Boosting Exports to India's Advantage

What is the issue?

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- The midterm review of foreign trade policy 2015-20 has offered measures to boost exports.
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- However, India further needs structural changes for a higher and sustainable exports growth particularly in labour-intensive sectors.
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What is the need?

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- **Significance** - Exports are an important driver of economic growth and help create much needed jobs for India’s growing workforce.
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- They played an important role in transforming countries such as South Korea and China in recent decades.
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- Therefore, India will need to work on increasing competitiveness to expand its exports share in the world market.
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- **Opportunity** - Due to rising wages and an ageing population, the long dominated labour-intensive manufacturing is moving out of China.
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- This should logically be an opportunity for India to expand its manufacturing sector.
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- However, this is not happening in a big way, and India is losing out to other Asian countries.
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- E.g. Vietnam and Bangladesh are becoming more competitive and are capturing the low-end manufacturing space being vacated by China.
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- On the other hand, India’s competitiveness, in some of the labour-intensive

sectors, has actually declined over the past decade.
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What should India do?

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- Efforts to increase competitiveness and focussing on the potential labour-intensive sectors will certainly give India an edge to fill the vacuum.
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- **Logistics** - Improving logistics to increase efficiency, both in terms of the time and costs involved is of utmost importance.
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- The measures in this regard as spelt out in the trade policy review should be taken forward and put into action.
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- **Labour Laws** - India has a large number of small enterprises.
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- However, they are not in a position to attain economies of scale and compete in international markets.
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- The prime reason for this is the regressive labour laws.
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- Firms in labour-intensive sectors will need more freedom to operate.
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- Also, more flexibility in land acquisition will also help the manufacturing sector.
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- **Trade Policy** - India has always supported rule-based multilateral trade negotiations under the WTO.
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- But, as progress has been limited in recent years, it should also look for opportunities to reduce trade barriers at the regional and bilateral levels.
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- Also, there is the threat of protectionism and rising automation among the world nations.
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- Given this, India needs to be prepared to protect its interests without compromising on its open trade policy.
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- **Currency** - Rupee appreciation in the recent period is getting to be disadvantageous for the exports sector.
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- Given this, it is crucial that India keeps the currency competitive and stable.
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- This is not to suggest that India needs an undervalued currency, but RBI should not allow the rupee to appreciate sharply.
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- India should thus work on these fronts to capitalise on the changes in the global trade scenario.
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