

INTERNATIONAL RELATIONS

❖ **Free Trade Agreements**

➤ **Context:** In recent times, the Indian government has been actively pursuing free trade agreements (FTAs) with a wide range of countries.

➤ **What is Free Trade Agreements?**

- It is an agreement between two or more countries to lower import and export tariffs.
- A free trade policy allows products and services to be bought and sold across international borders with little or no restrictions from the government in the form of taxes, subsidies, quotas, or prohibitions.
- The concepts of trade protectionism and economic isolationism are diametrically opposed.
- The World Trade Organisation (WTO) considers the formation of free trade areas to be an exception to the most favored nation (MFN) principle since the preferences that parties to a free-trade area exclusively provide each other go beyond their accession commitments.
- Although the GATT allows WTO members to establish free-trade areas or adopt interim agreements necessary for their construction, free-trade areas and interim agreements leading to the formation of free-trade areas are subject to a number of requirements..

➤ **Relationship Between Multilateralism and FTA:**

- Article 1 of GATT (General Agreement on Tariffs and Trade) (about Most Favoured Nation) states that “any advantage, favour, privilege, or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.”
- However, derogations from this MFN principle are permitted for forming FTAs under specific conditions as per the following provisions of the WTO Agreements:
- FTA members shall not erect higher or more restrictive tariff or non-tariff barriers on trade with non-members than existed prior to the formation of the FTA.
- Elimination of tariffs and other trade restrictions be applied to “substantially all the trade between the constituent territories in products originating in such territories.”
- Elimination of duties and other trade restrictions on trade within the FTA to be accomplished “within a reasonable length of time,” meaning a period of no longer than 10 years.

➤ **Different Types of Economic Engagements:**

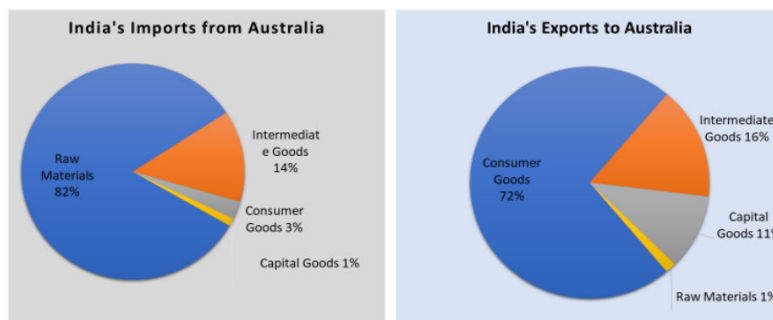
- **Preferential Trade Agreement (PTA):** In a PTA, two or more partners agree to reduce tariffs on an agreed number of tariff lines. The list of products on which the partners agree to reduce duty is called a positive list. India MERCOSUR PTA is such an example. However, in general PTAs do not cover substantially all trade.
- **Free Trade Agreement (FTA):** In FTAs, tariffs on items covering substantial bilateral trade are eliminated between the partner countries; however, each maintains an individual tariff structure for non-members. For example India – Sri Lanka FTA.
- **Common Market:** Integration provided by a Common market is one step deeper than that by a Customs Union. A common market is a Customs Union with provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc. For example The European Common Market is an example.
- **Economic Union:** Economic Union is a Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions. European Union (EU) is an example.
- **Comprehensive Economic Cooperation Agreement (CECA) and Comprehensive Economic Partnership Agreement (CEPA):** These terms describe agreements which consist of an integrated package on goods, services and investment along with other areas including IPR, competition etc. The India Korea CEPA is one such example and it covers a broad range of other areas like trade facilitation and customs cooperation, investment, competition, IPR etc.
- **Custom Union:** In a Customs union, partner countries may decide to trade at zero duty among themselves, however they maintain common tariffs against the rest of the world. Example Southern African Customs Union (SACU) amongst South Africa, Lesotho, Namibia, Botswana and Swaziland. The European Union is also an example

➤ **Significance of FTAs:**

- It gives businesses and consumers improved access to a wider range of competitively priced goods and services, new technologies, and innovative practices.
- Help to obtain more benefits from foreign investment.
- Promote regional economic integration and build shared approaches to trade and investment between the trading partners.
- Can deliver enhanced trade and investment opportunities that contribute to the economic growth of less-developed economies.
- Support stronger people-to-people and business-to-business links that enhance overall bilateral relationships with FTA partners.

