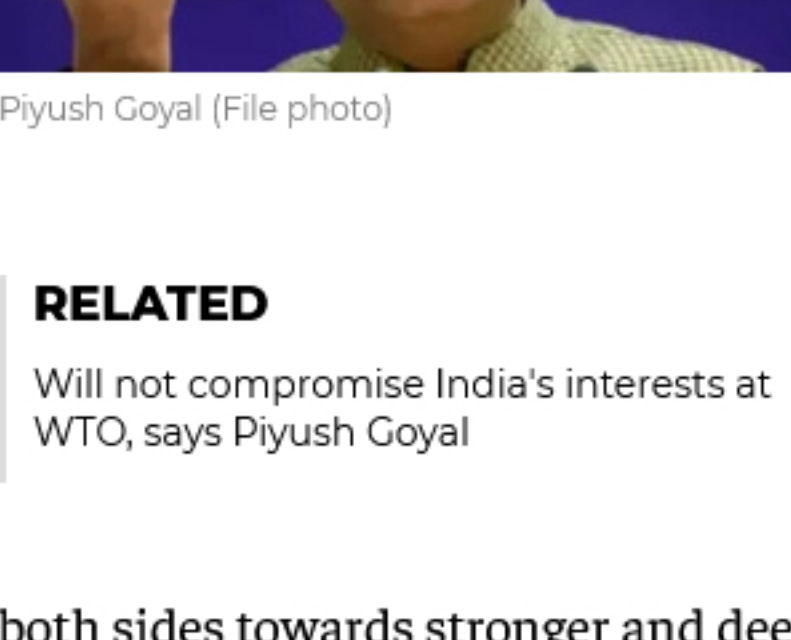


Burying past baggage biggest outcome of talks with USTR: Piyush Goyal

Synopsis

Minister says New Delhi's agenda at the WTO ministerial includes a permanent solution to the public stockholding issue, recognition of S&DT in fishery subsidies and underscoring the necessity of TRIPS waiver proposal



Piyush Goyal (File photo)

A key outcome of the recent talks with the US is that all the baggage of the past has been buried, says commerce and industry minister **Piyush Goyal**. In an interview with Bodhisatva Ganguli and Kirtika Suneja, Goyal, who is also the minister for textiles, consumer affairs, food and public distribution, says **India** has made very important and necessary commitment towards a stable and predictable regulatory regime. Edited Excerpts:

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What was broadly the outcome of our talks with the US trade representative? The fact that we could come out with such an elaborate expression of convergence on so many issues itself is a big outcome. The last time, we weren't able to come up with a joint statement. I think the big-ticket outcome is that all the baggage of the past has been buried. The mood was very enthusing and the commitment on both sides towards stronger and deeper relations was very evident.

Would one be correct in saying that the withdrawal of Generalised System of Preferences is not a top priority now? Absolutely not. I mean, we have of course discussed it, and the US Congress is also seized of the matter. Probably they are considering it but it's not something which will make or break the Indo-US trade or relations. We have by and large assessed the various lines on which we get concessions in the GSP and our trade and export on those lines has not been affected at all.

Are we on track on a free trade agreement with the US? When did we ever board on to that track? There has never been any track for an FTA with the US.

Since India has till now opposed non-trade issues, what is the take on issues like labour and environment, that they have mentioned?

Yes, but that was the legacy of the past when India was concerned to talk about these issues. After Prime Minister Narendra Modi came into government in 2014, India has become a champion of these issues in the whole world. We strengthened all the laws protecting labour and strengthened the penalties on child labour. We have probably made some of the finest legislations to promote women's rights and gender equality, far ahead of many of the developed countries in terms of our Indian commitment to women and gender equality. On labour, we've come out with the four codes and addressed every aspect of a person's working life. This government has a lot to showcase on these subjects and therefore we are not shy of discussing any of these subjects, because India comes up winner. When it comes to environment, we are proud to say we are one of the few countries in the world who met every one of their INDCs (intended nationally determined contributions), we now have a net zero (emission) deadline, which is more aggressive than anybody ever imagined. We are just about 10 years behind China, despite being probably 30-40 years behind **China** in terms of development — the period from 1979 to almost 2010. So, despite that, we have taken very aggressive targets. Our carbon intensity based on the gross domestic product has been further sought to be reduced. We are looking at very aggressive renewable energy targets. So, on every score, today, India is a champion of environment issues, and a world leader. So, we proudly discuss these issues.

