

AMID GEOPOLITICAL TENSIONS

Growing exports to be stiffer challenge

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New Delhi, 22 July

The Economic Survey on Monday cautioned that growing exports will be a “stiffer challenge than before” due to the risks of geopolitical tensions, rise in protectionism, higher trade cost because of the Red Sea crisis, and commodity price volatility.

To deal with this, India needs to understand what the changing paradigms mean for the country and frame policies that straddle security concerns with economic considerations, which can be done by encouraging manufacturing in niche and complex sectors through production-linked incentive (PLI) schemes and Make in India.

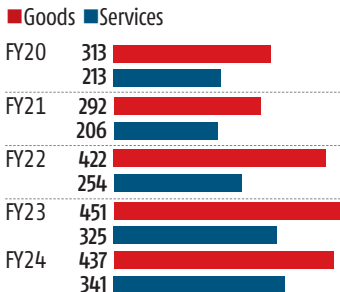
According to the Survey, despite the risks, in the coming years, trade



deficit is expected to decline further as the PLI scheme is expanded and India creates a globally competitive manufacturing base in several product categories.

The recently signed free trade agreements with the United Arab

THE EXPORTS STORY (\$ bn)



Source: Department of Commerce, RBI

Emirates, Mauritius, Australia, and European Free Trade Association (EFTA) are expected to increase the global market share of the country's exports.

Besides, international agencies as well as the India's central bank

expect the current account deficit to gross domestic product to moderate to below 1 per cent for FY24 due to growing merchandise and services exports and resilient remittances. The last quarter of FY24 ended with a current account surplus of 0.6 per cent of GDP.

“In the future, the changing composition of India's export basket, enhancement in trade-related infrastructure, enhanced quality consciousness and product safety considerations in the private sector and stable policy environment are expected to play a significant role in driving India's rise as a global supplier of goods and services,” the Survey said. It pointed out that rising protectionism is another risk that could undermine trade recovery in 2024 and 2025. One case in point is, the US was India's second-

largest trading partner in FY24 after China. However, the US' overall import volume contracted 1.7 per cent in 2023 compared to a growth of 8.6 per cent in 2022, which significantly influenced export growth in trading partners, including India.

Fluctuations in commodity prices, especially for critical imports like oil, metals, and agricultural products, can impact India's trade balance and inflation levels. India is working towards unlocking the potential gains from growing integration by augmenting the logistics front through large infrastructure deals. Ashwani Kumar, president, Federation of Indian Export Organisations, said reducing the cost of logistics in the country will help in making our exports more competitive.