

Services trade provisions in India's Free Trade Agreements: A scoping review of ECTA, CEPA, and Bilateral CEPAs with Japan and South Korea

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Abstract

The growing significance of services in the global economy, driven by the expansion of global value chains and advances in information and communications technology, has made services trade provisions a central element of modern free trade agreements (FTAs). This paper examines the services-related provisions embedded in four of India's recently concluded FTAs, namely the India–Australia Economic Cooperation and Trade Agreement (ECTA), the India–UAE Comprehensive Economic Partnership Agreement (CEPA), the India–Japan CEPA, and the India–South Korea CEPA, through a scoping review methodology. Drawing on primary agreement texts and secondary literature sourced from Google Scholar, EBSCO, and ProQuest databases, the study maps commitments across eleven key service sectors, including information and communications technology, financial services, professional services, education, health, and transportation. The analysis evaluates the depth and breadth of market access commitments, the treatment of rules of origin, mutual recognition agreements, and the regulatory frameworks governing the movement of natural persons. Findings indicate that while India has progressively deepened its services liberalization commitments, particularly through the mixed scheduling approach introduced in ECTA, structural impediments, including high Services Trade Restrictiveness Index scores, non-tariff barriers, and inadequate enforcement mechanisms, continue to constrain realized trade gains. The paper concludes by identifying policy directions for enhancing the effectiveness of India's FTA engagements in the services sector, with particular attention to regulatory coherence, rules of origin design, and alignment with GATS disciplines.

Keywords: Free Trade Agreements, Services Trade Liberalization, India Trade Policy, GATS, Rules Of Origin, Market Access, CEPA, ECTA, Non-Tariff Barriers, Global Value Chains, Mutual Recognition Agreements, Trade In Services

JEL Classification: F13, F15, F17, F23

1. Introduction

The global commercial system is being progressively dominated by free trade agreements (FTAs). FTAs' characteristics are also evolving. While the removal of traditional trade barriers like import tariffs continues to be the main focus of FTA negotiations, many agreements now include a wide range of commercial regulatory areas (like intellectual property rights, government procurement, etc.) and the provisions related to services that have become a priority for developed countries in particular in terms of trade policy (Dent, 2018). India is aware of the FTAs and has disclosed to the WTO that there are currently 13 FTAs "in force." In the last six months, India has signed two new FTAs and is now negotiating several more substantial FTAs with its main trading partners. The recent introduction of FTAs will likely have a substantial impact on India's trade policy and its treasured position as the leading manufacturer. (Francois & Hoekman, 2010). An FTA is the agreement between two or more countries to lower import and export restrictions. Under a free trade policy, there are little to no government tariffs, quotas, subsidies, or prohibitions that prevent the import or export of products and services across international borders. With a growing share of the global GDP and employment, the services sector has emerged as a crucial engine of economic growth and development. Despite this, barriers like rules, license requirements, and other non-tariff measures have historically limited trade in services. Different levels of openness are present during trade agreements. The lowest level of integration is achieved through preferential trade agreements (PTAs), which are limited to tariff reductions for a specific set of goods. By lowering tariffs on a wider range of goods, FTAs facilitate a deeper sort of integration (GOI, 2020).

FTAs have become a crucial tool for advancing increased trade liberalization in the services industry. These frequently include service-related clauses that support improved market access, national treatment, and regulatory consistency (Fontagné, Guillin, and Mitaritonna, 2011). Gasser (2022) asserts that the innovative aspect of the trade liberalisation arrangement is missing. Another notable insight has emerged through the study conducted by Chen & Shen (2024). Their study employs the gravity model and emphasises that deep trade agreements tend to have a higher trade expansion effect.

However, India has struggled with a long-term increase in its trade deficit and a decline in the exportability of its competitive sectors, which lessens the impact of FTAs, except for those with its South Asian neighbours. To map out the level of trade service liberalization under the four FTAs signed with India, this study evaluates the provisions of the FTAs in the services-related sector. The pattern of commitment by the countries to the services sector under these FTAs is also examined to determine whether there are cross-national and sectoral commonalities. The four FTAs that have been taken into consideration for this paper are: - India- Australia (ECTA), India-UAE(CEPA), India- South Korea, India-Japan. India has a competitive advantage in services trade as opposed to trade in products. India's entire exports of services increased by 73% between 2010

and 2021. Agreements with East Asian countries (such as South Korea, Japan, Singapore, and Malaysia) that take into account this competitive advantage include provisions for services (GOI, 2020). However, despite these agreements, the services trade has not expanded (Chanda & Tokas, 2020; Kanungo et al., 2021).

