





'WE ARE AIMING FOR INCLUSIVE AND SUSTAINABLE GROWTH'

Anand Sharma, India's Union Minister of Commerce and Industry, is an articulate proponent of India's stand at global fora. In this interview, the Minister talks about India's economic growth, the record capital flows into the country, measures being taken to boost exports and the Doha Round of trade talks.

Several government bodies, including the Prime Minister's Economic Advisory Council, have projected a 6.5 per cent growth for the Indian economy in the current fiscal. What are the factors that have ensured such a healthy growth rate for the gross domestic product (GDP)?

The fundamentals of our economy are strong and the growth of the Indian economy has largely been fuelled by domestic consumption. We have a high investment rate and a high domestic savings rate, which have supported the economy. The Indian banks remained robust even at the peak of the economic crisis and timely government stimulus provided the necessary liquidity in the market.

Despite negative growth in agriculture due to a weak south-west monsoon, the Indian economy is likely to grow at nearly 7 per cent in 2009-10. There is a sharp recovery in the industrial sector and the core sector has shown impressive growth. Further, the larger part of services is in the form of intermediate services associated with production, distribution and financial activities of industrial products. Therefore, a buoyant industrial sector will have a positive spillover effect on the services sector as well. Growth is expected to move to the 9-10 per cent range in the next two to three years.

Could you share with us your views on the transition that the Indian economy has undergone over the past decade? How do you expect it to shape up in the future?

The true potential of the Indian economy was unleashed when we embarked upon the path of economic liberalisation in 1991. The liberalisation process encompassed wide-ranging reforms in the areas of industry, public finance, banking and insurance, foreign trade and exchange rate management. The purpose of these reforms was two-fold: (a) to restore macroeconomic stability on both domestic and external fronts, and (b) to place the economy on a higher growth path through enhanced levels of investment, and improvements in productivity, efficiency and competitiveness. The incremental

approach towards reforms has yielded reassuring results and the Indian economy has followed a high growth trajectory in the last five years. The share of the services sector in the economy has gone up significantly and, increasingly, the Indian economy is being characterised as a knowledge-led economy. In the coming years, we need massive investments in infrastructure to sustain the momentum to ensure a double digit growth rate. We expect to see investments in the range of US\$ 1.5 trillion in the next 10 years.

The central vision of our future strategy is to trigger a development process that ensures growth along with an improvement in the quality of life of our people. The higher growth, therefore, needs to be more inclusive, which will help reduce poverty and create additional employment opportunities, increase access to essential services in health and education, especially to the poor, and facilitate empowerment through education and skill development. From a conventional strategy for growth, we now aim to achieve a growth process that

meets the twin objectives of inclusiveness and sustainability.

Do you see India emerging as a global manufacturing hub?

India has the inherent advantages of a natural resource base, rich human resource, a young population and a large domestic market. It has the potential to emerge as a globally competitive manufacturing hub, particularly for auto and auto components, biotechnology products, pharmaceuticals and nanotechnology, besides the traditional consumer products sectors such as apparels and gems and jewellery. The enabling environment is also conducive for facilitating the emergence of India as a preferred investment destination and a manufacturing hub for a large variety of products and services.

We have set for ourselves a policy objective of increasing the share of manufacturing to 25 per cent of GDP and I am sure that given the comparative advantages of the Indian economy, we will be able to achieve that.

India has also attracted record capital inflows this year, both on the foreign direct investment (FDI) and foreign institutional investor (FII) fronts. What are the reasons for such buoyant conditions in the financial sector?

India remains an attractive investment destination given the fact that it is a liberal democracy and a rule-based society with a rich human resource and growing disposable incomes. Our FDI policy regime has undergone significant liberalisation since 1991 and foreign investments up to 100 per cent are allowed in most sectors, except the sensitive sectors. We have, in the recent past, simplified and rationalised procedural aspects, leading to an increase in investor confidence. The investment requirements in India are growing exponentially and the fact that the returns on investment made in India are one of the highest in the world, reassures investors that not only are their investments secure, but that they stand to gain attractive returns.

We will continue our discussion with





all stakeholders in further simplifying FDI norms; we have recently launched a composite FDI policy discussion note on our website inviting comments from all stakeholders. This would be given a final shape by March 2010. We have also launched a non-profit company called 'Invest India' in partnership with an apex chamber of industry to provide hand-holding support to foreign investors and to act as a single-window facilitator for information and support. Apart from this, we have launched an e-biz project — a mission mode project under the National e-Governance Plan — that provides online support for registration, filing and payment services to business and industry. In addition, the Government of India, in partnership with various state governments and business associations, is making concerted efforts to make regulations conducive for business, including establishment of online single-windows, adoption of nation and international best practices, simplification of the tax regime, etc.

What are the measures that the government plans to take to boost exports in the medium term? What

are the incentives being extended to exporters and which are the new geographies that are being targeted?

