

# 'Rising Imports a Concern, But Imposing Curbs Not the Solution'

'While high tariffs look like a good short-term solution, they make cos uncompetitive'

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**New Delhi:** Rising imports are a concern but there should not be any curbs on them to check the burgeoning trade deficit, said BVR Subrahmanyam, who retired as commerce secretary on Friday (September 30). He will take charge as chairman & managing director of the India Trade Promotion Organisation (ITPO).

While higher tariffs look like a good short-term solution, in the long run they make industries uncompetitive, he said in an interview to ET.

"Tariff as a trade policy tool is an obsolete ideology," he said, adding that India is on track to achieve \$470 billion merchandise exports this fiscal though there are headwinds from the disruptions caused by the Russia-Ukraine war, China's negligible growth, high inflation in the



UK and the US and effects of Covid.

India's goods exports slowed to 1.62% in August and the trade deficit more than doubled to \$27.98 billion from the year-ago period. Imports rose 37.28% to \$61.9 billion in August this year.

"Imports are a concern," he said, adding that a lot of imports such as fuel, fertilizer, coking coal, edible oil and pulses are inelastic.

"If you take them out, then 70% of imports are capital, raw material and intermediate products... A lot of manufacturing strength is dependent on im-

ports which is a sign of a healthy economy."

Asked if discussions are on between various ministries to restrict imports, he said: "There are constant talks going on but at the moment I don't think there is any cause for worry. Services are going to bail out the country massively".

To address the trade gap, he said either exports can be increased, or imports can be squeezed through restrictions or tariffs which are useful in the case of gold but add to inflation in other cases.

"The second-order effects of tariff

protection in the medium term and long term are not beneficial because industries become uncompetitive. Also, 70% trade happens on global value chains which want free movement of goods," he said.

Despite the restrictions on export of rice, wheat and sugar, he said that India will clock \$60 billion of agriculture exports this year as against around \$50 billion in FY22.

"It's going to be made up with coffee and marine products," he said.

## TRADE PACTS

Subrahmanyam said India and the UK are in the process of exchanging tariff offers for a trade pact which is 80-90% complete and on track to be signed around Diwali. The pact will have 27 chapters including goods, services, environment and labour. "We are engaging with our whiskey industry and are on verge of making an offer in a week."

While the UK manufactures 800,000 cars, India makes 3.5 million. However, the UK exports 80% of their cars, with the bulk of shipments going to Europe, while India exports 15%. Subrahmanyam said India is also of the view that European products are not treated as UK products. India is also in talks with the EU for a trade pact and the next round will take place next week.

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