Making India a Global Export Hub

What is the issue?

In the last decade, India's exports did not perform well when compared to its full potential.

What is the trend in India's exports?

- Since 2011, India's exports were hovering around $300 billion only.
- During the same period, India's share in world merchandise exports is just 1.5-1.7 per cent.
- The share of exports as percentage of GDP is also not so encouraging which reduced from 17 % in 2011 to 12.4 % in 2018.
- Hence the new Foreign Trade Policy (FTP) has to address several issues with respect to promotion of exports.

What are the issues in the existing FTP?

- The existing FTP incentivises exports through Merchandise Exports from India scheme (MEIS) and the Export Promotion Capital Goods scheme (EPCG).
- Under MEIS, exporters receive duty credit scrip for a percentage of the value of goods exported which can be used for payment of different taxes and duties.

- In 2019, the WTO dispute panel ruled that MEIS violates WTO rules and hence Remission of Duties or Taxes on Export Products (RoDTEP) replaced it.
- In RoDTEP, taxes and duties- mandi tax, VAT, coal cess, excise duty on fuel- was refunded but it largely benefited the textile sector than any other sector.
- EPCG under which capital goods are imported at concessional or zero import duty has to be overhauled to become WTO compatible.

What are the other issues in India's trade?

- In order to promote local manufacturing in potential sectors like mobile, pharma and textiles, Production Linked Incentive (PLI) scheme was announced.
- Under this, manufacturers will be incentivised by the government on

incremental sale of goods based on certain eligibility criteria for five years.
- This initiative is taken at right time when MNCs were moving out of China but India was not able to grasp the opportunity due to multiple factors.
- This includes cost and quality of power, high logistics cost, low labour productivity, insufficient labour reforms and low R&D expenditure.

What should be done to make India an export hub?

- India should interlink its new FTP with FDI and industrial policies to make it as a global export hub which will also help India to become an integral part of global value chain (GVC).
- SEZs can be set up in sectors identified under the PLI scheme for improving the manufacturing infrastructure.
- The new FTP should explore the under-tapped markets like Africa by reviving ties with them through trade and investment.
- The FTP should also find ways for increasing people-to-people cooperation and providing technical support to exporters for understanding the legal and business environment.
- More emphasis must be given to enhance trade relations with neighbouring countries- Bangladesh and Sri Lanka and Act East policy should be further strengthened.
- India should pave way for meaningful negotiation with the EU for free trade agreement (FTA).

What more can be done?

- The import tariffs for several product categories have been raised since 2018 for achieving the goal of self sufficiency.
- Though these measures were taken to develop domestic capabilities but such protection measures should be accompanied with a sunset clause.
- The government should gradually phase out of import tariff especially for strategic partners.
- The economy of a country cannot grow without enhancing its export performance.
- Hence policymakers must help India to attract MNCs and at the same time they need to strengthen domestic manufacturers to make India a global export hub.

Source: Business Line