



## **Free Trade Agreement (FTA)**

**FTA** is an agreement between the countries or regional blocks to reduce or eliminate trade barriers, though mutual negotiations with a view to enhancing trade. It can however be comprehensive to include goods, services, investment, intellectual property, competition, government procurement and other areas. On goods, the key areas covered are customs duties or tariffs, rules of origins, non-tariff measures such as technical barriers to trade (TBT), sanitary phytosanitary (SPS) measures, trade remedies etc. On services, the negotiations are on barriers to various modes of supply including domestic regulations.

The WTO uses the nomenclature of Regional Trade Agreements (RTAs) to describe FTAs.

Trade agreements could be bilateral, plurilateral or multilateral.

- Bilateral trade agreements occur when two countries agree to unshackle trade restrictions to expand business opportunities.
- Plurilateral agreements occur between a large number of countries, either in the regional context or otherwise.
- Multilateral trade agreements is generally referred to for WTO negotiations since it covers a large number of countries and sets global trade rules.

As per WTO statistics, there were 349 trade agreements in force, as on 15 June, 2021. However, there were notifications of 565 trade agreements. Every WTO Member has atleast one trade agreement.

### **INDIA FTA Engagements**

India has signed 11 free trade agreements (FTAs) and 6 preferential trade agreements (PTA). In the Indian context, the key differences between an FTA and a PTA are that the FTA is comprehensive across a number of area and has deeper commitments while a PTA is confined to trade in goods and seeks only a tariff elimination in terms of a margin of preference (MOP). Moreover, the coverage of a PTA on goods is also limited as compared to an FTA

The rationale for India's FTAs/ PTAs are

- i. Diversification and expansion of export markets
- ii. Selectively cheaper access to raw materials, intermediate products and capital goods.
- iii. Seeking opening in modes and sectors of India's interest in services.
- iv. Attracting foreign investment to stimulate manufacturing, generate employment and improve competitiveness.
- v. Geo political strategy such as "Act East" resulting in FTAs with ASEAN, Japan and Korea

A brief on the trade agreements signed by India are as under:

### **1. Indo – Sri Lanka Free Trade Agreement**



The commercial relations between Sri Lanka and India has marked a historical milestone when it was signed the India-Sri Lanka Free Trade Agreement (ISFTA) on 28<sup>th</sup> December 1998, as the 1<sup>st</sup> bilateral free trade agreement of Sri Lanka. The ISFTA entered into force with effect from 1<sup>st</sup> March 2000. The ISFTA is now in full implementation as both sides have completed their phasing out commitments under the respective Tariff Liberalization Programme (TLP)

### **2. South Asian Free Trade Area (SAFTA)**



The South Asian Free Trade Area (SAFTA) is the free trade arrangement of the South Asian Association for Regional Cooperation (SAARC). The agreement came into force in 2006, succeeding the 1993 SAARC Preferential Trading Arrangement. SAFTA signatory countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

### **3. India - Bhutan Agreement on Trade Commerce and Transit**



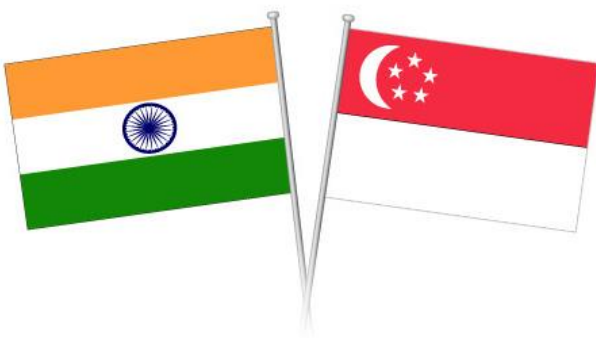
This agreement has been renewed periodically, with mutually agreed modifications. Agreement dated 29th July 2006 was valid for 10 years and was extended by a further period of 1 year. The renewed Agreement was signed on 12 November, 2016 and came into force with effect from 29 July 2017, for a period of 10 years.

