

Gist of EPW November Week 4, 2021

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analyzed and explained in a simple language, all from a [UPSC](#) perspective.

TABLE OF CONTENTS

1. [India's Withdrawal from RCEP](#)
2. [Lessons in Democracy](#)
3. [Migrant Children and 'Free' Education in India](#)

1. India's Withdrawal from RCEP

Context

The article analyses the dynamics of international trade, especially the RCEP-like trade setups and highlights the gains and concerns for India.

Note:

The article reflects upon the data on trade balance scenarios for [RCEP](#) partners involving ASEAN, RCEP, India and China.

Introduction

- In 2010-11, India embraced the eastern regional trade agreements and afterwards, shifted from the Look East Policy to the [Act East Policy](#) with the urge to integrate the domestic manufacturing sector with the rest of Asia.
- The Government of India launched the policy of Make in India in 2014, and entering the Regional Comprehensive Economic Partnership would have resulted in major conflicts with the same.
- India has largely remained unsuccessful in significantly exploiting market-access opportunities in these export destinations.
- Apart from the overall trade balance, growing imports in major subcategories like capital goods and intermediate products in general and even consumer goods for some partners in particular underlined the intensified competition faced by the domestic manufacturing sector.

Impacts of International Trade Arrangements

- The cross-border flow of goods and services are expected to change the course of international trade but in the case of India, most of the studies show that trade impacts have at best increased trade deficits.
- There have been a number of structural breaks in the export series that occurred around 2010–11.
 - The structural breaks have been strongly visible for [ASEAN](#) and Japan.
 - With South Korea, particularly in the technologically-intensive sectors, the breaks have occurred after 2015, underlining India's modest entry performance.
 - **Note:** Structure break occurs when a time series abruptly changes at a point in time. It could involve a change in mean or a change in the other parameters of the process that produce the series.

Regional Trade Agreement

- A regional trade agreement (RTA) is a treaty between two or more governments that define the rules of trade for all signatories.
 - Examples of regional trade agreements include the North American Free Trade Agreement (NAFTA), Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), the European Union (EU) and Asia-Pacific Economic Cooperation (APEC).
- India's export performance has been modest, while imports have sharply increased in the Regional Trade Agreement Market.
- Indian export success in Regional Trade Agreement (RTA) partner markets for several sectors has been short-lived.
 - HS 27 (mineral fuels) exports have declined in ASEAN and Japan after 2013 and 2014, respectively.
 - There have been no structural breaks in pharma exports in the South Korean market and iron and steel exports in the Japanese and South Korean markets.
 - Exports have witnessed structural breaks, and therefore upward movement in China, barring the exception of HS 29 (organic chemicals), 71 (jewellery), and 87 (auto-components).
- On the import front, the number of structural breaks signifying upward movement has been greater involving ASEAN and China, barring minor exceptions.
 - There has been a decline in imports for certain sectors involving Japan and South Korea during 2013–16 but a subsequent revival is also noticed.
 - The scenario is most apparent for China, where the multiple structural breaks indicate unceasingly rising imports, also imports have increased from China at a much sharper rate than exports.
 - India has had an unfavourable trade deficit with the eastern RTAs.

Value Added Analysis

- The Domestic Value Added content in sectoral exports is a measure of the domestic industry's maturity.
- The DVA is obtained from the [Organisation for Economic Co-operation and Development's Trade in Value Added database](#) (OECD 2018).
- The DVA content of Indian exports has sharply declined after the tariff reforms since the late 1990s.
- It has deteriorated more particularly after the deeper RTA participation from 2010 to 2011 onwards.
- The rising shares of ASEAN, China and South Korea in India's manufacturing exports underline its growing dependence on imported intermediate imports from these partners.
- The rising DVA content from the United States in all product categories indicate the importance of Western participation in the value chain while India's IPN (international production networks) integration deepened with several RCEP partners.
- India provides no RTA tariff preference to China, given the cost competitiveness, China's share in India's value chain has increased sharply.
- Chinese manufacturing firms have also invested in ASEAN countries like Vietnam for ensuring duty-free access to Indian markets.