The universal most-favored-nation (MFN) treatment, national treatment, transparency, and the absence of local presence restrictions are the key tenets of liberalization in the services sector. The GATS obligations include promises of national treatment and market access (which, in theory, should be enlarged by further rounds of negotiations) for the aforementioned activities. To ensure that regulatory measures are founded on objective and transparent standards and are not heavier than is necessary to assure the quality of the services, GATS Article VI.4 also establishes disciplines on specific domestic legislation relating to licensing and technical standards. Organizations created on rules include the WTO and the GATT, which was its forerunner (Dang et al., 2018). National treatment is another aspect of non-discrimination: Imported items are treated similarly to native goods and are subject to the same laws and regulations. Reciprocity is a second essential idea that is directly related to the negotiation process. This implies that nations strive to attain the "Balance of concessions". It is still a widespread misconception to generalize FTAs with fostering regional integration per se because they have promoted bilateralism in the international economic system rather than regionalism (Dent, 2007).

Four other supply modalities are also defined within the category of trading in services. Rules of origin, investment rights, and sanitary and Phyto-sanitary controls are regarded as essential matters. Trade potential should be taken into consideration when evaluating the efficacy of trade agreements (Chanda & Tokas, 2020). India has marketed goods like textiles, minerals, agricultural goods, precious stones, cement, and glass in all of the FTAs it has signed so far (GOI, 2020). A country's export potential has been evaluated using measures of revealed comparative advantage (RCA) (WITS, 2022). The products that India promoted in FTAs were competitive and initially showed a high RCA. India's export market competitiveness has decreased for a variety of reasons, notably in light of the promotion of various Indian products through FTAs, and these reasons are: - Low-value addition, Third country competition, competition in similar industries, Lack of a vibrant RTA, and within-country trade barriers.

The underlying sections of the paper present different FTAs under the provision of the services. The second section focuses on the discussion, methodology, and conclusion. Given this, we have gone through scanty literature, and each report generated by the Institutions of WTO and the Ministry of Commerce has been analysed to the core. The objectives of this study are as follows:

- a) How have FTAs impacted the competitiveness of India's service industry, particularly the IT, financial, and healthcare sectors, and what efforts should be taken to leverage the benefits of these agreements while minimizing any potential drawbacks?

- b) What are the economic repercussions of India's FTAs in the services sector, notably in terms of market access, regulatory coherence, and dispute resolution procedures?
- c) How have FTAs impacted the regulatory climate and service quality in nations that have ratified these accords?

2. Provisions on FTAs

The 'free trade' being pushed in these accords, as well as the global trading system in general, is affected by the increasing importance of commercial regulatory components. This relates to the broader discussion on the changing character of economic liberalization. The main goal of liberalization is to increase market competition so that they function more efficiently in terms of allocative, productive, and distributive efficiency. Deregulation or protectionism, such as the elimination of import tariffs, can help achieve this, but other strategies, such as re-regulation, may also need to be put in place to promote more competitive market outcomes. The most visible evidence of this is probably provided by strengthened competition policy restrictions. Additional examples include regulations that strengthen the 'rights' of foreign companies (such as investment and intellectual property) in host FTA markets, enabling them to compete more successfully with local companies. These provisions, which may be found in both FTAs and WTO agreements, establish crucial regulatory parameters that frame the growing variety of transnational business activity in the global economy. Overall, FTAs tend to incorporate or develop a set of business laws that will be put into place rather than deregulate an economy when the agreement is put into effect.

According to Woolcock (2005), commercial regulation is generally based on a few principles (such as harmonization, equivalence, transparency, and national treatment) and operational mechanisms (such as enforcement, substantive measures, implementation, cooperation, and safeguard aspects). The scope of each agreement's coverage can also vary significantly. An outline of the primary areas of FTA provisions in services is given below:

1. *Competition Policy*: Under the competition policy, the FTA party is required to abide by the fundamental principles of open and competitive domestic markets. One party may particularly insist on the inclusion of competition policy principles where its domestic markets are either state-protected or monopoly/oligopoly firm-dominated.
2. *Government contracts*: FTA parties are expected to offer "national treatment" terms and conditions to their FTA partners to grant access to their government contracts market. To ensure that domestic and foreign FTA partner companies compete on an equal footing for government contracts, it may be necessary to implement some related technical provisions, such as the value of contract norms, the prohibition of offsets, and the registration and qualification of suppliers.
3. *Intellectual property rights (IPR)*: the clauses in this section establish the minimum requirements for protection for particular types of intellectual property, such as copyright and

associated rights, trademarks, patents, and geographical indications. IPR is one of the FTA's most divisive, complicated, and disputed regulatory sectors (Shadlen, 2009; Vural, 2007).