- Can continue to provide additional benefits to the trading partners over time, including via in-built agendas that encourage ongoing domestic reform and trade liberalisation.
- **Major Challenges in adopting FTAs:**
 - Protectionist Tendencies: Moves such as plans to raise import duties on “non-essential items”, will only expose the government to the charge of being protectionist. The first two decades after 1991-92 saw a steep decline in tariff rates. The trend, however, has been reversed under the ruling government with the average applied import tariff actually rising. But still challenges remain.
 - Demographic dividend: These Non-tariff issues could pose hurdles for India in reaping the gains of its comparative labour advantage.
 - Shift of focus: Wrapping up these FTA talks could narrow soon given that India’s focus would shift to the series of events linked to India’s G20 Presidency.
 - Influential lobbies can delay it more: Political lobbying from influential lobby groups such as farmer unions and the auto sector could intensify.
 - Priority to non-tariff issues: In much of the negotiations currently under discussion, climate action, carbon emissions and labour issues are taking precedence over trade issues.
 - GSP (Generalised System of Preferences): Currently, we may benefit from the GSP but if they come in a non-tariff barrier by citing labour or environment, then it becomes an issue citing standards, adjustments, child labour as reasons. India had been a beneficiary of the US’ GSP programme since November 1975, under which beneficiary countries are allowed to export thousands of products to the US without the added burden of duties.
 - Recessionary conditions: These could potentially offer partner countries a handle to trigger non-tariff protectionist measures as developed nations stare at recessionary conditions.
 - Environmental issues: Developed countries such as the US have brought up the issue of carbon emissions in the process of manufacturing melted steel as a non-tariff-related issue. India mostly produces steel generated from iron ore which comes from mining. Most developed countries have resorted to methods to generate it from scrap which results in lower carbon emissions. Thus, there may be a levy of carbon adjustment tax.
 - Carbon Border Adjustment Mechanism: The European Union has proposed CBAM to tax carbon-intensive products, such as iron and steel, cement, fertiliser, aluminium and electricity generation from 2026. EU importers will buy carbon certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU’s carbon pricing rules.
- **India and FTA**
 - India and FTAs After opting out of the Regional Comprehensive Economic Partnership (RCEP), a 15-member FTA grouping that includes Japan, China, and Australia, in November 2019, India's FTAs were put on hold.
 - However, it was announced in May 2021 that India-EU talks, which had halted in 2013, will be revived.
 - Internally, both sides are poised to carry these numerous strands of work forward.
 - India is in the process of negotiating bilateral free trade agreements with the UAE, the UK, Australia, and Canada.
 - The FTA with Australia was very advanced,' while the accord with the UAE was 'near to finalization.'
- **Recent India-Australia Free Trade Agreement:**
 - The free trade agreement (FTA) between India and Australia, came into effect from December 29, 2022. The two countries will bolster trade ties and will help boost bilateral trade in goods and services to cross \$70 billion in the next five years.
 - India's goods exports to Australia stood at \$8.3 billion and imports from the country aggregated to \$16.75 billion in 2021-22.
 - The FTA deal will help both the countries gain from exports and imports.
 - The FTA between the two countries officially known as Economic Cooperation and Trade Agreement (ECTA) between India and Australia provides for an institutional mechanism to encourage and improve trade between the two countries.
 - The ECTA between India and Australia covers almost all the tariff lines dealt in by India and Australia respectively. India will benefit from preferential market access provided by Australia on 100 per cent of its tariff lines. This includes all the labour-intensive sectors of export interest to India such as gems and jewellery, textiles, leather, footwear, furniture, food, and agricultural products, engineering products, medical devices, and Automobiles.
 - On the other hand, India will be offering preferential access to Australia on over 70 per cent of its tariff lines, including lines of export interest to Australia which are primarily raw materials and intermediaries such as coal, mineral ores and wines etc.
 - Australia has offered wide ranging commitments in around 135 sub sectors and Most Favoured Nation (MFN) in 120 sub sectors which cover key areas of India’s interest like IT, ITES, business services, health, education, and audio visual.

