GALVANIZING
India's Exports

ASSOCHAM INDIA

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India is one of the fastest growing economies of the world with promising business opportunities. Backed by the continuous expansion in the manufacturing sector and increased private and foreign investments. India's merchandise exports in April surged 30.7% at $40.19 billion compared to $30.75 billion in the corresponding period last year. Tamil Nadu, in general, exports goods in which it has a comparative advantage. The State boasts a diversified export basket in various sectors such as automobile and components, machinery and instruments, electronic hardware, software, readymade garments and accessories, yarns, fabrics, and leather products. The value of merchandise exports from Tamil Nadu stood at Rs. 11.55 lakh crore (USD 168.5 billion) between 2015-16 and 2020-21.

Tamil Nadu is the 3rd largest State in exports. It has been a leading state for export from early times and has transitioned itself with modern requirements. The state's advanced infrastructure has made it home for various export-oriented manufacturers. Tamil Nadu is a traditional exporter of Textiles & Garments, Leather Goods, Automobiles & Components and Electronic Hardware among others.

Tamil Nadu's share on the export front stood at $ 26 billion and this should be increased to $ 100 billion by 2030., 2020-21 fiscal year, Tamil Nadu stood third in the country by exporting to the tune of Rs 1.93 lakh crore, contributing 8.97 per cent to the nation's overall exports.

In the present Global Scenario, there are few challenges in exports. However, The Government of Tamil Nadu is undertaking a holistic approach to encourage and assist Exporting Organisations in the State to become globally competitive and improve the State's share in national exports.

Jyoti Prakash Gadia
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Even as the Covid-19 pandemic nears its end, our nation has learned from the difficulties and refined its strategy to fortify its long-term economic prosperity. In addition, the current economic downturn has allowed India to pursue export-oriented growth through a targeted policy shift to improve its manufacturing capabilities and market value-added Indian goods internationally.

Given that exports have contributed an average of 20% to India's GDP over the previous ten years, it is imperative to understand the factors that have contributed to export growth. Expanding exports in the modern global economy depends not just on a country's comparative advantage or natural resources, but also on its ability to specialise in one or more of the increasingly wide range of activities that make up the Global Value Chain (GVC). It is necessary to examine strategies for India to more effectively integrate the Global value chain. Given that GVC exports make up more than half of all exports globally, no nation can continue to grow its exports without deepening its integration into GVC.

While import substitution may have existed for some time (Asian tigers), it was gradually phased away, and this is a significant lesson. Another key takeaway is that these nations have risen up the manufacturing value chain while developing their capacities in labor-intensive industries. The fact that these countries climbed the manufacturing value chain while strengthening their capacities in labor-intensive industries is another important point to remember.

This study for ASSOCHAM's conference on "BUSINESS EXPORTER SUMMIT & AWARDS 2022" examines many facets of India's exports and details key strategies and trends, paving the way for additional thought experiments on this subject.

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A PANORAMIC VIEW

Exports are considered to have a substantial impact on the growth and expansion of an economy. High economic growth has historically been preceded by policies that are more export-focused and outward-looking. The remarkable economic performance of countries like South Korea and Singapore was inextricably linked to their growing export markets. Moreover, exports greatly assisted these economies in fostering innovation besides improving growth.

India's total exports (goods and services combined) are estimated to be $ 669.7 billion from April to March 2021–22, up 34.5 percent from the same period previous year and 27.2 percent from April to March 2019–20. Despite the recent geopolitical upheavals in Europe and the worldwide economic slowdown brought on by the Covid-19 outbreak, India was able to surpass its overall export goal of US$ 650 billion.

The primary measures aimed at raising exports of both goods and services by gradually removing local and foreign trade restrictions, reducing transaction costs and adopting WTO-compliant policies will likely help the economy reach the $5 trillion threshold by 2025. fostering innovation besides improving growth.