4. *Investment rights* refer to the idea of giving financial interests of foreign FTA partner enterprises national treatment. A provision may also contain other kinds of restrictions, subrogation provisions, and dispute settlement procedures. The coverage of investment provisions is one of the most extensive areas of company regulation seen in FTAs (Leshner & Miroudot, 2007).
5. The geographic and legal identity of items is determined by the rules of origin (ROO), which also determines whether they qualify for FTA treatment. The procedures and rules for determining value-adding can vary greatly from agreement to agreement.

2.1 Rules of Origin

ROO is important since it typically affects tariffs and other laws regarding imports. Rules of origin are used for a variety of things, including applying to label and marking regulations; applying preferential or MFN treatment, and carrying out commercial policy instruments like antidumping taxes and safeguards. An imported good from a non-FTA partner country must meet specific processing requirements in the FTA partner country (or other eligible nations in the region) to meet the definition of an originating product of an FTA partner country. Examples of often applied criteria include modifications to tariff categorization (at the tariff chapter, heading, or subheading level) and adding regional value. However, the Rules of Origin play a key role when assessing the use of preferential tariffs under an FTA. Therefore, without the rules of origin, it is impossible to execute favorable tariffs under an FTA.

2.2 Sanitary and Phyto Sanitary Measures

The Sanitary and Phytosanitary (SPS) Agreement stipulates the strongest requirements for domestic regulatory actions among the WTO Agreements. Governments that establish policies to safeguard the health and welfare of people, animals, and plants must adhere to a wide range of rules that go beyond those outlined in the Technical Barriers to Trade (TBT) and the General Agreement on Tariffs and Trade (GATT). They must base regulatory actions on a scientific risk assessment, either one they perform themselves or one carried out by a third party, except in situations where scientific data is not available. The SPS Agreement has drawn heavy fire for undermining democratic self-government and for introducing elements of "post-discrimination" into the system, given the sensitivity of health and environmental concerns and the restrictions the treaty places on governments' ability to address them. The SPS Agreement was a result of the Uruguay Round. Unlike its sister agreement, the TBT accord, it did not have a precedent in GATT law or practices and instead came into being as a brand-new agreement. The primary topics of conversation during the initial round of discussions on the regulation of SPS problems were revisions to and clarifications of Article XX(b) of the GATT (Rigod, 2013).

2.3 Reliability of Trade Agreements

In all of the FTAs that India has so far signed, India has promoted products including textiles, minerals, agricultural products, precious stones, cement, and glass. Utilizing metrics of revealed comparative advantage (RCA), the export potential of a nation has been determined (WITS, 2022). India advertised competing goods in FTAs that at first displayed a high RCA. Despite having a comparative advantage in primary goods, including vegetables, fruits, grains, petroleum, and minerals, India exported the most metals and semi-manufactured goods to FTA partners in 2019 (24 percent). In the market for semi-manufactured goods, China and ASEAN nations like Indonesia, Vietnam, and Thailand already control a disproportionately large chunk. As a result, the structural complementarity of the traded goods is reduced, which reduces the scope for trade. Research has shown that locations with differing structural characteristics typically have more trade potential, which enhances the possibility that an FTA will be more successful (Callaghan, 2009).

Additionally, with an average import duty of about 10.21% in 2019 (WITS, 2022), India has the highest import tariffs among its FTA partners in East and Southeast Asia. High import taxes may increase the price of exportable goods. On a similar line, India faces some trade barriers despite having a significant comparative advantage in services. For instance, an FTA between India and Japan stipulates preferential access to telecommunication services, but India and Japan have higher trade barriers because India's STRI index for "restriction on foreign entry" is 0.159 and Japan's is 0.099 (OECD-STRI, 2021). Non-tariff barriers (NTBs), in addition to these measures, have harmed India's exports. Academic studies indicate that NTBs are becoming more and more common as protectionist tools. A typical NTB (import restrictions, state aid, localization policies, TBT, and SPS regulations) reduces trade by roughly 2-11%. According to Kinzius et al. (2019), India has already experienced SPS-related challenges when several countries, including the EU, the US, and Japan, adopted discretionary implementation of SPS regulations and occasionally had self-interest drive them.

2.4 Emphasis on the Services Sector

The value of services to the world economy has increased over time. In both developed and developing countries, the share of services in total output has consistently increased in terms of value-added, reaching over 70% of the global GDP in 2014. The increased trade ability of services as a result of significant advancements in information and communications technology (ICT) and a decrease in transportation costs has increased the relevance of services even more.

