

General Studies-3; Topic – Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Boosting India's Exports

1) Introduction

- India is not a big exporter in the world and its share in the world trade is less than two percent.
- The government has set a new challenge of doubling India's share in world exports to 3.4 per cent and reducing the dependence on imports by at least 10 per cent.
- The government has taken several measures to boost exports in its midterm review of foreign trade policy 2015-20.

2) Present Status

- In 2017-18, exports recorded a growth of about 10 per cent to USD 303 billion.
- According to statistics released by WTO, the share of India in total world merchandise exports was 1.68 per cent in 2017, a level it has more or less maintained since 2011.
- The preceding decade was better when India more than doubled its share from only 0.7 per cent in 2001 to 1.67 per cent in 2011.
- Economic Survey 2017-18 pointing out that while the share of manufacturing in GDP has improved slightly, the international competitiveness of manufacturing has not made great strides.
- This reflected in the declining manufacturing export-GDP ratio and manufacturing trade balance.
- Exports continue substantially in primary form and not in a value-added mode like export of Cotton and cotton yarn than high-end garments and leather than its products.
- The trade deficit continues to show a widening trend.

3) Need for Pushing Exports

- To boost India's economic growth.
- Helps create employment opportunities and increase the per capita income.
- Exports are needed to pay for India's imports and curb India's current account deficit.
- They played an important role in transforming countries such as South Korea and China in recent decades.
- Exports could help use up the excess production capacity.

4) India's Exports to U.S

- According to a report by Assocham, India's exports hold a promising outlook with the U.S. economy growing at its best in four years, coupled with the rupee depreciation leading to enhanced net revenue realisations.
- The U.S. accounted for about 16% of India's total merchandise exports in the fiscal 2017-18 with the annual growth of 13.42%.
- It is the largest market for Indian exports, both for merchandise and services.
- So, when the U.S. grows at its current pace, it augurs very well for the total Indian exports' basket
- With the focus of the Trump administration on infrastructure, the demand for Indian exports, particularly of steel and other engineering goods should increase.

5) Government Initiatives

- A new logistics division has been established in the department of commerce to coordinate development in the logistics space.

- A National Logistics Portal is being developed by the Ministry of Commerce and Industry to ensure ease of trading in the international and domestic markets.
- Duty-free procurement of the inputs needed for exports.
- Trade Infrastructure for Export Scheme (TIES) to create appropriate infrastructure for development and growth of exports.
- The government is planning to invest ₹ 1,500 crore to develop 40 export-oriented clusters under the proposed agriculture export policy.

6) Concerns / Challenges

- Low share of India's goods and services exports is a matter of concern.
- Delay in environmental clearance for agro-chemical sector.
- India's logistics sector is highly defragmented and very complex.
- In electronic goods, 65 per cent of our demand is met through imports.
- Vietnam and Bangladesh are becoming more competitive and are capturing the low-end manufacturing space being vacated by China.
- Economic Survey (2016-17) highlighted how India is losing out in labour-intensive sectors.
- Threat of rising protectionism and rising automation.
- The markets in some developed countries have strict standards for admitting India's agricultural exports.

7) Way Forward

- Doubling India's share of world exports will require the government, states and industry to act on a mission mode.
- Need a coordinated effort from the entire government, not just the commerce ministry.
- Political will and thrust to ensure that Make in India gets embedded with doubling export share.
- This will need a greater focus in our draft industrial policy.
- Speeding up the establishment of product-specific industrial clusters and enacting labour reform, at least in export zones.
- Require a sound export infrastructure by energising the Bharatmala Pariyojana to improve the efficiency of movement of goods and to cut logistics costs.
- The Sagarmala programme with its emphasis on port modernisation, capacity augmentation and port-led industrialisation will need an export orientation.
- Trade facilitation and export finance will also have to acquire high priority.
- Establishment of sector-level standards, compliance and certification mechanisms will be essential.
- Working to sharply increase merchandise exports, particularly when the services exports has diminished
- Improving Logistics sector will facilitate 10% decrease in indirect logistics cost leading to growth of 5 to 8% in exports
- We need to improve our skill set and human capital as well as take cognisance of external demand conditions.
- We also need to revisit safeguard and anti-dumping duties to boost export growth.
- Banking on India's political relationships with countries such as Cuba and many in Africa to push exports to new markets.