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How to Mis-understand Trade

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ABSTRACT Trade relations between Europe and India require new eclectic and dynamic ways of thinking. This brief examines hurdles in mainstream policy thinking that block the way for imagining and doing trade differently.

INTRODUCTION

Part of the difficulty in engaging robust civil society dialogue around issues of international trade is the ossified technical language used to describe it. Who would have thought "determination of the appropriate level of phytosanitary protections" could make or break an Indian mango producer's livelihood versus a European tomato producer's crops? Yet it was this technical concept that was at stake when the European Union (EU) decided in 2014 to ban imports of Alphonso mangoes from India. The EU feared damage to its agricultural sector from a mango consignment's fruit flies that are native to India but not to the EU, where they could damage tomato and lettuce crops, among others. The ban would eventually be lifted following "[a]n audit carried out by the Commission's Food and Veterinary Office in India in September 2014 [which] showed significant improvements in the phytosanitary export certification system".[1] The EU-India Chamber of Commerce, however, had argued: "There was no scientific justification for the ban on mangoes as there was no appropriate assessment of risk."[2]

Four years earlier, it was the EU that had challenged India's import restrictions—that time on pork and poultry products from countries affected by bird flu; the EU claimed that India's restrictions went beyond international standards.[3] India replied it was "well within [its] rights to impose the restrictions..."[4] In both these cases of mangoes and poultry, it might seem that the so-called 'technical standards' were developed to avoid precisely this push-and-pull, thought to happen only in the absence of a rule. Yet it is these same standards which seem to provide, rather than simply curtail, the room for countries to manoeuvre and challenge one another based on something other than technical considerations.

'Refundable deposits for sensitive product categories,' 'voluntary export-price restraints,' 'volume-based agricultural special safeguards': these are some other terms in international trade which seem to exude an aura of science even as they nonetheless can conjure a storm of politics. Indeed, trade semantics appears saturated with the possibility for politicisation with each side of a conflict having jargon in its arsenal. In 2013, what for India may have been seen as strengthening or protecting "domestically manufactured electronic goods and telecommunications" through procurement policies was for the EU, a distortive barrier discriminating against market access for European manufacturers in the same sector.[5]

Trade is not unique in this phenomenon. Jargon and so-called technical expertise can form bedrocks for how political problems are understood by the policy class – it is in part what marks them a distinct class – and not understood by the layman whose livelihood may most be at stake, especially in a trade deal. But the 'layman' or 'aam aadmi' is also, in a way, a construction of this very same technical expertise against which he is imagined as victim or beneficiary of international trade. There is something strange about policy expertise that eludes the very thing it is attempting to grasp. Despite all the academic literature on 'the Indian labourer,' for example, her desires and beliefs remain a point of debate for those attempting to represent her – all the while these same anthropological or economic theories on, say, gendered subjectivity or rational choice seem to exacerbate rather than bridge the gap between those crafting policy and those subject to it. The link between trade policy's technical language and its political outcomes is especially obtuse for the non-specialist.[6]

Therefore, against the tide of thinking on trade whose overwhelming reliance on mainstream economics is sometimes taken for granted, this article proposes other avenues for enquiry into international trade in the hopes of encouraging more dynamic, eclectic, and creative political thinking. Indeed, to deliberately 'misunderstand' trade from the point-of-view of conventional policy analysis is the overarching theme of this thought piece on Europe-India trade relations.

GOING BEYOND DATA

Those who imagine themselves savvier in thinking that trade law's byzantine language both masks and permits games of economic domination may turn to economics, or to calculating correct figures, in the hope of crafting more sophisticated trading strategies. This apparent insight has not necessarily skipped the minds of some thinkers on trade. Indeed, if trade policy pieces were a genre of literature, their motif might be the use of quantitative data. Consider the rhythm of a caricature on the topic:

As an opening gesture, the EU's and India's trade volume is compared in US dollars. The plot thickens with predictions divined alongside changes in India's gross domestic product, which will be further subdivided by sector share. As a climax, monetary gains and losses under modeled scenarios will then be tabulated and contrasted against the performance of trade agreements with other countries. In the denouement, losers might be compensated.

