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## CERTIFICATE COURSE ON INTERNATIONAL TRADE

### Today's Content – Institutional Framework & Trade Agreements



<b>Institutional Framework &amp; Trade Agreements</b>
World Trade Organization (WTO)
UNCTAD, IMF, World Bank
Regional Trade Agreements (RTAs) – NAFTA, EU, ASEAN, SAFTA
Free Trade Agreements (FTAs) and Bilateral Trade Agreements
India's Foreign Trade Policy (FTP)

## **World Trade Organization (WTO) and Its Role in International Trade: An Indian Perspective**

*The **World Trade Organization (WTO)** is a cornerstone of the healthy system of global trade. By promoting free and fair trade, and resolving related disputes, it plays a crucial role in encouraging economic growth.*

### **About World Trade Organization (WTO)**

- World Trade Organization is a global multilateral organization established in 1995 for the rules based trading between the nations of the world.
- It is a global membership group that promotes and manages free trade.
- It serves as a forum for governments to negotiate trade agreements and settle trade disputes.
- Overall, it aims to help producers of goods and services, exporters, and importers conduct their international businesses smoothly.
- At present, the WTO consists of
  - Around 164 members (including European Union), and
  - 23 observer governments (like Iraq, Iran, Bhutan, Libya etc).

### **Key Objectives of WTO**

- To set and enforce rules for international trade to stimulate economic growth and employment.
- To provide a forum for negotiating and monitoring further trade liberalization by lowering trade barriers and applying principles of known discrimination.
- To resolve trade disputes and contribute to the peace and stability of the world.
- To increase the transparency of decision-making processes, thereby giving the weak a stronger voice.
- To cooperate with other major international economic institutions involved in global economic management.
- To help developing countries take full benefits from the global trading system, thereby cutting the cost of doing business.
- To encourage good governance by reducing arbitrariness.

### **Evolution of World Trade Organization**

Though the WTO came into existence on 1<sup>st</sup> January 1995, the history of its establishment dates back to 1945.

### **Idea of International Trade Organisation (ITO)**

- After World War II, Western Countries came out with an idea to create an International Trade organization (ITO) to handle the trade side of the international economic cooperation.

- It was conceived as the third international institution along with two “Bretton woods” institutions and as a specialized agency of the UN.
- However, the major countries, including the USA, failed to get this treaty ratified in their respective legislatures.
  - Thus, this treaty became a dead letter.

### **General Agreements on Trade and Tariff (GATT)**

- An agreement called the General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in Geneva, and came into force on Jan. 1, 1948 with the purpose of phasing of import quotas and reducing tariffs on merchandise trades.
- During the period 1948 to 1994, most of the world trade was governed by the General Agreement on Tariffs and Trade (GATT).

### **Uruguay Round of 1986-94**

- With the world trade becoming more and more complex, GATT was not able to deal with it.
- The final chapter of the trade negotiations under GATT was the Uruguay Round which was the most extensive of all.
- The Uruguay Round of GATT led to the formation of WTO and a new set of agreements.

### **Era of World Trade Organization**

- The WTO regime was signed during the April 1994 ministerial meeting at Marrakesh, Morocco, and hence is known as the Marrakesh Agreement.
- The contracting parties of GATT 1947 automatically became the members of WTO and then the agreement was opened to be accession by other countries.

### **GATT Vs WTO**

The **World Trade Organization** is not simply a continuation of the GATT. It, rather, has a completely different character. The difference between the two can be seen as follows.

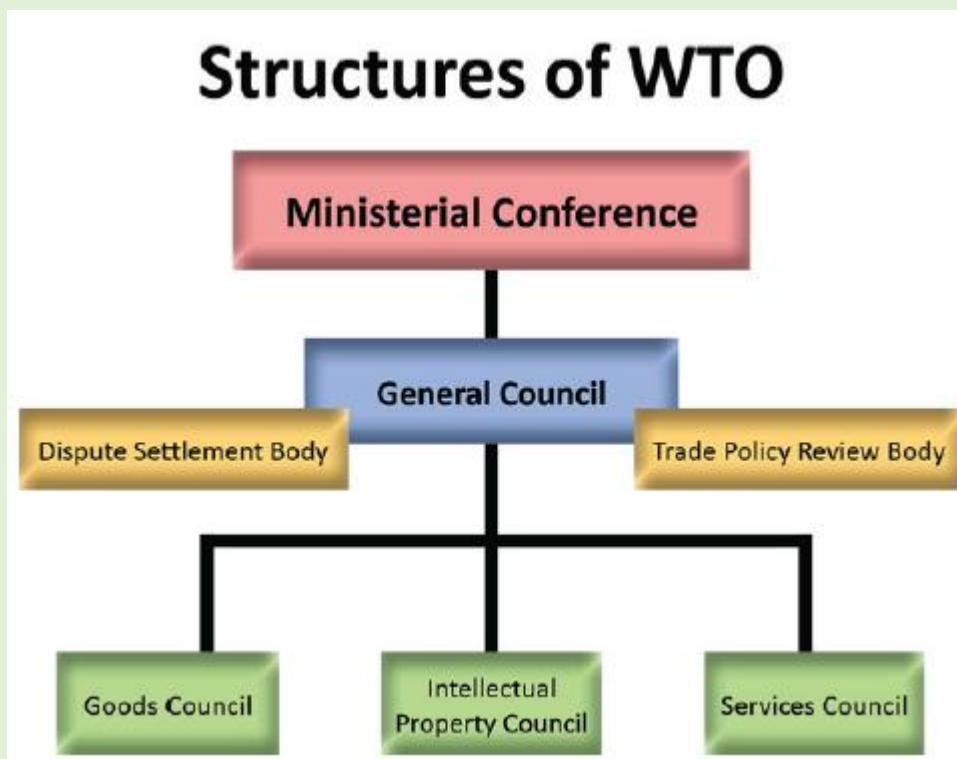
<b>Basis of Difference</b>	<b>General Agreements on Trade and Tariff</b>	<b>World Trade Organisation</b>
<b>Institutional Foundation</b>	A series of rules, a multilateral agreement without an institutional foundation and with just an ad hoc secretariat, originating from the attempt to establish an International Trade organisation in the 1940s.	A permanent institution with its own secretariat.
<b>Applicability</b>	GATT rules applied to trade in goods only.	The WTO covers trade in goods as well as services and also trade-

