

PSM's Speaking Note
Trade Policy Roundtable
New Delhi, February 18, 2023

1. For India to achieve its aspiration of becoming a 5 to 10 to 25 trillion dollars economy, while addressing the challenge of creating jobs for the masses, during its Amrit Kaal, we have to look at international trade more positively as against our post-independence paradigm of 'exports are good, imports are bad'.

2. That's because the nature of trade has undergone a huge change over the last three decades, coinciding with our post-reforms era. Today we are trading in 'tasks' as against goods and services separately. That means both 'imports to export' as well as 'servicification of manufacturing'.

3. For example, we are importing a huge amount of crude oil, adding value to it and exporting value-added petro-products. While this may be a fall-out of the Russia-Ukraine conflict, this is the future of our trade. And, this is not restricted to one particular product. It ranges from petro products to textiles to automobiles to electronics, etc. etc.

4. This calls for taking a fresh look at our trade policy as per tariff lines and both for imports and exports. We should create a database on trade in value-added by calibrating imports with exports and see how services trade restrictions are impacting our manufacturing sector. Among other benefits, it will help us understand how resilient our supply chains are.

5. Secondly, we are also witnessing a return of industrial policy. Without going into its merits or demerits, the fact of the matter is governments across the world are providing subsidies for industrial revival. Its primary objective is to either remain competitive in existing sectors or to become competitive in emerging sectors.

6. Does it contradict with the industrial policy objectives? Apparently so but actually not. In the recent past, we did a study for the Department for Promotion of Industry and Internal Trade and found the conditions necessary for the convergence between our trade policy and industrial policy. We looked at some specific sectors covered under the Performance Linked Incentive Scheme to see whether this 'industrial policy' is contradicting with our trade policy followed in those sectors.

7. We found that broadly they are not and let me highlight two necessary conditions for that convergence to happen in a more sustainable manner.

8. First, there should be more regular and data-based consultations between and among the concerned ministries and the relevant stakeholders before taking any policy decision. This is happening in a much better manner than what it was in the past.

9. Secondly, over the last few years, we have largely corrected our 'inverted duty structure'. While much more work is needed to complete this process, it has started showing positive results. This calls for further calibration of our tariffs to encourage 'imports to export'.

10. In short, during the last few years, several positive reforms in respect to our trade and concomitant industrial policy have taken and we need to provide them a further momentum to build a positive and sustainable narrative on trade.

11. We need to see trade not just from the value of exports but also its volume and how, other than enhancing consumer welfare, imports are helping us to export and creating large-scale jobs.

12. Today's Roundtable is a step in that direction. We have gathered a group of positive-minded 'Friends of Trade' and I am sure that their suggestions will be more than useful for India to develop and implement a 21st Century Trade Policy, which will add much more value to our economy than it was in the recent past.