At various international fora, everybody is amazed at the way India has shown its true work in terms of a trusted trade partner, trusted service provider, a resilient economy, the deft handling of Covid-19, the rapid upscaling of health infrastructure and development of vaccines, including the world's first DNA-based vaccine, world's first nasal vaccine, and an mRNA vaccine. So, India has demonstrated to the world talent beyond the world's imagination.

China has recently launched something of a crackdown on tech companies and there is a curtailment of civil liberties in Hong Kong. Is there any benefit in terms of foreign capital inflows that India can draw from these? India is one of the most investor-friendly and transparent destinations for foreign capital. We have a rule of law, a very robust judicial system and a very vibrant media, which ensures that investors are respected and given fair treatment. We have a government which is not only decisive, but also sensitive to the concerns of global investors. We have a leader who has earned the trust of people around the world — governments, businesses and all stakeholders.

We have made very important and necessary commitments towards a stable and predictable regulatory regime. For example, we erased the legacy of the retrospective taxation that we inherited. And I can proudly say that in seven and a half years, we have not done any retrospective amendment or change in law. All of these are being noticed by the world. They can perceptibly experience the formalisation of the economy, the change in levels of transparency, honesty and integrity. The much more liberal and welcoming attitude towards foreign direct investment and foreign institutional investment, speed of approvals, the ease of doing business and the culture of innovation that's being promoted, have been a source of attraction. Never before has the interest to trade with India and to engage with India on trade been more than today.

We have FTA negotiations proceeding at a breakneck speed with the UAE. We have a Comprehensive Economic Partnership (Agreement) underway with Australia. The United Kingdom and India have completed all the pre-launch formalities (for FTA) including scoping and their own process of getting parliamentary approval. Very soon the minister should be in India and launch talks with the UK. Our work towards an investment agreement and geographical indications agreement with the EU is already underway. Our teams have been engaged and have announced their chief negotiators. The Prime Minister met the European leaders in Rome on the sidelines of G20 and they reiterated their desire to speed up discussions and work with India. Canada is another country which has expressed a desire to engage with India for an FTA. The six-country bloc of GCC has already sent their secretary general and we have both agreed to form a working group which has already started discussing the way forward for the early launch of an FTA.

We've launched an FTA with Israel. And, therefore, I can say with some element of confidence that basis all these various active engagements and basis the discussions I've had with several trade ministers, including Mexico, Italy and Spain, there is a widespread interest to have India in their resilient supply chains and to work with India to look at greater market access on both sides. There is a serious interest to resolve legacy issues and move forward on a fast-track basis. And the flurry of visitors who have been seeking time have come to India from across the world is encouraging.

What are the key priority areas and the red lines in the upcoming ministerial of the World Trade Organization? India has been pushing for a permanent solution to the public stock holding on which we have a peace clause. But we do believe it's important that WTO finalises all the elements of the public stock holding agreement and we shall be working on that. There is discussion around forming a working group to find a permanent solution. We are very keen that we should instead look at resolving the issue and fast tracking it.

We are also very keen that the fisheries subsidies been used by certain countries indiscriminately, which is causing harmful fishing and causing the depletion of fish stock, should be addressed in a fair manner, recognising the spirit of the WTO which includes recognising the Special and Differential Treatment available for developing countries. We are open to engaging on WTO reform but would like to know more about the agenda on which the reform discussions will evolve. We do believe that the Trade-Related aspects of Intellectual Property Rights (TRIPS) waiver proposal that South Africa and India put forward, is necessary to address the concerns of the less-developed countries and many developing nations to find adequate vaccines for their requirements, but also medicines and therapeutics that may be required for fighting the current pandemic and any future such health emergency. And the WTO needs to respond both to this pandemic and prepare for future pandemics. No such response will be credible without a **TRIPS** waiver element in it.

