



India's Target of USD 1 Trillion Goods Exports by 2030

For Prelims: [Carbon Border Adjustment Mechanism \(CBAM\)](#), [Emission Trading System \(ETS\)](#), [Green Energy](#), [World Trade Organization](#), [Foreign Trade Policy](#), [European Union \(EU\)](#)

For Mains: Challenges posed by Indian Exports due to the recent trade restricting policies by the European Union (EU)

Source: [IE](#)

Why in News?

Recently, the commerce Ministry has initiated an exercise to **identify required infrastructure needs**, potential sectors, and clusters which would help the country achieve the USD 1 trillion merchandise exports target by 2030.

- However, a major future challenge lies in ensuring sustainable practices throughout the supply chain. This comes in the backdrop of another environmental law passed recently by the [European Union \(EU\)](#) - **Corporate Sustainability Due Diligence Directive (CSDDD)**.

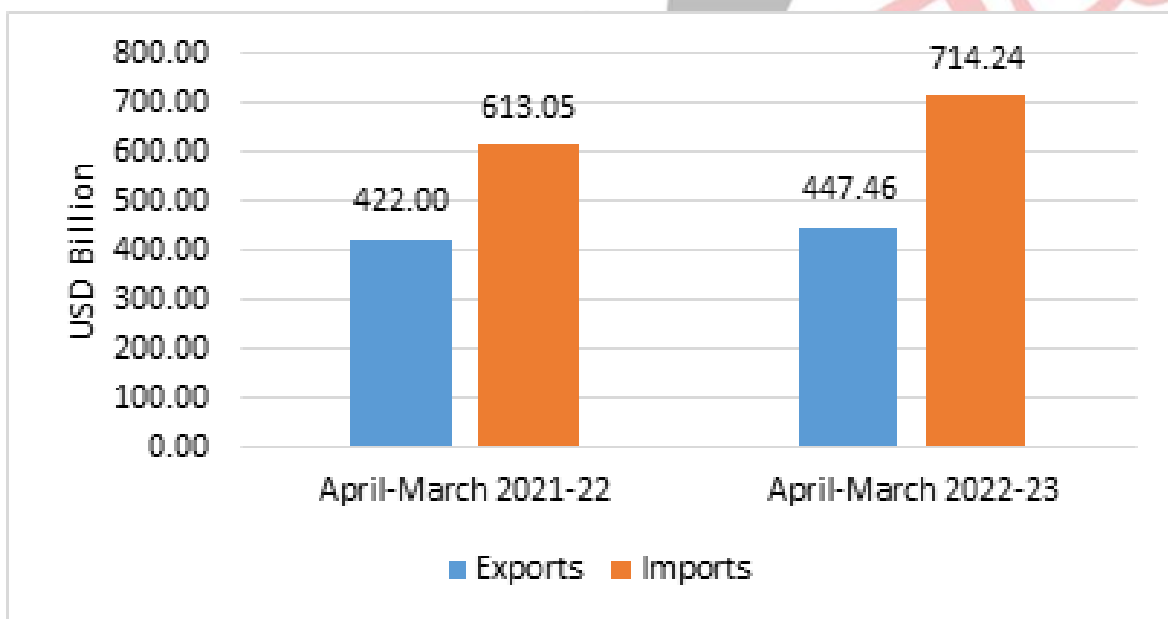
What is the Current Status of India's Exports?

- The [Foreign Trade Policy \(FTP\) 2023](#) aims to boost **India's exports to USD 2 trillion by 2030**. It focuses on emerging **areas of export**, such as **high-tech manufacturing, pharmaceuticals, and e-commerce**.
- India's **merchandise exports** increased from **USD 314 billion** in 2013-14 to **USD 451 billion in 2022-23**, growing at an **average annual rate of 5%**.
- In terms of **export destinations** for Indian goods and services, the **United States** and the [United Arab Emirates \(UAE\)](#) have remained key markets, with India diversifying in terms of export destinations to Bangladesh, Indonesia and the Netherlands.
 - **However, India's trade deficit** has more than doubled in the last decade, reaching **over USD 50 billion in 2022-23**.

What are the Emerging Sustainability Related Hurdles for Indian Exports?

- **Stricter Environmental Regulations in Importing Countries:**
 - Indian exporters, like those in sectors like textiles industry (water-intensive cotton and jute farming) and others, might struggle to comply with these evolving regulations if they don't adopt sustainable practices.
 - **Example:** The [European Union \(EU\)](#) recently passed the **Corporate Sustainability Due Diligence Directive (CSDDD)**.
 - This law requires companies operating in the EU to ensure their **entire supply chain** (from raw material sourcing to production) adheres to **environmental regulations** and follows sustainable practices.
- **Growing Consumer Demand for Sustainable Products:**

