

## **Strategies for Free Trade Agreements in Agricultural Trade: Evidence from India**

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### **Abstract**

*Many studies show the impact of Free Trade Agreement (FTA) on agriculture with trade reforms. This article tries to analyze the linkages between FTAs and non-tariff measures as a crucial determinant and explore whether agreements are complementary or threat to agriculture. Based on content analysis and Systematic Literature Review, this article explores whether FTAs have growth-enhancing or reducing effects in agri-trade in India with focus on trade restrictions. It explores provision and coverage of agriculture in trade agreements. For this, India's selected trade agreements (signed and proposed) were explored with 37 trading partners. India has actively inclined towards getting agriculture in trade negotiations but concerns remained. The paper suggests that countries must engage in controlled trade agreements for agriculture with regulatory coherence due to new possibilities to curb hidden trade barriers.*

**Keywords:** agricultural trade; trade barriers; India; free trade; trade regulations

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## **1. Introduction**

Trade is considered as a key driver of economic growth. Many countries show reluctance to embrace in trade integration process through Free Trade Agreements (FTA) whereas few critics are also present. The introduction of FTA is regarded as one of the most remarkable aspects of the multilateral trading system which has highly lowered tariffs and other barriers. The architecture of different trade agreements shows that many commitments are made between two countries. It is important to explore what kind of latest commitments and economic criteria are made concerning the focus of liberalization on new FTAs. There have been many theoretical explanations of FTAs by scholars like (Freckleton and Whitely, 2020); Martin (2015), and others. There are also studies highlighting the impact of tariff reduction through FTAs (Amogne and Hagiwara, 2021; Thangavelu et al., 2021). Saggiet al. (2018) observed that FTAs increase export flows among member countries and has spillover effects of trade liberalization among member countries. Thus, countries interconnected by trade agreements experience more trade with each other.

There are also many commendable and critical discussions on the role and impact of FTAs on agriculture like Aiello and DeMaria (2019). Non-tariff Measures (NTMs) are policy measures other than tariffs applied on products and used for protection. There is scarce research which shows how FTAs make strategies for agri-trade with a focus on NTMs (Bechman et al. 2024; Santeramo, 2020). Trade agreements have a crucial role to play in prioritizing and restructuring the agriculture of a country. It has both positive and negative impacts on the growth of agri-trade. Agriculture is one of the key sectors from the point of ensuring equity and growth from the FTA. There are few controversies that illustrate FTA in agriculture are not always beneficial for developing and least-developed countries (LDCs) (Cadot and Olarreaga, 2009). Free trade has facilitated agri-trade openness but it remains a debatable issue that who will remain the most beneficiary country through such agreements.

Against this background, this study tries to fill the existing gap in the literature by highlighting the ideologies and strategies of selected FTAs for agri-trade and its recent developments. It contributes to theoretical FTA literature by focusing on issues of NTMs in trade negotiations. This study throws light on how India aims to integrate economies

with FTAs and brings potential trade benefits as well as reduced trade imbalance through collaborations. The second section highlights the methodology adopted in the study. The third section elaborates on major findings where India, as a developing country was selected for case study because India has strong defensive interests in negotiating an FTA with many countries. The fourth section explains the role of Memorandum of Understanding (MoU) in India's agricultural trade. Fifth section elaborates on the discussion and analysis and lastly the sixth section deals with a conclusion.

## **2. Objective and Methodology of the study**

The study is based on a qualitative method where descriptive analysis is used. To provide comprehensiveness, it draws on international and regional analytical literature and recent empirical works from secondary sources like published papers, government reports, official regulations and policies to review the advantages and disadvantages of FTAs for agriculture. It also elaborates role in promoting agri-trade and reducing NTMs. It explores texts of trade agreements signed between India and its trading partners and addresses issues related to the implementation of FTA for agriculture. The theoretical part of the study deals with assessing the benefits of signed and tentative trade agreements of India with 37 countries or members on agri-trade. It also highlights the role of Memorandum of Understanding in enhancing India's agricultural trade with 16 countries. The study identifies qualitative judgments or factors that hinder or bring more trade benefits as India opens its trade and investment. The study explores what possibilities lie ahead in the trade promotion of India concerning the magnitude of restrictions in agri-trade and provides a global panorama of different loopholes and potential possibilities. The study is based on a Systematic Literature Review (SLR) which is a tool to study a particular topic in any area or discipline in a logical way distinguishing the key areas and subject. In this method, relevant data, papers, or materials were selected, identified, classified and critically analyzed. Only major researches were taken for inclusion and referred. Very old articles were restricted. The study identified different trade agreements of India, issues and challenges, bottlenecks, impediments and new possibilities related to FTAs. It also highlights different loopholes in existing agreements and the efficiency of existing as well as signed agreements.

### **3. Major Findings**

#### **3.1. FTAs: Need For Higher Development**

Participation in trade brings gains and protection results in losses (Bhagwati, 2001). Motives of countries have shifted from protectionism to 'economic integration' which involves a process of abolishing any kind of discrimination in economic units between different countries. Economic integration takes various forms like free trade area, customs union, common market, economic union, and complete economic integration. Custom union is a group of countries with similar taxes, tariffs, quotas, and free movement of goods and services. An economic union is a trade bloc with the free movement of goods and services and the unification of policies. Economic integration is the collaboration of countries for mutual reduction or elimination of barriers. Salvatore (2016) expresses 'free trade area' as a form of economic integration where all trade barriers are removed but each member country retains its barriers to trade with non-members.

Rising negative consequences and inequality of globalization has increased the attention towards future FTAs. With FTA, a country can engage in mutual trade and productive competition necessary to explore economic affairs and have control of its own international trade. Since, there are national differences in capabilities and functional structures, countries must manage their interests in a balanced way. Thus, with FTA, a country or region can proceed towards creating resources for jobs, shift demand all over the world and bring prosperity for participating nations with a 'stimulus package' of trade integrity. FTAs create willingness among countries to increase exports and engage in international economic cooperation.

Boltho (1996) highlighted that trade restrictions create adverse conditions for free trade. The impact and consequences of FTAs are widely affected by non-trade factors. It has varying effects across sectors and differs from country to country. It has ups and downs where countries move from protectionism to free trade and sometimes vice versa. Protectionism also prevailed during the 1980s when strategic trade policy and the fair-trade system were discussed.

Trade agreements are found at three levels i.e. bilateral, regional, and multilateral. Countries engage in negotiations, develop incentives, make favorable mutual trade

policies strategically and promote multilateral agreements on the grounds of significant bilateral trade benefits. Regional agreements have a constructive role in building the 'competitive trade liberalization' (Barfield et al., 2003). At present, major trade issues are reduction in tariffs; reduction or elimination in NTMs; trade liberalization in sensitive sectors like agriculture and promotion of multilateral safeguard systems.

### **3.2. Linkages between FTA and Growth**

There is a widespread prominence of FTAs in the world due to its direct benefits and role as a global trade promoter for two or more trading partners. Many countries are trying to sign FTAs to bring structural reforms within the country. Trade agreements are an important platform where protectionist agendas and negotiations are put and kept to be resolved. Trade negotiations are a crucial part of any FTA and serve as useful strategies to revive the diverging trade policies with economic benefits. FTAs have a central role in proliferating international trade, creating non-discrimination and building a strong block at the multilateral level. It is a system of management that helps in building country pairs, future trade benefits and fulfills the rights of corporations.

Trade agreements have both positive and negative roles in the developed and developing countries and create a symbiosis between the two countries complementing the multilateral trading system. Such strategic partnerships emerged through FTAs, aim for higher aspirations in trade and development. Thus, FTAs aim to build coherence between different regulatory instruments, broaden cooperation, and bring deep integration in partnerships. It also acts as an important stabilizing role in global agendas to promote inclusive international trade and investment and is regarded as a vital component in the economic expansion of a country with a growth-enhancing effect. It integrates economies and helps to bring potential gains through more trade collaborations, foreign direct investment (FDI), productivity, market size, and competitiveness. It dismantles trade barriers and pushes the countries towards higher trade liberalization. It also helps to identify compatible trading partners which are most suitable for fulfilling the strategic interests and has a direct impact on many international cooperation patterns. Thus, there are number of factors which motivate countries to engage in trade agreements since wide

objectives of FTA include: bilateral tariff removal in industrial and agriculture sector; reduction of NTMs in all the products; market access of goods and services; promotion of investment, intellectual property protection, peace; elimination of child labor; competition policy; harmonization and conformity; transparency; exchange; national treatment; non-discrimination in products and prevent any other market imperfections.