#### **4. India Thailand Early Harvest Scheme (EHS)**



The EHS for Framework Agreement for establishing Free Trade Area between the Government of the Republic of India and the Government of the Kingdom of Thailand was signed on October 9, 2003. It was implemented on 1 September, 2004.

#### **5. The India–Singapore Comprehensive Economic Cooperation Agreement (CECA)**



The India–Singapore Comprehensive Economic Cooperation Agreement, also known as the Comprehensive Economic Cooperation Agreement or simply

CECA, is a free trade agreement between Singapore and India to strengthen bilateral trade. It was signed on 29 June 2005. It came into force on 1 August, 2005.

### **6.The ASEAN–India Free Trade Area (AIFTA)**



The ASEAN–India Free Trade Area (AIFTA) is a free trade area among the ten member states of the Association of Southeast Asian Nations (ASEAN) and India. The initial framework agreement was signed on 8 October 2003 in Bali, Indonesia and the final agreement was on 13 August 2009. The free trade area came into effect on 1 January 2010 but was confined only to goods. Subsequently, the India ASEAN Agreement on Services and Investment was signed in November, 2014 with implementation on 1 July, 2015. It is now known as the India-ASEAN Comprehensive Economic Cooperation Agreement (IACECA).

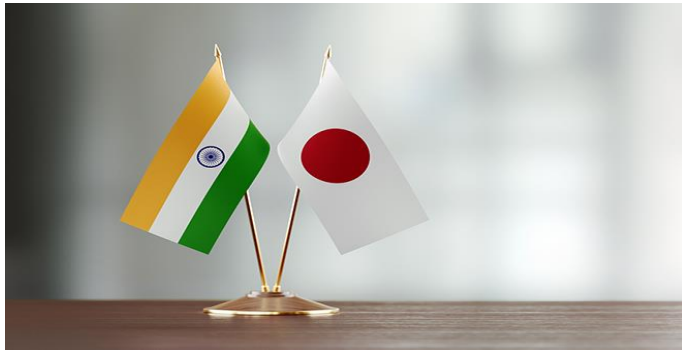
### **7.India Korea Comprehensive Economic Partnership Agreement (IKCEPA)**



The Comprehensive Economic Partnership Agreement (CEPA) is a free trade agreement between India and South Korea. The agreement was signed on

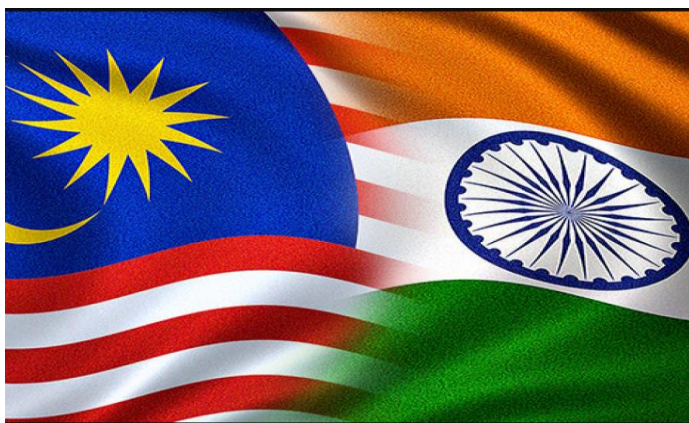
August 7, 2009 and implemented from 1 January, 2010. It is comprehensive and covers goods, services, investment, government procurement etc.

### **8.India Japan Comprehensive Economic Partnership Agreement (IJCEPA)**



The Comprehensive Economic Partnership Agreement (CEPA) between India and Japan was signed on 16th February, 2011 and came into force from 1st August of the same year. The agreement has an ambitious trade in goods outcome and also has other areas of services, investment, government procurement etc.

### **9. India-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA)**



The India Malaysia Comprehensive Economic Cooperation Agreement (MICECA) was signed on 18 February 2011 and came into force on 1 July 2011. It has built upon the concessions under the India ASEAN FTA.

