



## 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.

**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)**