

Free trade effective in theory, not in practice: CEA

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Developing countries like India do not need to engage in the alarmist rhetoric about impending trade battles, especially when advanced economies have long abandoned their commitment to free trade and climate policies have already become extensions of trade protectionism, India's Chief Economic Advisor (CEA) V Anantha Nageswaran said in his keynote address at the *Business Standard* BFSI Insight Summit on Friday.

"Developing countries should evaluate economic policy prescriptions through the lens of competitiveness, capacity, maintaining economic and social stability, and, increasingly, national security. Balancing these goals requires pragmatism, rather than an ideological commitment to any particular economic policy."

The CEA emphasised that geo-economic integration does not benefit ordinary people. "Free trade works well in theory but never as well in practice." He said after reaching a certain development level, advanced economies removed the ladder of restrictive trade policies they had once used, preventing others from climbing to the top.

On the impact of election results in the US and other economies worldwide, he said their effects will be felt for years if not decades. The election outcome, he observed, was positive for energy prices, which are expected to remain reasonable and affordable.

He pointed out that, as India is on the cusp of transitioning to a middle-income economy, it needs not only reliable but also affordably priced energy supplies. "It is always desirable and necessary to have the freedom and autonomy to determine the pace of such a transition ourselves. Countries must own the energy transition," he said.

He emphasised that while renewable energy is desirable for many reasons, it is capital-intensive, requires much more land, and increases dependence on external sources for inputs necessary for power generation.

This will be your last Economic Survey. What are the new things you did not know about the Indian economy before joining North Block?

It was not as though I was a stranger suddenly parachuted into this role in North Block. That said, it is one thing to vicariously appreciate the progress that is happening in this country but it is another to be observing it first-hand and being part of it. I don't think there is any place that is as fascinating and interesting as India is on its development journey. The energy that you observe being here is different from what one can perceive being outside. So in that sense, it has been an amazing learning experience in the past almost three years.