Table 3: The Domestic Value Added Content of Indian Exports (2005 and 2015)

Source Country for DVA (%)	2005						2015					
	Base Metals and Fabricated Metal Products	Chemicals and Non-metallic Minerals	Machinery and Equipment	Computers, Electronic, and Electrical	Textile, Leather, and Footwear	Transport Equipment	Base Metals and Fabricated Metal Products	Chemicals and Non-metallic Minerals	Machinery and Equipment	Computers, Electronic, and Electrical	Textile, Leather, and Footwear	Transport Equipment
Australia	5.15	0.81	4.00	4.71	0.41	2.57	2.99	0.68	1.79	1.89	0.31	1.20
China	1.80	1.12	1.73	3.02	1.91	1.62	3.75	3.34	4.43	6.53	3.82	4.17
Chinese Taipei	0.22	0.27	0.25	0.58	0.16	0.27	0.22	0.24	0.28	0.50	0.12	0.25
Hong Kong, China	0.13	0.10	0.14	0.21	0.35	0.16	0.11	0.08	0.11	0.12	0.23	0.13
India	67.19	67.39	72.61	65.36	84.69	74.62	63.56	67.27	69.20	63.76	83.61	73.64
Indonesia	1.34	0.40	0.57	0.58	0.30	0.49	2.96	0.78	1.19	1.03	0.44	0.90
Japan	0.90	0.67	0.96	1.49	0.58	1.09	1.01	0.59	1.04	1.07	0.46	1.01
Malaysia	0.64	1.80	0.52	0.75	0.49	0.53	0.46	0.42	0.49	0.66	0.21	0.38
South Korea	0.67	0.39	0.79	1.65	0.39	0.95	0.99	0.58	1.12	1.36	0.45	1.06
Singapore	0.25	0.32	0.32	0.82	0.26	0.40	0.30	0.43	0.34	0.59	0.35	0.41
Thailand	0.21	0.27	0.21	0.33	0.28	0.24	0.25	0.28	0.29	0.38	0.28	0.30
Vietnam	0.07	0.04	0.04	0.05	0.03	0.04	0.12	0.09	0.13	0.16	0.10	0.11
ASEAN	2.56	2.84	1.70	2.59	1.37	1.73	4.20	2.15	2.54	2.95	1.43	2.19
EU 28	5.59	3.15	5.18	6.05	2.56	5.37	3.93	2.76	4.31	4.88	2.16	4.02
US	1.83	1.60	1.90	3.02	1.18	2.09	3.16	1.72	3.47	4.38	1.22	2.89
OECD members	16.53	7.96	14.56	19.04	5.82	13.55	16.49	7.34	14.03	16.26	5.18	11.88

Source: Computed by the authors from OECD (2018) TiVA data.

Image Source: EPW

Trade Deficits

- India is witnessing trade deficits with respect to both ASEAN and the RCEP.

- The average trade deficit has sharply widened for India since 2015 but there have been some intra-bloc trade benefits in general due to the complementarity in production and sequential fragmentation in value chains among ASEAN members.
- India's RCEP pull-out decision was apparent in the light of worsening trade deficit and poor expectations on future gains.

Overview

- Adverse trade balance and potential displacement of local industries increased with the eastern regional trade agreements and afterwards with the Look East Policy to Act East Policy.
- RCEP pull-out decision underlines a self-assessment in the light of COVID-19 pandemic, policy such as Atmanirbhar (self-reliant) Bharat, concerns on the imports of intermediate goods from China.
- The RCEP pull-out can be a blessing in disguise for Indian manufacturing, particularly the small- and medium-sized enterprise (SME) segment.
- Through appropriate credit and labour skilling policies, India can enhance its competitiveness in the aftermath of the pandemic.
- India should learn lessons from the RCEP saga and use them to sign future trade agreements with other countries keeping in mind its own competitive advantages.

2. Lessons in Democracy

Context

The Prime Minister has announced the rollback of the farm laws and the union cabinet has cleared the Farm Laws Repeal Bill, 2021 that has been passed in the parliament.

Introduction

- Three Farm Laws
 - Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020.
 - Farmers Agreement on Price Assurance and Farm Services Act, 2020.
 - Essential Commodities (Amendment) Act, 2020.
 - Read more on the three [farm laws](#) in the link.
- Intent of the Laws
 - The three laws were introduced to change the way agricultural produce is marketed, sold and stored across the country.

- The laws mostly focussed on the forward linkages to the agricultural sector and aimed at creating additional trading opportunities outside the [APMC](#) market yards to help farmers get remunerative prices due to additional competition.
- Repeal of the Laws
 - In the wake of the unending protests by some of the farmers, the three farm laws have been repealed.
 - The government will bring in a single bill in Parliament to repeal the three acts.
 - All boards and offices that were constituted for implementing the provisions of the laws would also cease operations and any decision made by the boards would be null and void.
- Farm Laws Repeal Bill 2021
 - - It is aimed at repealing the three farm laws.
 - The Bill was necessitated after the Prime Minister announced the government's intention to repeal the three laws.