Was this discussed with the **USTR**?

USA is on the record, that they have supported the TRIPS waiver for vaccines. It is something that will be discussed more on the multilateral fora. But I'm happy that the US has stood up for a TRIPS waiver and recognise that in all fairness, there should be equitable distribution of all these requirements to address the Covid-19 pandemic or any future pandemic.

Is an outcome possible without public stock holding and TRIPS waiver?

The nature of every negotiation, which is based on consensus, will always have an outcome. Now the elements of that outcome will have to be seen. There will, of course, be an outcome of the ministerial but what will be the elements of that we have to wait and watch.

Is there a concern that there may be a replay of the Bali ministerial when we had the trade facilitation agreement, but there was nothing substantial on agriculture and we only got the peace clause...

India would pitch very strongly for significant outcomes without compromising India's interest in any way.

The farmer unions have demanded the MSP to be made part of the statute as a law. Would that have implications for the WTO negotiations? Can we legally do that and be WTO compliant? The two issues are not related right now. There's no relation.

A lot of joint statement initiatives on **e-commerce**, gender, domestic services and regulation are being pushed in the WTO. Are we still opposed to these? Will we engage in any manner?

We believe that a multilateral organisation like the WTO should be run on the basic principles on which it was founded, and consensus was one of those principles. So, we believe issues like ecommerce or digital trade should come into the working groups and should not be negotiated or discussed through plurilaterals.

The consumer affairs ministry came out with rules on ecommerce. Where are we in terms of any finality? We received some very interesting thoughts and suggestions (during the public consultation process) which the department is engaged with the stakeholders to understand and see where there is merit, so that we can come out with a more robust set of rules to protect the interests of consumers and promote the orderly growth of ecommerce within the laws of the land.

The government has said these companies should function under law, as marketplaces are supposed to... I actually went through all the circulars in the last 20 years. And it's so crystal clear, there is no scope for ambiguity at all. The consistency in each of the Press Notes on this subject is really remarkable. And after this level of clarity of what is intended within the law, it is very surprising that reputed companies have chosen to find ways and means to go around the spirit in which they were allowed to first come in and set up their marketplace operations.

The very fact that some companies tried to stall a simple thing like an inquiry, basis certain complaints by the Competition Commission of India, which is the law of the land, which all of us have to adhere to. The fact that an effort was made to stop questions being asked about anti-competitive practices, which is the Competition Commission's mandate on the grounds that an inquiry is already going on under FEMA by the Enforcement Directorate, two subjects which have absolutely no relevance with each other. There's no contradiction. They're two separate issues which are being inquired. One has nothing to do with the other at all. But the effort to stall the investigation for 18 months leaves a lot of questions on the table. And the fact that soon after the Honourable Supreme Court of India decided that they will have to subject themselves to the inquiry. We heard about several companies being closed down or sought to be closed down, raises a lot of questions.

Our approach has always been very consultative. We believe that ecommerce and the success of ecommerce is important for India. We have been encouraging our startups and various companies to expand their footprint of ecommerce. We are encouraging technology in all spheres of business and life in India. Nobody can deny that technology has come to stay, and it's good for people and for the country. And therefore, our approach has always been dialogue. We would like to see more collaboration between the large companies and small retailers, or between ecommerce firms, and with the large mom and pop store ecosystem in the country. We would like to see more and more MSMEs gain, and exports expand on the back of world markets opening up ecommerce. It can be a win-win solution and that's what we are working towards.

What are your export targets going toward?