The General Agreement on Trade in Services (GATS) of the World Trade Organisation (WTO) outlines four ways that services can be exchanged, implying that capital and labor from the home country may cross borders to be transferred, but this is not required for the trading of products (Magdeleine & Mauer, 2008). The diversity of the services trade indicates that expanding it requires more than just removing traditional trade restrictions like tariffs and non-tariff barriers.

Laws restricting foreign investments, restrictions on temporary immigration, and other restrictions on the operations of foreign enterprises are significant barriers to the trade of services. A distinct section for trade in investments and services is present in the majority of these accords. There were specific provisions for trade in services in 124 of the 194 trade agreements that were negotiated and implemented between 2000 and 2015 (Sauve & Singhal, 2016).

However, Previous agreements did not permit a significant trade in services. One example was the expectation that the Japanese CEPA would increase interest in services. Ten years later, market access gains in services have not materialized due to issues like language barriers, low law enforcement, and inadequate data protection requirements in India (Chanda et al, 2020). In contrast to past FTAs, services play a significant role in India's trade relations with Australia and the UAE. For the first time in the Australian CEPA, India would implement a "mixed scheduling approach" for its service commitments (Goyal, 2022). The diversified scheduling strategy will ensure that all future FTA partners receive the best possible market access from India (DFAT, Australia, 2022). The services trade agreement between India and the UAE, in addition to products, includes more than 100 subsectors in 11 different service sectors, including business services, telecommunications, construction, education, tourism, nursing, and finance (RBI, 2022). The trade-in services between India and the UK have increased by approximately 100% over the past ten years, with consulting services specifically seeing a significant surge. As a result of the UK-FTA, services trade is expected to grow, with India benefiting in industries including law, accounting, education, health, and R&D.

With the UAE, India's free trade agreement has been formally expanded to cover digital trade. India has a competitive advantage in digital payments and online commerce, which will be utilized in this. In addition, the UAE FTA contains provisions that deal with data usage and public procurement (Singh, 2022). In newly ratified FTAs, such as the one between Australia and India, non-tariff barriers (NTBs) like TBTs and SPS measures are addressed (Singh, 2022). Given India's history with NTBs, it is clear that the installation of such measures by both India and its trading partners has reduced the potential for trade.

Mutual Recognition Agreements: - Regarding qualifications, experience standards for services, and educational credentials, there is mutual recognition. Mutual Recognition Agreements (MRAs) are contracts that specify how two or more countries will recognize each other's conformity assessments. These are utilized in services that accept professional credentials. Regulatory authorities are encouraged to enter into a mutual recognition agreement (Article VII:4b) for a variety of professional services, including engineering, accounting, architecture, etc.

A variety of natural persons engaged in the supply of services

a) *Contractual service suppliers (CSS):* - A service provider from country "A" sends one of its workers to country "B" to perform a service following a contract it has in place with a client there.

- b) *Intra-corporate transferees (ICT)*: A service provider of "A" relocates one of its staff members to the office it has established in "B."
- c) *Service providers and business travellers (BV)*: A representative of a service provider from a country "A" travels to country "B" to start a business there or to negotiate the sale of a service on the firm's behalf. Business travellers do not actively participate in the service's delivery; instead, they merely facilitate future trade, which may take place through several supply modalities.
- d) *Independent Professionals*: - Individuals from a country "A" who travel to country "B" to provide services are known as independent professionals (IP). The provider would not speak on behalf of or conduct any hiring for any of the companies covered by the service contract as a result.

3. Recent FTAs

In this section of the study, the provisions relevant to the four FTAs that have been taken into account are fully discussed.

3.1 India- Australia Economic Cooperation and Trade Agreement (ECTA)

The relationship between India and Australia has grown significantly in recent years and now encompasses a greater area in the political, economic, defence, and scientific realms in addition to growing people-to-people cooperation. The fundamentals and spirit of Australia's bilateral relationship with India have not changed or been diminished, notwithstanding certain recent changes in Australia's foreign policy. There are many parallels and synergies between the two countries when it comes to matters of bilateral, regional, and international importance. The goals of this agreement are to:

- (a) create a framework for improving and strengthening economic, trade, and investment ties between the Parties;
- (b) liberalize and promote trade in goods following Article XXIV of the GATT 1994;
- (c) liberalize and promote trade in services following Article V of GATS; and
- (d) improve the efficiency and competitiveness of their manufacturing and services sectors and increase trade and investment.

It is the first trade pact that India has signed where the opposing party has eliminated all tariffs. Australia will grant India duty-free access to all of its tariff lines in two categories as per the conditions of this Agreement. (i) There is an immediate 0% duty rate on 98.3% of the tariff lines or 96.4% of the value of our exports. As soon as the Agreement takes effect, all markets will be accessible to Indian exporters duty-free, along with quick market access. Exports in the labour-intensive sectors listed below, which are now subject to an import tariff of 4%–5% by Australia,

will benefit from immediate duty-free access (WITS, 2022). The remaining 113 tariff lines, representing 1.7% of all tariff lines and 3.6% of all exports from India, would be phased out to zero duty. For Australia's export-oriented goods, India mostly offers discounts on raw materials and intermediates in the form of tariff elimination, tariff reduction (TR) with or without a tariff-rate quota (TRQ), or both.

(i) Only a few agricultural products, such as cotton, oranges, mandarins, almonds, pears, and others, have been allowed with a predetermined quota.

(ii) India will initially offer zero-duty access to 40.3% of its tariff lines, and it will gradually grant access to the remaining 30% throughout three, five, seven, and ten years. On this list, 125 tariff lines will also experience duty reductions rather than deletions.

(iii) India has kept a lot of fragile goods on the exclusion list and has not made any exceptions.

Chapter-8 of the Agreement deals with the section Trade in Services and it has different provisions which also pertain to Rules of Origin, Trade Remedies, and dispute settlement. All the other elements are very crucial in terms of trading in services. To prevent goods from other nations that are transported via the Partner country from receiving preferential treatment, strict Rules of Origin have been incorporated into the Agreement.

At the Services Front: -Both countries have pledged in 11 important service sectors. Some of these include information and communication technology (ICT) and communication services, business services, building and related engineering services, distribution services, educational services, environmental services, financial services, health-related and social services, tourism and travel-related services, recreational, cultural, and sporting services, and transportation services. Australia has made broader and more significant pledges regarding market access for services across all industries and modalities of supply. India received 135 subsectors from Australia, whereas Australia received 103 subsectors from India. Australia has agreed to support India's interests in important areas like IT, ITES, business, professional services, health, education, and audio-visual through this Agreement.

3.2 India-UAE Comprehensive Economic Partnership Agreement (CEPA)

A "complementary" growth paradigm has been established by India and the UAE (United Arab Emirates). A blueprint for a "shared future" spanning 50 years was written by each of them using their unique resourcefulness and innovative leadership, and CEPA is the first step in achieving that goal. Along with this, India's influence in the region has increased, opening up new markets, creating unique trade routes, and enticing companies to relocate to either country. The Comprehensive Economic Partnership Agreement (CEPA) is a comprehensive trade agreement that addresses a wide range of issues, including trade in goods and services, investment, rules of origin, technical trade barriers (TBT), sanitary and phytosanitary (SPS) measures, dispute resolution mechanisms, movement of natural persons, customs procedures, government

procurement, and intellectual property rights protection. It has 11 Annexes and 18 separate chapters in it.

Key Characteristics of CEPA

1. With a target trade volume of USD 100 billion in products and USD 15 billion in services over the next five years, CEPA wants to open around 111 sub-sectors in 11 sectors.
2. Transparent and inclusive cross-border trade in services is governed by legal regulations, which are the subject of Chapter 8's discussion. Business, communication, distribution, education, environmental, financial, health and social service-related, tourism and travel-related, recreational, cultural, and sporting services, and transportation services are among the 11 major service sectors that CEPA covers.
3. Duty Reduction: Under the agreement, items exported to one another will have their duties reduced by 5%. It is anticipated that this will benefit about 90% of the trade between the two nations, including imports and exports.
4. Rules of Origin are put in place to prevent imports from other nations from reaching domestic markets. To do this, CEPA specifies a few "criteria for traded commodities that are eligible for tariff reduction or abolition." The rules are based on a minimum value added and a set of composite criteria for changing how an item is classified under the tariff (CTC). The placement of foreign items comes with "certification" and a 35–40% value addition, with the exclusion of gem and jewellery, copper, and steel.
5. A comprehensive system of sanitary and phytosanitary precautions is established by CEPA to safeguard people, animals, and plants. Additionally, it increases transparency, promotes better comprehension, makes use of international standards based on science, and establishes clear guidelines for audits, certificates, and impact checks.
6. *Special Attention to SMEs*: Both countries recognize the critical role SMEs play in exporters and growth. Along with establishing specialized SME centres, incubators, and a global network for sharing best practices, CEPA also offers a platform for SME promotion, gives them access to new clients, collaboration, and networking opportunities, and supports SME exporters through training, trade education, trade finance, the identification of business partners, and capacity-building opportunities.

