

## General Studies – 2; Topic: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

### Trade Facilitation Agreement (TFA)

#### 1) Introduction

- The TFA is the WTO's first multilateral accord that aims to simplify customs regulations for the cross-border movement of goods.
- It was outcome of WTO's 9th Bali (Indonesia) ministerial package of 2013 and came into force from February 2017.
- It aims to create a less discriminatory business environment.

#### 2) Provisions

- **Lowering import tariffs and agricultural subsidies.**
  - a. It will make it easier for developing countries to trade with the developed world in global markets.
- **Abolish hard import quotas.**
  - a. Developed countries would abolish hard import quotas on agricultural products from the developing world.
  - b. Instead developed countries would be allowed to charge tariffs on amount of agricultural imports exceeding specific limits.
- **Reduction in red tape at international borders.**
  - a. It aims to reduce red-tapism to facilitate trade by reforming customs bureaucracies and formalities.
- **Preferential Rules of Origin for Least-Developed Countries**
  - a. Simplified rules for identifying origin and qualifying for preferential treatment with importing countries.

#### 3) Implications

- The deal will ease trade processes, bring down barriers to trade and enhance the capacity of the developing world to better engage with the global trading network.
- Significantly change the global trade scenario with international customs practices becoming streamlined and easier trade movement
- Faster clearance procedures
- Enhanced conditions for freedom of transit for goods
- Reduced fees and formalities connected with the import and export of goods.
- TFA is estimated to reduce global trade costs by more than 14% and could boost global growth by half a percentage point per year.
- Trade facilitation increases trade flows and lowers trade costs, making it critical for development in Asia and the Pacific.

#### 4) Benefits to India

- Bring in simplification and enhanced transparency in cross border trade in goods.
- Boost economic growth by reducing trade costs and integration into the global economy.
- The increase in global economic activity will add new jobs and lower the cost of doing international trade by 10 to 15 per cent.

- Likely to reduce the time needed to import and export goods
- Predicted to increase the number of new products exported by as much as 20 per cent.

### 5) Concerns / Challenges

- Rising tide of trade protectionism across the globe and stronger voices against trade liberalisation by US President Donald Trump.
- Critics argue that the deal favoured developed nations since developing and LDC nations will face tougher challenges in bringing up their regulatory and customs practises and in modernising trade infrastructure to reap the benefit of TFA.
- Contentious issues of public stockholding of food and a special safeguard mechanism in agriculture have not seen much progress.

### 6) Way Forward

- For India, a permanent solution to the issue of public stockholding of foodgrain will remain of primary importance at the upcoming ministerial conference in Argentina.
- TFA on services would ease movement of skilled professionals across borders as well as reducing transaction costs for India.
- Requires legislative changes for the smooth implementation of TFA.
- Digitalization, along with institutional coordination, is a great tool to further enhance trade facilitation implementation and reduce trade costs.
- Improve trade facilitation in major sub-regional cooperation initiatives like South Asia Subregional Economic Cooperation.
- Development-based issues of the Doha Development Agenda (DDA) need to be uniformly reaffirmed.
- Effective monitoring of logistics and efficiency at ports and related issues.

### 7) Growing Importance of Trade for India

- Greater integration with global economy has made India more global.
- Indians have been able to influence key decisions in US and UK because of the growing economic importance of Indian Markets
- Trade extends the scope for efficient division of labour. It thus raises productivity.
- Free trade can help millions of Indians to come out of poverty.
- The challenge is to keep dismantling barriers to internal and external trade.
- India needs to shape its domestic and foreign policy to overcome the new challenges.