

Don't be in a hurry on FTA giveaways, urge industries

MUKESH JAGOTA
New Delhi, July 31

COMMERCE AND INDUSTRY minister Piyush Goyal's remark that Indian businesses are prioritising "small gains" over national interest, comes in the wake of insistence on import protection by sections of the industry. Such demands have often hindered the progress of India's talks with several trading partners for bilateral FTAs, aimed at progressive tariff reduction/elimination. FTAs are being resorted to for the country's faster integration with the global value chains.

Goyal's comments follow a series of such reprimands by him and other government functionaries of Corporate India for not being fast enough to restart the investment cycle. The firms' extreme wariness was despite many investor-friendly policies laid out by the government, including elevated public capex, PLI and a corporate tax cut.

Industry sources, however, cite the fact that India's existing FTAs have not yielded the desired results, and blame it on the hasty manner wherein these were signed without adequate consultations with the industry or safeguarding of domestic interest. They also stress that protectionist tendencies are being shown by many countries in recent years, and a more nuanced policy would help national objectives like promotion of "Make in India".

The government, trade experts note, is also cognizant of this fact, as is evident from the re-negotiations of the trade agreements signed with the Asean, Japan and Korea. In the new FTAs that are being negotiated, extensive consultations are happening with the industry so that these would be balanced ones, they say.

"One reason that the FTAs have not yielded expected results is the imbalance in what India has to concede and what it gets in return. The developed countries where India is negotiating already have lower tariffs and bringing them down to zero will not bring additional gains as they will be wiped off by FTA-related compliance costs," Ajay Srivastava, co-founder of Global Trade Research Initiative, said.

An industry source, however, agreed with Goyal that an elbow has to be allowed to the government to



TRADE WINDS

■ Industry cites the fact that India's existing FTAs have not yielded the desired results

■ India Inc says FTAs signed without adequate industry consultation or safeguarding of domestic interest

■ They also stress that protectionist tendencies are being shown by many countries in recent years

■ India's trade deficit with these partners increased significantly more than its global trade deficit

■ Exports to the FTA partners have increased at a lower rate than its imports

conclude the FTAs. "If industry needs lower tariffs in their export markets they will also have to concede lower tariffs for imports."

He also said a "fear of the unknown", the lure of protection provided by higher import duties and a feeling that domestic products could become uncompetitive in the face of competition could be the reason of the reluctance of the industry.

India's merchandise trade deficit with these partners increased significantly more than its global trade deficit and exports to these FTA partners have increased at a lower rate than its imports.

The Asean India Trade in Goods Agreement (AITGA) entered into force on January 1, 2010, which created one of the world's largest free trade areas. Since then, the trade deficit with Asean widened from \$4.98 billion in 2010-11, the first full year of operation of AITGA to \$39.4 billion in 2022-23. This outpaces the rate of growth of India's overall exports in the period.