The medium-term policy objective of the government is to achieve an annual export growth of 15 per cent with an annual export target of US\$ 200 billion by March 2011; to achieve an annual export growth of around 25 per cent by 2014; and to double India's exports of goods and services by 2014. To meet this objective of export growth, our endeavour is to evolve a policy environment through a mix of measures, including fiscal incentives, institutional changes, procedural rationalisation and efforts for enhancing market access across the world and diversification of export markets.

As a measure of market diversification, we have added 26 new markets under the Focus Market Scheme, which includes 16 countries in Latin America and 10 countries in the Asia-Oceania region.

To enhance market access, we have signed a Comprehensive Economic Partnership Agreement with South Korea and the Trade in Goods Agreement with the Association of Southeast Asian

Nations (ASEAN), which came into force on January 1, 2010. This will give Indian exports enhanced market access in a vibrant economic region of the world. We have also concluded a Preferential Trading Agreement (PTA) with MERCOSUR and are working towards concluding one with the Southern African Customs Union (SACU) as well. Further, negotiations are in an advanced stage for a Free Trade Agreement (FTA) with the European Union (EU) and discussions are under way with Japan as well.

Could you share your perspective on the impact of the FTA with ASEAN nations, signed in 2009, on the country's international trade?

The impact would be very positive. The India-ASEAN Trade in Goods Agreement came into force on January 1, 2010. The current India-ASEAN trade is around US\$ 50 billion and we are targeting trade worth US\$ 70 billion in two years. The FTA will facilitate the creation of an open market for the India-ASEAN region, which comprises about 1.7 billion people and which had a combined GDP of approximately US\$ 2.75 trillion as of 2008.

We look forward to a greater economic integration of Asia and we support the Comprehensive Economic Partnership in East Asia (CEPEA) initiative, which brings together ASEAN and six major economies, including China, Korea, Japan, Australia, New Zealand and India.

What is the present status of FTA negotiations with other countries?

India has always stood for an open, equitable, predictable, non-discriminatory and rule-based international trading system. India gives primacy to engagements in multilateral negotiations at the World Trade Organization (WTO). However, recognising the fact that Regional Trade Agreements (RTA) would continue to feature for a long time in world trade, India has engaged with its trading partners with the intention of expanding its export markets. RTAs, in India's point of view, should be 'building blocks' towards the overall objective of trade liberalisation and should complement the multilateral trading system.

In the early phase, India adopted a cautious and guarded approach to



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regionalism and was initially engaged in only a few bilateral/regional initiatives, mainly through PTAs. These included the Bangkok Agreement (now called APTA), signed in 1975 to exchange tariff concessions in the ESCAP region, the Global System of Trade Preferences (GSTP), signed in 1988 to exchange tariff concessions among G-77 member countries, and the SAARC Preferential Trading Arrangement (SAPTA), which was signed in 1993 to liberalise trade in South Asia. However, because of the limited coverage of products, these engagements achieved limited results in terms of increase in trade volumes with the member countries.

Since the early part of this decade, India began concluding agreements with a view to move, in some cases, towards Comprehensive Economic Cooperation

Agreements (CECAs) covering FTA in goods (that is, having a zero customs duty regime within a fixed time-frame on items covering substantial trade and a relatively small negative list of sensitive items on which no or limited duty concessions are offered), services, investment and other identified areas of economic cooperation. In addition, India has begun actively engaging with regional blocks such as the EU, SACU and MERCOSUR.

How hopeful are you of the finalisation of the Doha Round of trade talks and when do you expect them to conclude? How is India's perspective shaping up and how are its interests being reflected at the WTO?

At several international meetings of ministers and heads of states and governments

held during the past months, the message has been the same: conclude the Doha Round and do it soon. Leaders have been united in their view that sustaining trade and investment flows is critical at this juncture, when the global community is facing economic recession.

India has always been a strong advocate of a transparent and fair multilateral trading system. So we decided to do our bit by hosting an informal Ministerial meeting in New Delhi on September 3 and 4, 2009. At this meeting, too, there was an unequivocal sentiment that the Doha Development Round must be concluded within 2010; and to this end, ministers were able to arrive at a broad consensus on specific steps for resuming discussions in Geneva.

Therefore, collectively we have set the ball rolling. From September 14, senior officials have been working with each other and the chairs of the negotiating groups on an intensive work plan. Simultaneously, work is going on at the technical level. Together with many other countries, India's stand has been that:

- The draft modalities of December 6, 2008, for Agriculture and NAMA should be the basis on which further negotiations are held. A substantial amount of work has gone into preparing these texts and there is no reason to review them or to introduce new elements at this stage.

- The development dimension of the Round has to be honoured. Food and livelihood security of the poor is critical to developing countries and cannot be compromised under any circumstances. The principal aim of India's negotiating strategy has consistently been to protect the interests of its farmers and industry.

- All issues being discussed in the negotiations are part of a single undertaking; therefore, adequate balance amongst major issues has to be ensured in the agreement.

These are challenging times for the world and people across the globe are expecting all of us to demonstrate leadership in addressing these challenges. In arriving at a balanced and ambitious outcome, it is our collective duty to ensure that a rule-based multilateral regime should be fair and equitable, adequately addressing the concerns of the billions of people living in the developing world. 🌍