



Mains Practice Question

Q. With the evolving trade architecture in the Asia-Pacific region, how can India balance its participation in regional trade agreements with its commitment to self-reliance and domestic economic development? **(250 words)**

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Approach

- Introduce by highlighting the trade dynamics in Asia-Pacific
- Delve into Evolving Trade Architecture in the Asia-Pacific Region
- Suggest Strategies for Balancing Participation and Self-Reliance
- Conclude in a balanced manner.

Introduction

The **Asia-Pacific region** is witnessing a rapid transformation in its trade architecture, with agreements like **RCEP, CPTPP, and IPEF** reshaping economic relationships.

- India faces the complex challenge of balancing its participation in these evolving **regional trade agreements (RTAs)** with its commitment to **self-reliance (Atmanirbhar Bharat)** and domestic economic development.
- This balancing act requires a nuanced approach that leverages opportunities while safeguarding national interests.

Evolving Trade Architecture in the Asia-Pacific Region:

- **Rise of Mega-Regionals vs. Traditional FTAs:** Large, comprehensive trade agreements like the **Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)** are gaining traction, while the focus on smaller, **bilateral Free Trade Agreements (FTAs)** is diminishing.
- **Focus Beyond Tariffs:** Modern RTAs are increasingly incorporating provisions beyond just tariff reductions.
 - This includes areas like intellectual property rights, digital trade, environmental standards, and labor regulations.
- **E-commerce & Supply Chain Integration:** The growth of **e-commerce and digital platforms** is transforming trade.
 - RTAs are evolving to address these changes, with a focus on streamlining cross-border e-commerce transactions and fostering regional supply chain integration.
- **Geopolitical Tensions & Trade Wars:** Rising geopolitical tensions and the recent **US-China trade war** are creating uncertainty and prompting countries to re-evaluate their trade relationships.
 - This is leading to a more fragmented and multipolar trade architecture in the region.

Strategies for Balancing Participation and Self-Reliance:

- **Strategic Engagement in RTAs:**
 - **Focus on Mutually Beneficial Agreements:** India should prioritize RTAs that offer tariff

reductions for its exports while safeguarding sensitive domestic sectors.

- Examples include **negotiating fair terms for agricultural products in exchange** for access to advanced technological markets.
- **Leverage RTAs for Technology Transfer:** Use RTAs to attract foreign direct investment (FDI) with clauses for technology transfer.
 - This can help **upgrade domestic industries and reduce dependence on imports for high-end technology.**
 - For instance, India's recent **Free Trade Agreement (FTA) with the United Arab Emirates (UAE)** focuses on knowledge-sharing in areas like artificial intelligence.
- **Strengthen Rules of Origin:** Negotiate stricter "rules of origin" within RTAs. These rules **define where a product is truly "made"** to prevent countries from simply re-exporting goods and bypassing domestic manufacturing development.
- **Focus on Micro, Small and Medium Enterprises (MSMEs):** RTAs should be designed to integrate MSMEs into global supply chains.
 - This can be achieved through dedicated chapters on trade facilitation and capacity building for smaller businesses.
- **Boosting Domestic Capabilities:**
 - **Invest in Infrastructure & Skill Development:** Focus on infrastructure development (logistics, power, digital connectivity) to **reduce transaction costs and make exports more competitive.**
 - Additionally, invest in skill development programs to create a workforce equipped for the demands of global trade.
 - The "**Skill India**" mission can be a foundation for this.
 - **Focus on Import Substitution:** Identify strategic import substitutes and incentivize domestic production in those areas.
 - This can be achieved through **targeted tariff structures and production-linked incentives (PLIs).**

Conclusion

India's decision to opt out of RCEP in 2019 due to concerns about domestic industry protection reflects a "**India First**" stance. It prioritizes **self-reliance while still engaging with regional blocs like BIMSTEC and SAARC.** This selective engagement allows India to pursue strategic partnerships and explore beneficial trade deals without compromising its economic interests