Fast Tracking India's Trade Negotiations

What is the issue?

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

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

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- **Globalisation** - As the world globalised from the 1980s onwards, production

begun getting offshored.
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- This happened primarily with developed economies outsourcing several key functions to developing countries.
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- Many developing countries benefited by this by picking up labour-intensive outsourced manufacturing.
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- **Manufacturing** - India, too, benefited, but not as extensively as many other developing countries.
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- In the manufacturing side, India could not exploit the offshore opportunities because of -
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i. limitations on expanding the scale of production
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ii. difficulty in accessing cheap credit
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iii. lack of adequate labour with the right skills
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- **Services** - India, however, benefited significantly from globalisation and outsourcing with respect to services.
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- It picked up global outsourcing in information technology (IT), communication and financial services from developed nations.
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- Businesses in the advanced countries' markets invested huge sums in software, digital technology applications and new financial products.
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- Certainly, India became one of the largest suppliers of specialists in these areas.
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- Complemented by easing labour mobility with globalisation, India could get to its current status of being the largest remittance recipient.
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- **The Anomaly** - The service-oriented pattern of India’s economic integration

greatly influences India's vision of trade and FTAs.
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- Many developing countries being primarily manufacturing exporters, aggressively push for greater liberalisation in market access for manufacturing exports.
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- India, on the other hand, differs with its demand for liberal market access in services, particularly movement of skilled professionals.
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- The relative contrasts often become sources of contestation in trade negotiations between each other.
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How is India's approach to imports a reason?

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

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- The nature of economic integration and its peculiar mindset with imports keep India’s prowess as a manufacturing exporter weaker.
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- While aspiring to be a global manufacturing hub, it is essential that a more liberal import policy be put in place as a prerequisite.
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- This is crucial to allay other countries' suspicions on signing trade agreements with India.
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Source: Financial Express

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