



Fast Tracking India's Trade Negotiations

What is the issue?

\n\n

\n

- India's trade negotiations and trade agreements with countries and multilateral organisations are lacking meaningful progress.
- It is vital that India addresses the constraints in its import policy to achieve its goals in manufacturing.

\n

\n\n

What are the concerns?

\n\n

\n

- India is unable to decide on how to proceed on pending FTAs with the European Union, Australia and Canada.
- It is unable to generate interest among members at the RCEP, on its demand for greater market access in services.
- It is also not finding takers for its proposals on trade facilitation agreement on services in WTO.
- Evidently, India is out of sync in various trade negotiations.
- Indian policy on free trade agreements (FTAs) and, more generally, over the country's external trade policy remains confused.

\n

\n\n

How is nature of India's economic integration a reason?

\n\n

\n

- **Globalisation** - As the world globalised from the 1980s onwards, production begun getting offshored.

\n

- This happened primarily with developed economies outsourcing several key functions to developing countries.

\n

- Many developing countries benefited by this by picking up labour-intensive outsourced manufacturing.

\n

- **Manufacturing** - India, too, benefited, but not as extensively as many other developing countries.

\n

- In the manufacturing side, India could not exploit the offshore opportunities because of -

\n

\n\n

\n

- i. limitations on expanding the scale of production

\n

- ii. difficulty in accessing cheap credit

\n

- iii. lack of adequate labour with the right skills

\n

\n\n

\n

- **Services** - India, however, benefited significantly from globalisation and outsourcing with respect to services.

\n

- It picked up global outsourcing in information technology (IT), communication and financial services from developed nations.

\n

- Businesses in the advanced countries' markets invested huge sums in software, digital technology applications and new financial products.

\n

- Certainly, India became one of the largest suppliers of specialists in these areas.

\n

- Complemented by easing labour mobility with globalisation, India could get to its current status of being the largest remittance recipient.

\n

\n\n

\n

- **The Anomaly** - The service-oriented pattern of India's economic integration greatly influences India's vision of trade and FTAs.
- Many developing countries being primarily manufacturing exporters, aggressively push for greater liberalisation in market access for manufacturing exports.
- India, on the other hand, differs with its demand for liberal market access in services, particularly movement of skilled professionals.
- The relative contrasts often become sources of contestation in trade negotiations between each other.

\n

\n\n

How is India's approach to imports a reason?

\n\n

\n

- India has a peculiar mindset that exports are good, but imports are bad.
- The concerns with foreign exchange and imports being injurious for prospects of domestic industry perpetuate the notion of imports being bad.
- This translates into its policies of maintaining high tariffs on several products, including those that are necessary for manufacturing exports.
- Markedly, many Asian countries, including those in RCEP, have lesser or zero tariffs across the entire spectrum of manufactured products.
- This characteristic makes them far more receptive to imports compared with India.
- However, they are hardly as receptive when it comes to service imports, particularly labour movements from other countries.

\n

\n\n

What lies before India?

\n\n

\n

- The nature of economic integration and its peculiar mindset with imports

keep India's prowess as a manufacturing exporter weaker.

\n

- While aspiring to be a global manufacturing hub, it is essential that a more liberal import policy be put in place as a prerequisite.

\n

- This is crucial to allay other countries' suspicions on signing trade agreements with India.

\n

\n\n

\n\n

Source: Financial Express

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative