

A trade policy agenda for India - I

These are difficult days for trade policymakers. The global economic scenario stays insipid, significantly impacting the trade environment. Despite a steep decline in oil and commodity prices, manufacturing has remained tepid. India has lost its manufacturing competitiveness in several product areas and the fact that efficiency in delivery of services can lead to manufacturing competitiveness seems to have missed the adequate attention of policymakers.

India came out with an elaborate foreign trade policy statement – the first of its kind – last year. Global developments thereafter have only accentuated the need for a more persuasive agenda on international trade.

The December 2015 ministerial meeting of the World Trade Organization (WTO) was a disappointment for India, which could not secure all that it set out to do. It also lost the sheen from its high position of leadership of the developing world in the WTO, which continues to be relevant for most of the developing world, more so for India, which has been punching well above its weight in global trade at the WTO.

India has provided useful leadership to developing and least-developed countries. Nairobi, however, is reported to have dented this image. We need to take stock of our stance: Should we *only* pursue our self-interest or provide voice to many others who lack it? Some have advocated the former approach, completely ignoring that it is not just the need of less provided members which persuades India to take up leadership in the organisation but it is India's own wide diversity of positions on almost all issues on the agenda that necessitates seeking support from a large number of members. In the process, India must secure the goodwill of as many members of the developing world as it can.

India also needs to review its approach to the post-Nairobi work programme. There can be no

doubt that our defensive interests in areas such as agriculture compel us to pursue some of the issues less palatable to the developed world, such as the reduction of agriculture subsidies in developed countries. These can only be raised in a multilateral setting and remain relevant at all times. We also need to take up a progressive agenda of our own, which the Nairobi declaration allows us to do. There is no reason why we should not table an ambitious market access and trade facilitation agenda in services.

In 2008, we signalled a very ambitious set of market-access offers. We can appropriately revive it. There are a large number of service-providing and consuming members outside the Trade in Services Agreement membership. An attempt to get them together may not be a bad idea. A proposal to facilitate trade in services behind the borders, similar to the Trade Facilitation Agreement for merchandise trade, may be equally attractive to a large number of developing countries. Given the demography, temporary movement of professionals will continue to be our mainstay but we should enlarge our

agenda to include several other sectors, across all modes. Indian businesses have made big investments in developed and developing countries in the recent past, suggesting the need for us to pursue a comprehensive services and investment agenda. This external action will have to accompany reforms in all potential services sectors to unleash our competitive strength. Services contribute 60 per cent to our economy. They play a significant role in improving export competitiveness of manufactured products and deserve corresponding attention of the policy establishment. We should also develop a trade agenda around the UN Sustainable Development Goals adopted last year. No member will risk disrespecting such an approach.

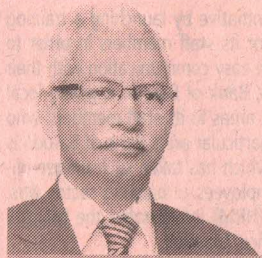
Much has been said against free trade agreements (FTAs). The success of a trade agreement depends on several factors; prominent among them are the cri-

teria for selection of the trading partner and persuasive advocacy with stakeholders. Trading partners must complement each other. Rigour and strategy of selecting products and services for preferential treatment is also necessary. Manufacturing for global competitiveness is organised on the basis of capacities along the value chains. It is important to recognise mutual competitiveness along a given value chain and to build an agreement all along the chain on the basis of respective strengths. An entire ecosystem for trading, including the tariff structure, regulatory ecosystem, logistics and trade infrastructure should be built around these value chains. In the last decade, India has sealed trade agreements with Asean, South Korea, Japan and Malaysia. Our trade partners have gained more than us. The reasons are obvious: lack of our manufacturing competitiveness vis-à-vis these countries have not allowed us to harness advantage out of the FTAs.

FTA once sealed cannot be changed unless heavy compensations are paid. In the present context, the approach for selecting an FTA partner should have the following elements: First, keep politics out; second, pursue preferential arrangements with appropriate members of the ongoing mega agreements, to connect with a larger market; third, expand in growing markets such as Africa, Latin America, Eurasia; fourth, strategise focus through Regional Comprehensive Economic Partnership (RCEP) on China; fifth, pursue a policy of seamless South Asia to encourage production networks; sixth, identify positions of strength on value chains and build conducive policy ecosystem around them; seventh, persuade industry and sectoral ministries to reorganise themselves for the above objectives; eighth, discourage a protectionist stance around 'Make in India', instead reorient it to develop strength around identified value chains; and, ninth, create a well informed, fast track and competent, negotiating architecture in the department of commerce.

The writer is a former commerce secretary, the Government of India. These views are his own

The concluding part of this article will appear tomorrow



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