Govt's protectionist approach to trade policy will impact growth, says Arvind Panagariya

NEW DELHI: At a time when the Narendra Modi government is aggressively pushing its 'Make In India' campaign, its newly set up think-tank NITI Aayog has warned that the government should not have a protectionist approach to trade policy because that would impact economic growth in the country.

"Turning protectionist will not help because if trade doesn't grow, the economy would not grow," Arvind Panagariya, vice chairman of the Aayog said on Thursday, citing examples of the co-relation between growth in exports and the GDP growth in any country. Panagariya was speaking at the international conference on India's trade policy, jointly organised by the Jindal Global Law School and the World Trade Institute.

According to Panagariya, the average growth of 8% in India between 2003-04 and 2011-12 was because of increase in export growth in the country as a result of which the share of exports to GDP grew up substantially. India's total merchandise trade as a proportion of GDP increased from 29% in 2004-05 to 41.8% in 2013-14 while its merchandise exports as a proportion to GDP increased from 12.1% to 17% during the same period.

Panagariya's comment is significant as this government has a prime focus of reviving manufacturing in the country and is under tremendous pressure from several industries to adopt measures that would restrict import and instead encourage players to manufacture in India.

The three panelists at the conference, however, has a unanimous view that India's trade policy is yet not in sync with its industrial/economic policy and there is not enough focus on agriculture as a result of which there are limitations to growth in trade.

"Without adequate attention being paid to the growth of agriculture, we will not be able to achieve our full economic potential," Janyant Dasgupta, former permanent representative of India to the WTO said.

Manoj Pant of JNU said that a good trade policy is one which is neutral to exports and imports. "The reform measures of the government are restricted to Centre and not really moving to states that handle agriculture," he said, adding that India's trade policy is mostly political and there is not much whoich Centre can take forward.

Echoing a similar view, Aditya Bhattacharjee of the Delhi School of Economics said that tthe Centre may be pro-trade but states are not on board and the government needs to ensure that its trade policy is in sync with economic policy besied addressing the human capital issue that restricts India's potential. "We cannot hope to be internationally competitive if our workforce suffers from poor educations," he added.