

FY27 growth forecast not contingent on US trade deal, says CEA

Q&A Domestic industry cannot get protection in perpetuity but in return for export performance and innovation, said Chief Economic Advisor **V Anantha Nageswaran**, a day after the Economic Survey was tabled in Parliament. In a video interaction with **Ruchika Chitravanshi**, he said as things stand, the economy is capable of achieving a sustained growth rate of 7 per cent, and more can be achieved with further reform. Edited excerpts:

The Economic Survey has talked about *swadeshi* as a defensive and offensive policy lever. How is *swadeshi* different from the current *aatmanirbharta* that we talk about?

■ There's no difference. It is a principle. The conceptual difference is that we need to prioritise which ones we do first. Feasibility and the desirability matrix have to be properly arranged. We should have clarity on which ones we want to go first. Some are essential, some are indispensable, and some are good to have. And some are optional and the market can take care of those and somewhere we have alternative sources. The other difference between that and this is to make sure that import substitution is done in a manner where we don't give open-ended protection of unlimited duration. We demand certain reciprocal



obligations on the part of industry. So there is no protection in perpetuity, and there is protection in return for innovation, for export performance, and export parity, in terms of prices and quality.

Further reforms can take growth upwards of 7% in medium term: Nageswaran 10 ▶

Further reforms can take growth upwards of 7% in medium term: CEA

The Survey has projected medium-term growth potential of 7 per cent. So can this be achieved with a business as usual approach? Or more reforms are required?

■ On the basis of reforms that happened between 2023 and January this year, we upgraded the growth projection. As things stand, the economy is capable of achieving sustained growth of 7 per cent. If we reform more, we will be happy to take it up even further.

You have said that the rupee is punching below its weight. Is the Survey concerned about the rupee?

■ When capital flows become weaker, the currency faces the effect. And we have also given certain suggestions on how, in the long run, we can achieve currency stability and spend. When this depreciation becomes a matter of concern or worry, it's not possible to spell out right upfront. It all depends on the context. There is no particular number beyond which it is concerning and below which it is not concerning. That's not a way to look at it.

The Survey's suggestion to redefine a "government company" and bring down the government stake in central public sector enterprises to 26 per cent is to earn revenue or bring in more autonomy and efficiency?

■ Both purposes will be served. It is a combination of the two. It is difficult to disentangle them.

The Survey says trade negotiations with the United States may conclude this year. So was that something factored in when you projected the growth band?

■ We didn't. If it happens, it will be a nice substantial boost to growth prospects. But our growth outcome numbers of 6.8-7.2 per cent for FY27 are not contingent on it.

The Survey has cautioned on recent phases of highly leveraged technology and investment in the infrastructure of artificial intelligence (AI). What policy action do you think the government should take on AI risks?

■ These are all hypothetical at this



V Anantha Nageswaran, chief economic advisor to government

stage. First of all, you need to assess the impact on India if these kinds of development in the world materialise, the impact on liquidity and sentiment, and what kind of remedial action to take. I think now it is probably premature to talk about that.

Has the Survey been a bit harsh on states regarding fiscal indiscipline?

■ The problem is that you are assuming the Survey is harsh. I don't even agree with your conclusion. In Chapter 16, part two, we are extremely effusive in our praise for what states have done on deregulation.

You have highlighted the issue of cash transfers and freebies by states.

■ On that parameter, some states have the room to improve because their behaviour supports near-term consumption but alters the long-term employment market dynamic. And also it is an opportunity for bonds to invest in capital expenditure, which has a higher multiplier effect in terms of growth of income employment and therefore spending power. And it has also cast a shadow on the overall borrowing cost of the Union government as well. So from that perspective, in terms of aggregate impact on the fiscal deficits of states, given the rapid growth in nominal gross state domestic product, it is not having an impact on the aggregate deficit ratios, but it's having an impact on the quality of expenditure.