Was Article 370 more important than our right to clean air? Our government showed as much attention to air pollution as in dealing with Article 370!

— KAPIL Sibal, Congress leader, criticising the government over Article 370 instead of air pollution in Delhi

She's amazing. The moment she opened her mouth in the read-through, you could feel everyone wanting to do a silent "Yay!"

— OLIVIA COLMAN, actor, on ‘The Crown’ co-star Tobias Menzies

I want to spend time with my family, enjoy my life because it's been a roller coaster ride for 17 years. So, I want to be as relaxed as possible.

— TUYAfi JIANG, Former Indian cricketer, on life after cricket

Erdogan's snub sets a low bar for the US presidency

JOHN F KENNEDY confessed that Nikita Khrushchev threw "the hell out of me" in Vienna in 1961. China gave Barack Obama a rude welcome when Air Force One landed in Hangzhou in 2016. But in the annals of diplomatic humiliation, it’s hard to top Turkish President Recep Tayyip Erdogan’s visit this week to the White House. Not only did he return US President Donald Trump’s snub.

He mentioned Trump’s letter in their joint conference

DONALD TRUMP’S sophristicated letter of October 9 regarding Turkey’s invasion of northern Syria, he also mentioned the fact in their joint press conference.

What gives? One theory is psychological. From Putin to Erdogan to Kim, Trump has a thing for authoritarians in the mold of his father. Does he long for the power these men yield — or does he long to yield to their power? A second theory is that he is cultivating his extensive business lies in Turkey. A third is that Trump is pursuing political goals here. These theories aren’t incompatable... But they’re also unmistakably Trumpian debased policy-making has become during this presidency.

A recent article, economists Praveen Krishna and Arvind Panagariya discussed how India, during 2000-11, signed 14 preferential trade agreements (PTAs).

One of these, 10 were bilateral agreements with individual countries (including Japan, Germany, Korea, China, Singapore, and the European Union) and four were plurilateral agreements, which involved at least five other countries, either the East Asian Nations or Asean and the Southern Common Market in South America or Morocco.

Build trade capacity

Krishna and Panagariya show how the effects of these agreements on trade were modest at best. My understanding from the government’s decision not to join the Regional Comprehensive Economic Partnership (RCEP) — seen as one of the largest trade partnerships (given the market and population size) — is that it must not be seen as a justification for India’s industrial project to advocate for a protectionist trade outlook or be subject to pressures of international business groups.

Instead, it must be seen as an opportunity for the government to reflect on India’s poor competitiveness levels, especially in commodities (and their exports) and how these can be enhanced vis-versa other regional partners (including those in Asean).

Ensuring higher competitiveness in production remains key to India’s ambition of expanding its market integration with other countries within the region, and of using a higher export-oriented industrial vision to boost employment in labor-intensive modes of business production. In the current economic scenario, a poor level of trade competitiveness is a culmination of two critical factors. A weak demonstrable manufacturing strength and an uncompetitive currency pricing mechanism for the rupee vis-a-vis other emerging market currencies.

On RCEP, one of the key issues that prevented India from joining the agreement included ‘inadequate’ protection against surges in imports. There were, of course, some non-trade issues involved, including: The provision for various forms of international agreements between India and other countries to be covered by the agreement; the fact that India would lose control over its currency trade; the assurance for better market access for Indian products in Chinese markets and making 2019 the base year for tariff-reduction calculations. India has also been trying to develop (and negotiate) an auto-trigger mechanism to raise tariffs on products in instances where a basket of imports from a given nation crosses a certain threshold, which was not accepted by many RCEP partners.

Bolster the currency

The real question for Indian policymakers now is: What can be done to address the core concern of India’s poor trade competitiveness levels?

This requires a coordinated effort between market- and extra-market arrangements, ie, for India to push for higher manufacturing growth with opportunities to scale for domestic industrial enterprises.

‘Market-centric’ measures would require a set of liberalising measures with incentives for cross-border trade, and reforms in factor markets (especially land and labour), that can allow enterprises with a higher production capacity within the domestic economy.

‘Extra-market arrangements’ shall require fiscal and targeted legal interventions to make the industrial outlook more export-oriented in regional and global scales. However, it must be observed that given the complex entwined nature of production supply chains today, there is little possibility for India to experience a dynamic, rapid, export-oriented pattern of industrialisation unlike other East Asian economies like South Korea and Taiwan around the 1970s and 1980s. Still, there is a critical economic case for the Indian government to continue pushing for a stronger manufacturing capacity for trade that will further accrue positive returns on domestic employment creation, while attracting foreign direct investment into manufacturing as well.

Compete to succeed

Meanwhile, a strong manufacturing capacity requires a more competitive Indian rupee. We can observe how India’s exchange rate has appreciated over time, while China has managed to maintain an undervalued Renminbi to make its currency (and its products) cheaper and more competitive in export markets.

The underlying factors affecting the volatility of exchange rates may differ from one country to another. However, it is possible for India to strategically manage exchange rates and keep them in alignment with the country’s production patterns, as seen in the case of China, among other countries. Going forward, it will be vital for both the Indian government and the Reserve Bank of India (RBI) to ensure a more flexible exchange rate between the rupee and US dollar for goals of higher trade competitiveness.

Trade agreements must represent mutually beneficial terms of trade and, perhaps, India was correct in staying out of RCEP at the juncture. Still, without a competitive Indian rupee and a strong manufacturing sector (enabled through structural reforms guided by market principles), it is more likely that India’s performance in exports and overall current account position may weaken in years ahead.

A weak trade competitiveness level will only make India’s economic vision and market integration strategy more exclusionary and skeptical when it comes to joining critical regional (or plurilateral) trade partnerships. The writer, an associate professor, is Director, Centre for New Economics Studies, Of Fland Global University. The views expressed are personal.