

'Multi-pronged approach to boost exports'

In an exclusive interview ahead of his US visit, Commerce and Industry Minister PIYUSH GOYAL discussed wide-ranging issues, including India's export strategy, investment opportunities, key trade partnerships, manufacturing growth, the evolving trade relations with China, and more, with Shreya Nandi and Asit Ranjan Mishra at his office in Vanija Bhawan. Edited excerpts:

PHOTO: PRIYANKA PARASHAR

Growth in developed countries is expected to slow in the coming years. Broadly what should India's export strategy be? Should we be looking more at Southeast Asia? How do you see it in the context of geopolitical issues also cropping up?

India will have to look at a multi-pronged approach. While services and tourism are very, very low-hanging fruits, where we can get significant exports, project export is another area which we have not exploited as much as we can. For example, in Australia, I identified that there is a shortage of one million homes. What a great opportunity for our real estate developers to build one million homes in

Q&A

PIYUSH GOYAL

Commerce and Industry Minister

Australia! I've talked to the government there as well as the South Australia state. I've talked to the trade minister, and now we will pursue it further. I've talked to Credai (Confederation of Real Estate Developers' Associations of India). I have asked them to depute a team of

developers from Credai who can go and start a dialogue with Australia. So newer areas are one thing we should look at. Tourism has huge scope for expansion. But manufacturing will obviously be the mainstay because that provides jobs, which help us create the whole ecosystem, and this government, after 10 years of "Make in India", has the satisfaction that that is one of the flagship and most successful programmes. In a slowing world, India has continued to be the oasis and manufacturing exports, both in terms of volumes and the basket of exports, are giving us good results.

But what about getting the focus back to Southeast Asia and Asia?

I'm working with Southeast Asia to see if we can get some of their non-tariff issues sorted out, and we have an FTA (free-trade agreement) review (with the Association of Southeast Asian Nations, or Asean) going on. I'm hoping that should give us some more elbow room to expand our exports there. I had gone to the Asean economic ministers' meeting only to convey to them the urgency of this review and I have received assurances from my counterparts. If they give us a fair deal in terms of review, then that will help us right size the huge trade deficit. If they don't, we will have to see the non-tariff barriers that are imposed on us and I have to look at retaliatory measures.

What's your broader view on India's trade and investment relationship with China?

We work within the rules of the World Trade Organization. Per se, we have nothing against one or the other country as long as trade is on fair terms, there is transparency, and we get an equal opportunity and access as we offer the other country. Whichever country doesn't give us an equal opportunity or equal access or its pricing is opaque and not transparent, then India will have to correspondingly take measures to protect our interests.

With the Regional Comprehensive Economic Partnership (RCEP) having been executed, China policy has to be seen in the context of Asean policy also. China, very comfortably, is able to move a lot of its production to Asean countries and enjoy the fruits of our FTA with Asean. Therefore, we are very cautiously watching the impact of production coming from several Asean countries, using the RCEP benefits and hurting India's interest.

There is a feeling that India's approach to China is changing, with India allowing visas for Chinese technicians for the 14 PLI (production-linked incentive) sectors. Our national interest will always be paramount. We will calibrate and balance our policy and decisions based on the needs of the country.

Is there scope for reworking the land-border regulations for allowing foreign direct investment (FDI) during the pandemic (press note 3 of 2020 series)?
There is no proposal for reconsideration.

Repatriation by foreign investors recently was very high.

That's because when they make good profits, periodically there is repatriation and repatriation is good. It encourages them to invest much more. In the past, people used to invest in India but never made profits and they would stop investing. Now when they start seeing a reasonable return, I think the investment numbers and the word of mouth publicity this will give us will see greater FDI inflows. Also, repatriation doesn't hurt but every additional FDI coming in creates additional jobs. Repatriation is only out of profit. But what comes in (creates) fresh jobs.

Is there scope for more FDI liberalisation in some sectors like insurance?

