Australia (25.4%), Japan (15.6%) and Asean (13.4%), according to GTRI. Overall imports from FTA partners have also declined during the six months by 11%.

Overall exports to FTA countries were \$58.6 billion in the first half of 2023, down from \$71.6 billion in the year ago period. Imports during January-June fell to \$88.6 billion from \$99.5 billion in the year ago.

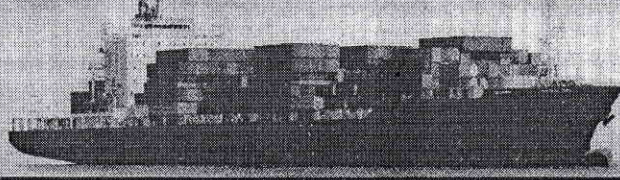
The trade deficit with FTA partners also increased to \$30 billion in January-June this year from \$27.9

INDIA'S MERCHANDISE TRADE

\$ bn (Jan-June) 2022 2023

FTA partners	EXPORTS	% growth	IMPORTS	% growth	Trade deficit 2023
Asean	23.8 20.6	13.4	43.1 36.7	14.8	16.1
Australia	4.9 3.7	25.4	11.1 7.9	29	-4.2
Japan	3 2.5	15.6	7.6 8.7	14	-6.2
Korea, R	4.5 3.2	30	9.7 9.8	1.7	-6.7
SAFTA	19 12.7	33.2	2.3 2.4	2.6	10.3
UAE	16.3 15.8	2.8	25.7 23	10.4	-7.2
Overall goods trade	237.9 218.7	8.1	355.1 325.7	8.3	-107

Source: GTRI



billion the same period last year.

More than half of this deficit or \$16.1 billion is accounted for by Asean alone, which explains the insistence of India on review of Asean-India Trade in Goods Agreement. Last year, the deficit during the same period was \$19.3 billion.

Only with SAFTA is India running a surplus of \$10.3 billion on exports of \$12.7 billion and imports \$2.4 billion. Last year's surplus with SAFTA, which includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, was \$16.7 billion.

Deficit with Australia is \$4.2 billion, Japan \$6.2 billion, Korea

(\$6.7 billion) and UAE \$7.2 billion.

Overall, India's merchandise exports in January-June were \$218.7 billion, down 8.1% from last year. Imports during the period were at \$325 billion, down 8.3% on year.

Services imports touched \$89.8 billion during the period, exhibiting a growth of 8.1% over the same period last year. Services exports reached a turnover of \$166.7 billion during January-June 2023, showing a healthy growth of 17.7% over the same period last year.

India's foreign trade — exports and imports of merchandise and services — reached \$800.6 billion during January-June 2023.