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EDITORIAL ANALYSIS

Free Trade Deals Are a Start, Not a Substitute for Reform

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THE LIFT LINE

A free-trade agreement opens a door. It does not walk your goods through it. India is entering its most ambitious phase of trade diplomacy in a generation, yet the hard truth is that a tariff line falling to zero abroad means little if a shipment leaves an Indian factory late, over-costed and unable to prove where its inputs came from.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

India has moved from a decade of reluctance on trade deals to a busy signing calendar. The **India-UK Comprehensive Economic and Trade Agreement (CETA)** entered into force in **July 2026**, the **India-EFTA Trade and Economic Partnership Agreement (TEPA)** with Switzerland, Norway, Iceland and Liechtenstein is being operationalised, and the **India-EU FTA** is in its final legal scrubbing stage for expected signing by end-2026. These are not just diplomatic events. They are structural bets on the idea that India can win a larger share of global demand.

The examiner will not ask you to celebrate a signing. The examiner wants you to interrogate whether the deal works. For **Prelims**, hold the specifics: the India-UK CETA in force from **July 2026**; the India-EFTA **TEPA** carrying a roughly **USD 100 billion investment commitment over 15 years**; the India-EU FTA in final legal scrubbing with signing expected by end-2026; and the stated national goal of **USD 2 trillion in exports by 2030**. **GS Paper 2:** effect of policies of developed countries on India, and bilateral and regional groupings. **GS Paper 3:** effects of liberalisation on the economy, and trade. For **Mains,** the deeper question is why FTA utilisation by Indian **MSMEs** remains low and what domestic reform must accompany external liberalisation.

BACKGROUND AND CONTEXT

For most of the 2010s India was a cautious FTA partner. The experience of earlier agreements, especially with **ASEAN**, left a sense that partners captured most of the tariff gains while Indian producers faced import surges. That caution shaped India's exit from the **Regional Comprehensive Economic Partnership (RCEP)** in 2019.

The mood has shifted. Facing global supply-chain realignment away from a single manufacturing hub, India now sees trade agreements as the price of entry into **global value chains (GVCs)**. But a signing ceremony only removes the tariff wall. It does not remove the domestic frictions that keep Indian goods expensive and slow.

THE CORE ARGUMENT / ISSUE

Tariffs Are the Easy Part

Cutting tariffs is a stroke of a pen. What decides real market access is the tangle of conditions behind the tariff line: **rules of origin** that determine whether a product counts as genuinely Indian, **non-tariff measures**, and **standards** on safety, sanitation and quality. An Indian exporter who cannot document local value addition, or whose product fails a partner's technical standard, gains nothing from a zero tariff.

The Domestic Cost Wall

India's **logistics cost** has historically run high as a share of GDP against a global benchmark closer to single digits. Every rupee of avoidable freight, dwell time and paperwork erodes the margin an FTA is supposed to create. The **National Logistics Policy** and **PM GatiShakti** aim to compress these costs, but the gains are still uneven across ports and corridors.

The Utilisation Gap

An FTA is only as good as the firms that use it. Many Indian **MSMEs** never claim preferential tariffs because they cannot navigate rules-of-origin certification or lack awareness of the concessions. The benefit leaks to a handful of large exporters while the base stays outside.

LEVER	WHAT THE FTA DOES	WHAT STILL DECIDES THE OUTCOME
Tariffs	Cuts or removes import duty in partner market	Whether Indian price is competitive at all
Rules of origin	Sets local-value-addition threshold	Firm's ability to document and certify inputs
Standards and NTMs	May allow mutual recognition	Domestic **quality infrastructure**, testing labs
Trade facilitation	Commits to smoother customs	Port turnaround, **logistics cost**, GatiShakti rollout
GVC integration	Opens supply-chain access	Reliable inputs, power, contract enforcement

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Think of an FTA as removing one barrier in a relay of many. The classic frame is **behind-the-border versus at-the-border** reform. Tariffs are an at-the-border barrier that a treaty can lower overnight. **Regulatory alignment**, testing capacity, logistics and factor-market reform are behind-the-border, and no foreign treaty can fix them for you. A second useful frame is **market access versus competitiveness**: access is granted by the partner, competitiveness must be earned at home. When aspirants confuse the two, they treat a signing as an achievement rather than an opportunity that can still be squandered.

THE DIAGRAM IN WORDS

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FTA signed -> tariff falls in partner market -> but rules of origin + standards + NTMs must be met -> and domestic logistics, quality infrastructure, regulatory reform must lower cost -> only then Indian exports actually rise -> progress toward USD 2 trillion by 2030
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WAY FORWARD

1. **Close the utilisation gap.** Build a simple, digital rules-of-origin and certification system so **MSMEs** can actually claim preferences, backed by export-facilitation cells that hand-hold small firms through each new agreement.
2. **Invest in quality infrastructure.** Expand accredited **testing, standards and certification** labs so Indian goods clear partner **non-tariff measures** without costly re-testing abroad, turning mutual-recognition clauses into real access.
3. **Compress logistics costs.** Accelerate **PM GatiShakti** and the **National Logistics Policy** to bring freight and dwell times down, since every point shaved off logistics cost is a permanent competitiveness gain across all markets, not just FTA partners.
4. **Sequence domestic reform with trade opening.** Pair each agreement with behind-the-border reform in land, labour, power and contract enforcement, so tariff liberalisation is matched by the factor-market changes that let firms scale into **global value chains**.

PYQ LINKAGE AND PRACTICE

This theme connects to repeated UPSC questions on the effects of liberalisation, the RCEP decision, and India's stance on regional groupings. A 2020 GS3 question asked what impact the withdrawal from RCEP would have. A GS2 question on the effect of developed-country policies on India also maps here, since CETA and the EU FTA reshape access to advanced markets.

Practice question: "Free-trade agreements expand market access, but exports rise only when domestic competitiveness improves." Critically examine this statement in the context of India's recent trade agreements and its USD 2 trillion export target. (250 words, 15 marks)

Sources: Business Standard editorial page, Ministry of Commerce and Industry

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