



India & Free Trade Agreements

For Prelims: Free Trade Agreement (FTA), countries with which India has FTAs, Regional Comprehensive Economic Partnership (RCEP), CECPA, SAFTA, APTA.

For Mains: Issues with the Free Trade Agreement (FTA) and opportunities for India, Various trade agreements of India and its role in the economic growth, India-Israel Relations, India's Foreign Trade Policy.

Why in News

Recently, the Commerce and Industry Ministry said that India is in dialogue with Israel for concluding a [Free Trade Agreement \(FTA\)](#).

- The announcement coincides with the **30th anniversary** of the establishment of **diplomatic ties between the two countries**.

Key Points

- **Free Trade Agreement (FTA):**
 - It 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.
- **India and FTAs:**
 - After India opted out of the [Regional Comprehensive Economic Partnership \(RCEP\)](#) in November 2019, the 15-member FTA grouping that includes Japan, China and Australia, FTAs went into cold storage for India.
 - But in May 2021 came the announcement that [India-European Union](#) talks, which had stalled in 2013, would be resumed.
 - Both sides are **now engaged in internal preparations** to take these various strands of work forward.
 - **Bilateral free trade agreements** of India are being negotiated with the **United Arab Emirates, the United Kingdom, Australia and Canada**.
 - The agreement with the **UAE was 'close to finalisation'** while the FTA with Australia was at a 'very advanced stage.'
- **Other Important Trade Agreements of India:**
 - [Comprehensive Economic Cooperation and Partnership Agreement \(CECPA\)](#) between India and Mauritius.
 - **South Asia Preferential Trading Agreement (SAPTA):** It is for promoting trade amongst the member countries came into effect in 1995.
 - [South Asian Free Trade Area \(SAFTA\):](#) A Free Trade Agreement confined to goods, but excluding all services like information technology. Agreement was signed to reduce customs duties of all traded goods to zero by the year 2016.

- **Asia Pacific Trade Agreement (APTA):**
 - Previously the Bangkok Agreement, it's a **preferential tariff arrangement** that aimed at promoting intra-regional trade through the exchange of mutually agreed concessions by member countries.
- **Issues in India's Foreign Trade Policy:**
 - **Poor Manufacturing Sector:** In the recent period, manufacturing holds a share of 14% in India's **Gross Domestic Product (GDP)**.
 - For **advanced and developed nations** like Germany, the US, South Korea and Japan, the comparable figures are 19%, 11%, 25% and 21%, respectively.
 - For **emerging and developing countries** like China, Turkey, Indonesia, Russia, Brazil, the corresponding figures are 27%, 19%, 20%, 13%, 9%, respectively, and for low income countries the share is 8%.
 - **Unfavourable FTA's:** In the past decade, India signed FTAs with the **Association of Southeast Asian Nations (ASEAN)**, the Republic of Korea, Japan, and Malaysia.
 - However, it is largely believed that India's trade partners have gained more from these agreements than India.
 - **Protectionism:** The **Atmanirbhar Bharat campaign** has exacerbated the view that India is increasingly becoming a protectionist closed market economy.

Indo-Israel Relations

- **Historical Ties:**
 - The **strategic cooperation** between the two countries began during the **Sino-India War of 1962**.
 - In 1965, Israel supplied M-58 160-mm mortar ammunition to India in the **war against Pakistan**.
 - It was one of the few countries that chose not to condemn **India's Pokhran nuclear tests** in 1998.
- **Economic:**
 - India is **Israel's third-largest trade partner in Asia** and seventh largest globally.
 - Both countries currently have USD 4.14 billion of trade (April 2020 - February 2021), a figure that doesn't include the **defence trade which has been increasing**.
 - Israeli companies have invested in **India in energy, renewable energy, telecom, real estate, water technologies**, and are focusing on setting up Research & Development centres or production units in India.
 - The first recipients of grants from the Israel-India Industrial R&D and **Technological Innovation Fund (I4F)** were announced in July 2018, including companies working to better the lives of Indians and Israelis through efficient water use, improving communications infrastructure, **solar energy** use, and life-changing surgeries.
 - The fund aims to help Israeli entrepreneurs enter the Indian market.
- **Defence:**
 - Israel has been **among the top four arms suppliers to India** for almost two decades now, notching military sales worth around USD 1 billion every year.
 - The Indian armed forces have inducted a wide array of Israeli weapon systems over the years, which range from **Phalcon AWACS** (airborne warning and control systems) and Heron, **Searcher-II and Harop drones** to **Barak anti-missile** defence systems and Spyder quick-reaction anti-aircraft missile systems.
 - The acquisitions also include a host of Israeli missiles and precision-guided munitions, from Python and Derby air-to-air missiles to Crystal Maze and Spice-2000 bombs.
 - At the **15th Joint Working Group (JWG) meeting** on Bilateral Defence Cooperation between India and Israel, both countries agreed to form a Task Force to formulate a comprehensive Ten-Year Roadmap to identify new areas of cooperation.
- **Agriculture:**
 - India and Israel have signed **"a three-year work program agreement"** for development in agriculture cooperation.
- **Covid-19 Response:**
 - In 2020, an Israeli team arrived in India with a multi-pronged mission, codenamed **Operation Breathing Space** to work with Indian authorities on the Covid-19 response.



Way Forward

- Given that India is not party to any mega-trade deals, this would be an important part of a positive trade policy agenda.
- India's trade policy framework **must be supported by economic reforms** that result in an open, competitive, and technologically innovative Indian economy.
- Nationalism, populism, nativism, and protectionism exploit people's sense of being left behind and excluded from the system.
- That is why we **need to focus on ensuring universal inclusion in the economic networks** that allow individuals and families to achieve financial security and pursue opportunities for

betterment.

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