I've often said that no country in the world can make everything. However, at the same time, there are many things that India has competitive or comparative advantages but have continued to remain at very small levels of the global market potential. So, we are working with industry to identify the areas where we believe have huge potential or potential to grow, both in traditional sectors and newer sectors which would mean diversifying the basket. What we need to do is to make them competitive, bring scale to their operation, and bring quality focus into their working. We work with our missions in other parts of the world after identifying potential markets, and connect our stakeholders with missions internationally. So, we are looking at a very major facilitative role with our exporters because without expanding traditional business and expanding to newer products and newer markets, we won't be able to reach that trillion-dollar merchandise export that we are aiming to work for.

Since India is entering into new generation of FTAs, how do we avoid the pitfalls seen in the earlier FTAs such as with Asean, where the perception is that they have eaten into our manufacturing? I have studied the older negotiations of FTAs in some detail and will highlight three things. One, the extent of stakeholder consultations was inadequate and therefore in identifying the areas that you should have been looking for greater market access or concessions and duties or areas of India's interest, were not fully obtained by us. Similarly, areas which we should not have given up basis stakeholder feedback, have unfortunately got compromised. The FTAs could have been conceived much better, could have been more balanced and more fair towards Indian businesses. This time around, we are making sure that the extent of stakeholder consultation is just very detailed and large.

The advantage is that throughout the Covid period, almost on a weekly basis, I was engaging with exporters, with industry through video conferencing. So, we have been able to get a wealth of knowledge about where different sectors stand. Second, whenever you do FTAs, you also have to strengthen your domestic industry to be able to take the maximum benefit of the potential opening up of markets. In the past, domestic industry was left to fend for itself. If there was irregular or anti-competitive imports or subsidy based, unfair priced imports coming in, action under the law was very slow, very weak due to which Indian industry didn't get a level playing field.

This time around, through various initiatives, like the production-linked incentive (PLI) scheme, our efforts to promote different industrial clusters or industrial parks, the PM Mega Integrated Textile Region and Apparel scheme, the defence corridors, the industrial parks, we are making an effort to strengthen domestic manufacturing capabilities. We are introducing strong quality control orders to promote the adoption of quality by domestic industry. And at the same time, thanks to the stakeholder consultation, and with the good work that the Steering Committee for Advancing Local Value-Add and Exports (SCALE) led by Pawan Goenka, largely a private sector-led initiative with government acting as a facilitator, we've been actually able to identify the areas of India's strengths and focus areas. That has helped us know what exactly we should pitch for when we are negotiating FTAs and what exactly we can give and can't give. Also, the Directorate General of Trade Remedies has become far more responsive, their decisions are time bound, very transparent, data has become much more robust and actions are speedy, which has given the confidence to Indian industry that the government will back them up if they're facing unfair competition. Lastly, we have been able to change the mindset of businesses from depending on subsidies and government clutches to a mindset of engaging with the world from a position of strength with confidence. That is evident from the fact that the \$400 billion export, an all-time historic high, will happen after we have withdrawn the Merchandise Exports from India Scheme.

Now all we do is refund the unremitted duties which are not a part of the goods and services tax, to bring a level playing field. That is a very redeeming feature of this \$400 billion achievement. I think these are the factors which will strengthen India's position vis-a-vis other countries, build credibility of India as a fair and good trading partner and encourage other countries to expand business with India. We are looking at equitable and balanced free trade agreements, opening opportunities for businesses on both sides, trying to create employment for our Indian young boys and girls in a big way, open up markets for startups, for big and small industry, for entrepreneurs and MSMEs, agri products. It is a wholesome, comprehensive, holistic thinking that Prime Minister Narendra Modi has always focused on and that is exactly the way we're looking at foreign trade.

What is your assessment of the PLI scheme? Which sectors are the most promising? Incidentally, these 13 sectors have been selected after a lot of engagement with stakeholders and the SCALE committee. So, really, each one of them shows promise in its own way. For example, I have two sectors in the Department for Promotion of Industry and Internal Trade. One is LEDs and one is air-conditioners, and both are sectors where India has a huge market. We are the world leader in LEDs today. Air-conditioner, as an environmentally conscious country, we have stopped the import of air conditioners which have gas in them and so now, there's a huge demand to make air conditioners locally.

