

For better international competitiveness in trade deals, India needs to strengthen its domestic house in line with urgent unilateral trade liberalisation that began in 1991. Explain. (1)

Economic reform of 1991 opened Indian economy allowing flow of trade, FDI, thereby boosting GDP. Over a period, trade growth stagnated and CAD burgeoned. India's economic slowdown and slip in ranks of WEF is indicator of a hurt domestic policy unable to compete with global market.

### NEEDS TO STRENGTHEN DOMESTIC SECTOR

Despite having low cost labour, resources, domestic sector concerns have often impeded governments from exploring fully the trade liberalisations

- 1) NITI AAYOG reports on trade deals - PTA, FTA has indicated India to be the losing side of such bilateral agreements. High trade deficit show poor implementation of 'import substitution' schemes.
- 2) Trading bloc agreements like SAFTA 2002 have not been materialized fully owing to developing economic constraints.
- 3) The more recent RCEP with ASEAN and its global partners have pinpricks for India in
  - dairy sector dumping
  - data localisation
  - services sector free flowwhich can affect the rural dairy farmers, put skilled labour into tough competition.
- 4) Geopolitical rivalries lead to protectionism, sanctions fear, creating neo-lebual trade partnership.  
eg: India - US ASP benefits, sanctions on Harley-Davidson bikes
- 5) India is facing stiff competition from South-East Asian economies in terms of capturing 'on the fly' industries of china due to trade war. Incompetitiveness of India has been attributed to

## Structural labour reform laws and policy challenges

6) Application of non-tariff barriers like Phy/Sanitary conditions, subsidies by government create unequal ground for competing in trade.

eg:- Solar panel from India facing unequal competition in US markets.

Slowing down of economic growth, spurring demand has thus pushed for favourable trade engagements by relooking domestic policies.

### INFUSING COMPETITIVENESS

- Sound infrastructure policies like SEZ creation, connecting
- Social infrastructure improvements push for IPR, Research and development
- Public-Private partnership - FDI, FPO'S, cooperative sectors for
- Agriculture reforms - cold storage, processing, food parks scheme, operation green
- Make In India scheme, Invest India incentives
- financial sector reforms.

### PROBLEMS FACED BY DOMESTIC PRODUCERS

- 1) Informal nature of economy
- 2) Financial sector problems
- 3) <sup>lack of</sup> Scientific applications of production
- 4) Trade policies → inverted duty structure
  - ↓ export limits
  - ↓ GST → clearance delays
- 5) Social infrastructure problems
  - ↓ wage structure
  - ↓ labor laws
  - ↓ gender parity
  - ↓ RED

A strong domestic policy is the basement for trading policies. Thus, adequate structural reforms boost trade, push India to a 'consumption based capital intensive economy', finally releasing from 'middle income trap'.