CEPA creates an institutional system to reach the objectives of \$100 in merchandise and USD 15 billion in services trade over the following five years. Almost all of each country's tariff lines are included. India manages 11,908 tariff lines, whereas the UAE manages 7,581 of them. 19 India exports labour-intensive products from the textile, leather, sports goods, plastics, furniture, agriculture, and wood products, engineering, healthcare, and medical device industries, as well as autos, to the UAE in quantities totalling 97% and 99%, respectively (GOI, 2022). India has been

granted immediate duty-free market access by the UAE in all labour-intensive sectors, including gem and jewellery, textiles, leather, shoes, sporting goods, plastics, furniture, agricultural and wood products, engineering products, pharmaceuticals, medical equipment, and vehicles. The UAE may become a hub for purchasing capital goods and intermediates from India to increase value-added exports to other nations in Africa and Europe.

What does the contract's definition of "originating products" mean? - Anything that is obtained or manufactured within the party country, or, if it is not entirely or partially produced there, must abide by the stringent guidelines outlined below:

The product's four- or six-digit tariff classification must change, and every non-originating component utilized in its manufacturing must have a qualifying value content of at least 40%. The gem and jewellery industry is the only one where value addition is lower, as the procedure only enhances the final product by 3-7%. Our jewellery exports to the UAE would benefit from this.

Services- Both nations have made pledges in 11 key service sectors. Services such as "Business Services," "Communication Services," "Construction and Related Engineering Services," "Distribution Services," "Educational Services," "Environmental Services," "Financial Services," "Health-Related and Social Services," "Tourism and Travel Related Services," "Recreational, Cultural and Sporting Services," and "Transport Services" are among them. The UAE has pledged to provide services in India's interest, such as professional services (Legal, Accounting, Taxation, Architectural, Engineering, Integrated Engineering, Urban Planning and Landscape Architecture, Medical, Dental, and Veterinary Services, Nursing Services, etc.), audio-visual, computer-related, other business, R&D Services, Education, Health, and other sectors.

3.3 India- Japan FTA

There has been a rise in bilateral commerce recently between Japan and India. On the one hand, Japan wishes to strengthen its economic relations with the Asian countries on which it is highly dependent. This will be accomplished through boosting trade, investment, and service levels as well as by harmonizing rules and regulations across a range of sectors and removing travel barriers. In contrast, India recently changed its foreign policy to increase its stature and influence abroad and get ready for the challenges of the twenty-first century. This was done as a result of the country's rising economy (Rajamohan, Rahut & Jacob, 2008). India and Japan are complementary to one another in many respects, and they also share interests in boosting trade and investment, protecting the environment, thwarting international terrorism, and securing energy supplies. The opportunity to boost trade and investment between the two countries is therefore enormous. After around four years of negotiations, India and Japan finally agreed on the Comprehensive Economic Partnership Agreement (CEPA) in October 2010 and signed it on February 16th, 2011. The agreement raised the level of strategic cooperation between Japan and India on a global scale.



Increased cross-border movements of people, commodities, capital, and services are anticipated to result from the India-Japan CEPA, which is also intended to deepen economic links between the two countries and highlight potential areas of mutual complementarity. Additionally, it is anticipated to increase economic prospects, improve both countries' private sectors' competitiveness, and promote tighter cooperation between them, from SMEs to businesses engaged in infrastructure (World Bank, 2019). By fostering deeper cooperation between Japan and India in many areas, the adoption of CEPA will strengthen the framework for both nations' economic progress and optimize their unique competitive advantages. India and Japan should take advantage of their economies' overlaps. Numerous other businesses, such as telecom, software, pharmaceuticals, tourism, banking, and financial services, as well as fields like health and the environment, offer chances. Japan has recently concentrated its investments on hard-core industries (such as machinery, electronics, and transportation equipment) and infrastructure. In these areas where India is seeking investments, Japanese businesses must take the lead. By participating in East Asian supply and production networks, India has a large opportunity to advance its integration with East Asia.

3.4 India- South Korea FTA

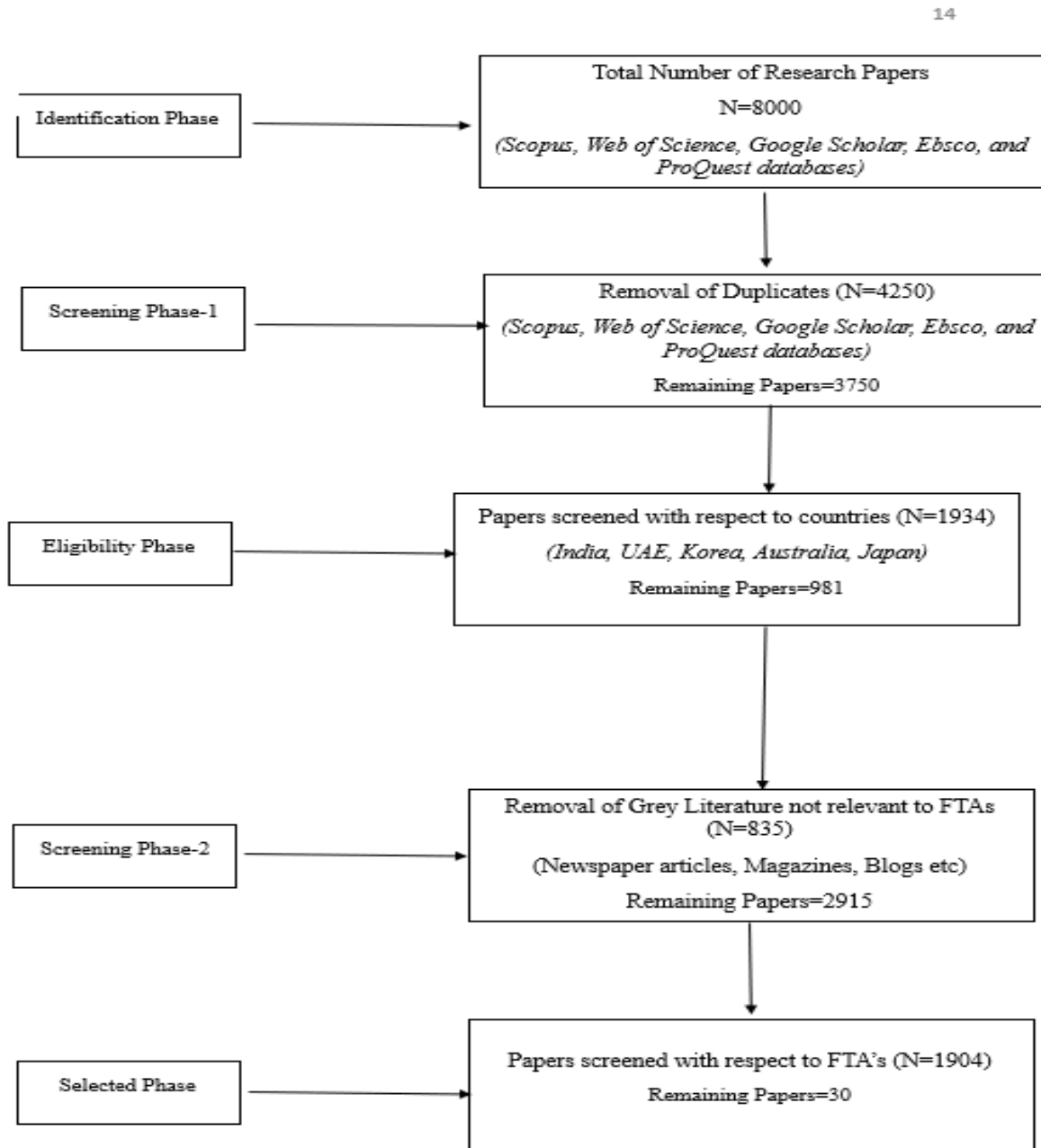
The evolving demand environment and comparative advantages of both economies in mutually beneficial industries have been connected to the increase in commodities trade between the two countries. In contrast to the Indian export basket, which traditionally consists of low value-added goods that have gradually expanded to include a wider range of industrial goods in recent years, the Indian import basket from Korea has primarily consisted of relatively high value-added products such as electrical machinery and equipment, nuclear reactors, iron and steel, transport equipment, mineral fuels and their products, organic chemicals, etc. (World Bank, 2018). Several industries, like IT/software and travel services, have seen consistent development in terms of bilateral trade in services. Natural stones, textiles, chemicals, and chemicals products, as well as vegetables, fruits, meat, and meat products, spices, castor, and rapeseed oils, have all experienced swift tariff liberalization in Korea. These product groups are of interest to India for export. Two requirements were incorporated in the Rules of Origin agreed under the India-Korea CEPA, one of which mandated that at least 35% of the FOB value be made up of regional value. The ROO stipulates that the commodities must have undergone a value addition criterion a change in tariff classification in a six-digit HS subheading.

Twelve primary industries are covered by the agreement, along with almost 100 subsectors. The agreement's sectoral obligations span a variety of industries, including business services, communication, construction, distribution, education, environmental protection, finance, health care, tourism and travel-related services, recreation, transportation, and other services. Moreover, Korea has made a significant contribution to the services sector under this agreement with mode 1, 2, and 3 entries, respectively.

