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EDITORIAL ANALYSIS

Signed and Unused: The Gap in India's Trade Agreement Strategy

THE HINDU

5 August 2026 · ECONOMY IR · GS3 GS2

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Signed and Unused: The Gap in India's Trade Agreement Strategy

The Hindu 5 August 2026 GS3 GS2

INTERVIEW ANSWER

"If a large share of eligible exports never claims the preferential tariff an agreement provides, the binding constraint is administrative rather than diplomatic. Where would you put the next rupee: into negotiating the next agreement, or into making the existing ones usable by a small exporter?"

Every fact web-verified against primary sources

THE LIFT LINE

Indian exporters claim perhaps a quarter of the preferences India negotiates. Foreign exporters claim two-thirds of theirs coming the other way. Nothing in the text of any agreement explains that gap.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

External-sector answers in GS3 routinely list India's agreements and stop. This editorial supplies the three filters that stand between an agreement and an export, utilisation, rules of origin and non-tariff barriers, which lets a candidate assess trade policy rather than recite it. The utilisation point in particular is the kind of analytical move that separates a strong answer.

GS Paper 3: Effects of liberalisation on the economy; external sector; industrial policy and its effects on industrial growth.

GS Paper 2: Bilateral, regional and global groupings and agreements involving India or affecting India's interests.

For **Prelims**, fix the in-force dates: **TEPA 1 October 2025, India-UK CETA 15 July 2026**, and the **conclusion of India-EU negotiations on 27 January 2026**. These are the dates most likely to be tested and the ones most published material still gets wrong.

CONCEPT	MEANING	WHY IT IS TESTABLE
Utilisation rate	The share of eligible trade that actually claims the preferential tariff	The metric that converts an agreement into an outcome
Rules of origin	Criteria determining whether a good originates in a partner country and qualifies for preference	Typically change in tariff heading, regional value content, or both
CAROTAR, 2020	Customs (Administration of Rules of Origin under Trade Agreements) Rules, framed under **Section 28DA of the Customs Act, 1962**, in force 21 September 2020	India's tightened origin-verification regime; a favourite Prelims item
Non-tariff barrier	A restriction other than a tariff: SPS measures, technical regulations, conformity assessment	Operates independently of tariff concessions
Mutual recognition agreement	An arrangement under which parties accept each other's conformity assessment	The instrument that addresses the standards barrier
Margin of preference	The difference between the MFN rate and the preferential rate	Determines whether claiming the preference is worth the compliance cost
Inverted duty structure	Finished goods attracting lower duty than the inputs used to make them	The distortion agreements can worsen, penalising domestic manufacture relative to import

BACKGROUND AND CONTEXT

The source for this piece is The Hindu's data analysis of **4 August 2026**, whose thesis is that India's free trade agreements **risk widening trade deficits and weakening export competitiveness**, and that the corrective lies in domestic industrial capability rather than in further negotiation. The three-filter framework developed below, on utilisation, rules of origin and non-tariff barriers, is this article's own account of *why* that outcome occurs; it is not the source's argument, and a candidate should keep the two apart.

The deficit evidence is the source's strongest ground. On Global Trade Research Initiative work of June 2026, between 2007-09 and 2023-25 India's trade deficit grew **381 per cent with ASEAN, 318 per cent with Japan and 268 per cent with South Korea**, averaging around **US$62 billion a year** across the three over the last three years. The comparator is what makes those numbers an argument rather than an observation: over the same period India's deficit with the **rest of the world grew 142 per cent**. Deficits with FTA partners therefore grew roughly two to three times faster than deficits with countries India has no agreement with. A related structural complaint is that agreements have worsened India's **inverted duty**

structure, since finished goods enter duty-free from partner countries while the inputs used to make them domestically still attract higher most-favoured-nation rates, which penalises manufacturing in India relative to importing the finished article.

Against that background, India's posture has changed direction twice within a decade. The country **withdrew from the Regional Comprehensive Economic Partnership in November 2019**, citing import surges, the trade deficit with China and inadequate protection for agriculture and dairy. It then moved into a period of rapid bilateral conclusion:

AGREEMENT	SIGNED	IN FORCE
India-UAE Comprehensive Economic Partnership Agreement (CEPA)	18 February 2022	1 May 2022
India-Australia Economic Cooperation and Trade Agreement (ECTA)	2 April 2022	29 December 2022
India-EFTA Trade and Economic Partnership Agreement (TEPA)	10 March 2024	**1 October 2025**
India-United Kingdom Comprehensive Economic and Trade Agreement (CETA)	24 July 2025	**15 July 2026**
India-European Union	Negotiations **concluded 27 January 2026**, at New Delhi; the agreement **excludes agriculture and investment protection**	Awaiting legal revision and ratification