<b>Basis of Difference</b>	<b>General Agreements on Trade and Tariff</b>	<b>World Trade Organisation</b>
		related aspects of intellectual property rights.
<b>Disputes Settlement System</b>	GATT has less powerful dispute settlement system which is also slow and less efficient, and its ruling could be easily blocked.	The dispute settlement system of the WTO is based on automatic mechanism, and not on dilatory mechanisms. It is also quicker and binding on the members.

## India and World Trade Organisation

- India has been member of the GATT since 1948.
- Indian was also a party to Uruguay Round and a founding member of the World Trade Organisation.

## Organizational Structure of WTO



## **Ministerial Conference (MC)**

- The Ministerial Conference (MC) sits at the top of the structural organisation of the WTO.
- It is the supreme governing body that makes the final decisions on all matters.
- It is constituted by representatives of all the member countries, who are usually, Ministers of Trade of the respective countries.
- It usually meets after every 2 years.

## **General Council (GC)**

- The General Council is the highest-level decision-making body of the World Trade Organisation.
- It is located in Geneva, and meets regularly to carry out the functions of the World Trade Organisation.
- The General Council (GC) is composed of representatives from all the members.
- It is the real engine of the Organisation, which acts on behalf of the Ministerial Conference (MC).
- It also acts as the Dispute Settlement Body (DSB) as well as the Trade Policy Review Body.

## **Three Councils of WTO**

- There are three WTO councils operating under the General Council. They include:
  - Council for Trade in Goods,
  - Council for Trade in Services, and
  - Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- These Councils, with their subsidiary bodies, carry out their designated specific responsibilities.

## **Director General (DG)**

- The administration of the World Trade Organisation is conducted by the Secretariat, headed by the Director General (DG)
- The Director General (DG) is appointed by the Ministerial Conference (MC) for a tenure of four years.
- The Director General (DG) is assisted by the four Deputy Directors from different member countries.

## **Trade Policy Review Body (TPRB)**

- The General Council meets as the Trade Policy Review Body (TPRB) to undertake trade policy reviews of members under the Trade Policy Review Mechanism (TPRM) and to consider the Director-General's regular reports on trade policy development.
- Thus, the TPRB is open to all the members of the WTO.

## **Dispute Settlement Body (DSB)**

- The General Council convenes itself as the Dispute Settlement Body (DSB) to deliberate upon and resolve the disputes among the WTO members.
- Such disputes may arise w.r.t. any agreement contained in the Final Act of the Uruguay Round that is subject to the Understanding of Rules and Procedures Governing the Settlement of Disputes (DSU).
- The DSB has the authority to:
  - establish dispute settlement panels,
  - refer matters to arbitration,
  - adopt panel, Appellate Body and arbitration reports,
  - maintain surveillance over the implementation of recommendations and rulings contained in such reports, and
  - Authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

## **Appellate Body**

- The Appellate Body was established in 1995 under Article 17 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).
- The DSB appoints persons to serve on the Appellate Body for a term of four years.
- It is a standing (permanent) body of 7 persons that hears appeals from reports issued by panels in disputes brought by members of the World Trade Organisation.
- The Appellate Body can uphold, reverse or modify the legal findings and conclusions of a panel.
- Once adopted by the Dispute Settlement Body (DSB), the reports of the Appellate Body must be accepted by the parties to the dispute.
- The seat of the Appellate Body is in Geneva, Switzerland.

## **Principles of World Trade Organisation**

### **Non-Discrimination**

- Non-discrimination is a fundamental principle of the multilateral trading system and is recognized, in the Preamble of the WTO Agreement, as a key instrument to achieve the objectives of the World Trade Organisation.
- In the Preamble, its members express their desire to eliminate discriminatory treatment in international trades.
- Non-discrimination in the World Trade Organisation is embodied by two principles as explained below:

### **Most Favored Nation (MFN)**

- Pursuant to the WTO agreements, countries cannot discriminate among their trading partners.

