Lessons to be learnt from UK on FTAs

Why in news?

To achieve the export target of 2 trillion dollars by 2030, India is seriously negotiating on Free Trade Agreements (FTAs), but most FTAs happen behind closed doors with very little information available.

What are FTAs?

> *The Ministry of Commerce is the nodal body dealing with FTAs in India.*

- FTAs are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate customs tariff and non-tariff barriers on substantial trade between them.
- FTAs, normally cover trade in goods or trade in services.
- FTAs also cover other areas such as intellectual property rights (IPRs), investment, government procurement and competition policy, etc.
- India is negotiating FTAs with countries such as the European Union, Canada, the U.K., and Israel.
- **Types of FTA**
    - PTA (Preferential Trade Agreement)
    - CECA (Comprehensive Economic Cooperation Agreement)
    - CEPA (Comprehensive Economic Partnership Agreement)
    - Customs Union
    - Common Market and Economic Union

To know more about FTAs, click here

What is the significance of FTAs?

- **Market access** - By eliminating tariffs and some non-tariff barriers, FTA partners get easier market access into one another's markets.
- **Preferential treatment** - Exporters prefer FTAs to multilateral trade liberalization because they get preferential treatment over non-FTA competitors.
- **Protection of local exporters** - FTAs protect local exporters from losing out to foreign companies that might receive preferential treatment under other FTAs.
- **Increased foreign investment -** There is also possibility of increased foreign investment from outside the FTA.

What lessons should India learn from UK regarding FTAs?

In India, entering into treaties and negotiations, signing and ratification are within the constitutional competence of Parliament.

- **Outlining the objective** - The executive should make a clear case outlining of its strategic objectives publicly for entering into negotiations for a FTA treaty.
- **Stakeholder consultation** - The executive should be under an obligation to consult all stakeholders, respond to their concerns and make this information publicly available.
- **Committee for scrutiny** - The Indian Parliament should constitute a committee on the lines of the UK's International Agreements Committee (IAC) for effective scrutiny.
- **Parliamentary debate** - The executive should place the FTA on the floor of Parliament for debate before ratification.

References

1. The Hindu | Quest for transparency in FTA negotiations
2. Commerce Ministry | FAQs on FTAs

