



Export Preparedness Index 2022

For Prelims: [Export Preparedness Index](#), [NITI Aayog](#), Export Promotion, Research and Development, Global Trade Context.

For Mains: Export Preparedness Index.

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Why in News?

Recently, [NITI Aayog](#) has released the 3rd edition of [Export Preparedness Index \(EPI\)](#) for States/UTs of India for the year 2022.

- The report discusses **India's export performance amid the prevailing global trade** context in FY22, followed by an overview of the country's sector-specific export performance.

What is the Export Preparedness Index?

▪ About:

- EPI is a comprehensive tool which **measures the export preparedness of the States and UTs in India.**
- Exports are **vital for simulating economic growth** and development in a country, which necessitates understanding the factors which influence export performance.
- The index undertakes **a comprehensive analysis of States and UTs across export-related parameters** in order to identify their strengths and weaknesses.

▪ Pillars:

- **Policy:** A comprehensive trade policy providing a strategic direction for exports and imports.
- **Business Ecosystem:** An efficient business ecosystem helping states attract investments and create an enabling infrastructure for individuals to initiate start-ups.
- **Export Ecosystem:** Assess the business environment, which is specific to exports.
- **Export Performance:** This is the only output-based parameter and examines the reach of export footprints of States and UTs.

▪ Sub Pillars:

- The index also took into consideration **10 sub-pillars:** Export Promotion Policy; Institutional Framework; Business Environment; Infrastructure; Transport Connectivity; Export Infrastructure; Trade Support; R&D Infrastructure; Export Diversification; and Growth Orientation.

- **Features:** The EPI is a **data-driven effort to identify the core areas crucial for export promotion** at the sub-national level (states and union territories).
- It explores and highlights India's export potential by examining the different contributions made by each state and union territories.

What are the Key Highlights of the EPI 2022?

- **Performance of States:**
 - **Top Performers:**
 - Tamil Nadu has topped in EPI 2022, followed by Maharashtra and Karnataka.
 - Gujarat, which held the top position in **EPI 2021 (released in 2022) has been pushed to the fourth slot in EPI 2022.**
 - Tamil Nadu's performance in terms of export performance indicators, including the value of exports, export concentration, and global market footprint, **contributed to its top ranking.**
 - It has been a consistent **leader in sectors such as automotive, leather, textiles,** and electronic goods.
 - **Hilly/Himalayan States:**
 - Uttarakhand secured the **top position among hilly/Himalayan states in the EPI 2022.** It is followed by **Himachal Pradesh, Manipur, Tripura, Sikkim, Nagaland, Meghalaya, Arunachal Pradesh, and Mizoram.**
 - **Landlocked Regions:**
 - Haryana topped the **chart among the landlocked regions,** indicating its preparedness for exports.
 - It was followed by **Telangana, Uttar Pradesh, Punjab, Madhya Pradesh, and Rajasthan.**
 - **Union Territories/Small States:**
 - Among union territories and small states, Goa ranked first in the EPI 2022.
 - Jammu and Kashmir, Delhi, Andaman and Nicobar Islands, and Ladakh secured the second, third, fourth, and fifth positions, respectively.
- **Global Economy:**
 - Global trade in 2021 showed signs of recovery from the Covid-19. Factors like increased demand for goods, fiscal policies, vaccine distribution, and easing of restrictions contributed to a **27% increase in merchandise trade** and a 16% increase in **services trade** compared to the previous year.
 - The Russo-Ukrainian war in February 2022 slowed down the recovery, impacting **sectors like grain, oil, and natural gas.**
 - Trade in goods saw significant growth, and services trade recovered to pre-pandemic levels by Q4 2021.
- **India's Export Trends:**
 - Despite global slowdown, India's **exports in 2021-22 crossed an unprecedented USD 675 Billion,** with trade in goods accounting for USD 420 billion.
 - The value of merchandise exports crossed USD 400 billion in FY2022, an ambitious goal set by the government, reaching up to **USD 422 billion by March 2022.**
 - The cause of this performance was manifold. Globally, the increase in prices of commodities and rise in demand from developed countries helped increase India's merchandise exports.

What are the Key Learnings of the Exports Preparedness Index (EPI)?

- **Coastal states have fared the best** across all indicators with **six out of the top states** in the index coming from the coastal region of the country.
 - States like Tamil Nadu, Maharashtra, Karnataka, and Gujarat (all of them performing the best in at least one pillar).
- In terms of strengths, the policy ecosystem is **a positive story with multiple states adopting the necessary policy measures** to drive exports in their states.
 - At the district-level, 73 % of districts in the country have an export action plan and over 99 % are covered **under the 'One District One Product' scheme.**
- States have lagged in terms of transport connectivity. The absence of air connectivity hampers the **movement of goods across regions,** especially in states which are landlocked or geographically disadvantaged.
- The lower performance of the country in terms of **Research and Development (R&D) indicates the lack of attention given** to the role of innovation in exports.
- The state government has to both continue and extend its support to the **industries** which are struggling.

- 26 states in the country have registered a **decrease in the gross value addition** of their manufacturing sector.
- 10 states have registered a **decrease in the inflow of [Foreign Direct Investment \(FDI\)](#).**
- The lack of capacity-building workshops for exporters hampers their ability to penetrate the global markets as 25 of 36 states have organized less than 10 workshops across a year.
 - For the effectiveness of existing government schemes to support states, timely approval of projects is a must.

What are the Recommendations of the EPI?

- **Adoption of Good Practices:** States should be encouraged to adopt good practices from their peers if they suit their needs. Learning from successful states can help lagging states improve their export performance.
- **Investment in Research and Development (R&D):** States should invest in R&D to drive product innovation, market-specific product creation, improvement in product quality, cost reduction, and efficiency improvement.
 - Establishing **dedicated research institutes with regular funding can help** states improve their exports.
- **Leveraging Geographical Indication (GI) Products:** States should **capitalize on their unique GI products** to establish a presence in the global market. Promoting and improving the manufacturing and quality of GI products can boost exports.
 - **For example,** Kancheepuram Silk products can only be exported by Tamil Nadu and have no competition across the country.
- **Diversification of Export Markets:** Identifying and promoting high-growth sectors, such as information technology, pharmaceuticals, automotive, textiles, and renewable energy, can enhance India's export potential.

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