

## India needs two-pronged policy actions to kickstart exports

India's merchandise exports have hardly increased by 0.2% per annum from USD 310 billion to USD 313 billion in the last five years ending 2019-20. However, export of non oil and non gold exports have grown at a faster pace of 2.2% since 2014-15. The major reason for the poor performance of the overall exports is the sharp contraction in export of petroleum products from USD 56 billion to USD 41 billion in this period. Decline in gems and jewellery export is another reason for lackluster growth in overall exports. Export value of petroleum and jewellery products depends on the global market price of crude oil and gold, which respond to global economic and geopolitical conditions.

We should not lose sight of the fact that exports of several product categories have registered growth during this period. These product categories are electronic goods, engineering goods, ceramic goods, chemicals, pharmaceuticals, marine products, handicrafts, plastic & linoleum and iron ore. Increase in exports in these eight categories (except iron ore), is welcome as most of them are labour intensive manufacturing sectors. Increase in iron ore exports is largely because of favourable price in the global market and increase in domestic production. In fact, India reduced dependence on imports of iron ore and pellets declined considerably in 2019 because of increase in domestic availability of the commodity.

In the agriculture and allied sectors, six product categories witnessed growth in exports out of 13 categories. These are tea, tobacco, spices, marine products, fruits & vegetables and cereal preparations. Export of meat, oil seeds, oil meals, cashew, cereals and coffee witnessed contraction in the last five years.

What is worrisome is the decline in exports of certain labour intensive manufactured goods such as leather, readymade garments and man-made textile. Similarly, exports of carpets, jute products and cotton textile have hardly increased in the last five years.

In this backdrop, we need a two-pronged policy action to kickstart India's exports. Firstly, government should examine the reasons for poor export performance in these product categories and address the issues faced by them. Secondly, the government should provide production linked incentives to the above mentioned eight sectors, where exports have grown remarkably, to sustain this growth momentum.

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