Two of these are worth noting precisely. **TEPA** is the first agreement India has signed carrying a linked investment commitment, of **US$100 billion over fifteen years together with one million direct jobs**, structured as **$50 billion within ten years of entry into force and a further $50 billion in the succeeding five**, rather than tariff concessions alone. **CETA** entered into force only three weeks before this edition; under it about 99 per cent of India's exports to the United Kingdom enter duty-free or at reduced tariffs, while India reduces or eliminates tariffs on 90 per cent of tariff lines covering 92 per cent of current UK exports, 64 per cent of them duty-free from the first day.

The volume of activity is not in dispute. What is in question is the inference drawn from it.

THE CORE ARGUMENT / ISSUE

Utilisation is the number nobody cites

An agreement lowers a tariff for a qualifying good from a qualifying origin, on production of the required documentation. Each of those conditions is a filter.

Consider an exporter facing a most-favoured-nation duty of 5 per cent and a preferential rate of zero. The gain on a consignment is 5 per cent of its value. Against that stands a fixed cost: obtaining a certificate of origin, maintaining records sufficient to establish origin if verified, and understanding a schedule of product-specific rules written in tariff-classification language. For a large consignment from a large firm with a customs department, the calculation is easy. For a small consignment from a small firm, the compliance cost can exceed the preference.

The consequence is that **preferences go unclaimed**, and the scale of it is now estimated rather than merely suspected. Global Trade Research Initiative work of June 2026 finds that **only 20 to 30 per cent of India's eligible exports use FTA preferences**, while **partner-country exporters use their preferential access into India at 60 to 70 per cent**. GTRI counted **15 agreements covering 27 countries** as of June 2026; with the India-UK CETA in force from 15 July 2026 the operative count is now **16 agreements covering 28 countries**, with further agreements concluded but not yet implemented.

That asymmetry is the single most useful fact in this whole subject, and it should be stated carefully: it means Indian firms are systematically leaving negotiated concessions unclaimed while foreign firms are collecting theirs. GTRI attributes it to high compliance costs, thin margins of preference where partner MFN tariffs are already low, and distortions in India's own tariff architecture.

One qualification belongs with the figure. These are **think-tank estimates, not official statistics**. Official Indian statistics do not routinely report utilisation by agreement and product line, which means the principal evidence of whether an agreement worked is absent from the government's own record and has to be reconstructed by outside researchers.

Rules of origin: a legitimate purpose with a distributional cost

Rules of origin exist to prevent **trade deflection**, the practice of routing third-country goods through a partner state to capture a preference the third country has not negotiated. Without them, an agreement with any one country becomes, in effect, an agreement with everyone that country trades with.

The standard tests are:

TEST	CONTENT
Change in tariff classification	The finished good must fall under a different tariff heading from its imported inputs
Regional value content	A minimum percentage of value must be added within the partner country or region
Specific process	A named transformation must occur, common in textiles and chemicals

India's **CAROTAR Rules, 2020**, framed under **Section 28DA of the Customs Act, 1962** and in force from **21 September 2020**, placed a due-diligence obligation on the **importer** to possess information establishing that a good genuinely qualifies. Mere production of a certificate of origin is not sufficient; origin information must be held in the prescribed form and records retained for five years. Customs must first seek that information from the importer before initiating verification with the exporting country, and may suspend preferential treatment and assess provisionally against a bond in the meantime. The policy purpose is sound and the concern that prompted it was real.

The cost is administrative and it is regressive. A large importer can maintain supplier declarations and audit trails. A small one, facing the prospect of a verification request, may decline the preference and pay the MFN duty rather than risk a dispute. The rule therefore deters some legitimate claims alongside the illegitimate ones it is designed to stop, and the deterrence is concentrated among smaller firms.

Non-tariff barriers operate on a different axis

This is the constraint tariff negotiation cannot reach, and it is where the disappointment in agricultural and pharmaceutical access has consistently originated.

BARRIER TYPE	EXAMPLE
Sanitary and phytosanitary measures	Maximum residue limits for pesticides; pest-free area requirements; aflatoxin thresholds
Technical regulations and standards	Product safety, labelling and composition requirements
Conformity assessment	Requirement of testing or certification by a body the importing country recognises
Registration and approval	Facility inspection and product registration for pharmaceuticals

A tariff of zero on a product that cannot obtain certification is worth nothing. This is why **mutual recognition agreements**, under which each party accepts the other's testing and certification, are frequently more valuable in practice than the tariff schedule they accompany, and why they are correspondingly harder to negotiate.

