



Viewpoint: Policy challenges ahead

13 JAN,2020 | MEDC



According to the first advance estimates of GDP for the current financial year, the economy is expected to expand by 5%, compared with 6.8% last year. If our economic growth is to be inclusive, we cannot afford to remain on this trajectory. Our economy needs huge supply-side reforms, as it cannot grow sustainably at higher rates without strong exports. A key reason why India decided not to join the Regional Comprehensive Economic Partnership (RCEP) was the fear of imports. This, obviously, has little to do with domestic demand. While India's exports have been relatively stagnant over the past several years, countries such as Vietnam and Bangladesh are surging ahead. Policymakers need to focus on wider structural reforms to enhance employment generation and industrial competitiveness. Our manufacturing and MSME sector need to be supported to the extent possible, as they could be a game-changer for the economy. The environment should also be paid special attention as pollution reduces workforce productivity, and thus impacts GDP. Indian agriculture is in a sorry state, and although India has caught up with global levels of fertilizer use, it is neither efficient nor environmentally sustainable. For agricultural incomes to rise on a sustainable basis, reforms, rather than cash transfers, loan waivers and the like, are the way ahead. China has mastered the art and science of taking foreign technologies, indigenising them, and scaling them up massively for domestic benefit. We need to develop a similar competence through a systematic carrot-and-stick approach. There is a huge amount of work facing our policymakers and the forthcoming Union Budget is a good place to begin.

**Photo Credit: Google*