

Overview of Regional Trade Agreements and Trade Policies and its Impact on Indian Economy

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Introduction:

Regional Trade Agreement actually referred to a treaty that is signed between two or more countries for the encouragement of the free movements of goods and services among the member countries. There are some internal rules of this agreement for the member countries which they have to follow among themselves. For dealing with the non-member country, this agreement also have some external rules which they have to follow.

VARIOUS TRADE POLICIES RELATED TO REGIONAL TRADE

AGREEMENTS:

In total there are main five types of trade policies related to Regional Trade Agreements.

These are:

- 1) Preferential Trade Areas
- 2) Free Trade Areas
- 3) Customs Union
- 4) Common Market
- 5) Economic Integration

A brief discussion of different types of trade policies are given below:

1) Preferential Trade Areas: A trading alliance that gives preferential entrance of some determined goods among the participating countries are known as Preferential Trade

Areas. This preferential entrance is mainly shown by reducing tariffs to certain levels without completely abolishing them.

2) Free Trade Area: When a group of countries abolishes all kinds of tariff and non-tariff barriers among themselves, then that area is considered as Free Trade Area. But the countries of this agreement have no common trade policies with the non-member countries. The largest free trade area of the world is Regional Comprehensive Economic Partnership (RCEP) which includes 10 ASEAN (Associations of Southeast Asian Nations) countries, China, Japan, South Korea and also Australia and New Zealand.

3) Custom Unions: When a group of countries puts in an application one general methodology, order and custom duties for almost all of their imports, exports and transferable goods, then that group of countries form the Custom Unions. Countries of custom union generally share common trade and competition policies. The European Union (EU) is the largest custom union in the world in terms of the economic output of its members.

4) Common Market: When several countries create a group with an aim of adopting a common external tariff, then it is called as Common Market. A common market is nothing but an extension of custom union with an additional feature of free movement of labor and capital among the member countries. This agreement focuses on extending better economic advantages to all its member-countries. Economic union (EU) is also the largest common market in the world.

5) Economic Union: Group of countries having both custom union and common market together with financial matters create an Economic Union. This agreement allows free movement of goods, services, money and factors of production over borders. It aims at abolishing internal trade barriers and establishing more political and cultural ties among the member countries. It also aims for economic betterment of the member-countries.

IMPACT OF DIFFERENT TRADE POLICIES ON INDIAN ECONOMY:

Indian economy enjoys mainly two types of regional trade agreements (RTAs), namely:

Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs). Presently, India has 6 limited coverage of Preferential Trade Agreements (PTAs) in addition with 11 Free Trade Agreements (FTAs) with other countries. The list of different FTAs and PTAs are given below:

List of Preferential Trade Agreements (PTAs):

1. Asia Pacific Trade Agreement (APTA): Bangladesh, China, India, Lao PDR, Republic of Korea and Sri Lanka are the current members of APTA. The main objective of APTA is to flourish and expand trade among the developing member countries and also to intensify international economic cooperation.

2. Global System of Trade Preferences (GSTP): This agreement consists of 42 countries where it includes 7 least developed countries (LDCs). The members are Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Cuba, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, MERCOSUR, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, North Korea, Pakistan, Peru, Philippines, Singapore, South Korea, Sri Lanka, Sudan, Thailand, Tanzania, Trinidad and Tobago, Tunisia, Venezuela, Vietnam and Zimbabwe. It aims at enhancing trade and economic growth among its members.

3. SAARC Preferential Trading Agreement (SAPTA): This agreement aims at the promotion and increment of mutual trade and economic cooperation by decreasing trade barriers among the members. It intensifies foreign investment among SAARC nations.

4. India Afghanistan PTA: This agreement mainly aims at the expansion of domestic markets between India and Afghanistan with a process of economic integration and also to boost their economic developments.

5. India – MERCOSUR PTA: This agreement is not so important because trade between India and MERCOSUR countries is very low and limited to some products.

6. India – Chile PTA: The relationship of India and Chile are very good. Both the countries have a larger framework of relationship, mutual understanding, cooperation

and many more.

List of Free Trade Agreements (FTAs):

1. Indian – Sri Lanka Free Trade Agreement (FTA): This agreement is the first FTA signed by India with any other country. After signing of this agreement with Sri Lanka, India's export has increased 10 times in 2005 in comparison with the year 2000 and reached USD 566 million. Not only that India's export has increased 6 times from 2005 and reached USD 3640 million in 2012.

2. Agreement of South Asian Free Trade Area (SAPTA): This agreement has increased bilateral trade between India and SAPTA countries from USD 6.8 billion (1.6 %) in 2005-06 to USD 28.5 billion (2.5%) in 2018-19.

3. India – Nepal Treaty of Trade

4. India – Bhutan Agreement on Trade, Commerce and Transit

5. India – Thailand FTA – Early Harvest Scheme (EHS)

6. India – Singapore Comprehensive Economic Cooperation Agreement (CECA): Singapore provides for India's 22.13% of the total trade with ASEAN countries, with a total FDI of 16% received in 2015.

7. India – ASEAN FTA: Through this India's export has increased from USD 23 billion in 2010 to USD 36 billion in 2018. On the other hand, India's import has increased from USD 30 billion in 2010 to USD 57 billion in 2018.

8. India – South Korea Comprehensive Economic Partnership agreement (CEPA): This agreement has increased trade in both the countries from USD 12 billion in 2009 to USD 21.5 billion in 2018.

9. India – Japan CEPA: The growth of this agreement between India and Japan in the year of implementation had first increased but decreased after year 2011-12. Export of India in 2011 was USD 6.4 billion which has decreased in 2019 and the amount was 4.5 billion. Whereas India's import has constantly increased from USD 11.96 billion in 2011 to USD 12.43 billion in 2019.

10. India – Malaysia CEPA

11. India – Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

Conclusion

From the above discussion it can be concluded that Regional Trade Agreements (RTAs) pave the way for its member countries to get involved more effectively in the multilateral process of economic change, by giving them with chances to analyse with the economic change at a smaller scale and magnitude within the region. Thus, the current aim of regional integration by India and other countries need to be sighted against this understanding that Regional Trade Agreements (RTAs) are structural blocks to the multilateral trading system.

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