- If a Member grants to a country a special favour (e.g. a lower customs duty on any of its products) it must grant the same favour immediately and unconditionally to all WTO members.
- The MFN principle applies to trade in goods, trade in services, as well as trade-related aspects of intellectual property.

### **Exceptions to MFN Rule**

- Countries can set up a Free Trade Agreement (FTA) that applies only to goods traded within the group, discriminating against goods from outside.
- They can give developing countries and LDCs a special access to their markets.
- A country can raise barriers against products that are considered to be traded unfairly from specific countries.
- In services, countries are allowed (in limited circumstances) to discriminate.

### **National Treatment Obligation**

- It states that, Imported and locally-produced goods in a country should be treated equally once the foreign goods have entered the domestic market.
- The same should apply to domestic and foreign services, and to local and foreign trademarks, patents and copyrights.
- This principle of “national treatment” is also found in all three main WTO agreements.

### **Free Trade and Market Access**

- Lowering trade barriers for encouraging trade is one of the prime objectives of the WTO.
- The two main categories of barriers to market access for goods are – Tariff Barriers and Non-Tariff Barriers.
- Thus, the WTO Principles ask for the following in order to achieve its objective of promoting free trade and market access:

### **Reducing Tariff Barriers**

- One outcome of the Uruguay Round was countries’ commitments to cut tariffs and to “bind” their customs duty rates to levels that cannot be easily increased.
- In the Uruguay Round, there was also a significant increase in the number of “bound” tariffs.
- A “bound tariff” is a tariff for which there is a legal commitment not to raise it above the bound level.
- The bound level of the tariff is the maximum level of customs duty to be levied on products imported into a member country.

## **Reducing Non-Tariff Barriers**

- Non-tariff barriers include quantitative restrictions (such as quotas) and other barriers (for example, lack of transparency in trade regulation, unfair and arbitrary application of trade regulations, customs formalities, technical barriers to trade and government procurement practices).
- WTO rules prohibit the introduction or maintenance of quantitative restrictions.
- The only restrictions on free trade that the WTO permits are duties, taxes or other charges, and safeguards or emergency actions in limited circumstances.

## **Promoting Fair Competition**

- The WTO system of multilateral trading system provides for transparent, fair and undistorted competition among the various countries.
- Rules such as Most Favored Nation (MFN) treatment to all trading parties, equal treatment to foreign goods, patents and copyrights as with nationals ensure fair competition among trading countries.
- Besides, the WTO agreement provides for discouraging unfair competitive practices, such as dumping and export subsidies.

## **Special Concern for Developing Countries**

- The WTO agreements include numerous provisions giving developing and LDCs special rights or extra leniency, known as “Special and Differential Treatment”.
- It includes provisions that allow developed countries to treat developing countries more favourably than other members of the World Trade Organisation.
- Other measures include:
  - Extra time given to developing countries for fulfilling their commitments in respect of various WTO agreements.
  - Provisions designed to increase developing countries’ trading opportunities through greater market access.
  - Provisions requiring the members of the World Trade Organisation to keep and protect the interests of developing countries while adopting any domestic or international measures (e.g., in anti-dumping, safeguards, technical barriers to trade).

## **WTO Dispute Settlement Mechanism**

- The responsibility of settling disputes lies with the Dispute Settlement Body (DSB), which consists of all the members of the World Trade Organisation.
- The detailed process of Dispute Settlement by the World Trade Organisation is as follows:

## Process of Dispute Settlement

- **First stage:** Consultation up to 60 days, aimed at settling the trade disputes through conciliation.
- **Second stage (up to 1 year):** In case the consultations fails to settle the dispute, the DSB forms a Dispute Panel.
  - The report of the Dispute Panel can be rejected only through consensus among the DSB members.
- **Appeal Stage:** Either side can appeal the Dispute Panel's ruling.
  - Each appeal is heard by three members of a permanent 7-membered Appellate Body.
  - The Appellate Body can uphold, reverse or modify the Dispute Panel's rulings.
  - The Dispute Settlement Body has to accept or reject the report of the Appellate Body; Rejection of its report is only possible by consensus.

## Present Issue with Dispute Settlement Mechanism

- The sanctioned strength of the Appellate Body (AB) is seven members.
- The Appellate Body members are appointed through consensus among the member countries.
- The AB must have quorum of 3 judges to hear a particular case.
- US has been blocking appointment of members to the Appellate Body (AB) as it feels that the AB is "unfair" and biased against it.
- Since December 10, 2019, the AB has been left with only 1 Judge and the quorum required to hear a case is minimum 3 judges. Hence, the Appellate Body has become dysfunctional.

## WTO Agreements

- The World Trade Organisation oversees about 60 different agreements, all of which have the status of international legal texts.
- Member countries, on accession, must sign and ratify all WTO agreements.
- Some of the most important agreements are shown as follows:



### Important WTO Ministerial Conferences

- Ministerial Conference (MC) of the World Trade Organisation is the supreme governing body which takes the final decisions on all matters.
- It consists of the representatives of all the members of the World Trade Organisation members, who are, usually, the Ministers of Trade of the respective countries.
- The Ministerial Conference, usually, meet after every 2 years.