The quantitative approach to international trade makes sense because it is numerical currency that facilitates it and possible gains or losses in numerical profits that motivate it. Therefore, it will also make sense to think that examining the numbers is the way to influence relevant people to materialise trade policy. But numbers, like any symbol or proxy, can tell only partial stories. The risk the policymaker runs with their exclusive use is narrowing the terrain of available strategic options. In fact, the economics discipline has its own internal debates on the logical coherency of the role of data. Critics of general equilibrium theory, for example, might say quantification misunderstands the social costs of transactions in its static framework; others might respond that even these costs can be endogenised into a more rigorous, dynamic, and sophisticated model. The point here, however, is only that the value of quantification, or economic data however conceived, lies also in the extent to which it can be instrumentalised to change behavior.

An example: an economic forecast that appears bleak for the Keynesian expert might, if that forecast were to actually transpire, mean little to a citizen who is willing to make sacrifices now under the belief that it would mean a better future for her great-grandchildren, if not for herself. That willingness has been given many names – for detractors it might be 'ideology' and for proponents it may be 'common sense' – but the point is that even recent history can bear proof to ordinary people's actively going against their supposedly immediate 'practical' interests out of a belief, however benevolent or misguided, in a different future to come. Those who contend that the results of India's recent demonetisation make obvious the policy's adverse impact on the working class, will nonetheless have to contend with those in the working class who believe otherwise.[7] These voices are not always fringe. Rather, they are capable of being politically mobilised. Working-class and middle-class voters in the US who believe taxing wealthy Americans is a bad idea vote accordingly. So, too, did UK citizens who believe leaving the European Union was a good idea. There, while the 'Remain' camp argued for the serious possibility of a financial recession under Brexit, the 'Leave' proponents had data of their own, persuading voters with, among other things, a seemingly daunting (albeit partial) figure of how much the UK was paying to the EU.

Given the opposition to the Transatlantic Trade and Investment Partnership (TTIP) and the Comprehensive Economic and Trade Agreement (CETA) in Europe – and critics in Europe and India of the proposed broad-based Bilateral Trade and Investment Agreement between India and the EU– the insight relevant here is that the capacity to persuade is as crucial, if not more, than conducting the economic analysis of the trade deal 'correctly' to begin with. Whether their predictions of what would happen with the passage of the deal will be proven accurate or not, what critics of TTIP have managed to do is to narrate its consequences in ways that were instrumental for the EU to publish all its position papers and negotiating proposals alongside short factsheets "in plain language."[8] Whether civil society will be similarly successful in shaping the proposed EU-India BTIA (Bilateral Trade and Investment Agreement) is not a given. This, too, will depend on the determination of all players involved to carve and advance their interests. It also bears consideration how much the possibility to include clauses on human rights, labour standards, and the environment in the BTIA is leverage for negotiators to mask-and-permit other intentions versus an effective means for an organised citizenry in Indian and in European societies to represent what they want from the deal.

No matter how robustly the economic analysis of a trade policy is undertaken, it does not always render visible nor necessarily suggest how those affected by the policy will react and what to do about it. That rather is part of the difficult art of politics. Even the most straightforward-seeming economic data does not immediately lend itself to a policy choice. It, too, must be placed into a kind of policy argument. And further, it must convince whom we think needs to be convinced.

Those interested in trade policy should therefore broaden the definition of what they mean when they say 'economic data,' if by that term what they are really interested in is knowledge which can be made useful for various ends. Now perhaps more than ever, reflection is needed on how persuasion mobilises people for or against what the expert class might take for granted as the logical political implications of any given dataset.

'EAST INDIA SYNDROME' REDUX

It is perhaps easy for the expert to assume that only the non-specialist will have difficulty in seeing things as they 'really' are and subsequently making the 'right' choice. But as it turns out, the policy class is not immune to this phenomenon whereby an understanding of evidence is 'overrun' by the broader context of beliefs, values, and feelings in which one is situated.

One example in an earlier Indian policy class' views on international trade is the so-called East India Syndrome: the idea that Indian colonial history's residue shaped domestic elites' outlook on foreign trade. As a 'syndrome,' it only ever seems to be brought up chidingly and in opposition to the self-assured analysis that an earlier chance for development-through-liberalisation was missed because of policymakers' fear, fear seen by these same critics of the East India Syndrome as a childish sort of apprehension.

