

MY VIEW | VOX HETERODOX

GLOBAL VOICES

Shut the door on RCEP but let's get our act together at home

Economic openness is necessary but not sufficient: it succeeds only when combined with strategic industrial policy



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The third summit of the Regional Comprehensive Economic Partnership (RCEP) held in Bangkok, which concluded this week, sought to finalize a mega free-trade agreement among 16 countries from Asia and Oceania, which are home to one-half of the world's population and account for about 40% of the world's gross domestic product (GDP) and trade.

The quest for RCEP was driven by two objectives. For one, each participating country hoped to capture the benefits of regional cooperation through deeper economic integration. For another, it was a strategic geopolitical attempt to create a bloc with a voice and influence in the world. However, the process of plurilateral negotiations, which began in 2012, between countries that are diverse in terms of economic size, income levels and national interests, was inevitably complex. The prolonged uncertainty ended when Prime Minister Narendra Modi announced India's decision not to join the group, and RCEP was born with only 15 member-countries.

In this context, it is important to note that India already has free-trade agreements with Asean since 2009, South Korea since 2009, and Japan since 2011. In addition, RCEP includes China, Australia, and New Zealand. The experience since then has been instructive. Between 2014-15 and 2018-19, India's trade deficit increased from \$13 billion to \$22 billion with Asean, from \$9 billion to \$12 billion with South Korea, and from \$5 billion to \$8 billion with Japan. Obviously, these agreements led to a far greater increase in imports than in exports. In fact, India's exports to these markets witnessed a stagnation, just as its total exports did.

Over the same period, India's trade deficit with China rose from \$48 billion to \$54 billion, while that with Australia and New Zealand went up from \$8 billion to \$9 billion. Thus, in 2018-19, India's trade deficit with its potential RCEP partners alone was \$105 billion, which was larger than its total trade deficit of \$104 billion with the world as a whole, which included imports of crude oil and petroleum.

It is no surprise that there was massive resistance to the idea of joining RCEP across sectors in India, most of which are vulnerable to the import surges that could and might follow a RCEP kind of free-trade agreement. This is obvious in the manufacturing sector, which has been hurt by imports of goods from China, so much so that deindustrialization is discernible. The problem would certainly have been exacerbated by joining RCEP, as rules-of-origin can be easily circumvented and Chinese goods could have been routed through other member countries.

The agricultural sector, which is protected by tariffs in the range 30-40%, could have been even more vulnerable. The plantations sector, particu-

larly in Kerala, would also have been at risk. India might be the largest producer of milk in the world, but its tiny dairy farms simply could not have competed with scale-economies and superior-technologies of the dairy industry in Australia and New Zealand. The story would have been similar for mining. Output and employment would have been the casualties. Such fears led to a chorus of protests, which could not be ignored by an elected government in a political democracy.

Government negotiators bargained for safeguards that would protect the domestic industry from import surges and also for provisions for market access in services that could be competitive. This was not forthcoming. Under the circumstances, it was both necessary and desirable to opt out of the free-trade agreement.

However, the government was wrong in its belief that the pact would have been more balanced if there were some compensation in services and investment. India does have a comparative advantage in software exports, but that is not true of business services, financial services or telecommunication services, where other RCEP countries, such as Japan, South Korea, Singapore, and China, are far ahead. Much the same could be said about investment. Such agreements on services and investment can seriously constrain the policy space because they stipulate what governments can or cannot do in the sphere of domestic economic policies, unlike agreements on trade that are confined to tariffs imposed on goods that cross borders.

The government said that the decision not to

join RCEP is final for now. However, the joint statement of leaders at the end of the summit and the subsequent statement of India's commerce minister suggest that India might consider joining the agreement at a later stage, perhaps next year, if the differences are resolved. This ambiguity is a cause for concern. The desire to rush into a free-trade agreement with the US or the EU on the rebound is more worrisome.

It is essential to shut the door on RCEP and other free-trade agreements until we get our act together at home by creating an economy that is competitive in the world market. Economic openness is necessary, but not sufficient.

The revival of industrialization in India requires using interest rates and the exchange rate, calibrating trade policy, influencing foreign investment to pursue national development objectives, and providing industrial finance. Strategic coordination of these policies with a long-term perspective is described as industrial policy.

This is the primary lesson that emerges from the success stories in Asia—be it Japan, South Korea, Singapore, Taiwan or, more recently, China. Economic openness was combined with strategic industrial policy that was implemented by effective governments. The advocacy of free trade by these countries came only after they succeeded at industrialization.

India must follow this path. Until then, it must do everything it can to strengthen the multilateral trading system embedded in the World Trade Organization, instead of rushing into free-trade agreements in an elusive quest for development.