### Challenges and Issues with WTO

- **China's State Capitalism:** Given the size and growth of Chinese economy, the nature of China's economic system has created tensions in the global trading system. The rulebook of the World Trade Organisation is inadequate for addressing the challenges posed by the Chinese economy.
- **Plurilateral Vs. Multilateral Agreements:** The debate has arisen between the developing and developed countries w.r.t. the nature of trade negotiations under the World Trade Organisation. While the developed countries have been pushing for plurilateral agreements, developing countries led by India want the continuation of multilateral framework in order to take into account the special needs and interests of poor and developing countries.
- **Agreement on Fishery Subsidies:** Its member countries are presently negotiating a multilateral treaty of Fishery Subsidies, which seeks to prohibit and ban certain forms of fisheries subsidies that contribute to overfishing and overcapacity. While the developed countries have been insisting that larger developing countries like India and China should not continue to get special and differential treatment, India has

argued that special and differential treatment should be built into the fisheries subsidies agreement.

- **Agreement on e-Commerce:** The developed countries led by the USA have put forward a number of proposals which include tackling barriers that prevent cross-border sales, addressing forced data localisation requirements, and permanently banning customs duties on electronic transmissions, among others. India has clearly stated that it is against any binding rules in e-commerce.
- **Permanent Solution to Public Stock Holding:** India has been demanding a permanent solution on Public stockholding in order to implement National Food Security Act. At the Bali Ministerial Conference (December 2013), India secured a “peace clause”. Under this clause, if India exceeds the 10% subsidy limit set by the Agreement on Agriculture (AoA), other member countries will not initiate legal action through the dispute settlement mechanism.
  - In 2014, India forced developed countries to clarify and assure that the peace clause will continue indefinitely until a permanent solution is found.
- **Lack of Transparency:** There is no universally accepted definition of what qualifies as a developed or developing country. Members can self-designate as developing countries to receive “special and differential treatment,” a practice that is often contested.
- **Defunct Dispute Settlement Body:** The Dispute Settlement Body (DSB) has been lying defunct since last many years due to non-appointment of judges in the Appellate Body (AB).

## Conclusion

The **World Trade Organisation** remains a cornerstone of the global trading system. As the global economic interaction becomes more and more complex, its role in facilitating international trade, resolving disputes, and fostering economic cooperation is more critical than ever. Necessary reforms must be carried out in the World Trade Organisation to address emerging trade issues and ensure that the benefits of global trade are shared equitably.



*International Economic Organizations* are pivotal in shaping the global economic landscape. They play a crucial role in fostering global economic stability, facilitating trade, and promoting development in the present increasingly interconnected world.

### What are International Economic Organizations?

- **International economic organizations** refer to institutions that are composed of multiple member countries, working together to address global economic issues, set standards, facilitate trade, promote development, and ensure financial stability.
- These organisations work to foster international economic cooperation and collaboration,
- Overall, they aim to contribute to regional as well as global economic growth and development.

### Major International Economic Organizations

Some of the most important International Economic Organizations include:

- **Bretton Woods Institutions**
  - World Bank Group (WBG)
  - International Monetary Fund (IMF)
- **Other International Economic Organizations**
  - BRICS New Development Bank (NDB)
  - Asian Development Bank (ADB)
  - Asian Investment Infrastructure Bank (AIIB), etc.

Each of these institutions has been discussed in detail in the sections that follow.

## **Bretton Woods Institutions**

- The Bretton Woods institutions are one of the most important international economic organizations that were established in 1944 at the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire.
- After the Second World War, delegates from 43 countries met to help rebuild the shattered post-war economy and promote international economic cooperation, create a new international monetary system to ensure a foreign exchange rate system, prevent competitive devaluations, and promote economic growth.
- One of the major outcomes of the Bretton Woods Agreement was the creation of the institutions – International Monetary Fund (IMF) and the World Bank (with its first group institution IBRD).
- International Monetary Fund and World Bank, together, are popularly called as Bretton Woods Institutions or Bretton Woods Twins.
- John Maynard Keynes was one of the founding fathers of the two institutes.

## **International Monetary Fund (IMF)**

- The International Monetary Fund (IMF) is an international organization of 189 countries, which works to secure financial stability, foster global monetary cooperation, facilitate international trade, promote sustainable economic growth and high employment, and reduce poverty around the world.
- The IMF formally came into existence on 27 December 1945.
- It is one of the Bretton Woods Institutions.

## **World Bank and World Bank Group (WBG)**

### **World Bank**

- The World Bank is a product of the Bretton Woods Agreement, which came into formal existence on 27 December 1945.
- The World Bank serves as a provider of financial and technical assistance to developing countries across the world.
- The World Bank is headquartered in Washington, D.C.

### **World Bank Group**

- The term “World Bank” generally refers to just the IBRD and IDA as they share the same leadership and staff, whereas the term World Bank Group or WBG is used to refer to a set of five distinct yet complementary organisations.
- The organisations which make part of the World Bank Group (WBG) include:
  - International Bank for Reconstruction and Development (IBRD)
  - International Development Association (IDA)
  - International Finance Corporation (IFC)
  - Multilateral Investment Guarantee Agency (MIGA)
  - International Centre for Settlement of Investment Disputes (ICSID)

## Other International Economic Organizations

- Apart from the two Bretton Woods Institutions, there are other International Economic Organizations that play an important role in the global economy.
- Some of the most prominent of these International Economic Organizations are discussed below.