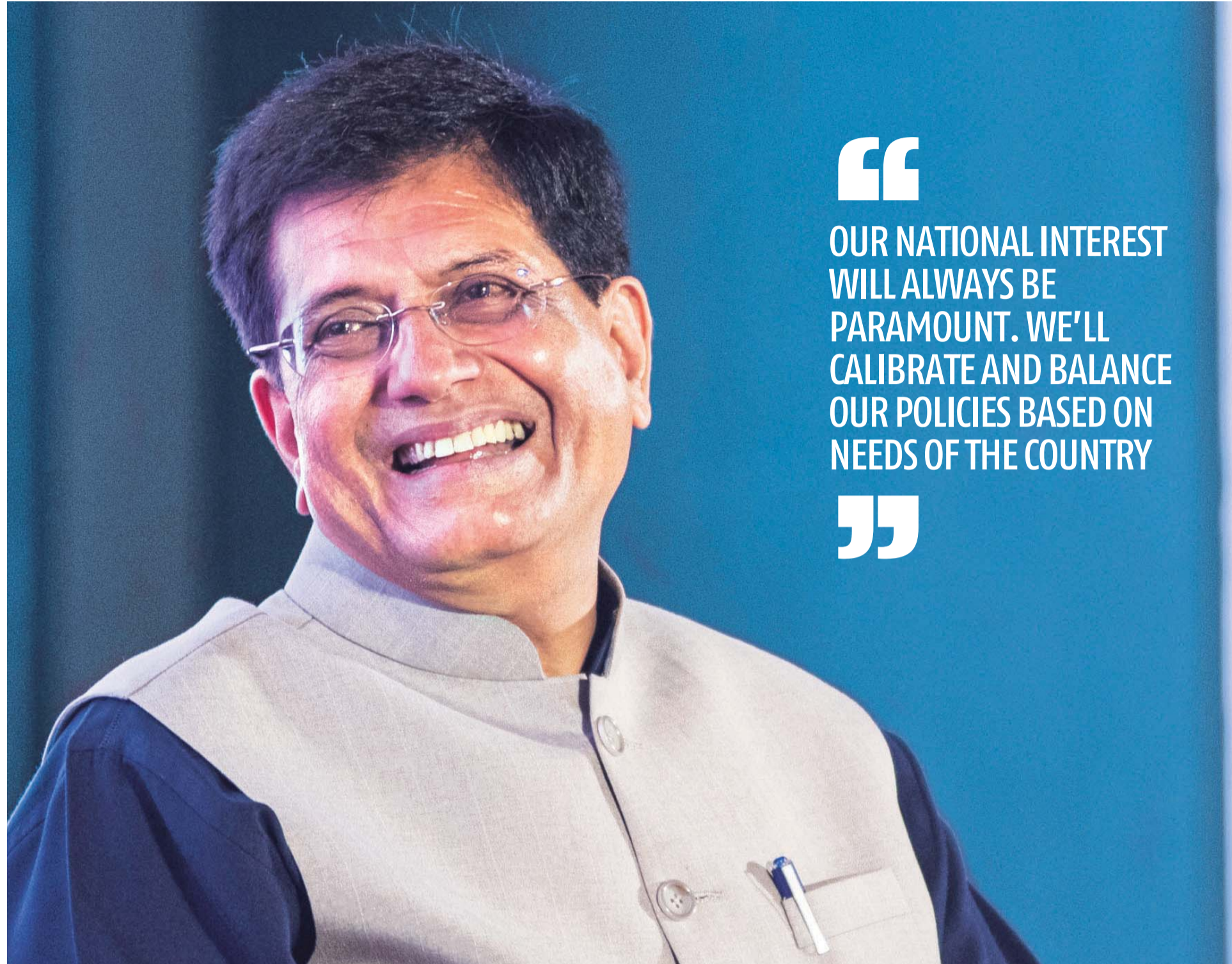
There is no request from anybody asking us to liberalise FDI further. Insurance is already 74 per cent.

What about multi-brand retail?

Out of the question.

There are a lot of complaints about FDI policy violations in quick commerce...

I have not studied the quick commerce



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violations but I will get my department to do it.

What's the status of e-commerce policy? It has been delayed for some time?

It's at the final stages of consultation.

Can one expect it this financial year?

I would hope so.

What concerns do you think should be kept in mind while the finance ministry is carrying out a comprehensive review of the import tariff policy the finance minister promised in the Budget?

I am happy they are looking at a review of import tariff policy. That way we will be able to look at what is essential or non-essential for imports. They will be able to look at the inverted duty structure and also address concerns like quality and non-transparent pricing by certain companies.

The DESH (Development of Enterprise and Service Hubs) Bill, supposed to replace the Special Economic Zone (SEZ) Act, seems to have been shelved?

Inter-ministerial consultations are still going on — whether it will be through a new Bill or it will be through an amendment to the existing Act.

Do you see giving more market access to units in SEZs to sell in the domestic area?

It is premature for me to say anything before a final call is taken by all the departments. We have to ensure domestic tariff area companies are not discriminated against. We have to make sure revenue loss does not occur.

On the India-United Kingdom FTA, where are we?

The new government there took over just a couple of months ago. I met their minister at the G7 meet in Italy and he has sought time to be able to take briefings and understand the state of play. He has promised to get back to me after they have got a little fix on where they stand.

How much work still needs to be done?

On the one hand, one can say there is quite a lot to be done. On the other hand, if the new government in the United Kingdom is a little more proactive, we can do it very fast.

What is the sense you are getting from that?

For FTA negotiations, my approach has always been to allow all viewpoints and all options to be considered. Never be in a hurry to finalise an FTA.

In the European Union (EU) is the Carbon Border Adjustment Mechanism (CBAM) still the major sticking point with the EU in our negotiations for an FTA?

