

India's trade policy is at a cross-road: Martin Wolf

FICCI, Federation House, New Delhi, March 11, 2016

“Given the developments which are taking place in the global trade landscape, India's trade policy is at a cross-road and it has to decide which path to follow for its long-term objectives of integration and development,” said Martin Wolf, Chief Economics Commentator of Financial Times, London. He was delivering a lecture on “Evolving Global Trade Architecture and India” jointly organised by CUTS International and the Federation of Indian Chambers of Commerce and Industry (FICCI) in New Delhi on Thursday, the 10th of March, 2016.

Explaining some key emerging features of global trade since the financial crisis of 2008, Mr Wolf said that globalisation through trade is the story of our age. Though the financial crisis was well-managed due to the existence of a rules-based international trading system under the World Trade Organisation and the functioning social safety nets in the west, the United States of America is not going back to the old WTO system. The US seeks to carve-out its own backyard. It is for countries like India to see how best they can fit themselves in the new emerging global trade order.

As the volume of trade growing much slowly than the volume of gross domestic product over the last few years, the question is: has trade dynamic permanently disappeared? This is to be contextualised because China has emerged as a new pole for world trade and, at the same time, trade is emerging as a great power conflict.

India's trade needs to expand at least in line with its gross domestic product, he said. India has to realise that domestic and global liberalisation are strongly mutually supportive. India should consider whether it will pursue its business as usual approach to trade or enter into bilateral free trade agreements with major trading powers.

Welcoming the participants, Harshavardhan Neotia, Chairman, Ambuja Neotia Group and President of FICCI, said: “This programme has come at a very opportune time when global trade landscape is changing due to mega regional trade agreements. Is it correct to hold that the WTO needs to reinvent itself to address new issues?”

Moderating the session, Pradeep Mehta, Secretary General, CUTS International, said: “We should draw lessons from the history of the global trading system and ask ourselves what were the motivations behind the establishment of the WTO, which is dealing with behind-the-border issues.” He reminded that it is the business which drives trade agreements.

Chairing the event, Arvind Mehta, Additional Secretary (Trade Policy Division) of the Department of Commerce, Government of India, said: “Trade is a very strong engine of India's growth, which is reflected in our trade intensity, which has experienced a huge jump. However, our trade is growing slower than our gross domestic product” As there are higher barriers to trade in services, he argued that there should be trade facilitation in services as a driver of overall trade. Given India's trade profile, he said, the Regional Comprehensive Economic Partnership of Asia and the Pacific may be perceived as India's bilateral with China and that is where negotiating challenges are. “Also, we need to ponder over whether free trade agreements are over-hyped or not,” he added. He also explained given India's high import intensity in exports, the kind of negotiating challenges that India is facing.

Speaking as a Distinguished Panellist, N K Singh, a former Member of the Parliament of India,, said: “We have to admit that trade and trade-related issues have fallen off from the radar screen of important decision makers. Notwithstanding the free trade agreements, the fact remains that we have to restore the WTO as the primary place to negotiate. We should look at trade as a tool for domestic reforms and structural changes.”

The presentation and panel discussion was followed by a lively question/answer session where speakers were urged to explain more about the implications of mega regional trade agreements such as the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership and the Regional Comprehensive Economic Partnership of Asia and the Pacific. There was a broad consensus among the speakers and participants that notwithstanding the developments in the global trading system, India should continue its domestic reforms for enhancing its trade competitiveness, which will help the Indian industry to protect itself from unfair competition as well as will integrate India more with the global economy.

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