### BRICS New Development Bank (NDB)

- The BRICS New Development Bank, commonly known as the BRICS Bank, is a multilateral development institution founded by the BRICS nations.
- Its purpose is to aid infrastructure and sustainable development projects in BRICS countries and other underserved emerging economies, fostering faster development through innovation and advanced technology.
- The Bank complements the efforts of other existing financial institutions to realise the common global growth.
- It is **headquartered in Shanghai, China**.

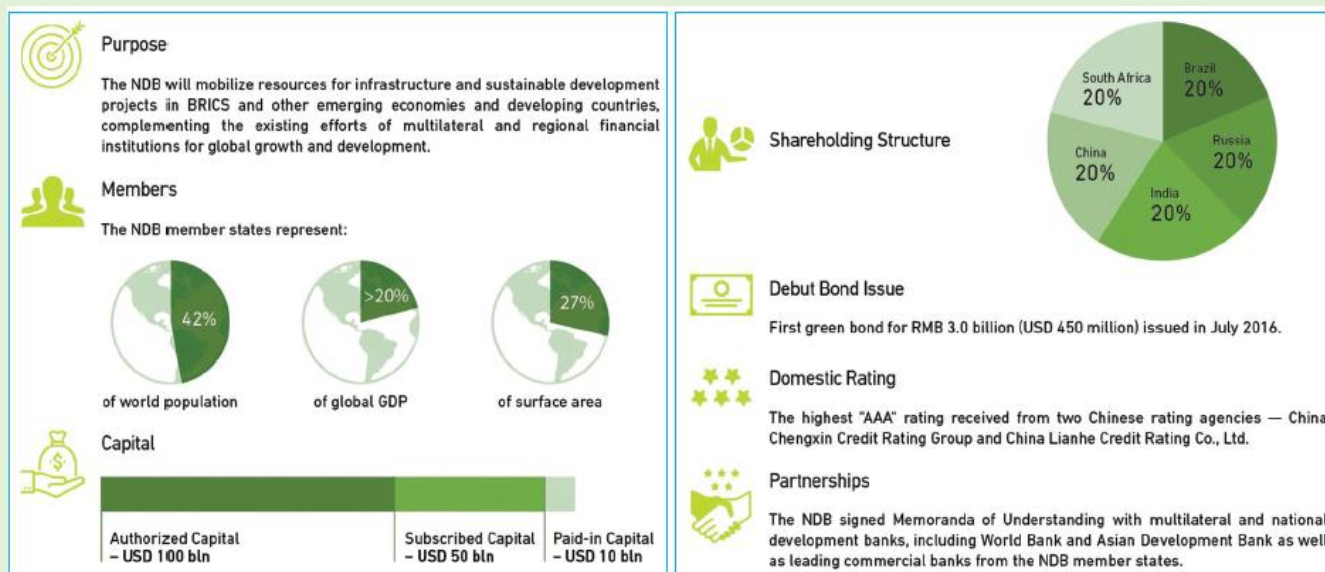
### Member Countries of BRICS New Development Bank (NDB)

- **Founding Member Countries:** Brazil, Russia, India, China, South Africa
- **New Members of BRICS New Development Bank:** Bangladesh, UAE, Egypt
- **Prospective Members:** Uruguay

### Objectives of BRICS New Development Bank

- Fostering development of member countries.
- Supporting economic growth.
- Promoting competitiveness and facilitating job creation.
- Building a knowledge-sharing platform among developing countries.

To fulfil its purpose, the Bank supports public or private projects through financial instruments such as guarantees, loans, guarantees, equity participation, etc.



## Asian Development Bank (ADB)

- Asian Development Bank, set up in 1966, is a regional development bank that **aims for an Asia-Pacific free from poverty**.
- Its mission is to assist developing member countries in reducing poverty and enhancing the quality of life for their citizens.
- It is **headquartered in Manila, Philippines**.

## Member Countries of Asian Development Bank

- At present, the Asian Development Bank consists of 68 member countries, of which 49 are from Asia & Pacific region.
- India has been a founding member of ADB.

## Functions of Asian Development Bank (ADB)

- Providing loans and equity investments to promote the economic and social progress of its developing member countries.
- Providing technical assistance and advisory services for the preparation and execution of development projects and programs.

## Asian Investment Infrastructure Bank (AIIB)

- The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank, aimed at **supporting the development of infrastructure and regional connectivity projects in the Asia & Pacific region**.
- It was established in December 2015 and was officially opened for business in January 2016.
- It is **headquartered in Beijing, China**.

## Member Countries of Asian Investment Infrastructure Bank (AIIB)

- Membership of the AIIB is open to all members of the World Bank and the Asian Development Bank (ADB) and is divided into regional and non-regional members.
- Unlike other Multilateral Development Banks, the AIIB allows for non-sovereign entities to apply for its membership, assuming their home country is a member.