There is no sticking point but various points

are being discussed and negotiated. The CBAM is one of them. But I won't say that is the only sticking point or the major sticking point.

The Budget has announced a carbon credit trading system for India. Do you think we can tackle the challenge from the CBAM through this?

There could be some possibilities around there because the CBAM allows countries to tax carbon in their own land, in which case no tax will have to be paid.

We have seen the EU coming up with more regulations on deforestation due diligence. Do you think we need a different strategy to tackle these non-tariff issues?

If they go into these non-tariff issues, then every country will have to look at its own national interests and prepare policies accordingly. One thing for sure is that I can see the EU becoming quite uncompetitive in the global market because its own production will become expensive and its own cost of living will be difficult to control. Inflation will go up in those countries. The CBAM, deforestation — these types of laws will hurt Europe the most.

We have resolved some of the major sticking points in trade with the United States but at the same time now we are going to impose retaliatory tariffs on products from the EU because of steel duty. Do you think our relationship with the EU is getting murkier by the day?

Not at all. Every relationship stands on its own legs. Every relationship has its strengths and weaknesses.

But we couldn't resolve this bilaterally and amicably.

We have done a lot of discussion and negotiation. We gave them every possible opportunity to put an end to these tariffs on steel and aluminium. A few months ago, when we were having Lok Sabha elections, they once again extended it for two or three years. Then we thought now we had to retaliate. We haven't finalised the process.

Any timeline?

It's in the process. The department must be working.

We also had a round of FTA negotiation with Oman last week. What's the progress as far as the FTA is concerned because before the elections there was a buzz that the FTA would

be signed just after the elections and that's one of the top priorities after the elections. There have been some roadblocks.

We had very good discussions with Oman. Nothing is finalised until everything is finalised.

Have you been able to resolve the issue of market access related to petrochemicals?

Not yet.

Now we are focusing on Oman and the Gulf Cooperation Council (GCC) is not in focus right now?

Other countries of the GCC want to do it but for the GCC as a whole we have yet decided to start discussion.

We haven't decided or there is some problem at their end?

I think when both of us decide to launch we will get launched. We have not yet come to agreed terms on which we can launch.

There is concern regarding a sharp increase in imports of silver from the United Arab Emirates (UAE). India was supposed to take it up with the UAE?

I remember talking about it and they were going to give us some detail. I think it is part of the meeting of the high-level joint task force on investment (on October 7). If there is anything pending, we will take it up.

What has been your assessment of the implementation of the laptop-import monitoring system?

Under the monitoring system, we are not at all restricting any import. Nor are we stopping or

diverting any import. This is more a data collection exercise to help us formulate our policy.

What is the way forward for the import-monitoring system?

Based on the data collected, we will decide what steps need to be taken.

The data is out. Surely the government has been looking at it for nine-10 months. Any initial assessment?

We have to receive recommendations from the line ministry and they will tell us what we need to do. I don't think so far they have given us any recommendations. The Directorate General of Foreign Trade (DGFT) is only implementing

the wishes of nine ministries. So nine ministries will have to decide what guidelines they want to put in place. The DGFT would notify but would not determine what has to be done.

Any plans to join the trade pillar of the Indo-Pacific Economic Framework?

Right now, the trade pillar discussions are on a halt. In a way, it redeems India's stand. We have not joined the trade pillar and we are an observer — because the original document itself, we feel, will be very difficult for any country to accept. Our stand has been vindicated because they have also not been able to come to an agreed position on that.

What is the big outcome you are expecting from your United States visit?

One, I have several engagements with business persons from a vast variety of sectors, including manufacturing, financial services, information technology, global capacity centres, and the potential to be exploited in India. I will have meetings with industry groups, and several roundtables and engagement with the Indian diaspora, on the one hand. On the government-to-government side, we have the US-India CEO (chief executive officer) roundtable and the US-India commercial dialogue. We will be taking up areas of mutual interest to engage in the innovation space — what steps we can take in the semiconductor and electronics industry, how we can look at a greater degree of investment in manufacturing and other services and what can be done in emerging technologies and critical minerals. So we have quite a strong agenda for discussion both with the government and with CEOs.

The Generalised System of Preferences (GSP) or totalisation agreement are part of the agenda?

The GSP is not on the agenda. And, by the way, GSP and totalisation have not been in discussion for the past few years. We have raised the issue with the government for reinstating the old GSP and to introduce totalisation earlier, but looking at the American political scenario at the moment, I don't think that is on the table.

Private capex has been subdued. What do you think?

On the contrary, the numbers I get are mind-boggling. Every steel company is investing massively. Every cement company is investing because of the massive infrastructure thrust and the real estate boom. The country is the fastest-growing large economy, expanding at 7-7.5 per cent. It couldn't have been so unless there was investment happening also. India is not just a consumption-led growth story only. It's a production- and consumption-led growth story. We will always have the anxiety as we want much more.