

GENERAL STUDIES II

India Free Trade Agreements 2026: RCEP & UPSC Notes

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India's Free Trade Agreement strategy is reshaping its economic relations with major global partners. From the UAE CEPA and Australia ECTA to negotiations with New Zealand and trade arrangements involving the UK, EU, EFTA and Oman, India is pursuing greater market access, stronger supply chains, and export competitiveness. This UPSC-focused guide explains FTAs, RCEP, levels of economic integration, India's major trade partnerships, opportunities for labour-intensive sectors, challenges for domestic industries, and important trade-related examination questions with answers and explanations.

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UPSC CURRENT AFFAIRS 2026

5 PAPER III

INTERNATIONAL RELATIONS

1. Why Are Free Trade Agreements in the News?

India has expanded its trade diplomacy through a series of bilateral and regional economic agreements.

The conclusion of India-New Zealand FTA negotiations in December 2025, alongside developments involving the European Union, United Kingdom, Oman and other partners, has renewed attention to India's global trade strategy.

These agreements aim to improve market access, diversify supply chains, encourage investment and strengthen India's export competitiveness.

UPSC Relevance: Indian Economy, External Sector, International Relations, Regional Economic Integration, WTO, Global Value Chains, MSMEs and Employment.

2. What Is a Free Trade Agreement?

A Free Trade Agreement is an arrangement between two or more countries or trading blocs to reduce or eliminate selected barriers to trade.

Such barriers may include customs tariffs, quotas and certain regulatory restrictions.

Modern FTAs may extend beyond goods to include services, investment, intellectual property, digital trade, competition, government procurement and regulatory cooperation.

Important Terms

- **Tariff:** A customs duty imposed on imports or exports.
- **Non-Tariff Barrier:** A regulatory or administrative measure that can restrict trade.
- **Rules of Origin:** Criteria used to establish the economic nationality of a product.
- **Preferential Market Access:** Favourable trade treatment provided under an agreement.
- **Trade Diversion:** A shift of imports towards a preferential partner, which may not always be the lowest-cost supplier.

Key Concept: An FTA does not automatically make every product duty-free. Concessions depend on the agreement's tariff schedules, rules of origin and exclusions.

3. Types of Economic Integration

Type	Main Feature	Example / Explanation
Preferential Trade Agreement	Selected tariff preferences	Limited trade concessions
Free Trade Area	Reduced tariffs among members	Members retain independent external tariffs
Customs Union	FTA plus common external tariff	Common treatment of third-country imports
Common Market	Customs union plus factor mobility	Greater movement of labour and capital
Economic Union	Deeper economic policy coordination	Higher level of integration

PTA → FTA → Customs Union



Common Market → Economic Union

4. What Is RCEP?

The Regional Comprehensive Economic Partnership is a major Asia-Pacific free trade arrangement.

It brings together the ten original ASEAN RCEP participants and five partner economies: Australia, China, Japan, South Korea and New Zealand.

India participated in the negotiations but decided not to join RCEP in 2019.

Why Did India Stay Outside RCEP?

- Concerns over rising imports.
- Potential pressure on domestic manufacturing.
- Protection of sensitive agricultural sectors.
- Concerns about trade deficits.
- Rules-of-origin enforcement.
- Safeguards against import surges.

Exam Clarification: India's bilateral FTAs with RCEP participants do not make India a member of RCEP. The scope and benefits of each agreement remain separate.

5. Major Free Trade Agreements Involving India

Partner	Agreement	Key Date / Status	Importance
UAE	CEPA	Effective May 2022	Goods, services and wider economic cooperation
Australia	ECTA	Effective December 2022	Market access and supply-chain cooperation
EFTA	TEPA	Signed March 2024; effective October 2025	Trade and investment cooperation
United Kingdom	CETA	Signed July 2025; effective July 2026	Goods, services and professional mobility
Oman	CEPA	Signed December 2025; effective June 2026	Market access and Gulf trade connectivity
New Zealand	FTA	Negotiations concluded December 2025; signed April 2026	Trade, investment and Indo-Pacific engagement
European Union	FTA	Negotiations concluded January 2026	Potential expansion of access to EU markets

A. India-UAE CEPA

The Comprehensive Economic Partnership Agreement entered into force in May 2022.

