

# India must not be tempted to implement aggressive industrial policies: Martin Wolf

RUCHIKA CHITRAVANSHI

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India's unique position in the world can allow it to take the lead and mobilise other countries, especially in the Global South, to hunt for solutions to the climate, political, and economic challenges, Martin Wolf, chief economics commentator, Financial Times, said at the annual India Policy Forum organised by the National Council of Applied Economic Research (NCAER).

Speaking on the topic — The World in a Polycrisis — Wolf said India can form useful and productive relations with all the sides concerned. “It could also, by trying really hard, replace China as a competitive global supplier of goods and services, and become a magnet for foreign direct investment (FDI), but it should not succumb to the temptation of implementing aggressive industrial policies,” Wolf said.

The solutions for it lie overwhelmingly in domestic institutions, policies, and politics, he said. He also noted China's growth is slowing, but it will still be faster than the West's.

Talking about the “shifts, shocks,



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MARTIN WOLF,  
associate editor and chief  
economics commentator,  
Financial Times

and fragilities in the world”, Wolf said the onus of mitigation of climate risks is now at the door of developing or emerging economies because of the high rates of emission by them. Western countries have succeeded in limiting their emissions within manageable levels in recent years, he said.

Arvind Panagariya, professor at Columbia University and former vice-chairman of the NITI Aayog, suggested it was unfair for developed countries to impose the burden of climate

mitigation on developing countries. Panagariya, who was moderating the discussion, also said there ought to be some form of compensation for the past polluters because the carbon space occupied by the richer countries is disproportionately large and the mitigation costs need to be shared.

During the protectionism debate, Wolf made a point about “slobalisation” and added that states are also becoming increasingly interventionist and protectionist. He also said that “a

divided world”, with more active national governments, erodes international cooperation.

Commenting on Wolf's remarks, Montek Singh Ahluwalia, former deputy chairman of the Planning Commission of India, said India's trade restrictions are very high and need to be lowered.

However, the NITI Aayog's vice-chairperson, Suman Bery, who was a member of the audience at the event, questioned the suggestion that India is becoming a closed economy vis-à-vis the US, which is characterised as an open economy. He said the argument that India is uncompetitive with regard to trade is ambivalent as there is no clear evidence to suggest the prevalence of barriers to merchandise trade or investment in the country.

Responding to Bery, Panagariya said: “Different countries measure (an economy being closed) by different metrics... The extent of import duty raised is one way.”

Talking about demographic shifts in global economies, Wolf said the world's rich countries are old and becoming older, very quickly. “The same is happening to China. Sub-Saharan Africa is young and likely to

remain so. So is India. The challenge for countries with rapid aging will be to find new workers. The challenge for countries with an abundance of young people is to find jobs. One answer is likely to be migration from the latter to the former,” Wolf added.

He also said that international institutions are eroding, notably the World Trade Organisation. “This is not like the Cold War, because China and the US are both inside the system,” he added.

Speaking on the role of multilateral organisations, Ahluwalia said India being the Chair of G20 affords it a unique opportunity to bring multilateral organisations together in dealing with contentious fiscal issues. He said the G20 Expert Group on strengthening Multilateral Development Banks (MDB), led by N K Singh, president of the Institute of Economic Growth, could lay the roadmap for an updated MDB ecosystem for the 21st century.

The India Policy Forum aims to promote rigorous empirical economic research on India through commissioned papers presented at the Conference, which are published in an international journal, NCAER said.