FTAs have high link with growth. The world trade has shown an exponential growth in the last few decades. Countries with high GDP growth have experienced high trade growth. The North is more consistent in negotiating and signing new FTAs. The viability of a FTA has always been a concern. Mega FTAs concentrate more on 'WTO plus' issues like different standards, competition and environmental standards etc. This makes countries like India to focus on capacity building. India must integrate and increase its global value chains and standards.

Park et al. (2012) studied ASEAN-Korea FTA and showed that a FTA in general increases trade by 18 percent among member countries and reduces trade among the non-member countries by 2.2 per cent. Freckleton and Whitely (2020) also added that it brings trade creation and welfare gains among small developing countries. A study by Agarwal and Ghosh (2011) depicted that FTA can reduce tariffs and increase India's exports with China by 57 per cent at a gradual rate and China's exports with India can increase by 240 per cent with immediate gains. Further, a study by Kuwayama and Kuwayama (2002) pointed out that *first-generation FTAs* were focused on tariffs and Non-tariff Barriers (NTBs). Today, *second-generation FTAs* have come which emphasize more on 'wide' areas or sectors like rules of origin, dispute settlement, transparency and labour issues etc. The growth strategy of FTA must include two aspects. First, it should be wide in negotiating areas like border and non-border measures and secondly, it must be deep in terms of principles and different modalities. Thus, growth strategy must be inclined towards removing uncertainty and bringing credibility.

Stevens (2015) studied 45 FTAs of the North and South and found that it brings growth, higher FDI, and a rise in technology adoption. It is essential to analyze how much trade is created and diverted through an FTA. Pre-existing level of tariffs and competitiveness plays an important role in reaping the benefits of FTA. They also suggested a 'risk analysis' method to find out areas where FTA can bring opportunities and areas which

may suffer a negative impact on the poverty reduction. A study by Matsushita and Lee (2008) showed that high developed countries prefer to adopt a *'divide and conquer strategy'* where they create more favorable conditions than participating developing countries in negotiating agreements and take the advantage through their high bargaining power and exploit partner countries. It was also mentioned that the benefits or economic efficiency achieved through FTAs must be utilized for the betterment of developing countries.

In the North, the European Union (EU) has started the *'Trade For All Strategy'* for transparent, fair trade, and smooth functioning of agreements, building values, and effective strategies or initiatives for sustainable development goals. A study by Hofmann et al. (2019) suggested that developed countries have deeper trade agreements with each other compared to developing and developed or two developing countries. Also, provisions are deeper in the North-North compared to the North-South zone. The South-South provisions are lower than both. Legally enforceable provisions are also higher in the North-North than others.

Globalization brings growth, higher standards and inclusion for many countries (Stiglitz, 2002). Globalization in the world started in the 1980s with high foreign investments, growth and convergence between developed and developing countries. However, regular use of protectionist measures can be seen by developed countries to protect their infant industries (Siddiqui, 2016).

### **3.3. Effects of FTAs: Trade creation and Trade diversion**

Few seminal works done in this field are present. Trade creation is the direct increase in trade followed by tariff and NTM reduction bringing welfare to the country. Trade diversion is diverting trade from non-efficient producer outside the FTA to less-efficient producers within the agreement. FTAs have more trade creation effect than trade diversion effect (Mayda and Steinberg, 2007). FTA brings trade creation and opportunities through the removal of barriers among member countries and trade diversion by replacing imports by efficient member countries for efficient non-member countries. Trade creation brings efficient allocation of resources whereas trade diversion



retards resource allocation (Shujiro and Misa, 2007). Bilateral trade agreements have more positive trade effects than the multilateral agreements as it includes more coverage, robustness and a speedy implementation process (Molders and Volz, 2011). Trade agreements increase intra-regional trade (Suvannaphakdy et al., 2014). FTAs have a positive impact on reducing the trade disputes among member countries (Li and Qui, 2015). In a study by Urata and Okabe (2014) based on data of 67 countries over the period 1980-2006, it was asserted that Regional Trade Agreements (RTAs) have trade creation effects among developed countries and trade diversion effects among developing countries. In another interesting study by Kohl (2014), based on the data of 150 countries over the period 1950-2010, it was highlighted that trade agreements foster cross-border trade by 30 to 50 per cent in a phase period. This was also found by Clausing (2001) who showed that the Canada-United States FTA has trade creation effects. Hur and Park (2012) found that FTAs have both positive and negative impacts on the economic growth of a country and are focused on mutual openness instead of individual country trade openness. Hufbauer (2008) opined that free trade provides benefits to both developed and developing countries through a reduction in poverty and trade barriers; increase in growth, employment and other spillover effects. Rodrik (2018) pioneered that the FTA is an important mechanism to neutralize the protectionist interests with increasing superiority worldwide.

### **3.4. Agriculture as a Trade Issue in FTA**

Agriculture has gone through a transition phase and is a source of livelihood, food security, value addition and export earnings for many countries. It is regarded as a distorted sector. Expansion in agri-trade leads to poverty reduction and accelerated growth. One of the significance of increasing exports is that exporting countries that followed open trade policy have considerably realized higher farm prices than those who restricted exports. This becomes more important when dealing with agri-trade due to issues of health and employment. FTAs have deleterious effects on agri-trade. Many countries pursue trade agreements at large but in comprehensive terms they exclude agriculture considering it as a sensitive sector. Such exclusion has a significant impact on building the economic linkages.



Two diverging views are present for FTA in agriculture where one side favors it and the other side discourages it. For the positive side of FTAs, studies like Josling (1993) coined that reluctant efforts have been made to liberalize agri-trade due to widespread protectionism and fluctuations in the world prices. He also analyzed that international rules and restrictive policies for agri-trade have remained a burning agenda in different trade negotiations. Malhotra and Stoyanov (2008) provided a comprehensive picture of the relationship between trade agreements and agri-trade. Grant and Lambert (2008) opined that different Preferential Trade Agreements (PTAs) have increased agri-trade. They also pointed out that agriculture is a sensitive sector with high levels of protection, and liberalizing agriculture is an important agenda where trade agreements have increased agri-trade. This was also supported by Korinek and Melatos (2009) who argued that trade agreements have a positive impact on agri-trade. Ji and Yoo (2018) found trade creation in agri-imports in the early stage of FTA implementation and trade diversion in the mid-FTA implementation period. They also pointed out that appropriate measures must be taken in signing the new FTA and many factors play significant roles in the pattern of agri-imports. Furtan and Melle (2004) highlighted that trade agreements have a crucial role in the economic protection of agriculture in many countries. For example, the North America Free Trade Agreement (NAFTA) highly reduced trade barriers like non-tariff barriers and increased agri-trade. Canada's agri-exports increased significantly to the United States (US) due to low non-tariff barriers in the US. It was also found that FTA has a trade creation effect on the agriculture sector in Australia (Timsina and Culas, 2020). Jayasinghe and Sarker (2008) pointed out that with the formation of NAFTA; trade among the member countries has increased in selected agro-products.

For the negative side of FTAs, studies like Parikh et al. (1988) found that free trade in agriculture leads to more gains for developing countries than the developed ones. Cadot and Olarreaga (2009) propounded that RTAs have a reducing effect on the agri-trade policy in the case of Latin American countries. They also showed that trade agreements of countries like Chile with others had significant reductions on tariffs but not large in the case of NTBs. Heo and Doanh (2020) argued that trade creation and trade diversion was found high for agri-imports for 77 countries over the period 1989-2016.

### **3.5. FTAs and Non-Tariff Measures**

As the tariff rates in importing countries have reduced, NTMs like Sanitary and Phyto sanitary (SPS) and Technical Barriers to Trade (TBT) measures have increased (Orifice, 2017). NTMs have become an inherent component of trade agreements. The pessimistic outlook of many countries has been shifted towards free trade where streamlining NTMs or Behind the Border Policies (BBPs) are an inclusive part of international trade. It has a wide range of policies which include technical regulations, SPS measures, quantitative restrictions, certification requirements and conformity assessments. Traditional obstacles like tariffs and subsidies have been replaced by NTMs which were previously denoted as non-tariff barriers thus becoming an important component of different trade agreements of the World Trade Organization (WTO). NTMs play a crucial role in fostering economic growth in many countries. The potential benefits of reduction of NTMs are enormous for any country. Developing countries have significantly reduced protection in many industries but still trade restrictive measures are frequently used at the international level. Thus, it must be seen that NTMs in trade are used for legitimate purposes and to increase the world's efficiency.

