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A trade policy agenda for India-II

The Trans-Pacific Partnership (TPP) agreement was signed early this year. No one has asked India to join the TPP nor are we in a position to do so. Trans-Atlantic Trade and Investment Partnership is the other mega region in the making between the US and EU. While the former focuses on high standards, the latter aims at regulatory coherence. Between the two, they cover more than 60 per cent of world trade. Major economies such as China, India, Russia, Brazil, Indonesia and South Africa are not part of these agreements. In the long run, no major economy can remain uninfluenced by them because the discriminatory rules regime will have consequences on trade with even non-member economies.

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So, India needs to expand its destination markets significantly to offset at least some loss because of trade diversion in favour of TPP members. First, we need to conclude the long overdue India-EU trade agreement. Both sides are waiting for the other to blink first. This does not serve either and betrays a lack of leadership. The possibility of Brexit has added a new twist. EU should not forget that it will get access to the largest and fastest growing market. India has offered a fairly attractive deal. India's traditional sectors will benefit significantly. However, India must sort out the data security issue for any meaningful market access to its IT sector. Among the TPP members, India must open its negotiations with Peru immediately. This will give India the benefit of accessing Latin America's most promising area, the Pacific Alliance, besides a foothold in the TPP region. The Indian initiative of promoting investment in the CLMV (Cambodia, Laos, Myanmar, and Vietnam) has been languishing. It's important for our textile sector to integrate with its Vietnamese counterpart to draw advantage of the "yarn forward" regime. The likelihood of other CLMV countries joining the TPP makes it necessary for us to integrate our economy with them. Extremely slow progress on the Asian highway has neutralised a potential advantage to the region.

A seamless South Asia is critical to India's trade policy. While the western front remains unpredictable, integration of the rest of the region is imperative for India to play a larger role in world trade. India has taken asymmetric responsibilities in the region to liberalise trade. However, the attitudes of personnel posted at the borders and the lackadaisical state of infrastructure need to improve. The relative lack of motivation of Indian industry to make investments in these countries demands greater attention. Our effort should be to canvass South Asia as a regional production network.

Africa deserves much greater attention. At least 13 African nations are good targets for institutionalising trading arrangements. India must be prepared to take asymmetric responsibilities in this region too. These countries have been growing steadily and offer a promising market and opportunities of integrating along value chains.

Iran offers a very promising market opportunity. Both countries decided to have a preferential trade arrangement but that has not moved much. Iran also offers the central point for connecting Russia and India through the International North-South Corridor (INSTC). A trade agreement with Eurasian economies, including Russia, is overdue. This will not only help in sourcing raw material but will also open up other central Asian economies for India. Russia became a World Trade Organization (WTO) member recently.

Another critical area is development of a modern ecosystem for technical regulations. In the area of food products, significant work has been done in developing standards and setting up a framework. India's loss in the WTO because of a poultry meat ban was entirely attributed to absence of a risk analysis.

A well-developed modern technical regulatory system helps in manufacture of products of higher quality, helping greater value addition and consequent hope for better returns from the market. India has been losing its competitiveness on account of high factor costs and emergence of many cheaper producers of mass goods. Therefore, increasing the share of higher value-added products in our export basket is essential. This would, in any case, conform to the 'Make in India' philosophy. An evolved standards and technical regulatory regime helps in this direction. It comes handy in filtering out cheap, low-quality imports. It helps consumers the most in acquiring good products. Finally, it helps in integrating Indian products and services with global leaders.

Therefore, an essential element of India's trade policy agenda has to be a state-of-the-art technical regulatory system. This will involve adoption of international standards in line with the WTO agreement on technical barriers to trade, a mandatory standards regime in selected product areas, an enabling environment, institutional separation for different functions, and an accreditation system for conformity assessment bodies and testing laboratories. Unfortunately, the standards agenda is driven by the consumer affairs ministry, which has no external orientation. Therefore, involvement of the commerce and industry ministry in a much larger way is necessary. A complete recast of the Bureau of Indian Standards is overdue.

The implementation of the trade facilitation agreement needs to be monitored closely as it will help India in the long run. There is a good case for concluding these agreements between the Union and states. This would cover substantive reforms of not only trade infrastructure and logistics but also transit and taxation, opening up of pan-India movement of agricultural goods etc. While infrastructure has received some boost, there is hardly any specific focus on trade-facilitating infrastructure. Too many departments are operating in this area. Some, like the railways, enjoy a monopoly, leading to inefficiencies. We need to constitute a multi-agency trade infrastructure monitoring committee. It's a pity that one of the flagship schemes, ASIDE, which despite low-budgetary allocations helped in bridging some of the crucial trade infrastructure gaps, has been left to starve.

Without the necessary changes discussed here, investments and ease of doing business – critical for reviving manufacturing – will yield limited results.

The writer is a former commerce secretary, Government of India. The views are personal.

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