Bilateral Merchandise Trade Profile
96% of imports from Australia are Raw Materials and Intermediate Goods



- Some of the key offers from Australia in the services space include: Quota for chefs and yoga teachers; Post study work visa of 2-4 years for Indian students on reciprocal basis; mutual recognition of professional services and Other licensed/regulated occupations; and work & holiday visa arrangement for young professionals
- Under the pact, Australia is offering zero-duty access to India for about 96.4 percent of exports (by value) from the Day 1. This covers many products that currently attract 4-5 percent customs duty in Australia.
- According to a report released by Global Trade Research Initiative (GTRI), products worth \$23 billion will become duty-free from Day One of implementation of the trade deal.
- India has offered zero duty access on coal, alumina calcined, manganese ore, copper concentrates, bauxite, sheep meat, rock lobster, macadamia nuts, cherries, and wool.
- **Way Forward:**
- **Towards Open and Competitive Economy:** The trade policy framework must be accompanied by economic reforms that result in an open, competitive, and technologically advanced economy. Therefore, country looking for FTAs must focus on inclusion of entrepreneurs in global economic networks that will also allow them to pursue greater financial security.
- **Strengthening MSME Sector:** With a contribution of about 29% to the GDP and 40% to international trade, MSMEs are the key players in achieving the ambitious export targets. It is important for India to link Special Economic Zones with the MSME sector and incentivize small businesses.
- **Enhancing Domestic Base:** India needs to strengthen its domestic manufacturing base in value-added products like engineering goods, electronic products, drugs and pharmaceuticals, textiles, and agriculture machinery, that could be used to boost exports.
- **Infrastructural Evolution:** A robust infrastructure network – warehouses, ports, testing labs, certification centers, etc. will help Indian exporters compete in the global market. It also needs to adopt modern trade practices that can be implemented through the digitisation of export processes. This will save both time and cost.
- **Scrutiny of FTAs:** The Committee on Commerce should be tasked with scrutinizing FTAs, discussing different aspects of agreements and negotiations, thus ensuring executive accountability to the legislature.

PRELIMS

1. Digital Innovation Alliance

- **CONTEXT: Union Minister of Electronics and Information Technology launched the Stay Safe Online campaign and the Digital Innovation Alliance (DIA) programme as a G-20 initiative.**
- The Ministry of Electronics and IT (MeitY) is the nodal ministry for the G20 Digital Economy Working Group (DEWG).
- It will focus on three priority areas.
 - ✓ Digital public infrastructure (DPI)
 - ✓ Cyber security
 - ✓ Digital skill development
- In line with this, the 'Stay Safe Online' campaign and Digital Innovation Alliance (DIA) programme were launched during the G20 summit.
- DIA is meant to unite the innovation ecosystems of G-20 to recognise and support start-ups developing innovative digital solutions.
- The DIA programme will have 174 start-ups from member countries with 9 invitee countries sending in entries for digital solutions.
- The digital solutions will be in 6 key sectors - Edtech, Healthtech, Agritech, Fintech, secured digital infrastructure and circular economy.
- It will be showcased at a 3-day event in Bengaluru in 2023, at the end, top 3 innovations in each sector will be awarded.
- The event would also provide an opportunity for interactions with stakeholders, esteemed panel discussions and investor connect.

