Need to cut down imports, says Assocham council

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talks to Sanjeev Sharma

Q: What is the thrust of the turnaround plan for the economy suggested by the council?
A: The plan outlined by our Council indicates that the government must opt for greater pragmatism in order to revive the economy in the shortest possible time. The solutions perceived by our policy makers to many of the present day concerns need enactment of statutory legislations, Parliament approvals etc. While we pursue these statutory legislation processes, it is worthwhile to pay attention to the issues that can be addressed within the given policy framework. The government can actually address issues like implementation of infrastructure projects without tweaking the existing policy stance. We have put together a list of sectoral issues and the government interventions needed to address them.

Q: What is the rationale on cutting avoidable imports?
A: Growth of manufacturing sector is essential for realising the objective of economic security. The National Manufacturing Policy aims at increasing the share of manufacturing in GDP to 25% by 2020 and creating additional 100 million jobs.

While import of essential raw materials can be allowed, the same can't be said in the case of finished products. It will also cause stress on the country's balance of payments.

Q: What can be the strategy to revive the infrastructure sector?
A: Reviving the infrastructure sector primarily requires setting up of cross-functional teams of the Centre and state governments with clear mandates and timelines. It also needs that government honours the concessional agreements. Availability of long-term finance is a major hurdle for infrastructure development. Some of the measures we have suggested include exempting the profits earned by infra projects from the levy of MAT. On the social infra-structure front, education and health infrastructure deserves immediate attention.

Q: What is the growth prognosis for the economy?
A: We are optimistic about the prospects of growth picking up in the near term. The second half of 2013-14 fiscal itself is expected to register higher growth. Good monsoons and the prospects of higher farm sector growth, higher export demand, better performance of strategic business services like IT and ITES, and 2014 election expenditure would push GDP growth into the range of 5.2 to 5.5%.

In view of these policy priorities, we need to not only create domestic manufacturing capacities but also make the sector internationally competitive. In line with this, India needs to put greater focus on manufacturing of quality goods in India rather than importing them. However, there exist a number of cases of inaudible duties that encourage import of finished goods. While import of essential raw materials can be allowed, the same can't be said in the case of import of finished products. It will also cause stress on the country's balance of payments. The government needs to ensure a level-playing field to the domestic manufacturers vis-à-vis their foreign competitors.

Q: How can the investment cycle be revived?
A: For reviving the investment cycle, our policy makers need to work towards creating an investor-friendly environment. The government needs to reassure the investors about its commitment to the sanctity of its policies and regulations. It is necessary to make policies simple, transparent and predictable and shun retrospective acts like GAAR. In the immediate term, for reviving investment cycle, interest rates need to be cut and more rationalised incentives for investments need to be announced.