For export promotion plans to be effective in fostering interstate competition, a detailed analysis of preparedness or ability to export is crucial. EPI (Export Preparedness Index) comes in handy in this context. It provides a thorough evaluation of India's success in exportig to the outside world. States/Union Territories (UTs) could use the index to review their performance and evaluate possible obstacles in order to improve their policy frameworks for promoting export-led growth at the subnational level. EPI is a data-centric initiative to uncover the core components essential for subnational export promotion. The index is a crucial tool for decision makers and exporters to examine the catalysts and barriers, then evaluate them to plan a feasible export roadmap for the state. The index covers 28 states and 8 UTs and includes four pillars, eleven sub-pillars, and sixty indicators.

Exports are essential to global economies because they give companies and their goods access to vibrant new markets; promoting trade, exports, and imports globally is a top priority of diplomacy and foreign policy for the benefit of all trading partners. Even in a large country like India with a sizable domestic market, growth can only be maintained with an export-oriented policy focus.

Even if we would still be behind China in a few years even with a population of 1.5–1.6 billion and a $10 trillion economy, it would still be a notable achievement and have a generation-long effect on people's lives.

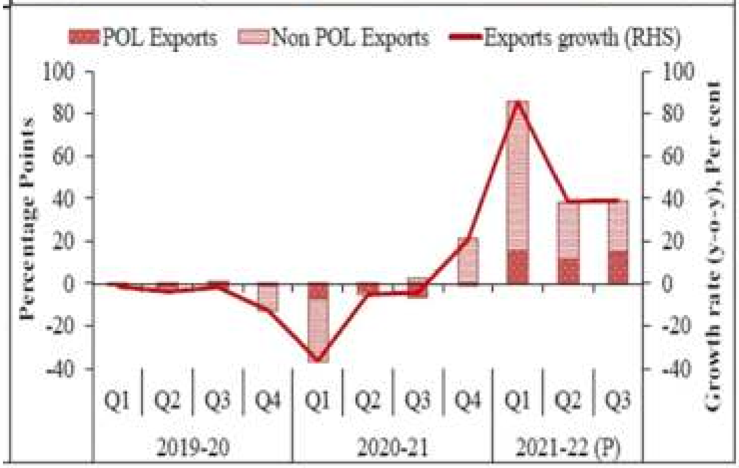
India's Merchandise Exports

a. Accelerating exports in 2021-22

Source: Department of Commerce
Note: P: Provisional

India's Merchandise Exports

b. Relative Contribution in Exports growth (Driven by both POL & non-POL exports)



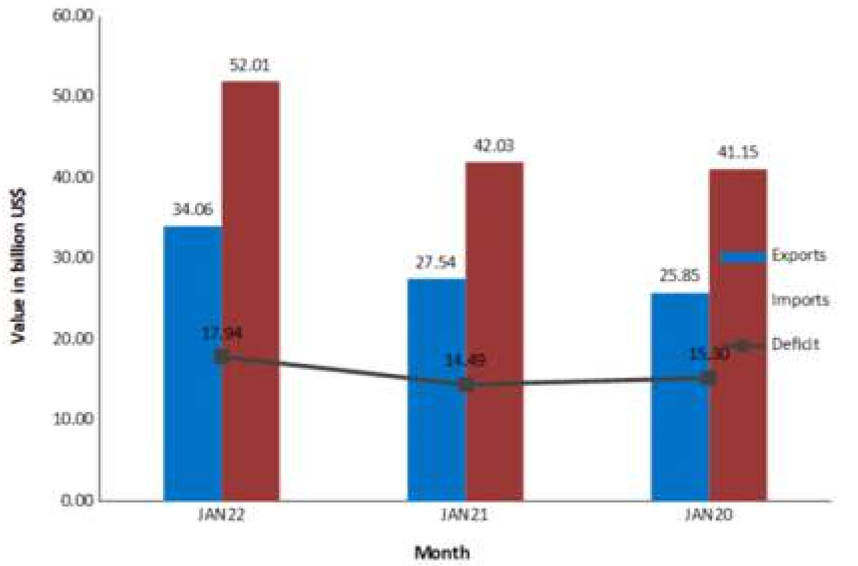
Source: Department of Commerce
Note: P: Provisional

(Petroleum, Oil and Lubricants (**POL**) **exports.)**

The Eco Survey 2022 also found that even industries with poor performance in 2020–21, such as dairy products, marine products, buffalo meat, tea, and coffee, had experienced significant growth in 2021-22. This bodes well for the future diversification and expansion of agricultural exports.

