

## Convergence between Trade and Industrial Policies in India (CONTIP)

### Background

Trade and industrial policies are major cornerstones of a country's economic policy. The ultimate objective of both policies is to foster economic growth and create jobs.

In 1948, India announced its first Industrial Policy Resolution. Since then, a total of six industrial policies have been announced viz. 1948, 1956, 1977, 1980, 1990, and 1991 with amendments as and when required.

India adopted an inward-oriented strategy for industrial development for almost 40 years after independence. The main reason behind this was to foster industrialisation and save foreign exchange.

In consonance with this objective, India adopted three types of trade regimes after independence, viz. Import Restriction and Import Substitution (1950s to 1970s), Export Promotion and Import Liberalisation (1970s to 1990s), and Outward Orientation (from 1990 onward).

However, the objective of an industrial policy, as traditionally understood by some, may conflict with that of a trade policy. At the same time, it is important to realise that both trade and industrial policies complement each other.

In India, these policies come under the purview of Ministry of Commerce and Industry and are handled by the Department of Commerce and the Department for Promotion of Industry and Internal Trade, respectively. Furthermore, both are governed by almost similar kind of institutional structure.

Here it is important to mention that though the objectives of a country's trade and industrial policies are intrinsically linked with each other, it would be a mistake to analyse their interaction in isolation and without taking into account other important related policies, such as monetary, fiscal, taxation, competition, and sector-specific policies, among others

Therefore, it is increasingly being recognised that industrial policy of a country should not be an isolated matter that stands in conflict with other policy strands like trade policy, competition policy, monetary policy, fiscal policy, etc. Absolute clarity on the role of these policies and their ability to achieve convergence will be critical to achieve desired growth and employment in an economy.

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## Objectives

- Review of important components of both trade and industrial policies, and other relevant policies, and evaluate their elements of convergence (and divergence)
- Identification of institutional requirements for successful design and implementation of trade and industrial policies
- Analysis of the feasibility of India's industrial policy elements under today's international trade rules
- Develop a handbook comprising "what, why and how" to converge trade and industrial policies

## Approach and Activities

- Entire analysis will be done on six specific sectors (readymade garments and textiles, food processing, renewables, automotive and electric mobility, capital goods, and electronics) which have comparative advantages in the global market and are also important in terms of their high impact on Indian economy, emerging in nature, and labour intensive to generate more employment, and having positive implications on livelihood and socio-economic development
- Comprehensive review of horizontal and vertical policies in the identified sectors to find out key measures of trade and industrial policies and to understand the interaction

between key measures of industrial and trade policies, and their relationship with the competitiveness of exports and employment generation

- In-depth analysis of selected policy measures in the identified sectors with various provisions as under the World Trade Organisation (WTO) agreements, relevant free trade agreements (FTAs) and India's commitments therein
- Deriving cross-cutting and sector-specific recommendations on the linkages between industrial and trade policy, in the context of other relevant policies, to improve their effectiveness as well as making them coherent with the global trading system.

## Expected Outcomes

- Identify sector specific key measures of industrial and trade policies and map those measures from the perspectives of inter-policy convergence and divergence
- An institutional framework for successful design and implementation of trade and industrial policies by citing examples from global good practices and methodologies suggested by experts
- A Handbook which will provide a comprehensive framework to successfully employ these policies for achieving the end objective of economic growth and job creation