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India can increase GVC links with Eurozone, Indonesia, USA, UAE and Hong Hong

Research studies from multilateral institutions show that a country's economic growth gets a boost by integrating into global value chains (GVCs). A report by the World Bank found that a country could grow its per capita income by more one percent if it increases its GVC participation by one percent. GVCs also have a more positive impact on productivity than conventional trade.

According to the latest study by Reserve Bank of India (RBI), India is well integrated in Global value chain with Eurozone, US, Hong Kong, UAE and Indonesia. The study identified list of sectors where India can strengthen integration with other countries. For instance, India can strengthen intra-industry trade diversification with the Euro area, Indonesia and USA with in the automotive industry. India can also increase its integration with the Euro area, the USA, the UAE and Hong Kong in the global value chain for electrical machinery. India has strong potential to integrate in the global value chain for precision instruments with countries such as Hong Kong, the USA, Indonesia and the UAE, the research shows.

In the backdrop of the COVID pandemic, India has a unique opportunity to enhance its integration in GVCs as several multinational companies are looking to diversify their supply chains away from China. However, the country needs to take a series of policy steps to increase its GVC participation. These steps are developing hard and soft infrastructure, providing reliable intellectual property rights for the international investor and implementing labour market reforms, research study from RBI shows.

However, the study cautions against concentration of GVCs in a country or group of countries as the current COVID pandemic demonstrated with respect to GVCs, associated with China, the US and Europe. The concentration risk of GVCs in a single country can produce large global spillovers, impacting income, trade and investment, the study shows. In other words, the study warns against excessive dependence on one country or one region in a GVC and instead have an alternative GVC with other countries to prevent supply disruptions arising out of global crisis such as COVID pandemic.



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Notifications

Press Information Bureau, Government of India

17TH ASEAN-India Economic Ministers' Consultations

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1649703>

Import data in GSTR-2A

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1649521>