4. Methodology

A comprehensive search was conducted in Scopus, Web of Science, Google Scholar, Ebsco, and ProQuest databases to locate relevant materials for studying the clauses related to FTAs in the services sector.

Prisma flow chart for the final selection of the 30 research papers.



Source: Authors' own (Adapted from Page et al., 2021)

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The time frame selected to extract the literature was between 2013 and 2023, keeping in mind extremely focused research of FTAs with respect to countries like India, Australia, Korea, Japan, and the UAE. To give the study's review, provisions were analysed in light of this. Peer-reviewed journals, reports, book chapters, and newspaper articles were included in this. The literature selection criteria adopted for this paper were done by a search made through Google Scholar, Ebsco, and ProQuest with an exact phrase in Title, Abstract, and Keywords as: - FTA+ Provisions, Provisions in services, FTAs in services, Trade Internationalisation, CEPA+ FTA, India+ FTA, Trade in services, service Agreement FTA, India-Australia FTA, India- Japan FTA, India- UAE, India- Korea, services traded, MRA, Prospects in trade +FTAs. A total of 8000 articles were found when these terms were searched, and 30 of those were chosen to be examined to determine how the agreements in the service sector are written. The extraction of these articles was based on the removal of duplicates, the time frame of selecting the research articles, which was between 2013 to 2023, and region-wise studies based on the theme of FTAs. The selection of these four FTAs was made for two reasons: first, they were very recently signed, and second, because India has actively participated in preserving the importance of bilateral trade between Japan and Korea in the context of these FTAs.

5. Challenges

The majority of free trade agreements (FTAs) with India are negotiated behind closed doors, with little to no inspection and with little to no transparency of the objectives and procedures used, which has been noted in the literature. Furthermore, there are no institutional safeguards in place to guarantee the supervision of the executive's actions before, during, and following the FTA's signature. India has developed free trade agreements (FTAs) with the Republic of Korea, Malaysia, Japan, and the Association of Southeast Asian Nations (ASEAN) over the previous ten years. India's inability to join the RCEP as a result of industry concerns shows that, despite an increase in exports, the country still has a negative trade balance, and it has not benefited much.

6. Discussion & Conclusion

After reviewing the literature thoroughly, we can say that India claims that there are three ways that FTAs might be improved in the future. Priority should be given to policy-driven trade facilitation initiatives, as indicated in the brief. For this reason, the recently unveiled PLI strategy, which consists of 14 industries, covers both manufacturing and upcoming high-tech goods like electric and drone automobiles. By inserting clauses in upcoming FTAs for lower tariff barriers for comparable industries, the PLI plan—which has been hailed for its simple incentive structure that complies with WTO regulations—can be improved. As well as addressing issues like inverted tariff structures and including TBT and SPS in FTA agreements, it is noteworthy that the logistics and services industry is being highlighted for change. To expand the usage of FTAs, "Rules of Origin" policies must be given equal weight to those that allow for trade facilitation. The path of ROO rules needs to be carefully thought out in light of the accompanying trade-offs. To prevent

merchants from exploiting the FTA route as a form of circumvention, an efficient ROO regime establishes a balance between the benefits of the restrictions for domestically manufactured goods and the pressure placed on traders regarding sourcing. Additionally, it makes sure that input restrictions do not result in inefficiencies. India can produce high-quality products and services that are closely related to its current capabilities. India's capacity to export commodities has deteriorated as a result of the country's weak manufacturing sector, and the vast majority of exported manufactured items are low- to medium-tech goods. Economic changes that result in an open, thriving, and modernised economy must complement India's trade policy framework. India should focus on connecting its businesspeople with global economic networks to help them become more financially stable. India should improve local manufacturing of high-value goods, including engineering, electronics, medicines, textiles, and agricultural machinery that might be used to boost exports. Indian exporters can compete on the global market thanks to a robust infrastructure network that comprises ports, testing facilities, certification centres, and other amenities. Moreover, the digitization of export processes can be used to apply modern business practices.

Limitations and Future Research Directions

One possible limitation is to complement the analysis of FTA provisions; it is important to consider their actual utilization. The FTA utilization rate is typically defined as the share of eligible trade that actually benefits from preferential treatment. Empirical evidence shows significant variation in utilization rates across agreements and sectors, ranging from below 40% in some cases to over 90% in others, depending on factors such as rules-of-origin compliance costs and the size of tariff preferences. While such data is more readily available for goods trade, comparable estimates for services trade remain scarce, highlighting an important gap between negotiated provisions and their practical use.

Conflict of Interest

There is no conflict of interest between the authors

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