It supports trade in goods and services and wider economic cooperation.

B. India-Australia ECTA

The Economic Cooperation and Trade Agreement entered into force in December 2022.

It supports preferential trade access and stronger economic cooperation.

C. India-EFTA TEPA

The Trade and Economic Partnership Agreement was signed in March 2024.

EFTA consists of Iceland, Liechtenstein, Norway and Switzerland.

The agreement entered into force in October 2025.

D. India-UK CETA

The Comprehensive Economic and Trade Agreement was signed in July 2025 and entered into force in July 2026.

It offers significant preferential access for Indian exports, including labour-intensive products, alongside services provisions.

E. India-Oman CEPA

Signed in December 2025, the agreement entered into force in June 2026.

It supports trade services and professional cooperation with an important Gulf economic partner.

F. India-New Zealand FTA

Negotiations concluded in December 2025. The agreement was signed in April 2026.

As of 13 October 2026, its scheduled entry into force is 20 October 2026.

The agreement includes market-access arrangements, investment cooperation and provisions for professional mobility.

G. India-EU FTA

India and the European Union announced the conclusion of FTA negotiations in January 2026.

The negotiated framework seeks to expand market access while retaining safeguards for sensitive sectors.

Conclusion of negotiations should not be confused with entry into force.

6. Benefits of Free Trade Agreements for India

A. Improved Market Access

Lower import duties in partner markets can improve the competitiveness of Indian exports.

B. Labour-Intensive Industries

Textiles, leather, footwear, gems and jewellery, marine products and other labour-intensive sectors may benefit from preferential access.

C. MSME Opportunities

FTAs can create new export opportunities for small businesses, although firms must satisfy quality, documentation and rules-of-origin requirements.

D. Global Value Chains

Trade agreements can support access to inputs, production networks and diversified supply chains.

E. Services Exports

Modern agreements may improve opportunities in IT consulting, education, engineering and other services.

F. Strategic Partnerships

Economic agreements can strengthen bilateral relationships and Indo-Pacific engagement.

7. Challenges Associated with FTAs

1. **Import Competition:** Domestic producers may face competition from lower-cost imports.
2. **Trade Deficits:** Import growth may exceed export growth in some sectors.
3. **Rules of Origin:** Weak enforcement may undermine intended preferences.
4. **Non-Tariff Barriers:** Technical, sanitary and other standards can limit exports.
5. **MSME Readiness:** Small firms may lack certification and export capacity.
6. **Sensitive Sectors:** Agriculture and vulnerable industries may require safeguards.

8. Way Forward for India's Trade Strategy

- Strengthen domestic manufacturing competitiveness.
- Improve logistics and trade infrastructure.
- Help MSMEs meet export standards.
- Enforce rules of origin effectively.
- Protect sensitive sectors through negotiated safeguards.
- Promote export diversification.

- Review the actual impact of trade agreements.
- Expand skills and services competitiveness.

Policy Principle: An effective FTA strategy combines external market access with domestic productivity, quality standards, industrial competitiveness and inclusive growth.

9. UPSC Prelims Quick Revision

Topic	Important Fact
FTA	Free Trade Agreement
RCEP	Regional Comprehensive Economic Partnership
India in RCEP	Not a member
UAE CEPA	Effective 2022
Australia ECTA	Effective 2022
EFTA TEPA	Signed 2022, effective 2025
UK CETA	Signed 2025; effective 2026
Oman CEPA	Effective June 2026
New Zealand FTA	Signed April 2025
EU FTA	Negotiations concluded January 2026
Rules of Origin	Determine product origin
Customs Union	Common external tariff

10. UPSC Mains Answer-Writing Strategy

GS Paper II

Connect FTAs with India's bilateral relations, regional diplomacy and international institutions.

GS Paper III

Discuss trade liberalisation, industrial competitiveness, employment, MSMEs, exports and economic growth.

Essay Paper

Use FTAs to analyse globalisation, self-reliance, economic interdependence and inclusive development.

Suggested Mains Structure: Introduction ? FTA Concept ? Recent Agreements ? Benefits ? Challenges ? Way Forward ? Conclusion.

