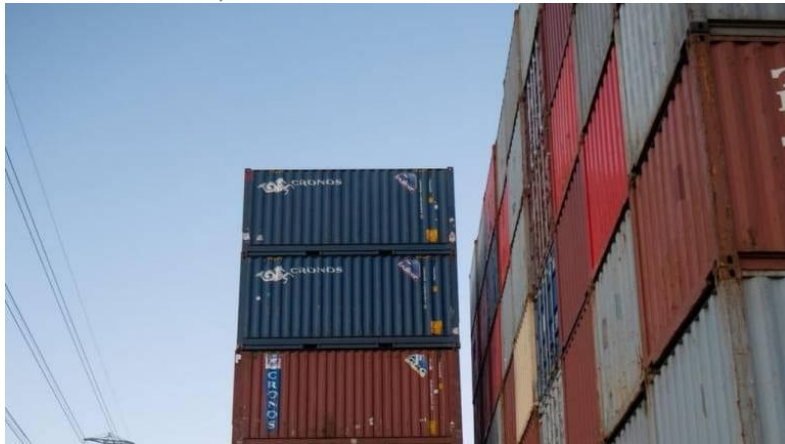# India needs a new narrative on international trade

Focus on export promotion and export orientation in domestic industrial production are necessary building blocks for effecting a paradigm shift in our economic structure

SACHIN CHATURVEDI

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After effectively addressing the internal movement of goods, attention is required as the Ministry of Commerce and Industry is getting set for working out the details of the new international trade policy. As India is coping up with several issues at the international trade front, the main message that is emerging from the ongoing debates is that India should aim at a new narrative on trade.

This shift in paradigm calls for a renewed focus on local production, standards and their connect with external trade, whether it is with ASEAN, Africa, the European Union and the United States of America.

India-Africa
India needs to enhance the level and composition of trade with Africa and encourage investors to revive the linkages in trade and investment. It needs to bring people-to-people cooperation even closer, effectively integrating with

Africa's industrial ecosystem involving handholding and seed capital in local R&D.

A composite economic engagement with African countries would be more meaningful. As long as the partners in Africa are convinced that local developmental gains are higher by engaging in a multi-prolonged economic strategy, they would believe in scaling up their economic engagement with India. The proposed African Continental Free Trade Area (AfCFTA) is moving ahead with its new plans; as on January 1 trading under the AfCFTA will start in Africa. This would be a major boost for MSMEs of the region.

Neighbourhood First
The other vital component of India's trade ties is to benefit from the 'Neighbourhood First' policy, and capitalising on 'Act East' and 'Indo-Pacific'. For instance, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a vibrant grouping for sub-regional cooperation with very strong niche sectors such as connectivity, blue economy, mountain economy, fintech, MSMEs including agriculture and food processing. This grouping is important for India's regional influences and the proposed free trade agreement with the BIMSTEC countries should be concluded at the earliest.

The BIMSTEC summit is due in next few weeks, to be hosted by Sri Lanka. Likewise, the Free Open Indo-Pacific should be anchored by India's strategic advantages in the Indian Ocean Rim Association. The Indian Ocean constituting a vital geographical entity of the Indo-Pacific strategy should be properly leveraged by India.

Enhancing Supply Capacities
The US has emerged as India's largest bilateral trading partner at this juncture. The EU is India's largest regional trading partner, accounting for 11.1 percent of total Indian trade in 2019, on par with the US and ahead of China (10.7 percent).

Europe would be looking forward to countries such as India with ample supply capacities in final products in select product categories such as pharmaceuticals, textiles, chemicals. Also in a range of high-tech intermediate products, especially in aviation and automobiles. Therefore,

India may have to enhance its supply capacities to meet this demand and widen the manufacturing base that has promising prospects in light of de-coupling in manufacturing hubs globally. India's exports in services still remain sub-optimum towards European markets, and is a potential area of improvement.

Indian foreign policy is already geared up at creating stable political ties with countries and regions to facilitate low-cost and stable supply of resources and inputs (including energy) that are procured externally. This would have to be accelerated as we explore alternative supply possibilities for stability, and of course cost effectiveness.

The challenge, of course, is heightened protectionism and de-globalisation. Opportunities may be counted in terms of growing recognition of India's economic capacities in stabilising global supply chains across sectors in agriculture, manufacturing and services.

Away From China
On this issue related to India and China, here are some striking findings by RIS research. China is not the most competitive exporter to India, as commonly perceived in various quarters. Out of the 4,044 items imported from China, 3,326 products were found to be such where China was not the most competitive supplier to India in 2018. There are 327 imported products which were found to be critical for India to import from China.

India can find other alternative suppliers for over 90 percent of its total products which it currently imports from China, and thus reduce the over-dependence on a single-supplier which perhaps weakens our bargaining power with China.

Of the $66.6 billion-worth critically-sensitive products that India imports from China, more than $10 billion can be source from other supplier nations. In the first year, alternative suppliers can absorb over 16 percent of India's critically-sensitive imports from China. In the subsequent years the switching can take place more intensively.

This way forward for India's international trade is clear; enhancing our production standards for robust connect with the external sector. At the domestic level, India would have to work on three important constraints. First, reduce the cost of electricity for our exporters; second, reduce the logistics costs and for both of them at least one project of SEZ would be needed for demonstrative success. The third would be to address the anxieties on imports.

Local jobs and global competitiveness is the only way forward. Focus on export promotion and export orientation in domestic industrial production are necessary building blocks for effecting a paradigm shift in our economic structure.

SACHIN CHATURVEDI is Director General, Research and Information System for Developing Countries (RIS), a New Delhi-based think-tank. Views are personal.

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