### **10.India- Mauritius Comprehensive Economic Cooperation and Partnership Agreement (IMCECPA)**



India and Mauritius signed the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) on 22 February 2021. The CECPA is the first trade Agreement signed by India with a country in Africa. Both sides have completed their internal legal procedures and the India-Mauritius CECPA entered into force on Thursday, 01 April 2021. The agreement while being on a limited list of lines has used the modalities of tariff rate quotas (TRQs) to address market access for sensitive products.

### **11. India Nepal Treaty of Trade (March,2007)**



This is a comprehensive agreement on goods which provides broad market access to Nepal's export to India. The agreement was signed on 27 October 2009. The Treaty has been extended and is currently in force till 26 October 2023.

## **Preferential Trade Agreements**

### **1. Asia Pacific Trade Agreement (APTA)**



Asia Pacific Trade Agreement (APTA), a preferential regional trade agreement formerly known as the Bangkok Agreement was signed in 1975. Its current members are Bangladesh, China, India, South Korea, Lao and Sri Lanka. It's a goods only agreement and four rounds of negotiations have been concluded by July, 2018. The 5<sup>th</sup> Round subsequently began in 2018 to broaden the scope and make it more comprehensive. On 29 September 2020, Mongolia acceded to the Asia Pacific Trade Agreement as its seventh member.

## **2. Global System of Trade Preferences**

The Global system of trade preferences among developing countries (G.S.T.P) is a preferential trade agreement signed on 13 April 1988 with the aim of increasing trade between developing countries in the framework of the United Nations conference on trade and development United regions U.R.<sup>[1]</sup> Its entry into force was on 19 April 1989 and its notification to the WTO on 25 September 1989. The 1st Round which was concluded in 1988 saw only an exchange of concessions on very limited lines. The 2<sup>nd</sup> Round of negotiations were concluded in December, 1998 but were never implemented. The 3<sup>rd</sup> Round (also known as the Sao Paulo Round) finalised the modalities in December, 2009 but this is also yet to be implemented. India has however ratified the 3<sup>rd</sup> Round.

## **2. India- Afghanistan Preferential Trade Agreement**





India and Afghanistan signed a Preferential Trade Agreement (PTA) in March 2003 under which India allowed substantial duty concessions, ranging from 50% to 100%, to certain category of Afghan dry fruits. Afghanistan, in turn, has allowed reciprocal concessions to Indian products including tea, sugar, cement and pharmaceuticals. In November 2011, India removed basic customs duties for all SAARC LDCs at the SAARC Summit in Male which gave all products of Afghanistan (except alcohol and tobacco) duty free access to Indian market.

### **3. India-Mercosur Preferential Trade Agreement**



MERCOSUR is a trading bloc in South America region comprising of Argentina, Brazil, Paraguay and Uruguay. ... As a follow up to the said Framework Agreement, a PTA between India and MERCOSUR was signed in New Delhi on January 25, 2004 and five annexes to this Agreement were signed and incorporated on March 19, 2005. It was implemented on 1 June, 2009. Both sides are at an advanced stage of negotiating for an expansion.

### **4. India-Chile Preferential Trade Agreement**



A Framework Agreement to Promote Economic Cooperation between India and Chile was signed on January 20, 2005. Under this Framework Agreement a Preferential Trade Agreement (PTA) was envisaged between the two countries and this PTA was signed on 8 March 2006 and implemented on 11 September, 2007. The PTA has been expanded on 6th September, 2016 and came into force w.e.f. 16th May, 2017.

#### **6. Agreement on SAARC Preferential Trading Arrangement (SAPTA)**



The Agreement on SAARC Preferential Trading Arrangement (SAPTA) which envisages the creation of a Preferential Trading Area among the seven member states of the SAARC, namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was signed in Dhaka in 11 April 1993. It was implemented on 7 December, 1995.