

## **17<sup>th</sup> CUTS 30th Anniversary Lecture on**

### **India's Export Competitiveness, Prospects & Challenges: The Role of Trade Policy April 4, 2014 at the FICCI, New Delhi**

CUTS International in partnership with Federation of Indian Chambers of Commerce & Industry (FICCI) organized a Lecture to discuss the prospects and challenges of India's export competitiveness and the role that trade policy can play towards the country's aspiration to become a major player in the global value chain.

Mr. Rajeev Kher (Commerce Secretary, India), Mr. Pradeep S Mehta (Secretary General of CUTS International, India) and Mr. Ajay Shankar (Member Secretary, National Manufacturing Competitiveness Council), were the main speakers at this lecture.

Welcoming the participants, Dr A Didar Singh, Secretary General of FICCI, said: "Export manufacturing has been identified as one of the thrust areas that Indian industry and business needs to focus on in order to become a major player in the global manufacturing arena. There should be synergy between trade in manufacturing and services." He underlined the value that consumer groups like CUTS bring to the trade policy discourse of India.

In his welcome remarks, Mr. Pradeep S Mehta, Secretary General of CUTS International, highlighted why trade should play a much greater role in transforming India's manufacturing base from low to high value products and its overall contribution to the growth and development of the Indian economy. "We need a whole-of-government approach to trade policy-making and it should be a crucial cog in the wheel of generating 100 million new jobs over the next five years," he added.

Mr. Mehta said that India has a number of schemes to facilitate growth, which also constitute a set of implementation tools but cannot be termed as a policy. Furthermore, there is no focus in regards to synergising imports in our trade policy. The need of the hour is to put in place a coherent course of action which would guide and determine present and future decisions. The country also needs a clear strategy and coherence among its ministries and states. He further added that in order to ensure smooth flow of goods India needs to adopt a number of regulatory reforms in the country. Inefficient procedures such as delays in clearances have adverse effects on our competitiveness and needs to be addressed squarely.

Chairing the event, Ms Lise Grande, Resident Coordinator of the United Nations in India, said: "For India to grow faster and improve its competitiveness, continuous enhancement of its entrepreneurial and intellectual capacity is an imperative. India needs to further diversify its product mix. It also needs to strengthen further the performance of petrochemicals, gems and jewellery and pharmaceuticals. There is also a need to ensure right fiscal incentives."

Speaking on the occasion, Mr. Ajay Shankar, Member Secretary of the National Manufacturing Competitiveness Council, emphasised on the importance of economies of scale in India's production structure. In this context, he said: "Why are we shying away from labour reforms? We need to look at all cognate issues of the country's competitiveness and a national consensus is needed for creating new jobs and going up the value chain of production." "There should not be any dichotomy between domestic and global competitiveness issues. We need to get right the sequencing of reforms with right safety nets including trade adjustment programmes," he added.

According to Mr. Rajeev Kher, Commerce Secretary of India: "India needs to mainstream its trade policy with the functioning of other government departments so as to enhance its competitiveness in a holistic and dynamic manner. Trade has to be looked as a composite economic activity as against in silos. Various government departments including state governments need to work in tandem. States needs to get mainstreamed into the export objectives. Exports play an important part in our economic policy, it makes sense that we also look at promotion or encouragement to the states in the context of their contribution to exports. Trade policy should have strategic objectives to address, should be contextualised and not just an amalgamation of a set of instruments towards export promotion."

"Exports should no longer be considered as a function of surplus generated over and above domestic consumption. It should be an intrinsic part of a vibrant economy. Imports also play a very important role because more than 60 per cent of our imports are intermediaries to manufacturing. Intra-industry trade is growing," he added.

He stated that over dependence on single markets for exports has given way to diversification process, especially since the 2008 crisis shook India's traditional export destinations of the US and the EU. This has created a need for diversification in destination, product segments and products within segments. He advocated strongly for adherence to standardization as a function of increasing exports, protection against imports and consumer protection. He also mentioned that in order to operate at upper or high middle ends of the value chain standardization is a pre requisite.

Talking about free trade agreements (FTAs) that India has negotiated with some of its major trading partners in East and South East Asia in recent years, Mr Kher said: "Indian industry should make full use of them as they will serve as vehicles to enter the global value chains of major products and services of India's interest." "India is likely to be adversely affected by mega FTAs such as the US-led Trans-Pacific Partnership agreement and, in this context, successful negotiations of the Regional Comprehensive Economic Partnership agreement in the Asia-Pacific region can be a potential game changer," he added. "India needs both locational and product diversification of its trade composition. Strengthening of regional value chains should be a stepping stone for getting into global value chains."

The Lecture was followed by a round of lively discussion. Questions ranged from the need for generating more awareness among the Indian industries about advantages that the country can draw from its FTAs to relationship between trade standards and job creation to the role of exchange rate management for enhancing trade competitiveness. There was a broad consensus that while it is the responsibility of the government to spread awareness among the Indian industries about the advantages of the FTAs, it is an equal responsibility of the industry to continuously be on the lookout for strategic opportunities in different markets. It was also noted that the forthcoming trade policy, which is due to be announced by the new government, should have clear objectives and roadmap for mainstreaming trade into India's national development strategy. A strong institutional mechanism for greater engagement of other relevant departments and state governments should be in place so that there is coherence between trade policy and other major macroeconomic policies.