

Raising import duties to lower CAD is a bad idea, says Montek Singh Ahluwalia

OUR BUREAU

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Hiking import duties to bring down Current Account Deficit is a bad idea, said the former Deputy Chairman of Planning Commission, Montek Singh Ahluwalia.

Speaking at the 108th Annual General Meeting of the Southern India Chamber of Commerce and Industry here, Ahluwalia, made the point that customs duties could be raised if the government wanted to support a particular industry from imports, but not for bridging CAD.

Responding to Rafeeqe



Montek Singh Ahluwalia

Ahmed, the SICCI president and a former president of the Federation of Indian Export Organisations (FIEO), Ahluwalia started off on a defensive note "you are putting me in a spot" he remarked,

but quickly added, "I definitely do not think that raising customs duties is the solution."

This comment comes in the context of the Ministry of Finance announcing customs duty hike on 19 product lines, including aviation turbine fuel and white goods.

"This is very fundamental. The current account deficit is a macro-economic phenomenon. You handle that either by controlling aggregate demand or by improving supply. You do not handle that by increasing customs duties," Ahluwalia said. How-

ever, on the point of the Reserve Bank of India handling the depreciation of the rupee, he said, "the RBI has handled the rupee depreciation very well."

"If the question is whether Urjit Patel (the RBI Governor) should have used some 20-30-40 billion dollars more to defend the rupee, the answer is, No," he said.

During the course of the interaction, Ahluwalia felt that the industry was good at engaging with the central government, giving it inputs, but not so good at engaging with the state governments.