- Stay Safe Online Campaign - The campaign intends to raise awareness about cyber risks and the need for cyber hygiene in an increasingly digitising world.
- The campaign will be carried out via the MyGov website in English, Hindi and local languages to reach a wider audience.
- 2. **National Archives of India**
 - **CONTEXT: The National Archives of India (NAI) does not have records of 1962, 1965, and 1971 wars, or even of the Green Revolution, its Director-General Chandan Sinha said recently.**
 - The admission shocked historians, with many terming this a ploy by successive governments to control the narrative, and saying that the country is losing its history.
 - **NAI, the record-keeper**
 - The NAI, which functions under the Ministry of Culture, is the repository of all non-current government records, holding them for the use of administrators and scholars.
 - Originally established as the Imperial Record Department in 1891 in Calcutta, the capital of British India, the NAI is now located in Delhi. It keeps and conserves records of the government and its organisations only, and does not receive classified documents.
 - The holdings in NAI are in a regular series starting from the year 1748, and the languages of the records include English, Arabic, Hindi, Persian, Sanskrit and Urdu.
 - Lately, NAI has also made efforts to make available all the records digitally — on the newly created Abhilekh Patal portal. However, five years later, it's a work in progress and the entire holdings haven't been digitised so far, with 1,27,136 records available for online access.
 - **How it receives documents**
 - As per the Public Records Act, 1993, various central ministries and departments are supposed to transfer records more than 25 years old to the NAI, unless they pertain to classified information. However, it is up to the respective ministries and departments to ascertain what is classified information, and that is where subjective opinions may kick in.
 - Various ministries and administrations come up with their own definitions of what is classified and what is non-current. Opacity and lack of accessibility are just a few of the issues regularly faced by researchers at the archives, irrespective of the administrations in power.
 - **What it holds, and what's amiss**
 - There are in all 151 ministries and departments, and the NAI has only records of 64 agencies, including 36 ministries and departments. Several Union ministries and departments have not shared their records with NAI.
 - It recently claimed that it do not have any records in the NAI of the Green Revolution, the 1962 war, the 1965 war, and the 1971 war – the great victory.
 - The NAI also holds regular exhibitions such as the display of declassified files on Subhas Chandra Bose in 2016 and the recent exhibition, 'The Jammu and Kashmir Saga', commemorating 70 years of Jammu & Kashmir's accession to India. Between 1973 and 2015, the NAI has held 108 exhibitions on various themes.
 - In 2021, Defence Minister had ordered his ministry to declassify and transfer pertinent war records older than 25 years to the archives.
 - In 2022 alone, 20,000 files that go up to the year 1960 have been transferred. From the time of the Independence till early 2022, the Defence Ministry had sent merely 476 files to NAI.
- 3. **Triple test survey**
 - **CONTEXT: After the Allahabad High Court ordered the Uttar Pradesh government to hold urban local body elections without reservation for Other Backward Classes (OBCs) because the 'triple test' requirement for the quota had not been fulfilled, the state set up a commission for this purpose.**
 - The five-member commission will conduct a survey to ensure that the OBCs are provided reservation on the basis of the triple test, as mandated by the Supreme Court.
 - This is the first time that the triple test exercise will be carried out in Uttar Pradesh. The law department and the urban development department will lay down the guidelines to be adopted for the process.
 - **What is triple test?**
 - The triple test requires the government to complete three tasks for finalisation of reservation to OBCs in the local bodies. These include:
 - ✓ To set up a dedicated commission to conduct a rigorous empirical inquiry into the nature and implications of the backwardness in local bodies;
 - ✓ To specify the proportion of reservation required in local bodies in light of recommendations of the commission, so as not to fall foul of overbreadth;
 - ✓ To ensure reservation for SCs/STs/OBCs taken together does not exceed an aggregate of 50 per cent of the total seats.
 - These triple test/conditions were outlined by the Supreme Court in the case of Vikas Kishanrao Gawali vs. State of Maharashtra and others, decided on March 4, 2021.
 - **What procedure was UP following before this?**
 - The Urban Development Department of the UP government had on April 7, 2017 issued orders to conduct a rapid survey for determining the population of OBCs. Based on such a rapid survey in each constituency of a

municipality, seats were reserved in proportion to the population of the backward class of citizens in the constituency/ward concerned.

