

# MOODY'S SEES QUAD LIFTING INDIA'S TRADE, INVESTMENT FLOWS

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Trade winds: Moody's sees the Quad continuing to drive long-term supply-chain shifts toward Southeast Asia and India. PTI/cueapi

India's membership of the Quadrilateral Security Dialogue will help it tap greater trade and investment flows as economic ties deepen among members seeking to cut their reliance on China, but India's protectionist stance and 'weak' business climate could constrain these gains, Moody's Investors Service said on Tuesday.

"India is poised to become a growing destination market for goods from the other Quad countries, including commodities, machinery and chemicals," the rating agency said in a note on geopolitical risks stemming from the Quad alliance. "The U.S. and Japan will continue to be major sources of foreign direct investment (FDI) to India in services, telecommunications and software, while Australia's presence will grow as a result of a free-trade agreement with India," it added.

Trade and investment gains would accrue to India, Moody's observed, adding that regulatory and infrastructure constraints, however, remained. The magnitude of the trade flow shifts would also depend on improvements in India's business climate and the level of investment attractiveness, which 'remained weak' compared with that of other Asia Pacific and Quad economies.

"India also stands out as a relatively protectionist market... reflected in its high weighted average import tariff," Moody's said.

Still, as economies diversify production of critical products and technologies, the Quad would continue to drive some long-term supply-chain shifts toward Southeast Asia and India, it forecast.

"These shifts may include greater Australian exports of commodities including copper, energy and agricultural goods to these economies. Financial services companies in the U.S., Japan and Australia will benefit from the shifts, which will also support India's industrial and capital market development."

India stood to benefit from Quad-related supply chain shifts by raising trade with member economies and diversifying sources of imports, Moody's said.

"For India, the costs of pivoting from China toward Quad members as priority markets for trade growth will be relatively low, given that only a small share of its exports currently go to China. As reflected in its reluctance to join the RCEP trade agreement, India is keen to reduce its dependence on imports from China while expanding its market access to Australia, Japan and the U.S.," Moody's said.

"A lack of cohesion between Quad members... exemplified by India opting out of the" IPEF trade pillar, may also hurt its ability to find common strategic ground, the firm averred.

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