

## **49. Centre is looking at cutting import duties**

**By Gopal Krishna Agarwal,**

**Bharatiya Janata Party Economic Affairs Spokesperson GOPAL KRISHNA AGARWAL tells Archis Mohan after the cut in corporation tax rate, the Centre should reduce import duties to integrate India into the global supply chain. Edited excerpts**

**Do you think Friday's announcements will spur economic growth?**

Definitely. Over the past five years, we tackled the supply side problems. Now, the problem was from the demand side, as private investment was not taking place. Friday's announcements will have a far reaching effect to spur private capital formation.

Now, banks are sitting on a lot of liquid cash. Similarly, our corporate houses have liquidity in their systems. They have to invest. This tax cut is an incentive for them to invest and expand their manufacturing. which in turn will help employment generation.

**There are concerns about revenue of 145 trillion foregone and fear of an increased fiscal deficit.**

Revenue foregone is a misnomer. In the final analysis, it is not that the government is parting with some of its revenue. It is collecting less tax from the corporate sector. and leaving money with the corporate sector to catalyse growth, increase investments, have more profitability, all of which will help economic activity.

The issue is, and concern that some people have. How the government will maintain the fiscal deficit of 3.3 per cent of gross domestic product. We have several avenues. In the Budget, the FM announced a disinvestment target of ₹10 trillion from public sector undertakings (PSUs). This target can be increased. We have several PSUs lined up for public offering, including Air India and BSNL. These measures will help generate sufficient revenues.

However, the larger point is whether the government is working for the benefit of the common, for economic growth and faster GDP growth or merely chasing macroeconomic parameters and fiscal deficit targets. While these are important economic growth is equally important.

**You recently visited China. Do you think with these announcements India can benefit from the US-China trade war?**

We are now one of the most attractive corporate tax regimes across the globe. In the US-China trade offensive, lot of manufacturing is shifting from China and moving to Southeast Asian countries and other countries. However, it was not coming to India because of issues like availability of land, labour problems and corporate taxation issues.

Friday's is not the end of announcements from the government. The PM and FM have said the government will further implement its reform agenda. In addition, we require labor reforms and ensure easier availability of land. We have taken an important step in corporate taxation to make it globally competitive and we hope majority of manufacturing, if they shift from China, they will set up operations in India and make in India.

**Problems with infrastructure remain.**

We have a plan to invest 100 trillion in infrastructure over the next few years to improve road, waterways and air connectivity. Ultimately, we have to part of the global supply chains. The manufacturing scenario across the globe is that value addition is not done in one country, but several. If you have higher import duties then you are just crowded out of the global supply chains. We have to work on those issues. In addition to reducing corporate tax, we have to get into global supply chains, whether that of China or any other country, including Bangladesh or even Malaysia.

We have to integrate our manufacturers into these global supply chains. That is an Important area where new reforms or new Initiatives the government will take. We need to negotiate the RCEP (Regional Comprehensive Economic Partnership). FTAs (Free Trade Agreements) and import duties.