

Beyond RCEP: India must focus on exports

India should now reinforce and deepen agreements with its current trade partners, as well as look to enter new global markets

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Prime Minister Narendra Modi's decision to opt out of the Regional Comprehensive Economic Partnership (RCEP) reflects that the government has, very correctly, given primacy to India's interests, which were not being adequately addressed by the members of the grouping.

At the eleventh hour, it became apparent that the other 15 members of the proposed mega regional agreement were not about to accede to the concerns and issues of India; therefore, the government had little choice but to pull out.

It is notable that India's warm and cordial relations with the member nations, steadily built over the last 70 years, ensured that they appreciated its stance and understood that this was not the right time for including India in the deal.

Going forward, it may be expected that India's 'Act East' policy would be further reinforced to strengthen the existing trade and investment agreements with ASEAN, Japan and Korea, as well as its bilateral arrangements with Malaysia and Singapore.

It also does not forego future prospects of joining the RCEP, if India's

issues are resolved. India's trade profile shows that nine of the 15 RCEP countries are among its top 25 trade partners. Its trade balance at \$80 billion with all these countries — except Thailand — is negative, accounting for about two-fifths of its total trade deficit.

One reason for this is that many of the partner countries supply vital resources to India, such as coal, which comes from Australia; palm oil from Malaysia; and crude oil from Indonesia.

China accounts for a large proportion (\$53 billion) of the total deficit with these nine nations. Its overwhelming presence in the regional grouping did raise concerns among most industry sectors.

As per a CII study, there are many tariff lines where, globally, China is the predominant import source for India. Concessions to China under the RCEP (as per the current terms) could have further contributed to our trade deficit and may not have provided adequate market access for India's goods.

Recent experience has shown that China has not adequately addressed India's concerns for market access on a bilateral basis in key areas of interest, such as pharmaceuticals, auto-



Export strategy Time to diversify is now

motives, agricultural products, etc., despite prolonged discussions over the years.

Offensive interests

The new export strategy of India needs to give higher attention to offensive interests, highlighting the key products for which tariffs in partner nations should be cut to boost India's exports.

In fact, this applies to the RCEP itself, and the CII has been an advocate for furthering India's offensive interests with this grouping as well, obviously on terms which do not compromise any sections of Indian industry or agriculture.

It is also important to raise attention towards marketing Indian products to existing favourable markets, as well as other countries where

India has a low export presence. ASEAN accounts for 11 per cent of India's exports, the EU over 17 per cent and the US 16 per cent. The Indian industry, which has business in these markets, can benefit from targeted promotional strategies given that Indian products are competitive and favoured there.

India can also increase its exports in Africa, a rapidly growing continent which enjoys almost 9 per cent of export share, as well as Latin America, currently at a low 3 per cent. West Asia has also been an expanding market where India enjoys synergies.

The export strategy for India requires a two-pronged approach, focussing on both enhancing domestic competitiveness and undertaking targeted promotional activities. For domestic manufacturing, the way ahead is well known: lowering costs of doing business, building the right infrastructure, ensuring faster and more efficient trade facilitation at the borders, etc. Deeper economic reforms — particularly in factor markets of land, labour and capital — will provide much-needed impetus to overall manufacturing investments.

On targeted export promotion, there are models in different countries that can be emulated. Several

countries have governmental departments tasked with providing information on markets to their manufacturers and exporters, especially small enterprises, and assisting them with marketing efforts.

Others have created dedicated agencies that undertake export promotion. India, too, should set up an overarching export promotion institution, converging several different agencies. This should be equipped with professional marketing expertise and establish offices overseas to link buyers with Indian exporters.

The RCEP was one of the many components in India's external integration strategy, albeit an important one. At this moment, it was important for the country to keep its interests on the table and not accede to the agreement.

The road to further expansion of its exports to RCEP member nations is very much still open, given that India already has trade and investment agreements with 12 of them. Utilising existing agreements better while proactively exploring new opportunities in other geographies will diversify both our markets and our export basket.

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