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Export plan vital for sustained 8% growth: CEA

An export-oriented strategy is essential for India to achieve an eight per cent annual growth trajectory on a sustained basis, said Arvind Subramanian, chief economic advisor

Ishan Kumar Bakshi | New Delhi July 13, 2016 Last Updated at 00:19 IST



Chief economic advisor Arvind Subramanian on Tuesday came out strongly in favour of the central government's Make in India campaign, saying that an export-oriented strategy was essential for India to achieve an eight per cent annual growth trajectory on a sustained basis.

On the impact of Brexit on the Indian economy, Subramanian said while it would impact growth in the UK and in the euro zone, which in turn would impact India's exports to the region, the flip side was oil prices might remain depressed, which is beneficial for India.

Speaking at the India Policy Forum Lecture 2016, organised by the National Council of Applied Economic Research (NCAER), Subramanian elaborated his views on the strategy that India should adopt, especially in the light of rising levels of disenchantment with globalisation.

On the particular question of whether India should change its development strategy to adopt a domestic consumption-oriented strategy, Subramanian said that a reliance on this had its limits. Under an export-oriented strategy, he said, demand is infinite. Thus, the focus should be on international markets, though obviously the domestic economy will also provide a large market.

According to Subramanian, if the world trade to GDP ratio does not change, India has the potential to achieve a 15 per cent annual growth in exports on a sustained basis, which would help maintain an eight per cent annual economic growth. But he emphasised the country should not limit itself to gaining market share in exports of manufactured goods but also in services.

This would mean a different approach to trade agreements. Subramanian argued that India, which has a strong incentive to keep global markets open, should use trade negotiations to focus on areas where there is tremendous scope for increasing employment such as better access to clothing markets. But he pointed out that given the current global environment, developed countries might not offer market access without adequate reciprocity.

On the impact of Brexit on the Indian economy, Subramanian said India had weathered the storm and has emerged as a haven of opportunity on strong fundamentals.

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