

How to galvanise India's exports

The trade policy must focus on promoting products, rather than towns, that hold export potential

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The long-awaited new Foreign Trade Policy (FTP), which came into effect on April 1, 2023, has set an export target of \$2 trillion by 2030 and seeks to integrate India further into global value chains. The FTP has added four new 'Towns of Export Excellence' (TEE), in addition to the already existing 39 towns of export excellence.

In a country of 766 districts, only 43 towns get fiscal incentives for global market surveys and brand promotions, setting up warehouses, and import of capital goods at zero customs duty for export-oriented production.

Rather than focus on a few towns, the thrust should be on 'Industries of Export Excellence' (IEE). There is a need for policy rationalisation to level the playing field for export-oriented industrial sectors. For expanding foreign trade, the government must assess the demand for key products in the global market, to ensure volumes, value, scale and intensity. The new FTP should incorporate a plan to promote key sectors such as textile and apparel, bicycles, auto parts, tractor, engineering

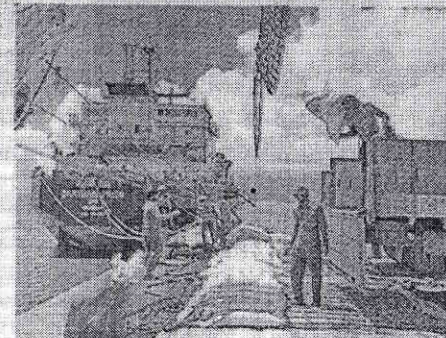
goods, hand/machine tools, and agri-products like basmati, fruits and vegetables and dairy products.

India has been struggling to raise its share of global export of merchandise to 2 per cent. In the following sectors, there's potential to boost exports.

Milk and dairy: India is the world's largest milk producer, but accounts for less than 0.5 per cent of world dairy exports. Also, the country is the second-largest producer of fruits and vegetables, but has failed to export its surpluses optimally.

Textile and apparel: The size of the Indian textile and apparel market is estimated at \$153 billion, of which, 70 per cent is consumed domestically and the balance, exported. India's share in the global market is 5 per cent, while China's is 37 per cent followed by Bangladesh, at 7 per cent. The US, UAE, UK, Germany, France, and Australia are potential export markets.

Auto parts: India's export share, according to Automobile Component Manufacturers Association (ACMA), is 25 per cent of the total turnover of ₹5.10-lakh crore, and its global share is 11 per cent. Strong international



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demand and resurgence in original equipment manufacturers (OEMs) and after-market segments are expected to help the Indian auto component industry grow in the global market.

Bicycles: China is dominating the global market and exports 60 per cent of its production of 10 crore bicycles. India is the second-largest manufacturer of bicycles, but exports only 10 lakh bicycles or 5 per cent of the total production.

There's potential to raise the country's share in the global market in the next three years as the demand for

bicycles/e-bicycles in the US, Europe and Africa are surging.

Basmati: Having a 65 per cent share in the global market, India is the leading exporter of basmati rice. There is huge scope to diversify from non-basmati to basmati as also tap new markets.

Sports goods: Accounting for 42.2 per cent of the global market, China is the largest exporter of sports goods while India's share is a mere 0.56 per cent. There's significant headroom in this sector, with the US, UK, Brazil, Germany, Mexico, South Africa and Argentina holding much potential.

To galvanise the country into becoming an export hub there's a need to identify products and services with export potential. The potential at the district level must be gauged by conducting outreach activities, including buyer-seller meets and trade fairs. Also, expanding exports from MSMEs and remote districts will not only have positive cascading effects on the economy but also on the livelihoods of millions of people. •

The writer is Vice Chairman of Punjab Economic Policy and Planning Board. Views are personal