The counter-argument deserves serious statement

The utilisation critique can slide into an argument against agreements as such, which would be a mistake.

Trade agreements do work that does not appear in utilisation statistics. They **anchor investment decisions**, because a firm choosing where to locate production for a market values guaranteed access more than a current tariff rate. They **signal policy predictability**, which has a value independent of any particular concession. They embed a country in **rule-making processes**, on standards, digital trade, sustainability requirements, from which exclusion is expensive and difficult to reverse. And they create the legal architecture within which utilisation can subsequently be improved.

India's **RCEP withdrawal in 2019** is the natural test case, and it is genuinely contested. The concerns cited were substantive. But the years since have also seen the argument that non-participation in the largest regional arrangement in Asia carried costs in supply-chain positioning that were not fully weighed at the time. Whatever one concludes, the episode establishes the general point: **not signing is also a decision with consequences**, and an argument that only counts the costs of agreements is incomplete.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

When policy success is measured by the completion of an instrument rather than by the outcome the instrument was meant to produce, look for the step between the two and ask whether anyone is measuring it. Agreements signed, schemes launched, laws enacted, portals built: each is an input that is easy to count and politically legible, and each stands proxy for an outcome that is harder to measure. The diagnostic question is whether the intermediate step, uptake, utilisation, compliance, enforcement, is being measured at all, because a step nobody measures is a step nobody is accountable for. Apply this test to scheme disbursal versus scheme outcomes, to legislation versus rule notification, and to infrastructure commissioned versus infrastructure used.

THE DIAGRAM IN WORDS

Picture a new gate built into a wall between two markets, with a sign saying that traders may pass through it free of charge. The gate is real and the sign is accurate. But the gate keeper requires a document proving where each cartload was made, and obtaining that document takes a morning at an office across town. Beyond the gate, an inspector checks that the goods meet a specification written by the market on the far side, and only a laboratory in that market can certify compliance. A large merchant with clerks and a standing arrangement passes through easily. A small trader looks at the morning lost and the laboratory fee, and takes the old road with the toll on it, because the toll is smaller than the trouble. The gate is open. Most of the traffic still goes around.

WAY FORWARD

1. **Publish utilisation rates by agreement and by product line**, since the single most important fact about a trade agreement is currently not in the public record.
2. **Fund exporter-facing facilitation**, so that small firms can identify and claim the concessions they are already entitled to; the return on this is immediate because the access already exists.
3. **Simplify and digitise origin certification**, including self-certification with post-clearance audit for established exporters, which preserves the anti-deflection purpose while lowering the fixed cost.
4. **Prioritise mutual recognition agreements on conformity assessment**, because standards, not tariffs, are the operative barrier in the sectors where India's export potential is largest.
5. **Conduct and publish ex-post review of each agreement** against its projected gains, so that the next negotiation is disciplined by evidence about the last one.
6. **Correct the inverted duty structure created or worsened by agreements**, so that domestic manufacture is not penalised relative to importing the finished article from a partner country.
7. **Address behind-the-border constraints in parallel**, since logistics cost, port turnaround and inspection delay reduce competitiveness in ways no trade agreement can offset.

PYQ LINKAGE AND PRACTICE

UPSC has tested RCEP, India's bilateral trade agreements, rules of origin, non-tariff barriers and the external sector across recent GS3 cycles, and has repeatedly asked whether India's trade strategy serves its industrial objectives. The utilisation framing is the analytical addition that most answers lack.

Practice question: "The number of trade agreements a country signs measures its diplomatic activity; the share of preferences its exporters actually use measures its trade policy." Examine this distinction with reference to India's recent agreements, and suggest what would have to change for the second measure to improve. (250 words, 15 marks)

Interview angle: If a large share of eligible exports never claims the preferential tariff an agreement provides, the binding constraint is administrative rather than diplomatic. Where would you put the next rupee: into negotiating the next agreement, or into making the existing ones usable by a small exporter?

Sources: The Hindu, Ministry of Commerce and Industry, Central Board of Indirect Taxes and Customs

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Source: Signed and Unused: The Gap in India's Trade Agreement Strategy — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

India's recent acceleration in signing trade agreements has outrun its capacity to make them usable: the binding constraints on realised gains are low utilisation of preferential tariffs by exporters, restrictive and administratively burdensome rules of origin, and non-tariff barriers that persist regardless of tariff concessions, so an agreement count is a measure of diplomatic activity rather than of trade outcomes.