## Goals of Asian Investment Infrastructure Bank (AIIB)

- To address the daunting infrastructure needs across Asia by promoting inter-connectivity and economic development in the region through advancements in infrastructure and other productive services.
- To improve infrastructure connectivity, foster sustainable economic development and create wealth in Asia by investing in infrastructure and other productive sectors.
- To foster regional cooperation and partnership in tackling development challenges by working closely with other multilateral and bilateral development institutions.
- To promote investment in the private and public capital for development purposes, and in particular for the development of infrastructure and other productive sectors.
- To utilize the resources at its disposal to finance such development projects and programs in the region that will contribute most effectively to the harmonious economic growth of the region.

## Importance of International Economic Organizations

International Economic Organizations play an important role in various spheres across the world. Some of them are as follows:

- **Promoting Economic Stability:** They help stabilize the global economy by providing financial assistance and policy advice during economic crises.
- **Fostering Development:** They support development projects and initiatives that improve living standards in developing countries.
- **Encouraging Trade:** By reducing trade barriers and establishing common rules, they enhance global trade. This, in turn, fuels economic growth.
- **Enhancing Cooperation:** International economic organizations provide platforms for countries to collaborate and address global economic challenges collectively.
- **Setting Standards:** These international economic organizations establish international standards and best practices in various economic areas, such as trade, finance, and development.

## Conclusion

International Economic Organizations play a pivotal role in the global economy by promoting cooperation, stability, and development. While they have achieved significant successes, they also face criticism and challenges that require ongoing adaptation and reform. Necessary reforms should be carried out in these international economic organizations to make them more effective.

## Regional Trade Agreements (RTAs)

### What are RTAs?

- Regional Trade Agreements (RTAs) are treaties between two or more countries within a specific region to facilitate trade by reducing or eliminating trade barriers, such as tariffs and quotas.

### Types of RTAs

- Free Trade Agreements (FTAs)
- Customs Unions
- Common Markets
- Economic Unions

### Significance in Global Trade

- Trade Liberalization
- Economic Integration
- Market Expansion: RTAs provide businesses access to larger markets, increasing trade volume and investment opportunities.
- Competitive Advantage: Strengthen the competitiveness of member nations by leveraging regional strengths and resources.
- Global Supply Chain
- Political and Economic Stability
- Adaptation to Globalization

## European Union (EU)

### Historical Background and Formation

- **Origins:** The EU traces its origins to the **European Coal and Steel Community (ECSC)** in **1951** and the **European Economic Community (EEC)** in **1957**, which aimed at economic cooperation and preventing future conflicts in Europe.
- **Formation:** The **Treaty of Maastricht (1992)** formally established the European Union, marking a shift toward political and economic integration.
- **Founding Members:** Initially, six countries: **Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.**

### Objectives and Key Features

- Enhance political and economic stability in Europe, preventing wars and fostering peaceful cooperation.

- Create a single market allowing the free movement of goods, services, people, and capital.
- Introduction of a common currency, the Euro, to promote economic stability.
- Focus on economic growth, environmental protection, and social inclusion.
- Foster a unified approach to external relations, security, and defense.
- Promote balanced regional development and reduce economic disparities between member states.

## Member Countries

- **Current Members:** 27 European countries, including France, Germany, Italy, Spain, the Netherlands, and others.
- **Notable Exits:** The United Kingdom (UK) formally left the EU in 2020 after a referendum known as Brexit.
- **Expansion:** The EU has expanded over time, especially after the fall of the Soviet Union, incorporating countries from Central and Eastern Europe.

## ASEAN (Association of Southeast Asian Nations)

### Origin and Purpose

- ASEAN was founded on August 8, 1967, in Bangkok, Thailand, by five founding members: **Indonesia, Malaysia, the Philippines, Singapore, and Thailand.**
- Purpose:
  - Promote regional stability, economic cooperation, and peace in Southeast Asia.
  - Foster mutual respect for cultural diversity and non-interference in domestic affairs.

### Member Nations

ASEAN has 10 member countries:

- Brunei
- Cambodia
- Indonesia
- Laos
- Malaysia
- Myanmar
- Philippines
- Singapore
- Thailand
- Vietnam

## Trade Initiatives and Economic Integration

1. ASEAN Free Trade Area (AFTA):
  - Established in 1992, AFTA aims to reduce tariffs and trade barriers within the region, encouraging intra-ASEAN trade.
2. ASEAN Economic Community (AEC):
  - Established in 2015, AEC seeks to create a single market and production base in Southeast Asia, allowing the free flow of goods, services, investments, skilled labor, and capital.
3. ASEAN Trade in Goods Agreement (ATIGA):
  - Provides a framework for the elimination of tariffs on goods traded between member countries, aiming to boost intra-ASEAN trade.
4. External Trade Agreements:
  - ASEAN has signed free trade agreements with major economies such as China, Japan, South Korea, and Australia. These agreements enhance regional trade and cooperation.

## **SAARC (South Asian Association for Regional Cooperation)**

### **Formation**

- SAARC was established on December 8, 1985, in Dhaka, Bangladesh, with the signing of the SAARC Charter.
- It was formed to promote regional cooperation and improve the socio-economic conditions of South Asia.

### **Objectives:**

- Promote peace, stability, and progress in South Asia.
- Foster regional integration and development through cooperation in various sectors such as agriculture, education, trade, and technology.
- Address issues like poverty, inequality, and environmental challenges.