Highlights

- The Samyukta Kisan Morcha (SKM), which is an umbrella body of 40 Farm Unions, has welcomed the announcement of the repeal.
- The SKM had a basket of demands including the repeal of the farm laws. The demands included:
 - The [minimum support price](#) as a legal entitlement based on the M S Swaminathan Commission recommendations (C2 or total cost + 50% margin)
 - The withdrawal of Electricity (Amendment) Bill, 2021
 - The removal of penal provisions in the Air Quality Management in the National Capital Region and Adjoining Areas Act, 2021.
 - The cases against the protesting farmers in different states to be withdrawn
 - The arrest of the minister along with his removal from the union cabinet that the farmers held responsible for the Lakhimpur Kheri massacre.
- SKM has confirmed to have received a written draft proposal from the government to form a committee to look into the demand for a legal guarantee on minimum support price for crops.
- The SKM has objected to the panel as it will include farmer organizations outside the SKM, government officials and representatives of states.
- The SKM-led protest is still continuing as some other demands like withdrawal of the cases against the farmers are yet to be settled.
- The repeal was a unilateral announcement that questions the importance and value of the previous 11 rounds of talks that were held.

Key points

- The repeal of the laws reflects on several aspects of political possibility, and lessons about elections and collective well-being.
- The electoral arithmetics indicate that the upcoming Punjab & UP elections are a decisive factor in the repeal of the laws.
- Also, the Prime Minister recently raised the pitch for ‘One Nation, One Election’ as the elections held at different places every few months across the country could disturb the developmental works.
 - “One Nation, One Election” is a system where elections to all states and the Lok Sabha will have to be held simultaneously.
 - This will involve the restructuring of the Indian election cycle in a manner that elections to the states and the centre synchronize.
- The farmers refused to retreat into the machinations of the committee loops and they sought direct engagement with the government.
- The past events in the course of Indian democracy from the CAA-NRC protests to the farm laws protest highlighted the scope where there is a need for better government-public dynamics.
- The farmers have constructed a grammar of collective resistance in the demand for a commitment to a vision of shared and collective prosperity.
- The rollback reminds us that the economy consists of people labouring, surviving, and building their lives and changes made in the economy must consider that.

Know more about the [‘One Nation One Election’](#) in the linked article.

3. Migrant Children and ‘Free’ Education in India

Content

The article highlights the issues with respect to the education of migrant children in India.

Introduction

- The schooling of migrant children in India is compromised for various reasons such as mobility issues and disadvantaged backgrounds.
- The blame for the problems related to the education of the migrant children often falls on the parents as they are perceived disinterested and engaged in the earning activities focusing very little on their children’s schooling.
- In light of the increasing parental aspirations and motivation, “lack of interest” cannot be understood as an “independent” factor affecting children’s schooling.

Educational Inclusion

- Educational inclusion is a comprehensive process where the migrant and marginal children are supported and encouraged to participate in the schooling curriculum.
- It is perceived that educational inclusion means physical and material access to school.
- Educational functionaries like School Heads, Cluster Resource Persons (CRPs) assume that the system is open to all and provides optimal conditions for migrant children's education.
- They assume that government schools being free and open to all is a sufficient condition for migrant families to enrol their children in schools.
- Also, it is a popular notion that poor migrant families and children are interested only in the free resources of school but not real education.

Indian Education Discourse

- In India, schooling involves incentivisation through material benefits, such as free food, clothes and school bags.
- Using tangible incentives to bring children to school is quite prevalent in the Indian education discourse.
- Incentivisation in itself does not appear to be a problem, but the manner in which it unfolds raises some concerns.

Non-Government Organizations

- Non-Government Organizations play a serious part in the field of educational inclusion in India.
- NGO functionaries tend to have a similar notion of the migrant poor parents that they are not ideally invested in the educational enrollments of their children.
- NGO narratives in some instances think of poor parents as the only barrier in their children's education.

Key points

- Migrant children are considered to be included in the education system by virtue of their nominal presence in the school registers.
- The educational functionaries have highlighted the responsibilities of parents and also, the technical nitty-gritty of school documents like a transfer certificate.
- However, the government has ensured that the absence of any required school document must not come in the way of migrant children's education.
- The [Right of Children to Free and Compulsory Education \(RTE\) Act, 2009](#) facilitates provisions, such as admitting children during any time of the year, without the documentary compulsion to an age-appropriate class.
- The vulnerabilities of migrant families and children have been seen in the event of the COVID-19 pandemic and the nationwide lockdown.

- The migrant families have been suffering socially and politically, and migrant children have been suffering educationally.
 - The government should focus on this particular segment of children and plan a better structure for their educational enrollments apart from the free and open education set-up.
-