✓ **SUPPORTING**

- Utilisation is the neglected metric, and the asymmetry is stark: Global Trade Research Initiative work of June 2026 estimates that Indian exporters use only 20 to 30 per cent of the preferences available to them under India's 16 operational agreements covering 28 countries, while partner-country exporters use 60 to 70 per cent of their preferential access into India, so Indian firms are systematically leaving negotiated concessions unclaimed while foreign firms collect theirs.
- Rules of origin determine whether a good qualifies as originating in a partner country and therefore whether a concession applies at all. India has tightened enforcement through the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020, for the legitimate purpose of preventing third-country goods from routing through partners, but the compliance burden falls hardest on the small exporters least able to carry it, and a rule that deters legitimate claims as well as illegitimate ones has costs on both sides.
- Non-tariff barriers, sanitary and phytosanitary measures, technical standards, conformity assessment and certification requirements, operate independently of tariffs, so an agreement that eliminates a tariff on a product India cannot certify to the partner's standard delivers market access on paper and none in practice, which is why agricultural and pharmaceutical access has repeatedly disappointed relative to the negotiated text.

⚠ **COUNTER**

The case for signing first is stronger than the utilisation critique allows. Trade agreements are strategic instruments as well as commercial ones: they anchor supply-chain relocation decisions, signal policy predictability to investors, embed India in rule-making conversations from which exclusion is costly, and create the legal architecture within which utilisation can later be improved.
India's exit from RCEP in 2019 is a reminder that the option of not signing carries its own

price, and utilisation can be raised after signature whereas access cannot be created without it.

→ **WAY FORWARD**

Shift the measure of success from agreements signed to preferences utilised: publish utilisation rates by agreement and product line, invest in exporter-facing facilitation so that small firms can claim concessions they are entitled to, simplify and digitise origin certification, negotiate mutual recognition agreements on conformity assessment so that standards cease to be a residual barrier, and conduct systematic ex-post review of each agreement against its projected gains.

✍️ MAINS ANSWER FRAMEWORK

QUESTION

Examine the effectiveness of India's recent free trade agreement strategy, with reference to utilisation rates, rules of origin and non-tariff barriers, and assess whether agreement-signing is an adequate measure of trade policy success. (250 words)

INTRODUCTION

India has concluded trade agreements at an unprecedented pace over recent years, and the count is often presented as the measure of the strategy's success. It is the wrong measure.

An agreement creates an entitlement to a preferential tariff; it does not create the export, and between the entitlement and the shipment lie utilisation, origin qualification and standards compliance, each of which can extinguish the gain before it is realised.

BODY

Three constraints operate. The first is utilisation.

A preferential rate must be claimed, which requires the exporter to know the concession exists, obtain a certificate of origin and satisfy documentary requirements. Where the margin of preference is small and the compliance cost is fixed, a rational exporter ships at the most-favoured-nation rate, and the negotiated concession produces nothing.

The second is rules of origin, which determine whether a good counts as originating in the partner country. These typically require a change in tariff heading, a minimum regional value content, or both, and India tightened enforcement through the CAROTAR Rules of 2020 after concern that third-country goods were being routed through partner states to capture preferences.

The purpose is legitimate; the effect is that the documentary burden of proving origin now falls on the importer and, upstream, on the exporter, and it falls hardest on small firms. The third is non-tariff barriers, which operate on a separate axis from tariffs altogether: sanitary and phytosanitary measures, technical regulations, conformity assessment procedures and certification requirements can foreclose access to a market whose tariff has been reduced to zero, which is why agricultural and pharmaceutical gains have repeatedly fallen short of the negotiated text.

Against this, the strategic case for signing is real: agreements shape investment and supply-chain relocation decisions, signal predictability, and secure a seat in rule-making processes, and India's 2019 withdrawal from RCEP illustrates that non-participation is also a choice with consequences.

CONCLUSION

The corrective is not to sign fewer agreements but to change what is counted. Publishing utilisation rates by agreement and product line would reveal where negotiated access is going unused; exporter-facing facilitation and digitised origin certification would lower the fixed cost that deters small firms from claiming preferences; mutual recognition agreements on conformity assessment would address the standards barrier that tariff negotiation cannot reach; and systematic ex-post review would discipline future negotiation with evidence about what previous agreements actually delivered.

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