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The ambiguity over whether India would join the RCEP at a later stage is worrisome, although it would be worse if India rushes into trade pacts with America and Europe on the rebound.

Economic openness is desirable, but Indian industry must turn globally competitive first. Until then, we should strengthen the WTO's multilateral trading system.

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Eastern Europe's populist scam

What is galling is how openly Prime Minister Viktor Orban does it, blaming the European Union for every imagined indignity or interference in Hungary's affairs, while milking billions from Brussels to enrich his cronies and prop up his illiberal rule. He is not alone, as a Times investigation of the bloc's lavish farm subsidies demonstrates in shocking detail—the governments of several formerly Communist Eastern European states have also cynically taken advantage of the union's largesse through opaque deals, feeding a new class of land barons. Perhaps even more galling is that the European Union knows all this, but prefers not to see or hear about the corruption for fear of upsetting the precarious bonds that hold the union together. One of the cardinal rules of the bloc is to defer to national leaders as much as possible to avoid just the sort of charges of infringing on national sovereignty that populist leaders across Europe, and Brexiters in Britain, are so fond of making.

Without effective oversight, however, the funds allotted to the bloc's newest members—all provided by European taxpayers—have often become a lavish slush fund for political insiders, helping them amass wealth and consolidate power...It may not be the job of the European Union to run member countries, but neither should the union be in the business of propping up rulers who deliberately subvert the purpose of its subsidies.

The New York Times

A free internet is vital to democracy

In today's highly digitized world, one of the key indicators of the strength of any democracy is the degree to which the nation's internet is considered open. Given the government's commitment to its Digital Bangladesh manifesto, it is disheartening to know that Bangladesh is considered only "partly free" when it comes to internet freedom. According to Freedom House, which has assessed a total of 65 countries in a survey titled "Freedom on the net," Bangladesh scored 44 points out of a possible 100. To put this into context, China scored the lowest with 10 points, placing it under "not free."

It is unfortunate that, despite all the progress we have made in terms of our digital infrastructure, the government still feels it necessary to control content on the internet in such a heavy-handed manner...No good can come of over-regulating the usage of the internet, and blocking websites or policing social media will only do harm to our image in the world...The future is digital [and] Bangladesh is finally prepared to enter that future. But at this juncture, we simply cannot afford to undermine all the efforts made so far. Digital Bangladesh is a worthy goal, and certainly an achievable one, but for that to happen, greater internet freedom is paramount.

The Dhaka Tribune

Japan-Russia joint activities are long overdue

Prime Minister Shinzo Abe and Russian President Vladimir Putin agreed to embark on joint economic activities on the disputed Northern Territories at their summit in December 2016 in Abe's ancestral home prefecture of Yamaguchi. Abe touted this agreement as the high point of the summit. That was nearly three years ago, but not one promising plan has been presented to date. Since the agreement's obvious purpose was to improve Japan-Russia relations, more serious efforts are needed to jump-start the project...The biggest problem is the absence of any legal framework that applies to Japanese tourists entering any of the four islands, which are all claimed by both Russia and Japan.

Abe asserts the significance of Russians feeling "enriched" through collaboration with Japanese. His argument is that sharing such successful experiences should contribute to resolving the territorial dispute, but that is nothing but wishful thinking at this stage...However, this is not to say that all significance of joint economic activities has been lost...One cause for concern, however, is Russia's recent regressive behavior...Building a system that will enable more Japanese citizens to visit the islands should help foster mutual trust and understanding...Both Tokyo and Moscow are responsible for striving to realize those joint economic activities in ways that will not harm mutual interests.

The Asahi Shimbun, Japan

There is no harm in public advocacy

Prime Minister Scott Morrison's threat to outlaw certain forms of protest by environmentalists against coal and gas mining companies might be good short-term politics but it would be a dangerous move for Australian democracy. Mr Morrison announced last week in Queensland that he planned to crack down on what he described as a new "absolutist" and "anarchist" trend where environmentalists impose "secondary boycotts". In these actions, climate change protesters do not target the mining companies directly but instead they target businesses and firms who provide goods or services to them. They organise picket lines, social media campaigns, consumer boycotts and the like to pressure banks and insurance companies to stop providing finance to the miners and they try to scare away the contractors who build the mines.

The right to protest and, yes, protest loudly is what separates Australia from countries like China. It must be protected. Mr Morrison is wrong if he thinks that secondary boycotts are a new trend or that they are only used by environmentalists against mining. They have long been a widely used tool for many social protest movements...Protests only succeed if they win the support of consumers and shareholders...There must be some limits on protests, for instances where they disrupt traffic or commit vandalism. But public advocacy should not be a crime.

