

“Industry Worries Are Genuine But RCEP Will Bring Trade Reforms”

Former commerce secretary **Rajeev Kher** argues India must weigh in its economic interests first while negotiating for RCEP. Kher, a distinguished fellow in New Delhi-based policy think tank RIS, tells **Shantanu Nandan Sharma** that diplomatic gains out of the trade pact could at best be incidental. Edited excerpts:

RCEP negotiations have been on since 2013. Where do the talks stand as far as India is concerned?

I won't know the exact status as I am no longer with the government (Kher retired as commerce secretary in June 2015). I have learnt the RCEP is at an advanced stage of negotiations, but some of the tricky areas are yet to be sorted out. Till recently, there were debates whether India should stay or get out of the RCEP. Now, there's a resolve at the highest level that India must be a part of the RCEP.

In post-Trump environment of protectionism around the world, why do you think India should liberalise its trade further and be a part of the RCEP?

India has not seen a major trade reform since 1991. We have broadly remained in the same trade paradigm since then. Meanwhile, we embarked on export incentive schemes and diversified in terms of products and markets. But we paid very less attention to the Indian industry getting integrated with global value chains. That's why our exports have remained static. But there will be a paradigm shift once we join the RCEP. Today, global manufacturing hubs are in China, South Korea, Japan and Asean – largely in the RCEP region.

India can't stand alone. It has to be a part of the group.

Also, when you are a part of

a global value chain, you won't look just at manufacturing. The emphasis will then be on quality of investments, standards, logistics, services reforms, etc. I feel, RCEP will be a trigger for India to move to a higher trajectory of industry and trade-related reforms.

But India already has a free trade agreement with 12 nations of the RCEP. The industry is worried and sees the RCEP as nothing but an FTA with China.

I don't want to brush aside the concerns of Indian industry. They are genuine as India already has a large trade deficit with China. Yes, China has advantage over us even without this agreement; they may have more advantages with this agreement. So, we need to negotiate harder. Currently, Indian medicines, for example, can't be sold in China because China demands clinical trials there. But why? All medicines exported to the US or Europe are clinically tested in India itself. But China does not agree, mainly to delay the process and protect its domestic industry. This can be negotiated. The registration process (to sell medicinal products) in China takes five years against six months in India. This can be negotiated. We should also use the RCEP negotiation to persuade China to bring in some of its trade practices into the realm of this agreement and discipline its regulatory practices. For example, China is often accused of subsidising its industry in an unfair manner. Subsidies are first given in one province and before complaints are addressed, it shifts the subsidies to another province. Now, the RCEP could be an occasion to make China agree to abandon such practices.

Will the RCEP be more an opportunity for India to position itself globally rather than deriving real economic benefits?

We must not bring in geopolitical aspects to do a cost-benefit analysis of the RCEP. For me, trade agreement is a trade agreement. If it also has geopolitical gains, that is fine. But the basic reason for signing this pact must be pure economic interests.