- Indian exporters in sectors like apparel, footwear, or home goods can lose market share if their products **aren't perceived as sustainable**. Consumers might choose alternatives from competitors with a stronger sustainability focus.
 - **Example:** Globally, consumers are **increasingly choosing eco-friendly** products. Fashion brands are facing pressure to **use recycled materials** like organic cotton or polyester.
- **Supply Chain Transparency Requirements:**
 - Indian exporters who **cannot demonstrate a transparent and sustainable supply chain** may face difficulties accessing some export markets.
 - **Example:** Many countries are demanding greater transparency in supply chains. This means ensuring **ethical labour practices** (fair wages, safe working conditions) and **environmentally responsible sourcing** throughout the production process.
- **Carbon Pricing Mechanisms:**
 - Indian exporters, particularly those in **heavy industries like steel or cement** production, may face **increased costs** due to their high carbon footprint. This could make their products less competitive in the global market compared to those with lower emissions.
 - **Example:** Groups like the **European Union (EU)** are implementing **carbon pricing mechanisms** like **Carbon Border Adjustment Mechanism (CBAM)** to reduce carbon emissions.
- **Lack of Infrastructure and Awareness:**
 - India might face challenges due to a lack of infrastructure for sustainable practices like **efficient waste management** or readily available **renewable energy sources**.
 - Additionally, there may be a need to raise awareness among businesses about the importance of sustainability and best practices to achieve it.



How does EU's Environmental Regulations Impact India's Export Targets?

- **Sustainability Issues for India's Export:**
 - India's major exports to the EU, such as **iron ore and steel**, are facing a significant threat due to the **carbon levies ranging from 19.8% to 52.7%**.
 - The proportion of **coal-fired power in India is close to 75%**, which is much higher than the EU (15%) and the global average (36%).
- **Increased Costs and Compliance Burden:**
 - Over 1/4th of India's exports of iron, steel, and aluminium are destined for the European Union. However, industry fears that potential EU tariffs could increase the cost of these exports by **20 to 35%**.
 - Additionally, Indian companies will need to **implement stricter due diligence practices** throughout their supply chains. This could involve audits, monitoring, and risk assessments

to ensure no forced labour or environmental damage occurs. These measures will likely add to operational costs.

▪ **Market Access Challenges:**

- Companies that fail to comply with CSDDD standards may face difficulties exporting to the EU. The directive **allows for civil liability claims and potential exclusion** from the EU market for non-compliance.

▪ **Risk to Export Competitiveness:**

- **CBAM**, initially, is likely to affect a few sectors but **may expand to other sectors** in the future, such as refined petroleum products, organic chemicals, pharma medicaments, and textiles, which are among the top 20 goods imported from India by the EU.
- Since **India has no [domestic carbon pricing scheme](#)** in place, this poses a greater risk to export competitiveness, as other countries with a carbon pricing system in place might have to pay less carbon tax or get exemptions.

What Steps Can Be Taken By India To Counter the Sustainability Related Hurdles?

▪ **Global Supply Chain (GVC) Integration:**

- India needs to increase its presence in the vast network of [global supply chains](#), which account for 70% of global trade, is a significant growth opportunity.
- Cross-country estimates suggest that a **1% increase in GVC participation can boost per-capita income by more than 1%**, particularly when countries engage in limited and advanced manufacturing.

▪ **Infrastructure Boost:**

- India should focus on upgradation of ports, airports, and railways is crucial to handle the projected surge in exports and imports.
- The Indian government has partnered with the **Asian Development Bank (ADB)** for collaboration that will identify promising sectors for export growth and pinpoint the necessary infrastructure upgrades to handle the projected \$2.5 trillion increase in total trade volume by 2030 - A step in the right direction.

▪ **Voicing Collective Challenges :**

- India should raise developing countries' collective challenges related to the CBAM and CSDDD in international forums like the [World Trade Organisation \(WTO\)](#), asserting that it undermines the crucial principle of '**Common but differentiated responsibility.**'
 - By imposing restrictions on the developing world's ability to industrialise, CBAM challenges the equity envisioned in international climate agreements.

▪ **Consideration of Export Tax:**

- As a strategic response, India is contemplating imposing a similar tax on its exports to the EU. While this could subject producers to a [comparable tax burden](#), the **funds generated offer a unique opportunity to reinvest** in environmentally friendly production processes.
 - This not only **mitigates the impact of current taxes** but also positions India favourably for potential future reductions.
 - The success of this countermeasure hinges on navigating these uncertainties and securing international cooperation.

What are the Major Government Initiatives to Promote Export Growth?

- [Trade Infrastructure for Export Scheme \(TIES\)](#)
- [PM Gati Shakti National Master Plan \(NMP\)](#)
- **Duty Drawback Scheme**
- [Remission of Duties or Taxes on Export Product \(RoDTEP\)](#)
- [Rebate of State and Central Taxes and Levies](#)

Drishti Mains Question:

Q. Discuss about the recent trade restricting policies by the European Union (EU) and their impact on Indian exporters.

UPSC Civil Services Examination, Previous Year Question(PYQ)

Prelims:

Q1. Which of the following adopted a law on data protection and privacy for its citizens known as the 'General Data Protection Regulation' in April 2016 and started implementation of it from 25th May 2018? (2019)

- (a) Australia
- (b) Canada
- (c) The European Union
- (d) The United States of America

Ans: (c)

Q2. 'Broad-based Trade and Investment Agreement (BTIA)' is sometimes seen in the news in the context of negotiations held between India and (2017)

- (a) European Union
- (b) Gulf Cooperation Council
- (c) Organization for Economic Cooperation and Development
- (d) Shanghai Cooperation Organization

Ans: (a)

Mains

Q. "Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs)".Comment on the progress made in India in this regard. (2018)