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India needs five-pronged approach to enhance export competitiveness

TOPICS: #MVIRDC MVIRDC World Trade Center Mumbai

WORLD TRADE CENTER MUMBAI
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MUMBAI, 11 DECEMBER, 2019 (GPN): An analysis by MVIRDC World Trade Center Mumbai shows India's growth in exports after the global financial crisis has underperformed many developing countries. Data from World Trade Organisation shows that India's exports have grown at a CAGR of 1.0% in the 7-year period from 2011 to 2018 compared to a whopping 14% growth in Vietnam, 3.2% growth in Turkey, 3.7% in Mexico, 3.9% in China and 2.1% in the entire Asia.

The country must adopt a five-pronged approach to enhance international trade. These include setting up an official trade promotion organisation, upgrading logistics infrastructure, revamping policy on Special Economic Zones (SEZs), promoting export credit to MSMEs and having an integrated approach to free trade agreements (FTAs).

"The relatively weaker performance of India's exports could be attributed to factors such as absence of an institutional mechanism to promote trade, lack of skilled manpower, poor logistics infrastructure, among others. Most importantly, India needs an official trade promotion organisation with its branches in foreign countries, on the lines of TAITRA, KOTRA and ProMéxico, to promote its goods & services in foreign markets," said Ms. **Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai.**

Secondly, we need to bring about efficiency in the logistics sector, which is characterized by a large number of unorganized and fragmented players with lack of coordination and exchange of information among them. For instance, 90% of the warehousing market is controlled by unorganized sector and most of the warehouses in the country are less than 10,000 sq.ft.in size. Despite being the second largest producer of fruits and vegetables in the world, India has not fully utilized export potential in this sector because it loses 25-30% of fruits on account of poor cold chain infrastructure.

An efficient logistics infrastructure will reduce the cost of logistics, which is currently estimated at 13-14% of GDP in India, compared to 9%-10% in USA, 10% in Europe, 11% in Japan.

Thirdly, the government must adopt an integrated ecosystem driven approach in SEZs with thrust on ease of doing business and excellent internal & external infrastructure. India's SEZ policy has limited impact on the manufacturing sector compared to its impact on the services sector on account of various challenges. SEZ units in India face tax, regulatory and infrastructure constraints, besides difficulties in doing business. Units in SEZs have to contend with time consuming and complex entry and exit process and there is no single window mechanism for administering statutory clearances. Moreover, SEZ units are not satisfied with quality of link and internal infrastructure in their zones.

In order to attract manufacturing investment in SEZs, the government must provide flexibility to units in terms of land leasing norms and rules regarding sub-contracting on behalf of units in the Domestic Tariff Area.

Fourthly, the government and RBI must take steps to ensure availability of foreign currency loans to exporters on reasonable interest rates and create awareness about the benefits of export factoring among MSMEs.

Fifthly, India must adopt an integrated approach while negotiating future trade agreements with countries. India has signed 10 free trade agreements (FTAs) and six preferential trade agreements with different countries and trade blocs. India's experience with signing FTA has been mixed as some commentators point to the rising trade deficit with our FTA partners. The government must create a team of experts to negotiate future FTAs. The government needs to strike right coordination among different ministries, state governments, industry bodies and other stakeholders to accommodate their views and concerns with regard to FTAs. **ENDS**

INDIA NEEDS FIVE-PRONGED APPROACH TO ENHANCE EXPORT COMPETITIVENESS

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by Suman Gupta

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