



## **Viewpoint: India's Stand on FTAs**

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India needs to play an increasingly larger role in writing the rules on regional free trade agreements (FTAs). In this context, opting out of the Regional Comprehensive Economic Partnership (RCEP) may have been a policy mistake. In any case, the RCEP has now been officially launched without Indian participation, and we are likely to be impacted by it in the long-run. This is not just because gains from trade are significant, but also because membership is a prerequisite for writing the rules of the FTA, and thus, for preserving and

promoting national interests in a fast-changing economic landscape. If China keeps calling the shots in the RCEP, it is not likely to benefit India. Opting to remain out of RCEP would imply a passive acceptance of the trade pact's norms ... this may be not just unproductive, but counterproductive for India. It is politically correct to talk about being *vocal for locals*, but our long-term economic competitiveness could be adversely impacted due to a lack of global exposure. This is something we cannot afford. On the flip side, with the incoming Biden administration in America, the economic landscape is likely to change for the better. The Democrats generally take a pragmatic view of trade, and India needs to do all it can to roll out a strategic FTA with the USA. The world order is undergoing tremendous change, and no one can say which way the wind could ultimately blow. Under the circumstances, India needs to keep its policy options open. Many Western countries are our natural allies, and we need them to boost trade, access markets, and capital, import the latest technologies, and enhance our overall economic competitiveness. Countering China and benefiting from the current global situation, requires us to grow our economy rapidly. This cannot be achieved without entering into strategic trade agreements with the right partners (including China). India's relationships with its FTA partners is bound to have its share of rough weather, but that does not mean we shirk from taking the tough decisions which are required. If we approach this issue with a detached mindset, we risk being marginalized in all aspects of global trade, which are necessary to enhance our economic productivity and overcome our current stagnation. FTAs are today's strategically important tool to bolster national trade and investment. Most of India's existing FTAs are with Asian countries which are quite distinct from each other in terms of their level of socio-economic development. India now needs to extend its sphere of global influence by negotiating strategically with the rest of the world to remove the obstacles hindering the overall competitiveness of its exports, which are necessary to generate sustainable economic growth in the post-Covid world. Commercial laws may also need to be amended to ensure no undue gains for imports under FTAs. Policy choices often involve trade-offs between social, economic, and political factors, and choosing the right path is key.

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