We have intelligently supported the input components that go into LED or air-conditioners, which will automatically have an impact on output costs and finished cost of products. When the inputs become more competitive, the finished product is bound to be more competitive. In textile, we realised that traditionally, we have supported only cotton textiles or handloom, and we will continue to do so as that's our strength area. But the world has moved towards technical textile or manmade fibre (MMF). Two-third of the world market, about a trillion dollars, is now technical textiles and MMF. India had not ever promoted those sectors and hence, we have brought out a PLI to bring large-scale investments in these sectors to increase India's contribution both to our domestic market and globally.

The reasons why we feel the chances of misuse have been significantly reduced are (number one) we are looking at very, very simple schemes — very simple to administer as they are production-linked. So, there are records which will be given to the GST, which would help us determine what should be the PLI payment, the targets and benchmarks are all quantified in value terms. There's very little subjectivity either in the accrual of accounting, or in the payment of incentive. And lastly, while preparing or deciding on these 13 sectors, we have focused a lot on scale, so that we can benefit on economies of scale and create jobs in a very big way. Employment has been our principal focus and we have also looked at environment because many of the sectors are in a way directly or indirectly impacting the environment—whether it's LED, or auto components.

This exercise, in our ministry's estimate, will add about \$350 billion (Rs 25 lakh crore) to India's production output and impact livelihoods for about 4 crore (40 million) people. So, this is a game-changing scheme inspired by Prime Minister's thinking on making India a manufacturing hub. And we are all very confident and the feedback from industry is just fabulous.

Arvind Panagariya has raised concerns that import tariffs have gone up for some items in the last few budgets and we might be reverting to an older era... Tariffs have gone up and also gone down. It's a continuous process and every country uses it as a mechanism to ensure a level playing field basis data on necessary and unnecessary imports and the needs of the country. Very often while tariff may go up through circulars or customs notifications, the effective rate of duty is not as much as the tariff. I have done an analysis of the whole picture and I find that our Indian tariffs at the aggregate are really not very much. Look at total imports into the country, and total import duty collected, and when you reduce some import duty which is on products which are processed for re-export and refunded, you find there is hardly any import tariff.

There may be specific items which are of a nature that you don't want to encourage but that is a tool that the entire world uses. When I explained this to the USTR, she appreciated it and said we never thought of it that way. We have tasked officials of both countries to do a study and assessment. It emerged out of a conversation on peanut butter where they have exorbitant tariffs. I said you raise the issue of a tariff and I raise of peanut butter. Every country protects where it is most sensitive. Maybe the US side has really not appreciated, and this is some old narrative which is continuing in your mind that India is highly taxing.

The Cabinet has approved the PM Garib Kalyan Anna Yojana to provide free ration till March 2022... We have extended the scheme for four months. This is important in the context of global image of India and potential for the future. In the G20 summit, the trade ministers meeting before that and at COP26, international leaders are amazed at the sensitivity that PM Modi and the Indian government have shown towards their people. Through the Covid period, India would have given free food grain over and above the national food security programme, to 80 crore people for 19 months. We spent Rs 2.6 lakh crore.

By the time this programme gets over, we would have distributed 763 lakh metric tonne of free food grain. The world gets stunned at the sensitivity that PM Modi has for the poor and lesser privileged sections of the society, for his concerns to ensure that not a single person goes hungry through the Covid period, and for the effective way that India managed such a massive food security programme through technology and transparency without any complaints of leakages or of anyone having to face hunger.

They look upon India as a role model. We have instances of developed nations having food riots and people ransacking stores, but India didn't see a single incident thanks to the timely intervention that PM Modi had with the Aatmanirbhar Bharat programme and PM Garib Kalyan Yojana and within that the PM Garib Kalyan Anna Yojana. It has risen the stock of India and PM Modi at the comity of nations and earned a lot of goodwill and recognition worldwide for us.