Few studies show an association between FTA and NTMs. Despite the trade agreements signed between the two countries, trade restrictions are frequently found in agri-trade dominated by NTMs. Studies like Hayakawa and Kimura (2014) found that FTAs play an important role in the reduction of NTMs. FTAs bring more trade creation for a country through a reduction in NTBs compared to the reduction in tariffs in the manufacturing sector. Kinzius et al. (2019) pointed out that imposing NTMs reduced imports by 12 per cent overall. They also highlighted that countries that engaged in trade agreements faced low ill effects of NTMs and reduced trade obstacles emerging from NTMs. Mussa (1993) discussed that arguments are continuously raised for promoting free trade and reducing barriers. Free trade has both opportunities and advantages for many countries in all the circumstances. Despite rising NTBs, few developing countries have adopted outward-oriented trade policies. Thus, it is not wrong to say that we regard open trading doctrine as the engine of growth for all the countries. Lesser (2005) examined the implications of the proliferation of various TBT commitments for three countries' RTAs namely Chile, Singapore and Morocco and the extent to which the provisions went beyond the WTO TBT Agreement. Winham (1990) pointed out that with the General Agreement on Tariffs

and Trade (GATT), since 1947, protectionism through tariffs has been reduced and world trade has increased. But, during the 1970s again ‘*new protectionism*’ started which was dominated by developed countries in the form of anti-dumping (AD) measures, countervailing duties and export restraints. During the same period, NTBs were also given more attention in trade negotiations. Vanzetti et al. (2018) highlighted that removing NTMs through FTA makes countries more competitive and has higher welfare effects than reductions in tariffs. Grossman et al. (2019) opined that there is a need for New Trade Agreement (NTA) which includes standards for integration including tariff reductions for global efficiency. It was also emphasized for inclusion of international regulatory heterogeneity in trade negotiations. Table 1 shows the use of Temporary Trade Barriers (TTBs) like antidumping duties, countervailing duties and safeguard measures as trade remedy measures to control the imports into the country by India over the period 1999-2019. India imposed 66 TTBs in 1999 which increased to 298 measures in 2019. The use of antidumping measures has significantly increased from 63 measures to 289 measures during the same period.

Table 1: Temporary Trade Barriers (TTB) Applied by India (1999-2019)

Year	All TTB	Antidumping duties	Countervailing duties	Safeguard measures
2019	298	289	7	2
2014	226	226	0	0
2009	207	207	0	0
2004	241	241	0	0
1999	66	63	0	3

Source: World Bank (2021)

### 3.6. FTAs and Agriculture in India: winner or loser

Agriculture was started being given priority in the Tokyo round (seventh round of GATT). In the next eighth round i.e. Uruguay round, reduction of agricultural subsidies was one of the major objectives. This round introduced the Agriculture on Agreement (AoA) in 1995 which focuses on liberalizing world agriculture through tariffication (converting NTMs to tariffs), reducing trade distortions, domestic support, and export subsidies. Developed and developing countries had to reduce the export subsidy to a certain amount over 10 years. There was no such limit for Less-developed countries (LDCs). The Doha Development Round which started in November 2001, focused on

different negotiations like market access, agricultural subsidies, WTO rules etc. between developed and developing countries and LDCs.

The conflict arises when developed countries focus to make their agro-products more competitive than developing countries by policies like distortions, protection, or export subsidies. Developing countries like India want certain relaxations in AoA where they demand a 'Market plus' approach to provide subsidies to agriculture in order to fulfill domestic food security and rural unemployment.

Valdes (1987) highlighted that risk arises for developing countries as developed countries make plans for deals before the beginning of negotiations. Thus, some incentives must be provided for all the countries participating in trade and developing countries should reciprocate in trade concessions so that they are provided additional concessions. Further, developing countries should also demand preferential treatment or access in developed countries. GATT rules have highly benefited developing countries with tariff reductions.

A report prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) in 2014 showed that growth in selected rising economies supported by the diversification process can bring development of other regions through high technology, consumer base, innovation, rising prices and prospects for the manufacturing sector. More trade integration through FTAs between developed and Asian countries increases agricultural exports.

World Bank (2023) data shows that LDCs and a few developing countries have a higher percentage of the population living in rural areas, compared to developed countries. Developed countries like Japan, Argentina, New Zealand, and the United Kingdom etc. have comparatively low rural populations.

Similarly, poverty is highly prevalent in LDCs and developing countries, especially in Sub-Saharan African countries where absolute poverty is highest in the world. It was 35.1 percent in 2017 even higher than the poverty rate in South Asia (8.5 per cent) and the world average (8.4 per cent) (World Bank, 2023).

India's desire to be one of the leading countries in the world in international trade opens doors for many trade negotiations and agreements. India's agriculture has shown better

trade performance in the last few decades. Since, many trade obstacles are still present, it is important to inquire whether a trade agreement is expanding or restricting the potential gains in agri-trade for India and its trading partners. India regularly imposes export bans to maintain its level of stock balance and prices of different products within the country. But, this severely harms the farmers as they miss the opportunity of better prices for their produce. Reduction in trade barriers increases the income of agricultural exporters and boosts trade and capital flows. India started '*Act East policy*' to strengthen economic relations with the Asia-Pacific countries such as Vietnam, South Korea, Japan, and Australia but still many agri-trade restrictions are present between India and other countries.

Previous studies on India's trade agreements have extensively emphasized tariff liberalization. India has actively participated in different multilateral regulations led by the WTO. India has concluded many FTAs in the world and many are still under negotiation. Since economic reforms in 1991, India has adopted outward-oriented trade policy and perceived trade agreements for increased trade outcomes. Panagariya (2022) showed that FTAs have many advantages for India like job creation, liberalization of more sectors and benefits from the recent implemented reforms. India has unexploited potential in many sectors and it can take lessons from the previous signed FTAs by integrating with South East and North East Asian countries with a focus on renegotiation. Parikh et al. (1988) found that India has benefited from the FTAs through improved allocation, efficiency, removal of trade barriers and positive protection of agri-trade but the poor people have suffered from the ill effects of trade liberalization. Pant and Paul (2018) argued that India has engaged in many trade agreements but RTAs have not resulted in higher benefits for India due to its low trade volume with the trading partners. Agarwal and Ghosh (2017) opined that India's exports to its RTA members increased in products where revealed comparative advantage (RCA) was more.

Table 2 provides a comprehensive systematic assessment of India's major trade agreements with different countries and analyzes the negotiations for agri-trade and NTMs agendas. India has provided liberal commitments and moved steadily towards trade agreements considering its significant role in the international market. Few trade agreements have created a positive impact on India's agri-trade whereas few agreements have shown low effectiveness. From Table 2, it is also clear that India's agreement with

United Arab Emirates, Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA), Singapore Comprehensive Economic Partnership Agreement (CEPA), Korea (CEPA), ASEAN, South Asian Free Trade Agreement (SAFTA), and Asia Pacific Trade Agreement (APTA) were more extensive in text and agendas.

As per the data from the Asia Regional Integration Center (2022), many negotiations have been concluded and many are in progress. There are a few pacts that are yet to be signed. The framework agreement has been signed with Thailand and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Negotiations are in progress with countries like Australia, Canada-CEPA, Colombia, Egypt, Indonesia, Israel, New Zealand, Peru, Russia, Turkey, United Kingdom, South African Custom Union-PTA, Singapore-CECA second review, UAE CEPA, India-Gulf Cooperation Council (GCC), Mercosur-PTA Expansion, Bilateral Trade and Investment Agreement (BTIA) comprising India and 27 countries, [India Brazil and South Africa] (IBSA), Mauritius [Comprehensive Economic Cooperation and Partnership Agreement] (CECPA), ASEAN CECA-services and investment, India-EU Broad Based Trade and Investment Agreement, India-European Free Trade Association (EFTA) (country members-Switzerland, Iceland, Norway and Liechtenstein) etc.

