

Livemint, July 13, 2016 (Online Version)

## Only exports can sustain 8-10% growth rate: Arvind Subramanian

Chief economic adviser (CEA) Arvind Subramanian says domestic consumption cannot sustain 8-10% economic growth

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A file photo of chief economic adviser Arvind Subramanian. Photo: Priyanka Parashar/Mint

**New Delhi:** In the wake of developed nations moving away from globalization, India should take the lead in pursuing the goal of open markets and develop an export-led strategy for strong economic growth as only domestic consumption cannot sustain an 8-10% economic growth over the medium term, chief economic adviser Arvind Subramanian said on Tuesday.

Delivering the 2016 India Policy Forum Lecture on the impact of the US presidential elections and Brexit on world economy organized by think tank NCAER on Tuesday evening, Subramanian said Britain's vote on 23 June to leave the European Union (EU) will

only have muted impact on India's economy due to normal monsoons and easy monetary conditions.

“Consumption led growth and a rate of growth of 8% do not gel well. However, this growth rate is feasible with an outward oriented strategy. We do need trading arrangements with the UK and the EU for a combination of manufactured products and services,” said Subramanian.

On 8 July, India and Britain decided to negotiate a free-trade agreement (FTA). The decision came in the backdrop of stalled FTA talks between Indian and the EU and the Brexit vote.

India's exports fell 15.9% to \$261.1 billion in 2015-16 while imports contracted by 15.3% to \$379.6 billion. The trade deficit for the year was \$118.5 billion. Despite the declining exports, the economy could still grow at 7.6% as per provisional estimates, on account of robust domestic consumption and strong public investments, he said.

The chief economic adviser pitched for New Delhi taking the lead in promoting globalization and occupying some of the space in global trade that China is expected to vacate. This, he said, will help India to engage “less unequally” in international trade.

Both the US presidential front runners, Donald Trump and Hillary Clinton, have shown lukewarm interest in globalization, he said.

The developed economies' “disenchantment with globalization” will impact more on labour movement and trade rather than on capital flows. India has benefited from the global movement of labour, he said.

Govinda Rao, economist and member of the 14th Finance Commission, who was present on the occasion, said that a shallow form of globalization will continue and that labour mobility will remain a critical issue in the future.

“Technology has changed manufacturing in such a way that it has become less labour-intensive. So we should focus on export of both manufactured products as well as services,” Subramanian said.

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