



India's Export Capabilities

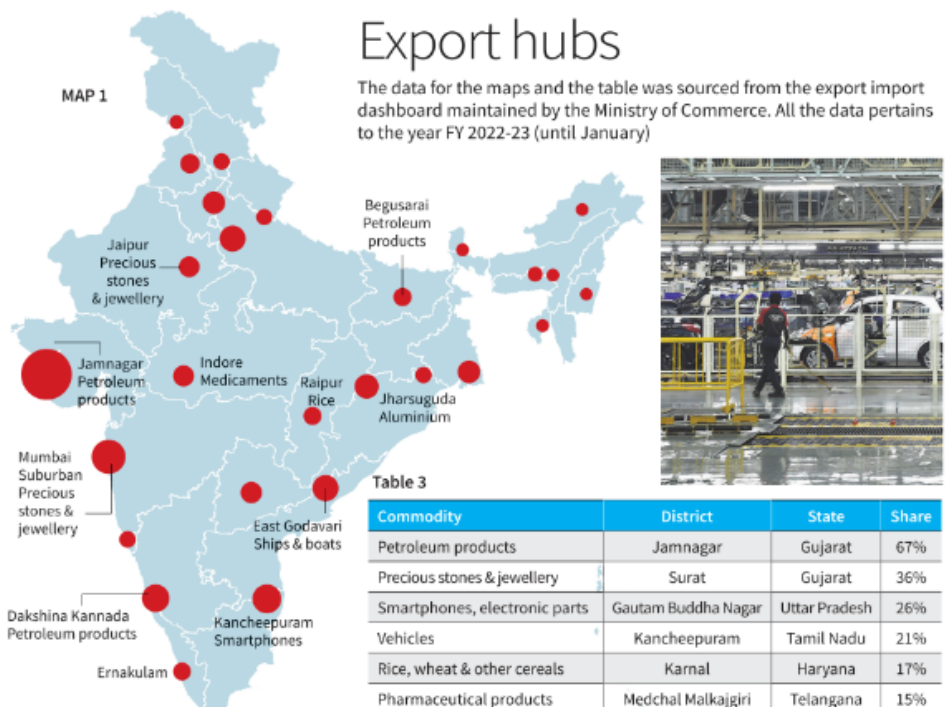
For Prelims: Top Exporting District in India, [Mega Integrated Textile Region and Apparel \(MITRA\) Park](#), [Russia-Ukraine War](#), [Industry 4.0 technologies](#), [Space](#), [Semiconductor](#), [Solar energy](#)

For Mains: Status of the Export Sector in India, Challenges Related to the Export Sector.

Why in News?

Jamnagar in Gujarat is the top exporting district in India. It formed about **24% of India's exports in value terms in FY23** (till January).