In this vein it is worth probing how India's current trade relations with Europe might also be shaped (or else, misshapen) by a longstanding suspicion of the West by India, and by extension, what kind of glance Europe casts towards India. The worth of this investigation is premised on the belief that policymakers and trade negotiators have always relied on more than just evidence. They also rely on what can provisionally and crudely be called 'intuition,' or something seemingly prior to thought which shapes how they evaluate evidence and what counts as evidence. This realm encompasses the complex and contradictory compass of human emotion. In this realm, one's capacity to feel (injury, vengeance, envy, greed, fright, and more) provides a kind of momentum and thrust that makes trade politics to be more than just the calculated sum of economic gains and losses. This momentum is based on more than just an individual's own inclinations. History itself has a way of consolidating and reaffirming the sentiments which trading partners feel about one another – and also about themselves – into a shared, common-sense understanding.

Indeed, the temporal trajectory of Indian trade policy in mainstream economic-historical scholarship is a familiar and even homogenous one. It is a story the Indian policy class continues to tell itself even if it is not so simple but has sedimented nonetheless into a kind of mythology or perhaps even dogma. That is, India's self-presentation of its history proceeds by and large as a movement from a once rich and glorious past to a tragic stagnation under colonialism to a determined self-reliance after independence/partition and finally to an increasing market liberalisation mixed with varying parts of trepidation, excitement, and/or inevitability.

Looking back at this narrative of Indian history today, it might be the case that Manmohan Singh was right in 1991 to quote writer Victor Hugo (who was French-European) in saying that market liberalisation was "an idea whose time had come."[9] Surely, at any given moment, a particular mix of ideas on trade will have greater or lesser prominence, come in and out of fashion, and ebb and flow in relevance for the current policy class.[10] But despite this outwardly simple assertion, there nonetheless seems to be a strong tendency – perhaps something to do with the psyche – whereby one policy generation thinks it sees the earlier generation's historical situation more dispassionately and without their biases, as if the forward force of history were one of increasing clarity. There is something about the mistakes of our elders, about mistakes in general, that they only seem evident in retrospect. Yet the lesson to take from this may be to examine the prevalent policy assumptions of our own time with greater scrutiny and less confidence. There is something about the psyche of those in the policy class, as with anyone, that simultaneously makes certain things clear and renders other things less so. Of course, the fruitfulness of contemporary debate on India's foreign trade comes from the fact that it is only ever one's opponents who appear blind to what for one is so obviously clear.

That being said, critics of market liberalisation *writ large* seem harder to find in contemporary Indian debates on trade policy. Since 1991 there seems to be a growing consensus across political affiliations that opening the Indian economy to foreign trade is overall a good thing. What for Manmohan Singh in the same speech quoted earlier was the sense that India had arrived at a "juncture [which] will determine the shape of things to come for quite some time" is no longer imagined to be the case.[11] India is apparently now past that juncture, and the "intense debate [that] rage[d] throughout the country as to the path [it] should adopt" appears to be largely settled.[12] The contemporary debate on liberalisation instead seems to be centered on questions of more-or-less and how. Correspondingly, the East India Syndrome seems to be a relic of the past.

Incidentally, it is within the United Kingdom today that there appears to be a renewed interest in understanding the East India Company (EIC) given their own intelligentsia's recent fears of corporate influence on democratic government. In a recent excerpt of William Dalrymple's book published online in *The Guardian*, he describes how the EIC argued in British Parliament that the document signed by Shah Alam ("which transferred the rights to collect Mughal taxes from Mughal officials to EIC traders") "was the legal property of the company, not the Crown."[13] The "government, which had spent a massive sum on naval and military operations protecting the EIC's Indian acquisitions," nevertheless conceded, and Dalrymple argues this was because "nearly a quarter of [the Members of Parliament]" "who voted to uphold this legal distinction" "held company stock, which would have plummeted in value had the Crown taken over."[14] Dalrymple continues to relate other tales, such as how less than a decade afterwards, "the directors of the East India Company successfully applied to the Bank of England for a loan" when the company was unable to pay its debts, the knowledge of which caused 30 banks across Europe to collapse.[15]