Few previous studies illustrate the impact of FTAs on the Indian economy. Like, Kaushal (2022) studied India's RTAs over the period 2008-18 and opined that India-AEAN FTA has increased India's export efficiency compared to SAFTA and APTA. Francis (2011) pointed out that ASEAN countries will have more advantages than India in agro-products as a result of tariff reduction and it may create a negative impact on the employment and livelihood. Sarvananthan (1994) analyzed extensively India-Sri Lanka trade relations and found that both the countries may benefit from free trade as they remove strict trade barriers and regulations. But, the advantages to Sri Lanka will be more as NTBs are more in India compared to Sri Lanka. If there is fear that the FTA will result in huge imports from India and will affect Sri Lanka's domestic market, then Sri Lanka should export more to India in a sustainable way. Narayanan and Sharma (2014) also demonstrated that India has mixed results in the Trans-Pacific Partnership (TPP) and a negative impact on the agriculture sector due to tariff elimination and NTMs issues as India joins TPP. This will be due to reduction in prices of products.

Table 2: Trade Agreements of India (till 2022)

Country	Selected Trade Agreements	Impact of Agreement on Agri-trade	Impact on agri-trade
Afghanistan	Strategic Partnership Agreement in 2011	It focused to deepen and diversify agri-trade, remove NTBs and promote trade ( <a href="#">Government of India, 2022a</a> ).	India's agri-import from Afghanistan was USD 102.98 million in 2010-11 which increased to USD 340.16 million in 2020-21.
Afghanistan	India-Afghanistan Preferential Trade Arrangement (IAPTA) signed on 6 March 2003 and implemented from 13 May 2003	Article I refer to remove trade barriers and expand bilateral trade. India granted preferential tariffs for 35 agro-products of Afghanistan such as raisins, dry fruits and spices etc. 50 per cent concession was given on applied tariff duty on almond, walnuts (shelled and unshelled), fresh grapes, raisins, fresh apples, etc. Also, black tea and other black tea was made temporary exempted from MFN duty.  With this deal, 100 per cent concession was given on applied tariff duty on pistachios (closed and open shelled), dried, melon fish, mulberries dried, pine nuts toasted (World Bank, 2010).	- data unavailable -
Argentina	Trade agreement signed on 28 July 1981	Article 1 refers to promote measures and conditions for exchange of goods. Agro-products to be exported to Argentina are fresh fruits and vegetables, marine products, spices, cashew, guar gum. Products to be exported from Argentina are vegetable oils; hides and skin ( <a href="#">Government of India, 2022e</a> ).	<a href="#">Agri-</a> imports from Argentina to India was USD 10.49 million in 2010-11 which increased to USD 23.08 million in 2020-21.
Argentina	Trade agreement signed on 26 March 1966	It aimed to promote and MFN status by both the countries ( <a href="#">Government of India, 2022e</a> ).	- data unavailable-
Australia	Australia India Economic Cooperation and Trade Agreement (AI ECTA) signed on 2 April 2022	With agreement, 30 per cent tariff will be eliminated on Australia's sheep meat in India.	Agri-imports from Australia to India was USD 252.21 million in 2010-11 which decreased to USD 170.02 million in 2020-21.



		<p>Tariff on wine of USD 5 per bottle will be reduced to 100 per cent from 150 per cent. For wine of USD 15 per bottle to be reduced to 75 from 150 per cent.</p> <p>Tariffs on selected fruits to be eliminated by 30 per cent over the period seven years (The Times of India, 2022).</p>	
Bangladesh	Trade Agreement signed on 1 April 2015 for five years may be extended	With the Article VIII, both country focus to make best use of water, air and roadways for trade ( <a href="#">Government of India, 2022a</a> ).	Agri-imports from Bangladesh to India was USD 84.70 million in 2015-16 which decreased to USD 55.63 million in 2020-21.
Bangladesh	Treaty of Peace and Friendship signed on 19 March 1972	Article 5 refers to cooperation in trade, mutual benefit and MFN principle ( <a href="#">Government of India, 2022a</a> ).	-
Bhutan	Agreement on Trade, Commerce and Transit, signed on 29 July 2006 valid till 29 July 2016, (revised version of India-Bhutan Trade Treaty signed on 17 January 1972) revised on 1983, 1990, 1995, 2006, 2016	<p>Article I promotes free trade and tax relaxation in Bhutan. With Article III, both countries can impose NTM as per necessity. Article VI highlights that restrictions may be imposed depending on SPS issues and national treatment. Trade of milk powder, wheat, edible oil, pulses and non- basmati increased.</p> <p>16 different entry and exit route were marked for bilateral trade between both the countries. With mutual consent changes may be made in routes. Agreement aimed for low documentation process and more entry and exit points for trade. (Government of India, 2022b).</p>	India's agri-import from Bhutan was USD 1.01 million in 2010-11, which increased to USD 6.64 million in 2020-21.
Bhutan	India Bhutan Friendship Treaty signed on 8 February 2007	Article III promotes free trade and commerce ( <a href="#">Government of India, 2022a</a> ).	-data unavailable-
Bhutan	Treaty or Perpetual Peace and Friendship signed on 8 August 1949	Article V highlights that there shall be free bilateral trade and commerce ( <a href="#">Government of India, 2022a</a> ).	-
Bulgaria	Agreement signed on 12 September 2007 (replaced agreement of 4 December 1996)	To promote trade and investment (Government of India, 2022d).	India's agri-import from Bulgaria in 2010-11 was USD 0.03 million. It increased to USD 2.58 million in 2020-21.

Ceylon	Trade agreement signed on 28 October 1961	To promote bilateral trade. (Government of India, 2022d).	- data unavailable-
Chile	PTA signed on 8 March 2006 and implemented on 17 August 2007	Article I refers to remove trade barriers. Article VIII points out to avoid prohibition or restriction on goods. Article XII refers to TBT and Article XIII illustrates SPS norms to be adopted as per the WTO. A list of products has been identified for preferential tariff by both the countries. Like 86 types of HS8 digit agro-products were provided different range of margin of preference by India to Chile. On the other side, Chile has provided 20 per cent of margin of preference to India's eight HS8 digit agro-products (World Bank, 2010).	- data unavailable-
Chile	PTA (2006) expanded on 16 May 2017	With agreement, concessions on 1798 tariff were changed to HS 2017 nomenclature. Here, major agro-products were fish, meat, related product and vegetable oils (Government of India, 2022d).	India's agri-import from Chile was USD 36.83 million in 2010-11. It increased to USD 88.85 million in 2020-21 with top imports other fresh fruits (USD 73.46 million).
Chile	Agreement signed on 17 April 1972	To promote trade, accord MFN etc. Agro-products allowed to be exported from Chile were fruits and to be exported from India was tea (Government of India, 2022d).	- data unavailable-
Chile	Agreement signed on 10 March 1960	It aimed to expand bilateral trade where agro-products like dried fruits, fish, animals and barley to be exported from Chile to India. Tea, coffee, spices, vegetable oils, fruits, fish, living animals etc. to be exported from India to Chile (Government of India, 2022d).	- data unavailable-
China	Trade agreement signed on 15 August 1984 for three years and extendable	Agreement permitted China to export agro-items to India like cereals, oils, foodstuffs, and native produce. India was allowed to export sugar, shellac, raw cotton, medicinal herbs etc. to China (World Bank, 2010).	Agri-import from China to India was USD 185.21 million in 2010-11. It decreased to USD 128.93 million in 2020-21.
Colombia	Trade agreement signed on 14 July 1970 for three years may be extended	To promote free exchange of goods trade (Government of India, 2022d).	Agri-import from Columbia to India was USD 1.73 million in 2010-11 which decreased to USD 0.34 million in 2020-21.