- The present government recently said that all previous governments since 1994 had used the same rapid survey, for the polls held in 1995, 2000, 2006, 2012 and 2017.
- The arrangement for reservation of backward classes in local bodies was made in the UP Municipalities Act, 1916 in 1994.
- **Why triple test instead of rapid survey?**
- The Lucknow Bench of the Allahabad High Court said that any inquiry or study into the nature and implications of the backwardness with respect to local bodies involves ascertainment of representation in such bodies. The court said such an exercise cannot be confined to counting of heads alone, as is being done through the rapid survey.
- According to the court simply granting reservation on the basis of population misses a very crucial factor for determination of backwardness, and that factor is political representation of the class or group concerned.
- The High Court quoted the Supreme Court's observation in the K Krishna Murthy case, which pointed out that the nature of disadvantages which restrict access to education and employment cannot be readily equated with disadvantages in the realm of political representation.
- Further observation made by Hon'ble Supreme Court in this regard is that the backwardness in the social and economic sense does not necessarily imply political backwardness.
- Elaborating the difference between the nature of reservation provided under Article 243-D and under Article 15(4) and 16(4), the Supreme Court in K Krishna Murthy also observed that there is an inherent difference between the nature of benefits that accrue from access to education and employment on one hand and political representation at the grassroots level on the other hand.
- According to the court this inherent difference is that while access to higher education and public employment increases the likelihood of the socioeconomic upliftment of the individual beneficiaries, participation in local self-government is intended as a more immediate measure of empowerment for the community to which the elected representative belongs.

ANSWER WRITING

Q: Discuss the features of small satellite launch vehicle (SSLV). Explain how it will benefit the space sector in India?

The Indian space research organization (ISRO) has designed small satellite launch vehicle (SSLV) to meet "launch on demand" requirements in a cost-effective manner. It has recently carried Earth observation satellite EOS-02 into the low earth orbit which offers advanced optical remote sensing operating in infra-red band with high spatial resolution.

Features: -

- ✓ Small Satellite Launch Vehicle (SSLV) is a three stage Launch Vehicle configured with three Solid Propulsion Stages and a liquid propulsion-based Velocity Trimming Module (VTM) as a terminal stage.
- ✓ SSLV is 2m in diameter and 34m in length with a lift-off weight of around 120 tonnes.
- ✓ SSLV is capable of launching 500kg satellites in 500km planar orbit from Satish Dhawan Space Centre (SDSC).
- ✓ Other features include launch demand feasibility, minimal launch infrastructure requirements, low turn-around time, flexibility in accommodating multiple satellites etc.

Significance in space sector

- ✓ Increasing era of small satellites: earlier, big satellites with heavy payload were given importance but with increase in participation of many groups such as business groups, government agencies, universities etc. the demand for small satellites that are cost-effective has risen in past few years.
- ✓ Huge scope: due to ever growing need for space-based data, communication, surveillance and commerce the demand for small satellites will increase manifold in the next few years.
- ✓ Cost saving: the estimated cost of SSLV is estimated to be around Rs.30 crore only which is more than 6 times lower than PSLV.
- ✓ Increase in global share: India accounts for approximately 2% of the global space economy which is only around \$7.5 billion. India has envisaged to reach \$50 billion in next five years. Development in SSLV can help many countries to launch their satellites and can increase India's share in global space economy.

