



Strengthening India's Export Capacities

This editorial is based on [“India's current account deficit reveals the need to increase exports”](#) which was published in Indian Express on 16/12/2022. It talks about India's current account deficit and the need for an export boost.

For Prelims: Free Trade Agreements, Russia-Ukraine War, Mega Integrated Textile Region and Apparel (MITRA) Park Scheme, Protectionist trade policies, ASEAN, Deglobalisation, Special Economic Zones, MSME Sector.

For Mains: Major Sectors that Contribute to Indian Exports, Challenges Related to Indian Export Growth, Dedicated Export Corridors.

India has reached **USD 418 billion dollars** of [manufacturing exports](#) in the **fiscal year 2022 (FY22)** with rapid growth over the last **2 years**. Despite having the fifth-largest economy in the world, contributing to 3.1% of the GDP, India's export contribution to [global trade](#) is still only **1.6%** that **includes a variety of factors like rising protectionism and deglobalisation, lack of basic infrastructure** and low market penetration in high-income countries.

Therefore, it calls India to look forward towards **expediting [Free Trade Agreements](#), lowering tariffs** and **addressing supply-side bottlenecks** would help in addressing export challenges.

What are the Major Sectors that Contribute to Indian Exports?

- **Petroleum Products:** It contributed in a major way to India's exports, amidst [crude oil prices rising due to the pandemic](#) and made worse by geopolitical tensions due to the [Russia-Ukraine war](#).
 - India exports **USD 55.5 bn worth of petroleum products**, a massive rise of 150% over last year.
- **Engineering Goods:** They registered a **50% growth in exports**, at **USD 101 bn in FY22**. Currently, **all pumps, tools, carbides, air compressors, engines, and generators manufacturing MNC companies** in India are trading at all-time highs and shifting more production units to India.
- **Jewellery:** Made up **USD 35.3 billion of India's exports** in **FY22**. With the reduction of **import duty on cut and polished diamonds** in this year's budget, **this is only going to rise**.
- **Agriculture Products:** Agricultural exports were **buoyed by the government's push to meet global demand for food amid the pandemic**. India exports rice worth **USD 9.65 bn**, the highest among agricultural commodities.
- **Textile and Apparels:** India's textile and apparel exports (including handicrafts) stood at **USD 44.4 billion in FY22, a 41% increase on a YoY basis**.
 - Government's schemes like **Scheme for Integrated Textile Parks (SITP)** and [Mega Integrated Textile Region and Apparel \(MITRA\) Park scheme](#) are giving a strong

boost to this sector.

- **Pharmaceuticals and Drugs:** India is the **third-largest producer of medicines by volume** and the biggest supplier of generic drugs.
 - India supplies over **50% of Africa's requirement for generics**, around **40% of generic demand in the US** and **25% of all medicine in the UK**.

What are the Challenges Related to Indian Export Growth?

- **Rising Protectionism and Deglobalisation:** Countries around the globe are moving towards **protectionist trade policies** due to **disrupted global political order (Russia-Ukraine War)** and weaponization of supply chain, that is in way shrinking India's export capacities.
- **Lack of Basic Infrastructure:** India's manufacturing sector lacks sufficient manufacturing hubs, internet facilities and **transportation are costly when compared to developed nations** which is a huge deterrence to Industries.
 - **Uninterrupted power supply** is another challenge.
- **Lack of Innovation Due to Low Spending On R&D:** Currently, India **spends about 0.7% of GDP on research and development**. This prevents the manufacturing sector from **evolving, innovating and growing**.
- **Specialisation versus Diversification:** Indian exports are characterised by **high diversification combined with low specialisation**, implying that India's exports are spread thin over many products and partners, resulting in **lack of competitiveness compared to other countries**.

What Should be the Way Forward?

- **Exploring Joint Development Programmes:** Amidst a wave of **deglobalisation** and **slowing growth, exports cannot be the sole engine of growth**. India can also explore **joint development programmes with other countries** in sectors like **space, semiconductor, solar energy** to improve **India's medium-term growth prospects**.
- **Dedicated Export Corridors:** The economic policy should also strive to promote **export dynamism** and **product specialisation alongside product diversification through Dedicated Export Corridors** to offer the best of the best service across the globe and propel the Indian economy to the path of long term sustained economic growth.
- **Promoting Acquisitions Abroad:** Indian entrepreneurs can be incentivised to sign **joint venture undertakings** abroad for building up an **export potential for their products especially** in developing countries where there is a favourable **political climate and a demand for Indian products**.
- **Frontlining MSME Sector:** MSMEs account for **29% of GDP and 40% of international trade**, making them key players in achieving ambitious export targets.
 - It is important for India to link **Special Economic Zones with the MSME sector** and incentivize small businesses.
- **Filling Up Infrastructural Gaps:** A robust infrastructure network - **warehouses, ports, testing labs, certification centres, etc.** will help Indian exporters compete in the global market.
 - It also needs to adopt **modern trade practices that can be implemented through the digitisation of export processes**. This will save both time and cost.

Drishti Mains Question

Examine major roadblocks to India's export dominance. Also discuss major sectors that can boost India's export capacities.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q1. Increase in absolute and per capita real GNP do not connote a higher level of economic

development, if (2018)

- (a) Industrial output fails to keep pace with agricultural output.
- (b) Agricultural output fails to keep pace with industrial output.
- (c) Poverty and unemployment increase.
- (d) Imports grow faster than exports.

Ans: (c)

Q2. The SEZ Act, 2005 which came into effect in February 2006 has certain objectives. In this context, consider the following: (2010)

1. Development of infrastructure facilities.
2. Promotion of investment from foreign sources.
3. Promotion of exports of services only.

Which of the above are the objectives of this Act?

- (a) 1 and 2 only
- (b) 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans: (a)

Q3. A “closed economy” is an economy in which (2011)

- (a) the money supply is fully controlled
- (b) deficit financing takes place
- (c) only exports take place
- (d) neither exports or imports take place

Ans: (d)