

## REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

# Chance to Neaten Our Backyard



**Vikram Kirloskar**

Earlier this month, India pulled out of the Regional Comprehensive Economic Partnership (RCEP), and rightly so. Prime Minister Narendra Modi's decision to stay out of the regional free trade agreement (FTA) is based on views expressed by a wide spectrum of stakeholders. Industry bodies, farmers and civil society organisations believe that unless India's concerns are resolved, India shouldn't join this grouping under any time pressure. India Inc was particularly keen that 'Make in India' doesn't get affected by RCEP, where certain automatic triggers are not allowed to be in place to stop excessive imports.

While there are strong views against RCEP, there is equally a large number in favour of access to the largest market of the world. The one common point was that India's issues and concerns needed a fair hearing by the other 15 RCEP member countries. Eventually, it boiled down to the fact that India's issues remain unresolved. Naturally, the only reasonable action was to not sign the deal.

Of the 15 countries in RCEP, India has a trade deficit with 11 of them. The 'China factor', of course, dominated the discourse between GoI and India Inc. The latter's concerns were core to India's negotiating strategy in RCEP till the very end. But there are issues beyond China that also needed resolution.

GoI has articulated India's position and what led to the decision to pull out at the Bangkok Leaders' Summit. One good thing is that India's 'exit' was not acrimonious. It has been engaged with RCEP with the good intention to work out a mutually beneficial trade agreement, and to put forward

its concerns on the negotiating table.

RCEP's door is not closed for India, as the joint statement states that all participating countries will work together to resolve outstanding issues in a mutually satisfactory way. But it is high time India needs to look beyond RCEP. During the last few years, important geographies like the EU and the US may not have been given due attention. So, it's heartening to hear commerce and industry minister Piyush Goyal say that efforts are being made to renew negotiation efforts for the India-EU bilateral trade and investment agreement (BTIA). Also, efforts are reportedly on from both sides to come to an agreement on an India-US limited trade deal.

The US and EU together constitute one-third of India's total merchandise exports. India has to hold on to its existing share in these two large traditional markets, and could further increase share with the help of preferential trading arrangements (PTAs). What India needs now is an approach to FTAs based on the recognition of its core competencies. There has to be a renewed thrust on enhancing competitiveness of India and Indian industry.

Any aspiration of accessing larger markets and being part of the global value chain would have to be backed by a strong and competitive industry. Government and industry need to work together to establish the benchmarks, and identify each line

item of embedded costs that go into details of that. India should set itself aspirational targets of achieving a position in the top five in each of these cost elements.

Till that time, accurate calculation should provide the basis for establishing appropriate refund mechanism for exporters and suitable countervailing duties (CVDs) in the case of imports. This would ensure that Indian industry is not at an unfair disadvantage when compared to imports, which come from competitive geographies.

In India, industry cross-subsidises a lot of elements like power, rail tariff, etc. These need to be recognised, and mechanisms found to ensure that industry does not become a victim on the global arena. Costs that get embedded owing to these elements need to be separately calculated and taken into cognisance when refunds for exports are calculated.

Staying out of RCEP for the time being also affords India time to pause and reflect on India's competitiveness. For this, primacy has to be given to domestic competitiveness. India boasts of having some of the most competitive industries in the world when measured within the confines of its factories. It loses out the moment it 'steps out'. This is the opportunity to correct this anomaly.

*The writer is president, Confederation of Indian Industry (CII)*



Till then...

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