### **Key Member Countries**

#### **Current Members:**

- Afghanistan (joined in 2007)
- Bangladesh
- Bhutan
- India
- Maldives
- Nepal
- Pakistan
- Sri Lanka
- Afghanistan became the newest member in 2007, bringing the total to 8.

### **Role in Regional Development**

- SAARC focused on regional trade agreements (SAFTA) and collaboration in sectors like agriculture, industry, and technology.
- It launched initiatives to improve health, education, and human development through programs like the SAARC Development Fund (SDF).

Aspect	European Union (EU)	ASEAN (Association of Southeast Asian Nations)	SAARC (South Asian Association for Regional Cooperation)	NAFTA (North American Free Trade Agreement)
Formation	1951 (ECSC), 1992 (EU established)	1967	1985	1994 (Replaced by USMCA in 2020)
Objectives	Political and economic integration, peace, economic growth	Economic cooperation, regional peace, cultural exchange	Regional development, poverty reduction, peace promotion	Trade liberalization, economic growth, job creation
Members	27 European countries	10 Southeast Asian countries	8 South Asian countries	U.S., Canada, Mexico
Key Features	Common currency (Euro), single market, political union	ASEAN Free Trade Area (AFTA), Economic Community (AEC)	South Asian Free Trade Area (SAFTA), social and cultural programs	Free trade, investment, and tariff elimination among members
Key Achievements	Economic integration, common currency, global influence	Increased intra-regional trade, regional cooperation	Enhanced trade, development projects, cultural cooperation	Increased trade, investment, and job creation, economic integration
Key Criticisms	Economic disparities, Brexit,	Political differences, economic	Political tensions (India-Pakistan),	Job losses in certain sectors,

	political tensions	disparities, lack of enforcement	economic inequalities	income inequality, environmental concerns
<b>Regional Influence</b>	Strong global political and economic influence	Moderate influence in Asia-Pacific region	Limited regional influence due to political tensions	Strong influence in North America and global trade
<b>Economic Impact</b>	High, with a single market and common currency	Significant growth in regional trade and investment	Moderate growth, but hindered by political tensions	Strong economic growth in member nations, trade volume increase

## NAFTA (North American Free Trade Agreement)

### Formation and Evolution

- NAFTA was signed on December 17, 1992, by the United States, Canada, and Mexico and came into effect on January 1, 1994.
- It aimed to create a trilateral trade bloc by eliminating tariffs and other trade barriers.

### USMCA (United States-Mexico-Canada Agreement):

- NAFTA was replaced by USMCA on July 1, 2020, after renegotiations led by the Trump administration.
- The new agreement modernized provisions on intellectual property, digital trade, labor, and environmental standards.

### Objectives

- Trade Liberalization
- Economic Growth
- Job Creation
- Market Access

### Member Nations

- United States
- Canada

- Mexico

## **Conclusion**

Regional Trade Agreements (RTAs) such as the European Union (EU), ASEAN, SAARC, and NAFTA (now USMCA) are key to understanding global trade dynamics. These agreements promote economic cooperation, trade liberalization, and political integration among member countries. The EU leads with deep political and economic unity, while ASEAN and SAARC focus on regional development and peace despite political challenges. NAFTA, replaced by USMCA, significantly boosted trade and investment in North America. Each agreement has unique objectives and achievements, yet faces challenges like economic disparities and political tensions. Understanding these RTAs is crucial as they provide insights into economic integration, trade policies, and the complexities of international trade.

## **Foreign Trade Policy of India 2023**

The world changes constantly, and so does India's trade policy to grab chances and meet needs. The foreign trade policy 2023 is part of this change, aiming to up India's game globally.

### **What is Foreign Trade Policy (FTP) of India?**

**India's foreign trade policy, or FTP, is an essential set of rules on how India does business with the world.** The Directorate General of Foreign Trade (DGFT) takes charge of it. The main goals of India's FTP are to boost exports, create favourable conditions for trade, and support steady economic growth.

### **Objectives of Foreign Trade Policy**

Here are the main objectives of foreign trade policy, which aim to improve how India trades with the world:

#### **Global Integration of India**

The goal of the foreign trade policy FTP is to combine India with the world markets smoothly. It aims to showcase India as a trustworthy trade partner globally.

#### **Creating a Supportive Ecosystem**

Shifting from incentives, India's foreign trade policy strives to build an environment that supports businesses, in line with the principles of 'Atma Nirbhar Bharat' and 'Local goes Global.'

#### **Preparing for the Future**

It's about gearing India up to face future challenges, focusing on making it one of the top exporting nations, especially during the anticipated 'Amrit Kaal' period.

#### **Collaborating with State Governments**

Recognising the importance of local efforts, the policy encourages partnerships with state governments to promote exports at the grassroots level.

#### **Tripling India's Goods and Services Exports**

The policy aims to push India's exports up to \$2 trillion by 2030. This is a huge jump from the present \$760 billion.

