

GOVERNMENT AND EXPORT PROMOTION COUNCILS SHOULD DISCUSS ACTION PLAN TO ADDRESS DAMAGE TO EXPORTS

The outbreak of the COVID-19 virus will likely depress India's exports that contribute 19% to the country's GDP because of slowdown in global demand and complete lockdown in some affected countries.

Export oriented sectors such as automobiles, pharmaceuticals and electronics were affected so far because of inability to import raw materials or intermediate goods from China. With the resumption of industrial activity in China, it remains to be seen how quickly the disrupted supply can be restored.

Meanwhile, exports of diamond, a key contributor to merchandise exports, may be affected because of possible weak demand in Hong Kong, China and US, that import 80% of India's diamonds.

Exports of pharmaceuticals, another major export-oriented sector, may be affected because of government's directive restricting shipment of 26 active pharmaceutical ingredients and finished formulations. These products account for around 10% of India's drug and pharmaceutical exports.

Media reports suggest that India's exports of grapes may suffer because of low demand in retail stores in Europe, which is a major destination for our grapes. Exporters of banana, pineapple and other fruits are also affected because of cancellation of flights, which is the preferred mode of transport for perishable goods.

Theoretically, a depreciating currency enhances the export competitiveness of a nation. However, Indian exporters may not be able to take advantage of this as currencies of other emerging markets have also fallen against dollar in recent weeks.

In this scenario, focused efforts from policy makers, export promotion councils and the exporting community are required to minimise the impact on the sector.

Some export promotion councils advised their members, who were dependent on China for raw materials, to look for alternative sources in case supply disruption continues to persist.

India should also actively look for opportunities to outcompete China in those goods where we have competitive advantage. Recently, an analysis by the Union Ministry for Agriculture and Farmers's Welfare showed India has the potential to enhance exports of 21 agricultural commodities and capture the global market of China in these commodities. These commodities include potatoes, honey, onions, grapes, soya beans, groundnuts etc.

Government should discuss with exporters about the likely impact in their sectors and take prompt actions, in terms of identifying new markets for our products and exploring alternative sources of import of raw materials and intermediate goods. Government should also provide short term relief measures such as additional lines of credit to exporters, waiver of taxes, extension of time limits for repayment of loans by exporters etc.

A coordinated action plan can help minimise the impact of this pandemic on India's export sector.

NOTIFICATIONS

DGFT

- Amendment in export policy for mask, ventilators, textile raw materials
- Amendment in import policy for select commodities

Press Information Bureau

- Janta curfew is just the beginning of the long battle
- Important decisions taken to check COVID-19

CBIC

- Notification of tariff value

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