Croatia	Agreement signed on 14 February 2017	Article 1 and 2 refer to promote trade (Government of India, 2022d).	Agri-import from Croatia to India was nil in 2010-11 which reached to USD 0.42 million in 2020-21 with top imports other fresh fruits (USD 0.24 million).
Cuba	Trade agreement signed on 9 July 1979 for three years may be extended	To promote trade, accord MFN and spices under agro-product list to be exported from India to Cuba (Government of India, 2022d).	- data unavailable-
Czech Republic	Agreement signed on 9 June 2010 (replaced agreement signed on 15 March 1993)	To promote trade and investment. (Government of India, 2022d).	Agri-import from Czech Republic to India was USD 0.29 million in 2010-11 which increased to USD 0.36 million in 2019-20 but decreased to USD 0.01 million in 2020-21.
Ecuador	Agreement signed on 9 October 2015	To promote bilateral trade, technical assistance etc. To set up Joint Economic and Trade committee (Government of India, 2022d).	Agri-import from Ecuador to India was USD 1.97 million in 2010-11. It increased to USD 15.50 million in 2015-16 and USD 18.55 million in 2020-21.
Finland	Agreement signed on 26 March 2010	It focused to encourage trade and economic cooperation with Article I and II (Government of India, 2022d).	India's agri-import from Finland was USD 0.44 million in 2010-11 which decreased to USD 0.34 million in 2020-21.
Guatemala	Trade agreement signed on 23 April 1981 for three years may be extended	To promote trade, accord MFN. Article VII shows that goods exchanged may be traded to other countries. Article VIII refers that trade should be aimed towards progress of each country (Government of India, 2022d).	Agri-import from Guatemala to India was USD 0.11 million in 2010-11 which increased to USD 0.16 million in 2020-21.
Japan	CEPA signed on 16 February 2011 and implemented on 1 August 2011	Article 22 refers that prohibition or restriction inconsistent with WTO Agreement should not be adopted. If either country adopts it as per the provision of WTO, other country should provide relevant information related to prohibition. Chapter 5 of the agreement deeply refers to technical regulations, standards and SPS measures (Government of Japan, 2022).	India's agri-import from Japan was USD 3.31 million in 2010-11 which increased to USD 15.09 million in 2020-21. Major import was fruits and vegetable seeds (USD 11 million) in 2020-21.
Japan	Agreement on Commerce signed on 4 February 1958	Article II highlighted to avoid restriction or prohibition on goods (World Bank, 2010).	- data unavailable-

South Korea	CEPA signed on 7 August 2009 and implemented on 1 January 2010	Article 2.6 points out to not apply NTMs and ensure that they do not create unnecessary obstacle to trade in the bilateral trade (World Bank, 2010).	Agri-import from South Korea to India was USD 5.44 million in 2010-11 which increased to USD 15.91 million in 2020-21.
Malaysia	Comprehensive Economic Cooperation Agreement (CECA) signed on 18 February 2011 and implemented on 1 July 2011	Article 2.9 points out that NTMs should not be imposed on goods except in accordance with the WTO rights. Also, transparency must be adopted in NTMs to reduce trade distortions. Market access was provided for products like basmati rice, eggs, and mangoes (Government of India, 2022d).	India's agri-import from Malaysia was USD 22.93 million in 2010-11. It increased to USD 28.54 million in 2020-21.
Maldives	Bilateral Trade Agreement signed on 31 March 1981 concluded for 1 year and may be extended	Article VI points that restrictions may be introduced by both parties concerning necessity of SPS measures, national treatment and safeguard measures. Article VIII and IX made provisions that a list of essential products with specified quantity will be bilaterally traded regardless of restricted or prohibited category. Under this agreement, India started supplying eggs, potatoes, rice, wheat, sugar, onions etc. to Maldives based on annual quota. India relaxed prohibition of wheat and wheat products exports to Maldives. India permitted non-basmati rice exports to Maldives under Food Aid Programme (World Bank, 2010).	Agri-import from Maldives to India was USD 0.09 million in 2010-11 which decreased to USD 0.02 million in 2018-19.
Mauritius	CECPA signed on 22 February 2021 and implemented from 1 April 2021 expire on 2035	Article 2.5 points out that NTM should not be imposed on products like black tea, other black tea, crushed or ground chili, cinnamon, cloves, ginger, turmeric, wheat or meslin flour, white sugar etc. (Government of India, 2022d).	India's agri-import from Mauritius was USD 0.06 million in 2010-11 which increased to USD 0.23 million in 2020-21 with alcoholic beverages (USD 0.17 million) as major imports.
Mercosur	Argentina, Brazil, Paraguay, Uruguay, India PTA signed on 25 January 2004 and operational from 1 June 2009	Article 18 and 19 specify to follow the WTO TBT measures and co-operate. Article 22 and 23 points out to adopt SPS measures as per the WTO laws (Government of India, 2022d).	- data unavailable-
Mongolia	Trade agreement on 16 September 1996	Article 3 points out free trade in goods and services between both the member country and trade to be conducted on contract basis (Government of India, 2022d).	- data unavailable-

Myanmar (Burma)	Agreement of Trade and Commerce signed on 5 September 1956 for five years may be extended	Article I provides necessary facility for bilateral trade of products. Agro-products to be exported from India to Burma were tea, coffee, spices, fish (dried and salted), fish prawns (dried), cashew nuts and fruits, vegetable oils, oilseeds.  Agro-products to be exported from Burma to India were rice, pulses, maize, raw cotton ( <a href="#">Government of India, 2022a</a> ).	India's agri-import from Myanmar was USD 571.77 million in 2010-11 with top imports pulses (USD 570.82 million). It decreased to USD 402.33 million in 2020-21 with top imports pulses (USD 379.21 million).
Nepal	Revised Treaty of Trade and Transit October 2009 replaced 2007, 2002 and 1991 agreement	Article XI points out that India or Nepal can restrict goods based on SPS measures and other mutual interest. The treaty provided preferential treatment for 14 categories of primary agro-products and trade to be conducted through 22 mutually agreed routes. India also exempted Nepal's few manufactured products from basic and auxiliary custom duty and other quantitative restrictions which do not possess less than 55 and 80 percent Nepalese or Indian products (Government of India, 2022e).	India's agri-import from Nepal in 2010-11 was USD 49.92 million. It decreased to USD 41.31 million in 2020-21.
Peru	Trade agreement signed on 4 November 1971 for three years	To promote trade and accord MFN status. (Government of India, 2022d).	Agri-import from Peru to India in 2010-11, was USD 3.67 million which decreased to USD 0.78 million in 2020-21.
Romania	Signed on 23 October 2006 (replaced trade agreement of 23 February 1993)	To strengthen economic relations and explore business opportunity (Government of India, 2022d).	Agri-import from Romania to India was USD 0.55 million in 2010-11 which decreased to USD 0.18 million in 2020-21.
Serbia, Montenegro	Agreement signed on 7 February 2006 for five years may be extended	To promote trade and grant MFN treatment in trade (Government of India, 2022d).	- data unavailable-
Singapore	CECA signed on 29 June 2005 and operational from 1 August 2005	Agreement includes establishing standards, mutual recognition agreements and SPS measures.  As per the Second Protocol of CECA Annex 2A, with effective from 14 September 2018, elimination of duty was made by India for sweet biscuits, curry paste and chilli sauce and entry was made free (World Bank, 2010).	Agri-import from Singapore to India in 2010-11 was USD 34.13 million. It increased to USD 89.03 million in 2020-21 with top imports cocoa products (USD 24.99 million).