The development of SSLV has far ranging benefits that can improve India's position globally in the field of Space, technological development, socio-economic conditions etc. moreover, a high pace in the growth of space technology can enable India to send its astronauts into the space and to develop its own space station in the coming few years.

MCQs

1. Consider the following statements on a Free Trade Agreement.
 1. A free trade agreement allows products to be sold across international borders.
 2. FTA never fails to encourage trade protectionism.
 3. Recently India signed a Free Trade Agreement with Australia
 Which of the statement/s given above is/are correct?
 a) 1 and 3 only b) 2 and 3 only c) 2 only d) 3 only
2. With reference to triple test survey consider the following statements

1. The triple test requires the government to complete three tasks for finalisation of reservation to OBCs in the local bodies only
 2. Triple test were outlined by the Supreme Court in Krishna Murthy judgment in 2010
- Which of the above statement/s is/are correct?
- a) **1 only** b) 2 only c) Both 1 and 2 d) Neither 1 nor 2
3. Consider the following statements, with reference to National Archives of India
 1. It is the custodian of the records of enduring value of the Government of India.
 2. It is the biggest archival repository in South Asia.
 3. It functions under the Ministry of Education.
 4. It provides financial assistance to State/Union Territories.

Which of the above statement/s is/are correct?

a) 1 and 2 only b) 2 and 3 only c) 1,2 and 3 only **d) 1,2 and 4 only**
 4. With reference to G20 Digital Alliance (DIA) consider the following
 1. G-20-DIA aims to recognise and support innovators that have digital solutions for various world economies to reduce the digital divide.
 2. Stay Safe Online Campaign has been initiated under the programme

Which of the above statement/s is are correct?

a) 1 only b) 2 only **c) Both 1 and 2** d) Neither 1 nor 2
 5. With reference to National Ganga Council consider the following
 1. The jurisdiction of the National Ganga Council (NGC) shall extend to the state which consists of the River Ganga basin
 2. National Ganga Council implements the National Ganga River Basin Authority Programme, which is backed by the IMF.

Which of the above statement/s is/are not correct?

a) 1 only **b) 2 only** c) Both 1 and 2 d) Neither 1 nor 2
 6. Recently a Mobile App 'Prahari' has been launched, is associated with which of the following armed forces?
 - a) Indo-Tibetan Border police
 - b) CISF
 - c) IRB
 - d) BSF**
 7. Recently a report card released on the performance of Information Commissions (ICs) in India for 2021-22, with reference to this consider the following
 1. The State Information Commission of Tamil Nadu has been the worst performing as far as responsiveness under the RTI Act is concerned
 2. Of all the 29 ICs, only the Odisha IC has adopted a norm regarding the number of appeals or complaints to be disposed by each commissioner in one year.

Which of the above statement/s is/are not correct?

a) 1 only **b) 2 only** c) Both 1 and 2 d) Neither 1 nor 2
 8. Kalasa-Banduri drinking water project often mentioned in news, is named after two rivers called kalasa and Banduri are tributaries of which of the following river?
 - a) Krishna River
 - b) Cauvery River
 - c) Mahadayi River**
 - d) Malaprabha River
 9. With reference to Lok Adalat consider the following statements
 1. Bank can refer stressed account cases to Lok Adalat
 2. Offenses which are non-compoundable under any law fall outside the purview of the Lok Adalat.

Which of the above statement/s is/are not correct?

a) 1 only b) 2 only c) Both 1 and 2 **d) Neither 1 nor 2**
 10. India's current account deficit (CAD) surged to an all-time high recently, with reference to CAD consider the following
 1. The current account balance is the difference between the value of exports of goods and services and the value of imports of goods and services.
 2. The current account does not includes net income, such as interest and dividends, and transfers from abroad such as foreign aid, which are usually a small fraction of the total.

Which of the above statement/s is /are correct?

a) **1 only** b) 2 only c) Both 1 and 2 d) Neither 1 nor 2