## **History of Foreign Trade Policy in India**

India's foreign trade policy has evolved. Initially, it aimed at self-sufficiency by limiting imports through high tariffs and restrictions. However, reforms in the 1980s and 1990s brought about significant changes, reducing tariffs and opening up to foreign investment. Post-liberalisation, India has continued simplifying trade procedures and focusing on key sectors like IT and manufacturing. Joining regional and global trade agreements has further connected India to the world economy. Recent efforts have focused on making trade easier and boosting India's global trade share, aiming to establish it as a top manufacturing and export destination.

## **First Foreign Trade Policy of India**

Before 1992, India had no foreign trade policy but operated under various laws and regulations. However, the 1992 [Export-Import \(EXIM\) Policy](#) changed this by introducing a comprehensive approach to trade. It reduced tariffs and restrictions, making importing goods easier and attracting foreign investment. The policy also aimed to boost exports by offering incentives and simplifying procedures.

## **New Foreign Trade Policy Approach**

The new foreign trade policy approach changes India's trade strategy. It aims to ensure continuity and responsiveness, with revisions scheduled as needed based on feedback from trade and industry sectors. This new foreign trade policy focuses on tax remission over incentives and emphasises greater trade facilitation through technology and collaboration among exporters, states, and districts. It also targets emerging areas like e-commerce exports and streamlines Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) policies, reflecting a comprehensive approach to India's foreign trade.

## **Highlights of Foreign Trade Policy 2023**

Here are the main foreign trade policy 2023 highlights, focusing on incentives for exporters and collaborative export promotion efforts:

### **Incentive to Remission**

These benefits include duty refunds, the export growth capital equipment plan, the pre-clearance scheme, and free trade agreements (FTAs).

### **Export Promotion through Collaboration**

The policy assists in identifying the challenges and devising strategies for increasing exports. Also, it encourages collaboration among the exporters, districts, states and Indian missions outside.

### **Ease of Doing Business**

The policy simplifies paperwork and documentation processes to make exporting cost-effective and simplified for businesses.

### **Emerging Areas**

The policy seeks to position India as a leading manufacturing, pharmaceutical, and e-commerce player.

### **Key Features of Foreign Trade Policy 2023**

Let's explore the key features of the foreign trade policy 2023, shedding light on significant initiatives aimed at enhancing India's trade ecosystem:

#### **Process Re-Engineering and Automation**

The foreign trade policy 2023 prioritises efficiency through automated IT systems, reducing paperwork and streamlining processes. Continuation of schemes like Advance Authorisation and Export Promotion Capital Goods (EPCG) ensures accessibility to export benefits, especially for [MSMEs](#), with reduced fees and simplified procedures.

#### **Towns of Export Excellence**

Introducing Faridabad, Mirzapur, Moradabad, and Varanasi as Towns of Export Excellence (TEE) alongside existing ones aims to boost exports, particularly in handlooms, handicrafts, and carpets. These TEEs will receive priority access to export promotion funds and benefit from Common Service Provider (CSP) support under the EPCG Scheme.

#### **Recognition of Exporters**

Exporter firms recognised for their performance will engage in capacity-building initiatives. Additionally, exporters with 2-star and above status will impart trade-related training, contributing to India's skilled workforce for economic growth.

#### **Promoting Export from the Districts**

Collaborating with State governments, the policy aims to promote district-level exports through the Districts as Export Hubs (DEH) initiative. This involves identifying export opportunities and resolving concerns through State and District Export Promotion Committees.

## **Streamlining SCOMET Policy**

With an enhanced understanding of SCOMET regulations, the policy strengthens compliance with international treaties. This ensures access to advanced goods and technologies for Indian exporters while facilitating controlled exports under SCOMET from India.

## **Facilitating E-Commerce Exports**

Plans for e-commerce hubs and simplified procedures aim to boost e-commerce exports. Increased caps on courier exports and establishing Dak Niryat Facilitation Centers will support artisans, weavers, artisans, and MSMEs in reaching international markets.

## **Facilitation under the EPCG Scheme**

The rationalisation of the [EPCG Scheme](#) includes exemptions for the dairy sector and reduced obligations for green technology products. The addition of the PM MITRA scheme expands benefits under the EPCG Scheme.

## **Facilitation under the Advance Authorisation Scheme (AAS)**

The Advance Authorisation Scheme offers duty-free imports for manufacturing export items, with special provisions for prompt execution of export orders. Benefits are extended to 2-star and above status holders.

## **Merchanting Trade**

Introducing merchanting trade enables the trade of restricted items without involving Indian ports, aiming to develop India as a merchanting trade hub akin to its global counterparts.

## **Amnesty Scheme**

The one-time Amnesty Scheme addresses defaults on export obligations, relieving exporters burdened by duty and interest costs. Regularisation of pending cases offers exporters a fresh start with capped interest payments.

## **Impact of Foreign Trade Policy on Import**

FTP 2023 streamlines import documentation requirements, reducing processing times through the use of digital technologies and making customs clearance more efficient. It reduces the cargo release time.

However, there are certain exceptions, such as prohibiting importing gifts through post or courier, including those purchased from e-commerce portals, unless these are life-saving drugs or medicines and rakhi.

The foreign trade policy 2023 lays the groundwork for increased trade chances. It values innovation, teamwork, and easing tasks. By refining procedures and introducing specific benefits, the policy's goal is to boost exporters, stir up economic progress, and strengthen India's global marketplace stance.



