

How India is closing trade deals faster than ever

May 9, 2022, 12.47 PM IST



Nearly three months after India and the United Arab Emirates signed their Comprehensive Economic Partnership Agreement (CEPA), the two countries have embarked on a major effort to convert the opportunities offered by the Agreement into a movement of its stakeholders. The CEPA dialogue set a record in bilateral trade negotiations. The minister for commerce and industry, Piyush Goyal, claims no other trade deal in the world has been completed in a shorter time. The negotiations began on September 22 last year and the CEPA was signed on February 18 this year at a virtual summit between Prime Minister Narendra Modi and the Crown Prince of Abu Dhabi, Sheikh Mohamed bin Zayed Al Nahyan.

From start to finish, the Agreement was ready in four months, but scheduling of the virtual summit took four additional weeks. Negotiators

on both sides said they completed their job in 88 days, but it took expert drafters four more weeks to put their decisions into legalese. They produced an 801-page document with 18 chapters. Goyal and the UAE minister of state for foreign trade, Thani bin Ahmed Al Zeyoudi, confidently assert that because of CEPA, India-UAE trade would nearly double in five years to \$100 billion and trade in services will cross \$15 billion.

When Goyal announced in the middle of last year that a Free Trade Agreement (FTA) would be negotiated with the UAE and signed within months, few people believed him. India has a chequered record on FTAs. But Al Zeyoudi joined Goyal in the challenge to make their bilateral trade deal a reality in the 50th year of the founding of the UAE and the 75th year of India's independence.

It was easier said than done. Roadblocks along the way were numerous during the negotiations. The UAE has a small manufacturing sector, for example. Indian manufacturing, on the other hand, is huge. To create compatibility on this score, it was decided that certain UAE exports to India would have to have 40% value addition. Agreement was not easy because negotiators on both sides zealously argued for their specific interests.

Al Zeyoudi began travelling to India so much that he is counted as the minister who made the most number of trips to India in the last one year from any country in the world. Goyal returned many of those visits. Expo 2020 Dubai, the six-month-long world exposition which, fortuitously, coincided with the dates of the CEPA talks provided the cover for his visits. Thus, potentially damaging speculation in the media that trade negotiations had hit the rocks was avoided. Goyal's ministry was in charge of the large India Pavilion at the Expo.

The frequent meetings between Goyal and Al Zeyoudi created such mutual trust that sticking points in the draft text were overcome through joint ministerial intervention. Negotiators were told to resume meetings forthwith and burn midnight oil until that matter was resolved.

One example is how the talks, which began as FTA negotiations, were enlarged to a CEPA. Goyal said that when Al Zeyoudi suggested at one of their meetings that they should advance from an FTA into a CEPA, he readily agreed. An FTA is limited in its scope, but a CEPA is what its name suggests: "comprehensive, partnership."

The personal chemistry which Modi and Sheikh Mohamed developed since 2015 was a major factor in enabling the CEPA. When the UAE facilitated the first ever address by an external affairs minister – Sushma Swaraj – to the Organisation of Islamic Cooperation (OIC) three years ago in Abu Dhabi, India overcame one of its worst diplomatic setbacks in history. When Article 370 was abrogated, the UAE ambassador to India, Ahmed Al Banna, said reorganisation of states is not unique in this country and described New Delh's action as an internal matter under its constitution.

Shortly before the CEPA talks were launched, B V R Subrahmanyam joined Goyal's team as commerce secretary

He brought to the table his diverse experience including years at the World Bank and in the Prime Minister's Office. The team was strengthened by officers with experience of trade policy. Some of them were transferred to headquarters from abroad. The CEPA entered into force on May 1. On that day, in a symbolic gesture operationalising the Agreement, Subrahmanyam flagged off the first consignment of goods to Dubai, which attracted zero customs duty, thanks to the CEPA.

This week, two ministers from the UAE will arrive in India, and along with Goyal, launch a series of outreach programmes to make local businessmen aware of a new chapter in bilateral business relations that is being written as a follow up to the CEPA. One of the ministers is Abdulla bin Touq Al Mari, the minister of economy. Accompanying Al Mari will be the minister of state for entrepreneurship and small and medium enterprises, Ahmad Belhoul Al Falasi. His presence in the delegation signifies the UAE's belief that SMEs will have a big role in advancing the rationale for the CEPA.

Six weeks after the CEPA was signed, on April 2, an Economic Cooperation and Trade Agreement (ECTA) was signed in the virtual presence of Modi and Scott Morrison, the Prime Minister of Australia. Unlike the CEPA with the UAE, the ECTA with Australia, is an interim agreement. "Both countries (will) continue to work towards a full Comprehensive Economic Cooperation Agreement (CECA)," a joint announcement at the time of signing the ECTA, said. Goyal signed the agreement with Dan Tehan, Australia's minister for trade, tourism and investment.

The ECTA represents a welcome change in Indian strategy during trade negotiations, which, if applied with the same imagination, can lead to greater synergy in the overall management of the country's commerce. Trade negotiations with several countries failed to make progress under previous Indian governments because they pursued an "all or nothing" approach. Other countries reciprocated the same way.

The ECTA should produce interim results, in part because both sides minimised expectations during the negotiations. Whatever could be agreed on was agreed on and put into the interim agreement. If mutual trust could be built during the implementation of the ECTA, as it stands now, it would become easier to agree on the remaining clauses and eventually reach a full and final CECA in due course.

The key Australian sectors of dairy and agriculture are, for now, excluded from the ECTA. Including them would have wrecked the negotiations. The last trade agreement which India signed with a developed country was more than a decade ago. When United States President Donald Trump visited India, the US side wanted a "limited trade deal," but India vacillated on Washington's proposal for good reasons.

Modi views the ECTA as an important vehicle for mobility of people as much as an instrument for enhancing trade. "This agreement will facilitate the exchange of students, professionals, and tourists between us, which will further strengthen these relations," he said after the Agreement was signed. This is the first of India's bilateral trade deals where mobility of people was considered vital to its conclusion. The CEPA and the ECTA, although very different from each other in substance, could pave the way for similar, speedy trade deals with other countries.