Slovak Republic	Agreement signed on 13 December 2004	To promote bilateral trade and investment, enhance economic and technical cooperation (Government of India, 2022d).	Agri-import from Slovak Republic to India was USD 0.01 million in 2010-11. It increased to USD 0.22 million in 2019-20.
Slovenia	Agreement signed on 7 December 1993	It refers to promote trade and economic cooperation like building MFN in export license, taxes etc. Also, trade to focus on international competitiveness (Government of India, 2022d).	Agri-import from Slovenia to India was USD 0.10 million in 2010-11. It reached to USD 0.60 million in 2020-21 with top imports miscellaneous preparations (USD 0.59 million).
Sri Lanka	India Sri Lanka FTA (ISLFTA) signed on 28 December 1998 and came into force on 1 March 2000	Article I refers to expand trade and trade barriers. Article III focus to eliminate tariffs. Duty free access was provided on specific products from both the countries (World Bank, 2010).	India's agri-import from Sri Lanka in 2010-11 was USD 35.89 million which increased to USD 67.68 million in 2020-21.
Thailand	Agreement for the promotion and protection of investments signed on 10 July 2000 and in force from 13 July 2001	Article 2 of the agreement refers to protect investments and maintain fair and equitable treatment and protection to investors (Government of India, 2022c).	India's agri-import from Thailand was USD 34.06 million in 2010-11. It increased to USD 61.62 million in 2020-21.
UAE	CEPA 18 February 2022 to be effective from 1 May 2022	The agreement aimed to reduce tariffs, promote trade, and bring development in agriculture, forestry, and fishery. The agreement deeply elaborated SPS and TBT norms for trade restrictions. (Government of India, 2022d).	Agri-import from UAE to India was USD 23.11 million in 2010-11, which increased to USD 327.85 million in 2020-21.
Asia Pacific Trade Agreement	PTA member countries Bangladesh, China, India, South Korea, Lao People's Democratic Republic, Sri Lanka, Mongolia. Bangkok agreement (1975) was renamed as APTA on 2 November 2005 came in force on 1 December 2006	Regular negotiations were made for tariffs, NTM, trade facilitation. The agreement proposed to relax NTMs and use the WTO SPS and TBT norms in transparent way considering national treatment (Government of India, 2022d).	- data unavailable-
ASEAN	CECA, with 11 countries  Signed on 13 August 2009 implemented on 1 January 2010 for Malaysia, Singapore, and Thailand, 1 June 2010 for India and Vietnam etc.	With the agreement, products for which member countries provide tariff concession to India are HS6 digit products like sardines, tuna, cocoa butter, cocoa powder, pineapples.  Products for which India provides tariff concession and removal of NTMs for member countries are gum arabic, almonds, lac, bamboos (Government of India, 2022d).	Agri-import from ASEAN to India was USD 728.35 million in 2010-11 which increased to USD 815.01 million in 2020-21.

SAPTA	Signed on 11 April 1993	SAPTA aimed to promote mutual trade among member countries. Article X of agreement provides provision to remove tariffs, para tariffs and NTBs for LDCs in special favor (Government of India, 2022d).	-
SAFTA	Signed on 4 January 2004 and implemented on 1 January 2006. Countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	Reduction of NTMs is one of the priorities of the agreement for LDCs and land locked member countries. Article 6 refers to NTMs. Article 8 refers to harmonization of standards and removal of barriers.  SAARC Seed Bank Agreement was made which included Material Transfer Agreement for seed transfer between member countries (SAARC, 2022).	Agri-import from rest seven countries to India in 2010-11 was USD 295.67 million which increased to USD 525.95 million in 2020-21.

Source: Author's elaboration



#### **4. Role of MoU in Trade**

Many times, countries restrict to sign FTAs. The mounting concern about increasing trade has significantly pushed the countries to sign various MoUs. Countries express an inclination towards signing MoUs which includes legal requirements and clauses. It is a visible document used in different areas of cooperation like trade, commerce, investment, judicial, and social sectors. Countries show eagerness to adopt strategic approaches to build partnerships with different countries in the world. A MoU provides an opportunity for closer and deeper relationships in trade. A MoU may be signed by two or more parties on a specific project or goal. It is of paramount importance and a fundamental element for the development among countries. It also acts as a base for connectivity projects. It is intended for a formal or general agreement that can be legally binding or non-binding in nature. It covers a broad set of understanding the particulars between both the signing parties. Sometimes, parties also sign confidentiality agreements which are non-disclosure to the general public. Thus, the MoU shows a single platform of actions of two countries or multilateral and illustrates the intentions and purpose of member countries and provides flexibility in exits or termination.

##### **4.1. MoUs in India's Agricultural Trade**

India is a benevolent trading partner in the world with booming economic conditions and significant representation worldwide. India has realized its potential with the economic liberalization since 1991. There are many economic projects where India has been a leading partner. Amongst them, a MoU plays a significant role in bringing interconnectedness and reaching the targets. India has enhanced its economic relations and amended foreign policy towards a more open and outward, regime as per its developmental priorities. India aims to achieve a sustainable growth rate by engaging with all the countries through targeting beneficial relations and creating a strategic environment. There are also sensitivities in trade agreements which are major concerns. To overcome such sensitivities, the government has crafted many MoUs for different purposes. In India, an MoU may be binding in nature which is under the Indian Contract Act, 1872. It may be non-binding where no rules or laws are applied and the party is not

obliged to comply with the regulations. Table 3 highlights a selected list of MoUs in India's foreign policy interests with the world economy for its trade development in the agriculture sector. India has been actively signing MoUs to build trade relations in different sectors including agriculture.

The major area of concern is the deficiency in managerial efficiency, poor financial and operational systems in India. The effectiveness of the public system should be improved. MoU must be made for long-term strategy and it must be seen that trade pacts are inclusive, balanced, and equitable. Domestic dimensions must be given top agenda along with international dimensions. Systematic constraints must be removed. It is important to understand that each country knows one another strengths, concerns, and crucial needs. India should try to take lessons from its experiences and participate in global dialogue for MoUs. It was found that few MoUs have elevated agri-trade in India indicating that India should try to frame its MoUs as per the objectives of sustainable development goals and projects are more inclusive. India can also use the MoU as a vital tool to rebuild the existing relationship with other member countries. The interests and values of each country must be prioritized. A structural framework can be designed for mutual discussion and dialogues. It must be seen that India is at the right place with the improved functioning of MoUs for renewed challenges.

Table 3: Selected India's signed MoU in trade (till 2022)

Country	Type of MoU	Remarks for agriculture
Argentina	MoU on cooperation in trade promotion and technology transfer signed on 14 October 2009 for two years and may be extended	It aimed to identify exportable products, promote training for technology transfer (Government of India, 2022d).
Bangladesh	MoU signed on 27 March 2021	It aimed to increase cooperation for bilateral trade remedies, capacity building as per WTO rules etc. ( <a href="#">Government of India, 2022a</a> ).
Bangladesh	MoU for establishing Border-markets signed on 8 April 2017	Under this MoU, trade at four identified places markets will be developed in both the countries and trade will be permitted. Tariffs and NTMs should not prevail in market. Agro-products are: locally produced vegetables, food items, spices, fruits, etc. (Government of India, 2022d).
Bangladesh	MoU signed on 6 June 2015 for 5 years and may be extended	It aimed to establish Indian economic zone in Bangladesh to bring cooperation ( <a href="#">Government of India, 2022a</a> ).
Brunei	MoU signed on 22 May 2008	It aims to make a Joint Trade Committee to expand trade relations (Government of India, 2022d).
Canada	MoU for agriculture and its allied sectors signed on 13 January 2009 for five years and may be extended	It aimed to cooperate in the field of agricultural marketing and animals' growth ( <a href="#">Government of India, 2022a</a> ).
Columbia	MoU on Business Development Cooperation signed on 30 April 2010 for five years and may be extended	It aimed to increase trade cooperation in industrial, commercial and services area (Government of India, 2022d).
Costa Rica	MoU signed on 15 April 2013	It aimed to develop standards like SPS, TBT, technology and commercial exchange (Government of India, 2022d).
Indonesia	MoU to form a forum named Biennial Trade Ministers, signed on 25 January 2011	It refers to promote trade facilitation, reduce NTMs and increase trade (Government of India, 2022d).

Malawi	MoU signed on 16 June 2021 for five years	Under the agreement, 50,000 tonnes of pignon peas to be imported from Malawi to India annually during 2021-25 ( <a href="#">High Commission of India, 2021</a> ).
Mexico	MoU signed on 9 October 2020	It aims to promote business relations (Government of India, 2022d).
Myanmar	MoU signed on 28 May 2012 for three years and may be extended	It aims to open one local market in both the country at the border (Government of India, 2022d).
Myanmar	MoU on Establishment of Joint Trade Committee signed on 14 July 2003 for five years and may be extended	It points out that committee would work towards mutual trade promotion (Government of India, 2022d).
Pakistan	MoU signed on 23 January 1975	It aimed to promote trade, long term contract and accord MFN status as per GATT norms ( <a href="#">Government of India, 2022a</a> ).
Senegal	MoU for establishment of agricultural development project signed on 16 February 1997 for 10 years and may be extended	It aims to cooperate for establishment and execution of the project (Embassy of India Dakar Senegal, 2022).
Spain	MoU for Trade and Investment Promotion signed on 16 November 2021	It aims for mutual promotion of trade and business. It focusses on food processing and agriculture, SPS and TBT (Trade Promotion Council of India, 2021).
Thailand	MoU for trade and investment signed on 11 April 2022	MoU was signed between Thailand and Indian state Telangana to explore trade opportunity in areas like food processing etc. ( <a href="#">Deccan Chronicle, 2022</a> ).
Vietnam	MoU on economic and trade cooperation signed on 28 February 2018 for five years may be extended	It aims for trade promotion and elimination of trade barriers (Government of India, 2022d).

