

## Significance of FTAs

### What is the issue?

\n\n

In recent times the idea of establishing free trade agreements (FTAs) is gaining ground.

\n\n

### What are the existing concerns prevailing in world economy?

\n\n

\n

- Erratic and inconsistent stand of the US has sent out confusing signals to the world economy and thwarts the very existence of both the World Trade Organisation (WTO) and multilateralism.

\n

- Under such uncertainties, many developing countries are left with limited options of signing regional trade agreements with their emerging and comfortable trade partners.

\n

\n\n

### What is the global response in this regard?

\n\n

\n

- Policymakers and economists believe FTAs could play a crucial role in pursuing the trade reform agenda.

\n

- Under FTA any two or more countries can establish a free trade area where commerce in goods and services can be conducted across their common borders, without tariffs or hindrances.

\n

- Here it should be clear that under a FTA capital or labor may not move freely.

\n

- Member countries usually impose a uniform tariff (called common external

tariff) on trade with non-member countries.

\n

- Under FTA, if a country is not yet ready for global competition, it can pick and choose trading partners with which it feels relatively more comfortable.

\n

- This may help raise a country's confidence and competitiveness, and pave the way for eventual free trade at the global level.

\n

\n\n

### **How FTA will resolve such issues?**

\n\n

\n

- FTAs can benefit member countries in various ways, like slowly boosting global free trade by allowing member countries to intensify their level of competition.

\n

- It provides time to the domestic industry to adjust, and creating an arena to tackle difficult issues like agricultural subsidies and trade in services.

\n

- The circles of trade that are created through FTA can help converge to form expansive multilateral agreements.

\n

- Long-term political and ethnic hostility among various member countries can be minimised to an extent with the signing of FTAs.

\n

- Formation of FTAs can be seen as a strategic move to consolidate peace and increase regional security among member countries.

\n

- Setting up of FTAs can promote the spirit of open regionalism which would be complementary to a non-discriminatory multilateral system, as espoused by the WTO.

\n

\n\n

\n\n

**Source: Financial Express**

\n\n

\n\n

\n



**SHANKAR**  
**IAS PARLIAMENT**  
*Information is Empowering*