

PLI for all could hurt competitive export sectors: Panagariya

16th Finance Commission chairman makes a pitch for more free trade pacts

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TO THE EXTENT India's production-linked incentives (PLIs) are targeted at larger firms, rather than smaller, "inefficient" ones, these shouldn't be equated with indiscriminate protection for domestic industry, Arvind Panagariya, chairman of the 16th Finance Commission, said on Monday.

He, however, cautioned that if the incentives were made available to "all sectors and everybody," with focus on import-substitution industries, it would amount to "punishing competitive export industries".

"If we use PLIs selectively to promote two or three sectors, that's one thing. But, if (these are used as tool for) overall industrialisation, I think that's a hard thing to do. The capital is limited... the whole industry or

sectors you can't expand by subsidising everybody. You have to ultimately rely on expansion of the industry into the global market place," the noted trade economist told *FE* in an interview.

The PLI policy was launched in 2021-22. There are as many as 14 schemes now, with the government seeking to offer ₹2 trillion in incentives by FY30. However, the schemes' progress so far is barely par for the course. There are big lags in investments in many

sectors, including high-efficiency solar PV modules, automobiles, ACC batteries and textiles, that were supposed to lead the pack.

Panagariya's new book – *India's Trade Policy: The 1990s and Beyond* – while underscoring the beneficial effects of India's trade liberalisation since 1991, denounces the intermittent reversals, including since 2018-19, the year which saw major escalation of import tariffs, with over 42% of all tariff lines going up. The book, divided into 10 parts, chronicles the evolution of India's trade and industrial policies, through topical newspaper essays written by the author over decades, and is due for release.

ARVIND PANAGARIYA,
CHAIRMAN, 16TH FINANCE
COMMISSION

**FTAs ARE LIKELY TO BE
A BIG INCENTIVE FOR
AN MNC THAT IS
CURRENTLY IN CHINA
AND IS CONSIDERING
TO MOVE TO INDIA**

