



# In creating one Economic India, Technology, Economics and Politics are Surging Ahead

## Survey suggests that it is Time for the Laws to catch up and facilitate this Internal Integration

Posted On: 31 JAN 2017 12:58PM by PIB Delhi

Finance Minister Shri Arun Jaitley today presented the Economic Survey 2016-17 in the Parliament today. The Survey suggest that on the question of creating one economic India, technology, economics and politics have been surging ahead. Perhaps, it is time for the laws to catch up to further facilitate this surging internal integration.

It finds high levels of internal trade between states: India's internal trade-GDP ratio at about 54 percent is comparable to that in other large countries. The extent to which the Constitutional provisions facilitate the creation of one economic India is discussed in a final section.

The first-ever estimates for inter-state trade flows indicate that cross-border exchanges between firms amount to at least 54 per cent of GDP, implying that domestic trade is significant. Both figures compare favourably with other jurisdictions: *de facto* at least, India seems well integrated internally. A more technical analysis confirms this, finding that trade costs reduce trade by roughly the same extent in India as in other countries.

The Survey shows that :-

- Smaller states Uttarakhand, Himachal Pradesh and Goa trade more; the net exporters are the manufacturing powerhouses of Tamil Nadu, Gujarat, and Maharashtra
- Otherwise agricultural Haryana and Uttar Pradesh are also trading powerhouses because Gurugram and NOIDA, respectively, have become part of the great Delhi urban agglomeration.
- Intra-firm trade across States is surprisingly large (about 68 per cent of inter-firm inter-state trade), and is affected by trade costs to a greater extent than inter-firm trade.

However, there is a potential dampener on the finding that trade in goods is high within India. The high level may be a consequence of the current system of indirect taxes which in some important cases perversely favours inter-state trade over intra-state trade. If true, the GST by ironing out these oddities will normalise inter-state trade in the country. This may reduce trade in some cases, and yet have a positive impact on tax revenue because of improvements in compliance, competitive enhancements and other channels.

It may be noted the Indian Constitution provides the Centre and States considerable freedom to restrict trade and commerce; the needs of creating one economic India were actually subordinated to the imperatives of preserving sovereignty for the states. In practice, courts' interpretation of these constitutional provisions have also been in favour of protecting the sovereignty of states over economic integration.

\*\*\*\*\*

DSM/UM/ST/RS

(Release ID: 1481450) Visitor Counter : 52