Source: Compiled by author

## **5. Discussion and Analysis**

### **5.1. Issues and Challenges**

The magnitude of international trade has increased at a rapid rate in the last few decades. Globalization has created many dimensions. No doubt, trade agreements blend different economic and other considerations, but there has been low utilization of such agreements. Challenges continue to persist in trade despite signing the trade agreements. There is a wide difference in trade openness between developed and few developing countries. The impact of FTA on agri-trade differs from country to country and is mixed and inconclusive. Many LDCs and developing countries lack international food standards and other regulatory capacities, resulting in greater competition in other markets. Sometimes, free trade creates different disadvantages where small farmers are unable to get fair prices for their produce since the domestic demand is fulfilled by imports as a result of free trade.

It is a burning question whether India should engage in FTA with smaller or larger trading partners considering the number of gains. The growing tendency towards agreements must analyze emerging feasibility and trade costs arising from NTMs. Dealing with NTMs in any agreement is difficult but it must be included in different negotiations. Special provisions must be made for agriculture along with liberal tariffs and NTM policy. Thus, NTMs are constantly expanding among the countries as a key priority instrument by which countries capitalize on opportunities for global trade and investment. Such measures are permitted by the WTO for legitimate objectives. But, NTMs have reduced the welfare gains. At present, asymmetry is present in market access standards among countries. Such standards must be included in multilateral negotiations and rebalanced properly. The scope of each agreement should be designed in such a way that trade issues of NTMs are incorporated within the agreement and at the time of commitment. Another major challenge before India is to remain competitive ahead of mega-RTAs. An article by Nayyar and Sen (1994) suggested that completely free trade in agriculture should be avoided by India due to food security issues. There is a wide difference between India's domestic prices and world prices which must be explored.

Thus, policy intervention must be applied in agriculture where selected quantitative restrictions or quotas may be used.

### **5.2. The conflict of Regional Comprehensive Economic Partnership (RCEP)**

Almost many countries enjoy welfare gains from trade agreements but the negative terms of trade have remained a burning question for policy makers. For example, RCEP is a trade agreement between 15 Asia Pacific countries which came into force in January 2022. India remained out of this deal as it feared that the trade deficit might increase resulting from the agreement due to high imports and high tariff rates. India was concerned for the domestic producers who would be in difficulty due to a large number of cheap imports entering into the country. It was also observed that RCEP has fewer provisions on NTMs and therefore, trade diversion would be more instead of trade creation for India. The competitive compulsion of imports results in disturbances in the domestic market and unequal distribution of welfare gains. Such high imports are beneficial for consumers but may bring losses to less efficient industries.

### **5.3. Pathways for Success in India FTAs**

India's international trade has experienced a great boom post-trade liberalization in 1991 but there is also an alarming rate of increase in barriers percolating in agri-trade. India should engage in high-yield trade agreements for far-ranging implications. Shared interests of India and its partner country must be identified and transparency should be maintained so that policies are WTO-consistent. India's long-run strategic policy should be to engage in trade agreements with planned collaborations and regulatory regimes considering its trade and national benefits. Many developed countries can play a greater role in agreements with India. Integration of India's agriculture with the world market can lead to huge imports from other countries through the elimination of quantitative restrictions and reduction of tariffs. If FTAs are taken proactively, it may open new trade opportunities in many sectors. Trade agreements should be implemented in such a way

that they do not hamper the agri-trade of domestic producers or exporters. Compliance in trade should be effectively maintained and taken cautiously with prioritizing exports of high-value agro-products. Cooperation should be provided by other trading partners. Many large FTAs have a competitive edge in trade but each agreement should be designed in integrity with the employment-related issues of the partner country. It should be considered that the trade agreements are meaningful with a high positive impact on agri-trade which leads to new market openings. Agreements should be non-discriminatory and maintained in a way that opens the gateway for two-way trade. India must adopt an integration model and collaborate with the outside countries in multilateral trading. Exporters must identify loopholes in technical standards and move ahead. Transparency in NTMs should be taken seriously to leverage trade. Agreements play an important role in maintaining standards and regulatory competence and thus they are also known as *investment treaties*. National trade policy should be prepared with systematic and focused goals for more inclusive trade. Trade mis-invoicing under FTA should be avoided.

Regular reviews of agreements should be done and provisions must be evaluated so that it becomes more user-friendly and bring tangible benefits. It must be taken into consideration that every country plans for an ambitious agreement when dealing with agriculture in a particular country. It is not justifiable if the policies of the WTO for agri-trade do not uplift the poor of the country. Sometimes the policies adopted by developed countries emerge as very critical for developing countries and LDCs. For this, reforms are required in substantial trade barriers and protection in agri-trade.

Trade barriers are deeply rooted in the developed countries which reduce opportunities for free trade. To stimulate a faster rate of growth, countries should upgrade their export capabilities, engage in multilateral agreements and negotiate to solve the NTM cases to a large extent. Unless and until, domestic competitiveness in standards is not developed, issues cannot be changed to a much greater extent. Exporting countries need to be conversant with the different provisions and trade legislations of importing countries. Proper maintenance of quality norms and strengthening trade ties in the agriculture sector between two trading partners is very crucial. Thus, India should make strategies to remove NTMs to liberalize trade and provide more opportunities for countries. There is also a need to develop a 'traceability system' with importing countries requirements so that a measure may create export opportunities. One example of how trade agreements are



positive is through the promotion of trade treaties. Like in the case of India and Nepal, trade treaties have a high role in reducing tariffs but are lesser in NTBs than international agreements. Treaties also promote transparency among the countries. Provision should be given for sensitive products. LDCs should be given high priority for the promotion of agri-exports. A developed country may initiate export substitution in primary products where an LDC has a competitive advantage. Free movement of factors of production with complementarities should be promoted. Measures such as research for integration in agriculture, harmonization of incentives, establishment of foreign trade policies with emphasis on export promotion schemes and converting bilateral trade agreements into regional ones should be given. The upward spike in FTAs should be also governed under the WTO obligations with focus on dismantling trade restrictions. Although agriculture has sensitivities, trade agreement has a welfare enhancement effect. Inter-sectoral linkages should be strengthened.

Mustafa and Ahmad (2003) pointed out that if the products are of good quality prior to SPS measures it will increase agri-exports and if the required measures are not adopted it may percolate in other country's food items and create new food safety problems. Lastly, Park et al. (2012) opined that the economic structure of a country plays an important role. Like, if the economic structure is good and pre-FTA countries are competitive and post-FTA countries become complementary then trade creation is noticed. Vogel (1995) discussed that regulations are broadly used as trade barriers and protective measures by many countries. Trade barriers must be incorporated within the agreement or independently and regulatory policies should be developed with regular reviews and modifications in standards so that it does not become a trade barrier.

'Demonstration liberalization' could be an important reform in the agri-trade of India which means liberalization of industry will have an early and ready apparent favorable positive impact on output and employment in agriculture (Pursell and Gulati, 1993). Developing countries face volatility and adverse terms of trade. They face rejections from developed countries in primary exports which shrinks their welfare gains from trade. Fair trade has emerged as a development policy issue i.e. liberalization of an industry which is likely to have an early and favorable positive impact on output and employment. Masanori (2012) pointed out that India is on the way to adopt enterprise models of foreign countries in the domestic market and ease the trade regulations. It is also assumed

that the trade agreements of India with other countries may benefit a particular country like Japan.

Findings of the study are consistent with the theoretical viewpoint given by many academicians. Gerwin and Kim (2010) pioneered that exports are essential drivers for sustainable economic growth and prosperity and favored that new trade deals should be made. Birdsall et al. (2005) pointed out that inequity is present in international trade where developed countries create onerous obligations and burdens on poor countries through trade agreements. This is due to the lack of transparency in multilateral trade negotiations which hinders many countries including India. The developed countries should focus on making their development agenda more creative. Mendoza and Bahadur (2002) suggested that free trade expands the global output of developed countries due to their competence of specialization. Inequality is prevalent across countries due to strict technical regulations, which becomes burden on countries with low resources. Such countries require equal balance along with free trade. Costly protection must be abolished and reforms should be started in decision making and bargaining. Franco-Bedoya and Frohm (2022) opined that comprehensive FTAs should be given more preference than average FTAs. Panagariya (2013) critically showed that there is an urgent need for multilateral negotiations for countries including India since many developing and developed nations will use protection in the coming future which will recede from global free trade.