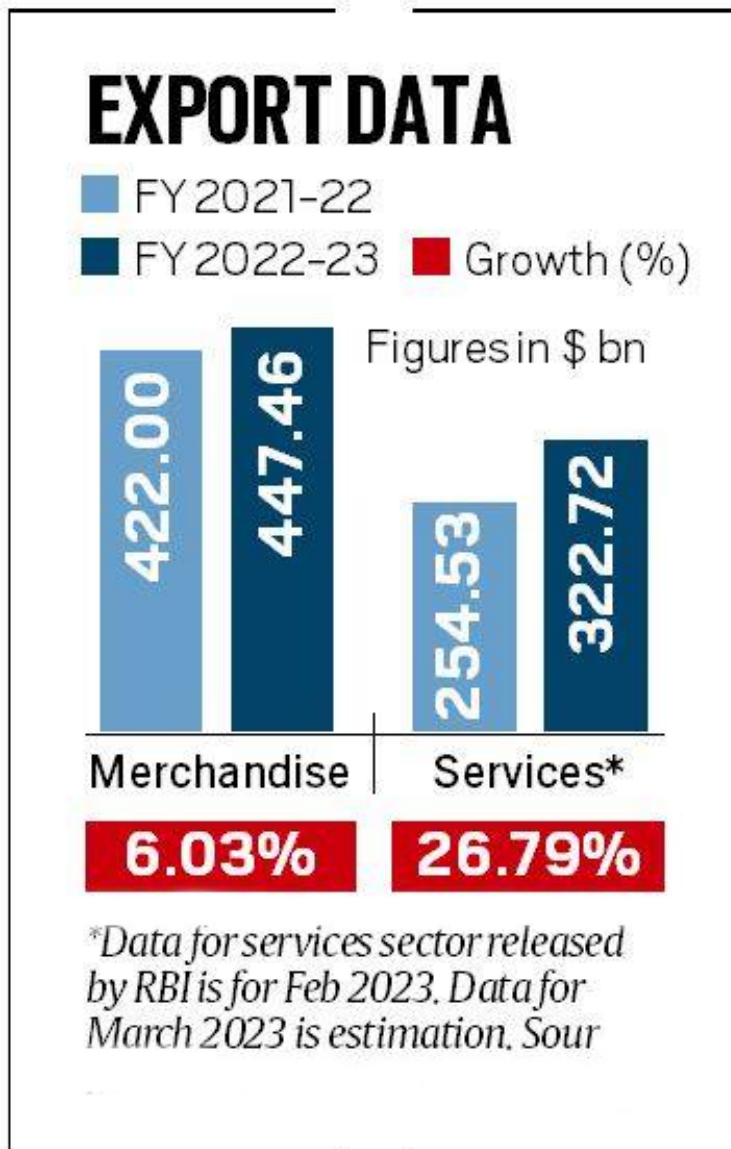
- **Surat in Gujarat and Mumbai Suburban in Maharashtra** feature second and third by a distance, forming only about 4.5% of the country's exports in the period.
- The other districts in the **top 10** are **Dakshina Kannada (Karnataka), Devbhumi Dwarka, Bharuch and Kachchh (Gujarat), Mumbai (Maharashtra), Kancheepuram (Tamil Nadu) and Gautam Buddha Nagar (Uttar Pradesh).**



What is the Status of the Export Sector in India?

- **Status of Trade:**

- The **merchandise trade deficit**, which is the gap between exports and imports, increased by over **39% in 2022-23** to record USD 266.78 billion, as compared to **USD 191 billion in 2021-22**.
- Merchandise imports increased by **16.51% in 2022-23**, while merchandise exports rose by 6.03%.
 - Overall trade deficit, however, stood at **USD 122 billion in 2022-23**, as compared to **USD 83.53 billion** in the 2022, **gaining support from trade surplus in services**.



▪ India's Major Export Arenas:

- **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.
- **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 scheme like **Mega Integrated Textile Region and Apparel (MITRA) Park** 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.

▪ **Challenges Related to Export Sector:**

- **Access to Finance:** Access to affordable and timely finance is crucial for exporters.
 - However, many **Indian exporters face challenges in obtaining finance due to high interest rates**, collateral requirements, and lack of credit availability from financial institutions, **particularly for [small and medium-sized enterprises \(SMEs\)](#)**.
- **Limited Diversification of Exports:** India's export basket is concentrated in a few sectors, such as **engineering goods, textiles and pharmaceuticals**, which makes it vulnerable to global demand fluctuations and market risks.
 - Limited diversification of exports poses a challenge to India's export sector as it can **limit its resilience to changing global trade dynamics**.
- **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.

Way Forward

- **Investment in Infrastructure:** Improved infrastructure and logistics are critical for enhancing export competitiveness.
 - India should **prioritise investments in transportation networks, ports, customs clearance processes**, and export-oriented infrastructure such as **export promotion zones and specialised manufacturing zones**.
 - This can **reduce transportation costs, improve supply chain efficiency**, and boost export capabilities.
- **Skill Development and Technology Adoption:** Skill development programs should be implemented to enhance the **availability of skilled labour in export-oriented industries**.
 - Additionally, incentivizing and promoting technology adoption, such as **automation, digitization, and [Industry 4.0 technologies](#)**, can boost productivity, competitiveness, and innovation in the export sector.
- **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.

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)

Source: TH

PDF Refernece URL: <https://www.drishtiias.com/printpdf/india-export-capabilities>