11. UPSC Previous Year Questions

PYQ Accuracy Note: The following 2017 question is a traceable UPSC Prelims previous-year question. A complete year-by-year list of repeated FTA questions has not been independently verified, so additional questions below are clearly labelled as original practice rather than invented PYQs.

UPSC PRELIMS 2017 | GS PAPER I

PYQ 1: WTO Trade Facilitation Agreement

Consider the following statements:

1. India has ratified the Trade Facilitation Agreement (TFA) of the WTO.
2. TFA is part of the WTO's Bali Ministerial Package of 2013.
3. TFA entered into force in January 2016.

Which statements are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Correct Answer and Explanation

Answer: A. 1 and 2 only

India ratified the WTO Trade Facilitation Agreement in April 2016.

The agreement emerged from the Bali Ministerial Conference of 2013.

However, it entered into force on 22 February 2017, not January 2016.

Therefore, statements 1 and 2 are correct and statement 3 is incorrect.

12. Original UPSC-Style Practice MCQs

PRACTICE 2026 | MCQ 1

RCEP Membership

Which statement is correct?

- A. India is an RCEP member.
- B. RCEP includes China.
- C. RCEP is a customs union.
- D. RCEP excludes Japan.

Answer and Explanation

Answer: B

China is an RCEP member. India is not a member, and RCEP is a free trade arrangement rather than a customs union.

PRACTICE 2026 | MCQ 2

Levels of Economic Integration

Which arrangement includes a common external tariff?

- A. Preferential Trade Agreement
- B. Free Trade Area
- C. Customs Union
- D. Bilateral Investment Treaty

Answer and Explanation

Answer: C

A customs union combines internal trade liberalisation with a common external tariff towards non-members.

PRACTICE 2026 | MCQ 3

India-EFTA Agreement

Which of the following is an EFTA member?

- A. France
- B. Switzerland
- C. Spain
- D. Poland

Answer and Explanation

Answer: B

EFTA comprises Iceland, Liechtenstein, Norway and Switzerland.

PRACTICE 2026 | MCQ 4

Rules of Origin

The primary purpose of rules of origin is to:

- A. Determine the origin of traded goods
- B. Fix exchange rates
- C. Determine fiscal deficits
- D. Regulate central bank reserves

Answer and Explanation

Answer: A

Rules of origin establish whether goods qualify for preferential treatment under a trade agreement.

PRACTICE 2026 | MCQ 5

India-New Zealand FTA

India-New Zealand FTA negotiations concluded in:

- A. December 2022
- B. March 2024
- C. December 2025
- D. January 2020

Answer and Explanation

Answer: C

Negotiations concluded in December 2025. The agreement was signed in April 2026.

PRACTICE 2026 | MCQ 6

India-EU FTA Status

Which statement accurately describes the January 2026 India-EU development?

- A. India joined the European Union.
- B. Negotiations for an FTA concluded.
- C. India adopted the euro.
- D. A common customs union was established.

Answer and Explanation

Answer: B

India and the EU announced the conclusion of FTA negotiations in January 2026. This does not mean that India joined the EU or a customs union.

13. Important UPSC Question Trends

Theme	UPSC Relevance
Trade Agreements and WTO	Prelims and GS III
RCEP and Regional Integration	Prelims, GS II and GS III
Trade Liberalisation	GS III and Essay
MSMEs and Export Competitiveness	GS III
Trade Deficits and Tariffs	Prelims and GS III
Economic Diplomacy	GS II

Final Preparation Strategy

For Prelims: Memorise agreement names, partner countries, RCEP membership, rules of origin, tariffs and the differences between FTAs and customs unions.

For Mains: Analyse the opportunities and risks of FTAs for manufacturing, employment, farmers, MSMEs and India's position in global value chains.

14. Conclusion

India's expanding network of Free Trade Agreements reflects an increasingly active economic diplomacy. These agreements can support market diversification, export growth, investment and strategic cooperation. However, their success depends on domestic competitiveness, effective implementation, rules-of-origin enforcement and safeguards for vulnerable sectors.

Final UPSC Takeaway: Free trade agreements can open international markets, but sustained economic gains require competitive domestic industries, inclusive policies and resilient supply chains.

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