

Exporters should be forward-looking and tap new opportunities

COVID crisis has spurred discussion on how India can benefit from the opportunities arising from this crisis and become a dominant player in the global supply chain. Mr. Prahalathan Iyer, Chief General Manager, EXIM Bank raises hope that India stands to benefit from the expected shift in global supply chain after the crisis. In an interview to MVRDC World Trade Center Mumbai, Mr. Iyer suggests industry to use Government of India's policy measures geared to make India a leading player in global supply chain.

According to him, exporters should adopt a forward-looking, adaptive approach to not only ensure business continuity, but also to tap the emerging opportunities. He points out that the government's move to implement electronic Bill of Lading will digitalize the process flow of Letter of Credit, which is a popular payment mechanism in foreign trade.

Excerpts of the interview:

1. [India's exports declined almost 60% in April because of COVID crisis. How will the crisis impact India's overall exports during Apr-Jun quarter of 2020? What are the segments of exports that may witness maximum impact?](#)

The coronavirus outbreak began as a global supply-chain shock, but has now triggered strong demand shocks across the world due to the lockdown measures in countries. This has severe implications for growth in global output and trade. According to the World Trade Organization, global trade is expected to fall by between 13 percent and 32 percent in 2020, depending upon the extent and duration of recovery from the pandemic. In fact, the current slowdown in global trade is expected to be worse than the trade slump brought on by the global financial crisis of 2008-09. Understandably, exports from India would also be affected by the coronavirus crisis.

The impact of supply chain disruptions began showing on Indian exports in March 2020, with exports across all principal commodity groups except iron ore witnessing a negative y-o-y growth as compared to March 2019. Weaker demand, falling commodity prices, supply chain disruptions, reduced production due to the nationwide lockdown, and lower business and consumer confidence would continue to affect overall exports in the first quarter of 2020-21. Notwithstanding the challenges, the gradual easing of restrictions on commercial activities from end-April 2020 and the government's efforts to address issues faced by businesses, through a massive economic stimulus, could minimise the overall impact on businesses and exports.

Exports from sectors such as tourism, textiles, gems and jewellery, electronics and automotive, among others, are likely to be negatively impacted, due to both demand issues in key export destinations like the USA and European countries, as well as disruptions in supply chain and transportation. The pandemic has also led to widespread decline in commodity prices, which would affect India's exports of petroleum products and metal products in value terms. These resource-intensive manufactures account for more than one-fifth of India's merchandise exports.

2. [When do you see recovery in India's exports and what are the segments that may witness maximum growth in exports?](#)

The Government of India (GOI), the Reserve Bank of India (RBI), and financial institutions have undertaken a plethora of measures to alleviate the challenges faced by exporters. For instance, the interest equalisation scheme for pre and post shipment export credit has been extended for a year till March 31, 2021. Relaxation in NPA classification announced by the RBI, stimulus measures taken to boost the supply side of the economy, among others, are likely to help the economy and the export growth to pick up.

Transportation and packaging issues have also been addressed by the GOI to ensure robust logistics for exports amidst the lockdown. This is especially critical for perishable items which require efficient storage, seamless end-to-end connectivity and good packaging. Recognizing the need for such measures in case of agricultural products, the GOI and APEDA have made concerted efforts to bolster the supply chain for agri-exports. Exports of major farm products such as rice, meat, dairy and processed food items have resumed after the government stepped-up its efforts to resolve the issues related to transportation, logistics and packaging.

Significant progress has also been made in terms of digitisation of processes related to exports. The government is fast tracking a plan to implement electronic Bill of Lading (eBL) in order to obviate the need for issuance, delivery and dispatch of the hard copy of trade documents required by many government departments, authorities and financial institutions. The eBL will also facilitate digitisation of the process flow for Letters of Credit. Other key documentations such as certificate of origin and phytosanitary certificates have already been digitized.

As far as opportunities are concerned, there are clear prospects in the sectors related to healthcare. According to the Ministry of Chemicals and Fertilizers, the Indian pharmaceutical industry supplies over 50 percent of the global demand for various vaccines, 40 percent of the demand for generic drugs in the USA, and 25 percent of all the medicine in the UK. As countries ramp up their health expenditure, there is substantial scope for boosting exports of pharmaceuticals, chemical products, and medical and surgical instruments from the country.

The ongoing nature of the pandemic makes it difficult to ascertain the time period required for a full recovery. However, with the slew of measures introduced by the government, some progress is plausible in a period of 3-6 months.

3. [As India's leading export finance institution, what is your advice to exporters in the post COVID world? Do you feel new opportunities for market diversification and new opportunities in exports will emerge?](#)

Exporters should adopt a forward-looking, adaptive approach to not only ensure business continuity, but also to tap the emerging opportunities. There are expectations of a realignment of global production centres and alterations in global value chains, due to the risk mitigation strategies of multinational companies, emerging geo-politics, and also the shifting epicentres of the outbreak. Companies in several advanced economies such as the USA and Japan are looking at diversifying their operational base away from China, which presents significant opportunities for Indian companies. Indian businesses could position themselves as reliable suppliers for these companies at tier 2 level or even higher at tier 1 level.

Access to finance will be a critical success factor for internationalisation efforts of Indian companies, and the stakeholders in India have exhibited remarkable commitment to support businesses in their endeavour. Several banks and financial institutions have announced schemes for companies, especially MSMEs, to tide over the liquidity challenges. The ECGC Ltd. is also providing stalwart support to alleviate risks associated with exports. Exporters should utilize these facilities for ensuring business continuity, expanding their market reach, and reducing their dependence on a few markets or buyers.

The GOI is also boosting production in certain sectors with the overarching aim of self-reliance. For instance, in the electronics sector, the GOI has announced several measures to encourage investments and value chain linkages, such as the production linked incentive scheme for large scale electronics production, the scheme for promotion of manufacturing of electronic components and semiconductors, and the Modified Electronics Manufacturing Scheme (EMC 2.0). Similarly, in the pharmaceutical sector, the GOI has announced measures to boost domestic production of bulk drugs and drug intermediaries. Currently, nearly 66 percent of India's requirement of intermediate drugs is being met through imports, of which nearly two-third comes from China alone. To reduce import dependence and achieve self-reliance, the GOI has announced a scheme to promote setting up of bulk drugs parks in the country. Businesses could expand their production into these areas and benefit from the incentive schemes.

Companies should also seek guidance to navigate the challenges associated with exports. In this context, businesses should utilize the helpdesk facility set up by the Directorate General of Foreign Trade for their trade-related issues arising due to the coronavirus outbreak. Companies can also explore the Exim Mitra portal of Exim Bank (www.eximmitra.in) to make informed decisions about their internationalisation ambitions.

Notifications

Press Information Bureau, Government of India

Minister suggests exporters to be more competitive

<https://pib.gov.in/PressReleasePage.aspx?PRID=1627432>

Facility for instant PAN through Aadhar based e-KYC

<https://pib.gov.in/PressReleasePage.aspx?PRID=1627434>

Daily Bulletin on COVID-19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1627474>

DGFT

Amendment in export policy of paracetamol

https://dgft.gov.in/sites/default/files/Noti%2007%20Eng_0.pdf

Allocation of additional quantity for export of sugar to USA under TRQ

https://dgft.gov.in/sites/default/files/PN%2007%20Eng_0.pdf

CBIC

Definitive anti-dumping duty on electronic calculators

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd09-2020.pdf>