The Sydney Morning Herald

MY VIEW | PEN DRIVE

It's time to take apart the Big Fat Lie about cholesterol

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I began to huff and puff after short exertions in 2005. I was 53 and it didn't feel right at all. My first angiogram, at Bengaluru's Wockhardt Hospital confirmed that my left descending aorta was 80% blocked. No big deal, apparently. In a few minutes, the attending cardiologists had nuked the blockage to shreds and installed a stent. I was told to avoid saturated fats (coconut oil) and red meats. No more rogan josh. Statins were prescribed to get my cholesterol into shape. I began to understand that it was all about one thing: managing cholesterol.

I don't like popping pills. And I am sceptical of data that seems to benefit big pharma. My antennae also tingled when the US, arbiter of so many world standards, quietly removed cholesterol as a "nutrient of concern" from its 2015 *Dietary Guidelines* after almost five decades of villainizing it.

What had they learnt about it? Have we been fed a Big Fat Lie all these years? The earliest rigorous studies linking diet-

tary saturated fat to heart disease came from American physiologist Ancel Keys. His famous and controversial Seven Countries Study looked at diet and heart health in the US, Finland, the Netherlands, Italy, Yugoslavia, Greece, and Japan—and claimed to find a correlation between dietary fats and high levels of cholesterol. France, with high saturated fat consumption and low heart disease, apparently couldn't afford to join the study. Since atherosclerosis—the build-up of waxy plaques in the aorta—was the problem, cholesterol was assumed to be the villain. Lowering it was assumed to be the solution.

However, correlation is not the same as causation. Just because high cholesterol and heart disease are seen together doesn't mean that one is causing the other.

Damning evidence contradicting the diet-heart hypothesis existed even then. The world's longest-running study of diet and heart health, the Framingham Heart Study, now in its third generation, unequivocally found the opposite to be true. Its director, Dr William Castelli, stated flatly in 1992: "[In the study], the more saturated fat one ate, the more cholesterol one ate, the more calories one ate, the lower the person's

serum cholesterol."

I have my layman questions: If saturated fats are so lethal, why didn't places like Kerala, Sri Lanka, the Philippines and Indonesia, with diets rooted in coconut oil and red meats, perish from rampant heart disease?

Why were native Americans, eating a fat-rich diet of mainly red buffalo meat, so spectacularly healthy, with chronic and malignant diseases non-existent? A Smithsonian Institute study of over 2,000 Native Americans found only three cases of heart disease.

How come Eskimos, surviving on diets of whale blubber rich in saturated fats have such low levels of cholesterol and heart disease?

Here's a question: Who benefits if I wrongly believe that high cholesterol causes heart disease?

It gets interesting right away. Around the time Keys published his findings, an American soybean association was looking for a hook to

promote processed polyunsaturated oils based on soy beans. The diet-heart hypothesis, it seems, was tailor-made for them. A mixture of intense lobbying, high-profile advertising campaigns and funded research created the right climate for new government-approved dietary guidelines that deified low-fat diets and exiled coconut and palm oils, as well as most red meats from diets.

Since then, we have seen 50 years of diet chaos—low carb, high carb, meat only, vegan, paleo, Atkins—and scientific "evidence" to okay almost any health regimen you prefer.

America is battling an epidemic of obesity, diabetes and heart disease. Meanwhile, the consumption of soybean oil in the US increased by more than 1,000-fold in the 20th century. Once cholesterol was established as a thing to be feared, selling statins became a global growth industry valued at \$19.3

billion in 2016. Remember simpler days when we didn't need a consultant to tell us what to eat for breakfast, lunch and dinner. Our mothers somehow knew, and they didn't need weighing scales either. We all lived more or less healthy, without stressing about food 24/7.

The spirit of it was captured perfectly by the legendary Dr Cheria Varkey, family friend and cardiologist who oversaw my stent procedure. He invited me over for dinner the next evening, but cooked a disturbing meal: pork curry in orange sauce and beef Viennoise with noodles, delicious and afloat in oil.

Later, eyes twinkling, he said: "Gopi, when a building is as old as you are, what would you expect to find in its plumbing? We found your 53-year-old plumbing to be a little clogged, as we'd expected. We cleaned it out, put in a stent, and you're good as new again. You have a choice now: live in fear, treating yourself as a fragile person with heart disease. Or you could go back to enjoying life again—eating what you love, doing what you love, living happily. Of course, don't overdo anything. But for heaven's sake, don't underdo anything either!"

QUICK READ

Does eating fats raise cholesterol? And does high cholesterol cause heart disease? The answer to both may be no.

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