#### **5.4. Few policy measures: a potential win-win**

**Design and approach:** Countries should adopt a multi-pronged approach to trade. FTAs should be designed in such a way that trade gets momentum and mitigations arising due to agreements are reduced. A joint review mechanism must be developed for every trade agreement to analyze the impact. FTAs require a careful examination of new emerging ill-effects and benefits with special reference to LDCs. It should be revitalized as per the export-oriented strategies to reap the benefits. Agreements should be implemented considering the national contexts of the country where domestic laws should not be trade restrictive. It should provide comprehensive development to all the countries based on

shared interests. One such measure is to first identify the potential sectors, then identify new marketplaces and implement the trade agreements focusing on open regionalism. Athukorala (2020) stated that today FTAs have multiple provisions which include protection, investment, safety issues, standards, dispute settlement etc. and are regarded as ‘modern FTAs’. Also, Hertel et al. (2001) have introduced ‘new age features’ of FTAs which focus more on efficiency by building security and standards for e-commerce and well-built custom clearance procedures.

**Competitiveness:** Countries whose competitiveness increases in the world, markets move towards free trade and countries which face reduced competitiveness, use protection in trade. There is a need to increase the production base by increasing the competitive edge. Kono (2007) argued that member countries with similar comparative advantage promoted liberalization whereas members with differences in comparative advantages did not promote it. Kaushal (2022) also pointed out that domestic productivity and competitiveness plays important role in the market access for trade.

**Trade facilitation:** It must be taken care that FTAs provide enhanced protection to many sectors instead of limited sectors. An agreement should be signed such that any partnership under it brings optimism to both the sides. Today, the world has focused more on mega trade blocs which makes the other countries remain marginalized. Although developed countries now prefer the ‘WTO plus’ clauses which includes labor and environment, rate of protection through NTMs, is probably high in the multilateral route and increasing its coverage in the bilateral route.

**Strategic trade policies:** Such framework points out that market share and competitive advantage have crucial role than factor endowments and comparative advantages (Nau, 1994). A study by Storm (2001) conveys that as per the strategic integration, quantitative restrictions may be used to maintain the optimum level of terms of trade. Also, export and import duty may be levied as per the WTO obligations and measures may be applied under the ‘Special Treatment’ clause. In order to regulate trade, public investment should be introduced which widens irrigation coverage and raises agricultural production capacity. Further, effective price policy should be adopted.

**Trade Remedy Agency (TRA):** India can set up such an agency to explore the unfair trade practices leading threats to the country and take counteract actions to protect the economic interests of domestic firms. The agency can investigate a case and provide recommendations to the higher authority.

**Fair trading system:** Trade becomes unfair when anti-competitive and predatory practices are followed. Fair trade is a system which focuses on rights of both, the consumers and the producers, higher equity, transparent, sustainable and non-discriminative trading practices. It was first started in the United States in the late 1940s. A fair trading model should be promoted in agri-trade for the developing and LDCs. This system may bring fair prices for farmers and transparency in India's agri-trade. It includes agendas of food security and special treatment of agriculture. It will control the dumping and bring equity in the market providing flexibility to small producers and exporters. There are different challenges related to legal prepositions for both free and fair trade. Meyer (2018) opined that fair trading implies the protection of values other than pure trade liberalization. Stiglitz (2008) gave an interesting viewpoint that developed countries design '*managed trade agreements*' which serve the special interests of developed countries. No doubt, fair trading is a good comprehensive agenda for developing countries which makes them winners instead of losers. If developed countries like the United States are still in a win-win situation and at advantageous position, it may compensate the gains to loser countries. A paper by Gould and Gruben (1997) suggested that transparent ways of temporary protection may be applied for appropriate fair-trade laws. An interesting note by Perumal (2019), illustrated that free trade has more benefits for consumers. Rising trade deficit is not a major area of concern between two countries as it creates extended purchasing options by selling more to the partner country and on the other side; it also receives more capital surplus. The study also opined that, with fair trade concerns, countries want to illustrate new forms of protective trade barriers and free trade should be given more credit than fair trade.

**Deep agreements:** It is important whether a country adopts a 'shallow agreement' which includes tariffs and other border measures or a 'deep agreements' which includes many provisions for multiple policy areas for goods and services, at the border and behind the border (World Bank, 2018). Deep agreements promote global value chains. In a study conducted by Mattoo et al. (2017), it was highlighted that a 'shallow agreement', like

Peru-Chile increased trade by 10 percent. A ‘medium depth Preferential Trade Agreement (PTA)’ like Korea-US increased trade by 14 percent and a ‘deep agreement’ like the European Union raised trade by 44 percent among the member countries. Another study by Ahcar and Siroen (2017) found that increasing the depth of integration by 10 per cent through provisions like labor and environment, increased trade flow by three per cent. Provisions in agreements must be broadened by adding NTMs, competition policy and food standards etc. Further, Jing et al. (2022) propounded that deep agreements should be incorporated in trade agreements as it covers more trade liberalization issues and areas compared to shallow agreements. It is also important that the WTO-plus group where provisions are under the direction of the WTO and WTO-extra group where provisions are outside the WTO domain are studied for depth of cooperation. Further, Hicks and Kim (2012) illustrated that to gain more from trade liberalization, and efficient government interference, Reciprocal Trade Agreements should possess many commitments like it should form economic union, focus on agriculture, transparency, reduced tariffs, NTBs or any other restriction with negotiated tariff rates.

## **6. Concluding remarks**

This study has explicitly examined the potential for expansion of agri-trade at bilateral and multilateral levels in different FTAs. The study explored India’s inextricable trade relations with her trading partners for mutual benefits in agri-trade. The study has reflected how trade agreements along with reduction in NTMs could bring significant gains to agri-trade. On the other hand, India’s FTA with developing and LDCs of South Asia confirmed the possibility of a high reduction in trade costs and more bilateral trade benefits in the agriculture sector.

Overall, the study suggests promoting trade agreements by analyzing the growing concerns of domestic producers. MoUs have a significant impact in accelerating the bilateral trade of India. There is a need to explore more key FTA partners and make agreements simpler and trade facilitative. Comparative advantage must be coupled with domestic policies of the country for fair and equitable growth. There have been also prospective signs of FTAs promoting agri-trade with different trading partners. Since,

difficulty arises for the suitability of FTA between a developed, developing and LDC, lessons can be taken from the study of Siriwardana and Yang (2007) who showed that an LDC like Bangladesh can request the other country to provide additional measures and add impetus to safeguard and induce new export capacities. A study by Bhatia (1999) revealed that among developing countries including India, a lot of work is yet to be done on trade diversification. Yao et al. (2021) suggested that there is a need to balance the side effects of trade agreements. Also, strengthening the legal system would bring proper implementation of agreements. Lessons can be also drawn from the study of Ando et al. (2022) which pointed out that to increase the effectiveness of FTAs, information regarding expected benefits and use of FTAs should be imparted among traders. Also, certificate of origin should be prepared and distributed efficiently to importer country fulfilling the requirements of preferential treatment. Thus, overall, India should explore a balance between trade liberalization and domestic support; improve its labor, health and safety standards and other areas creating a competitive environment for efficient trade flow. Also, intra-regional integration should be given top priority.

This study provides policy implications for future trade agreements for developing and LDCs that what strategy should be implemented when they engage in agri-trade. The study concludes that a fair trading system may be adopted. Trade agreements should be designed as per the requirement of the trading partners. There is a need to reduce trade barriers in order to liberate more trading opportunities for India and build emerging ties with her trading partners. The limitation of the study is that it lacks depth-analysis of pre and post enactment of trade agreement at disaggregated level of harmonized product groups. There is a scope for future study to analyze empirically the impact and sensitivity of FTAs at other sectoral level, applying an econometric study whether bilateral or multilateral FTA brings more benefits for India's trade.

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