Dalrymple is joined by others. London-based Nick Robins' *The Corporation That Changed the World: How the East India Company Shaped the Modern Multinational* is also about the "too big to fail" company whose "practices shocked its contemporaries and still reverberate today" and "provides vital lessons on both the role of corporations in world history and the steps required to make global business accountable today."[16] Likewise, London School of Economics and Political Science's Tirthankar Roy's *The East India Company: The World's Most Powerful Corporation* "explores how politics meshed so closely with the conduct of business then, and what that tells us about doing business now."[17]

The sudden flurry of interest in the UK on the East India Company should give Indian trade strategists an opportunity for reflection on how those in a country – whose economic status some Indians aspire to achieve – are writing with concern over the very company that plays a significant role in their economic development. These voices are joined by the chorus from Occupy Wall Street, the activists against TTIP, and the growing discourse against trade deals and so-called globalisation at large. European dissent against globalisation is inflected in both politically left and right varieties, with the latter coupling protectionism and Eurosceptism with anti-immigration, or a kind of 'trade in migration.' Where in India, skepticism about liberalisation-globalisation might have some hold among civil society voices, in Europe it has reached the status of political organisation with the National Front in France, Alternative for Germany, UK Independence Party, Party for Freedom in the Netherlands, and Freedom Party of Austria. The popular sentiments driving and co-constituting these parties can affect how the proposed EU-India BTIA proceeds, particularly with regard to India's wish for the EU to liberalise Mode 4 services. Perhaps today it is Europe which one could diagnose with a new strain of the East India Syndrome.

Meanwhile India's syndrome remains as of yet undiagnosed. However, old memories glimmer every now and then, even if just for rhetorical flourish. When the EU filed a complaint in 2006 that India was discriminating against its whiskey exports, Indian Member of Parliament and drinks magnate Vijay Mallya accused the [European] Scotch Whiskey Association of "treating India as if the country were still a British colony."[18] Taken in as a part of a larger narrative arc in trading relations, these moments are never entirely 'outside' the negotiating room. These are the moments that can slowly re-consolidate prior sentiments across history into trade stances. These historical moments require the trade strategist's attention alongside the traditional economic analyses which instead may represent an attempt to evacuate that history.

After all, even if the economic calculation were clear for both sides, knowing what each would win and lose under various scenarios, the overall performance of the negotiation would still have some primacy in the outcome of the agreement. Even if there were a magic middle ground at which both parties could arrive to each other's satisfaction (X tariffs removed for Y sectors liberalised), this compromise cannot be known and secured in advance. It is instead constructed along the way. The case of the Italian marines in India, the EU's ban on drugs from Hyderabad's GVK Biosciences, and the dispute over the mango imports that opened this article are precisely some of the events 'along the way' which transform how each side views the other, independent of who stands to win in the BTIA.

GOING FORWARD

The prominence of conventional thinking for trade strategy can all the more be qualified when thoughtmakers still disagree on a number of critical issues. Is the EU-India trade negotiation asymmetrical? If so, which side has more bargaining power? By how much will each side gain versus lose? On top of that, there is the question within each territory of which sectors and which economic classes stand to gain and whether their gains should or can compensate those who lose. These are the standard questions discussed by thinkers on the proposed EU-India BTIA, and there are enough competing voices on either side to prevent a uniform consensus even if the trade negotiation continues nonetheless.

It seems one's stance towards winners-and-losers has in large part to do with whom it is one wants to empower relative to another and in what order.[19] To debate on winners and losers in trade is one thing. To debate on who should win is another. The latter also has less to do with technical considerations like correct calculations of data and more to do with...what exactly?

Under what conditions is persuasion possible once we think something other than 'evidence' plays a role in shaping international trade? Or is persuasion to some extent outside our hands? How might the policy strategist make an intervention at what it is people – the lay and policy classes alike – think they want out of trade and what they think they are willing to give up?

These are the kinds of questions that remain unthought in the standard thinking on trade relations. What hangs at stake remains ripe for enquiry. It is due time to mis-understand trade. ORF

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ENDNOTES

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