ET Q&A

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'India Negotiating Trade Agreements on its Own Terms'

EAC-PM chief says for deal with US, too, the govt will protect interests of agriculture and industry

India is negotiating trade agreements with countries, including the US, on its own terms and keeping in view the national interest, said S Mahendra Dev, chairman of the Economic Advisory Council to the PM (EAC-PM). Several domestic tailwinds will help India grow 6.5% in FY26 despite global headwinds, he said in an interview with **Yogima Seth** and **Deepshikha Sikarwar**. Edited excerpts:

India is extensively engaged in some big-ticket free trade agreements. What needs to be done to maximise benefits for India?
India is negotiating trade agreements with countries on its own terms and keeping in view the national interest always. Talks are going on with the US, New Zealand, Oman, Chile, Peru and the EU. The UK-India free trade deal is expected to vastly boost trade between the nations. It will have an advantage over other countries on tariffs once the FTAs are signed and boost our exports.

How will the trade deal with the US benefit India?
While the global trade itself is lower, there are issues pertaining to protectionism. So in that environment, given the constraints, India will enter into FTAs only if it is in our interest. In the case of the US also, the government will protect the interest of agriculture and industry. If duties imposed on Indian goods are lower than Vietnam or some of those countries or China, India will benefit much more from the China +1 strategy.

What is your assessment of the economy considering there are concerns around urban consumption and private investment not really taking off?
Rural consumption is picking up on the back of sustained agricultural growth of 4.6% in the last six years. This year we expect a good monsoon and so the rural consumption will continue.

Tax benefits and lower inflation can boost urban consumption and the uptick could be higher during festival time, as stated by the finance minister.

There are some green shoots on private capex. Increasing government capex will have an impact on private sector investment. There are no 'twin balance' sheet problems now and many state governments are also attracting domestic and foreign private investment. Corporate sector, however, is probably holding off investing in capacity expansion due to global uncertainties and overcapacity in some countries like China.

There is a need for more progress on 'ease of doing business' at state level. Economic Survey 2024-25 argues for deregulation and easing 'compliance burden'. Hopefully, 'animal spirits' will be back once the domestic demand increases further and global uncertainties are reduced.

What is your growth projection for current financial year? Some private agencies have upgraded their projection to 6.8%?
A 6.5% of GDP growth for FY26 is feasible despite global headwinds like the twin shocks of geopolitical tensions and trade policy uncertainties. There are many domestic tailwinds such as low inflation, rate cuts, expected good monsoon, trade diversion to India, measures in the last budget like rising capital expenditure, tax reduction, etc. that may raise rural and urban demand by raising both investment, consumption and some push to exports.

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> **India can benefit from the trends** in global industrial diversification, supply chain restructuring and China+1 strategy

India's medium-term growth prospects seem to be robust with sound fiscal management.

Has the council prepared a road map for India becoming a developed economy by 2047? What are the key constituents?
Investment and exports are two engines of growth. Some increase in investment rate including domestic and foreign private investment, efficiency in capital use and enhancement of total factor productivity will boost growth.

There are significant opportunities for exports in spite of global uncertainties on trade.

Some other sources of growth are India's fast growing young workforce, rise in human capital and technology and fast growing digital technology, including AI.

What can transform India is education and skilling, which is being pushed by the government while creation of quantity and quality of employment is the most important element of inclusive growth.

How can we ensure local businesses integrate with global value chains?
India can benefit from the trends in global industrial diversification, supply chain restructuring and China+1 strategy. India can lead new flying geese for global value chains (GVCs). Although the share of GVCs is lower now, government is following appropriate policies to enhance India's role and integrate with GVCs.

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