

NO GOING BACK

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Last week, the Union government imposed restrictions on television imports, much of which are sourced from Vietnam and [China](#), by placing them in the restricted category. Importers will now require a licence from the government to import fully built television sets into the country. This is unlikely to be a one-off move. The government is reportedly contemplating imposing similar licensing requirements on imports of products such as furniture, toys and sports goods. The option of raising duties on imports of certain products is, reportedly, also under consideration. Ostensibly, these measures — in line with the government's stated policy of "atma nirbharta" or self reliance — are meant to reduce the country's import dependence, especially vis a vis China, and facilitate domestic production, and generate employment. While sections of the domestic industry may well welcome such measures, these indications of a return to the infamous licence permit raj, and a resurrection of the failed policy of import substitution, could mark a reversal of the gains of trade liberalisation over the past few decades. This would be taking not one but several steps backward.

In the current climate, the political allure of such policies is understandable. However, India's past experience with such policies should be enough to drive home the point that this is not the way forward. Protectionism, as has been repeatedly pointed out, by erecting barriers to entry, leads to the creation of a high-cost and uncompetitive domestic manufacturing sector. India imports these products from various countries, most notably China, simply because it is not competitive enough to produce them. Addressing issues that afflict domestic competitiveness requires a different set of policy prescriptions, not the imposition of tariff and non-tariff barriers. The lessons learnt from the failed policies that were much in vogue in the second half of the last century, and the gains that have accrued from trade, and greater integration with the global economy post 1991, cannot be ignored or forgotten. Moves such as these could also create the space for further lobbying by domestic players to raise barriers to entry in other segments as well. Once these are erected, they will be hard to dismantle.

At a broader level, a certain policy incoherence marks this government's approach to trade. On the one hand, it talks of greater integration with global supply chains, and on the other hand, it walks out of the [Regional Comprehensive Economic Partnership \(RCEP\)](#) agreement and also seeks to erect both tariff and non-tariff barriers to protect domestic industry. This is unfortunate. Raising the country's share in world trade, taking advantage of the current global environment and the relocation of manufacturing facilities out of China, requires greater trade liberalisation, not less. Instead of looking inward, India should be working towards integrating with global supply chains more closely.

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