Despite of COVID-19 havoc and its effects on the global economy due to constant lockdowns, India has been resilient in the export sector with an effective growth in the financial year 2021-22. Due to the chemical, electronics and petroleum products sectors, May 2022 saw an increase of 15.46% in India's exports of commodities to 37.29 billion dollars.

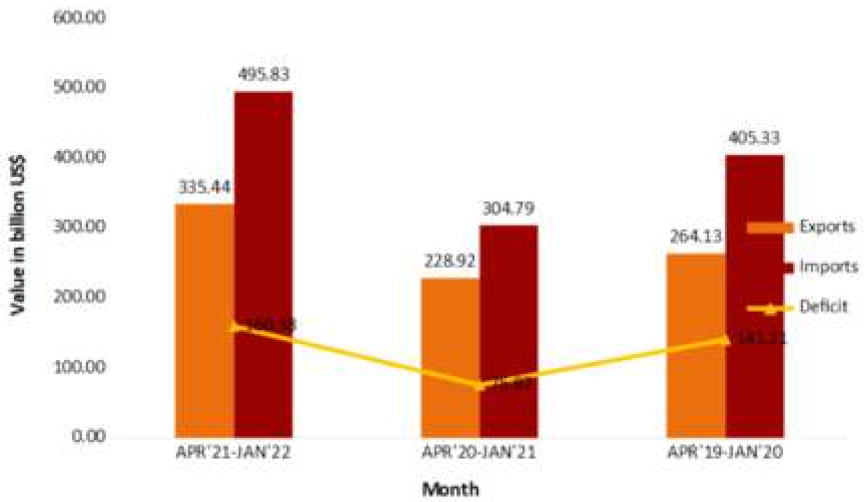
Merchandise Trade in Jan 2022



Source: Ministry of Commerce and Industry

In January 2022, India export was USD 34.06 billion worth of goods 23.69 per cent over USD 27.54 billion in January 2021 and gained 31.75 percent over USD 25.85 billion in January 2020.

Merchandise Trade from April 2021 to January 2022



Source: Ministry of Commerce and Industry

India's merchandise export reached USD 335.44 billion in 2021–22 (April–January), increasing 46.53 percent from USD 228.9 billion in 2020–21 (April–January) and 27.0 percent from USD 264.13 billion in 2019–20 (April-January). Export in India has been contributing around 20% to the country's GDP for the past 10 years.

India is ranked 37th out of 63 nations in the recent World Economic Forum Global Competitiveness Index for 2022. At first look, this seems outstanding, but India's ranking is much improved by the size of its market. Similar to Sri Lanka or Vietnam, India's ranking would fall closer to the 70th spot if it were a country of average size. India's competitive ranking was at 43 for three consecutive years (2019, 2020 and 2021).

Information and communications technology (ICT) uptake was a startling shortcoming revealed by the WEF Index. High trade duty and a lack of service trade openness have gotten low ratings. India's labour markets are considered as a area that needs significant improvement because of high labour tax rates, recruitment regulations, and low female labour prticipation rates.

Challenges for Exporters in India

With the aim of making India an export centre, the Foreign Trade Policy (FTP) was and still is an essential tool in building a framework that is favourable for increasing exports of products and services, creating jobs, and enhancing value addition in the nation. The FTP seeks to make trade a key source of the nation's economic development and to be in line with the fast-paced and evolving worldwide trading infrastructure.
FTP has implemented a range of export promotion roadmap in order to assist and encourage exporters.

Though India has a federal structure, the taxes on imports are regulated by Customs laws and are collected by Central Government, whereas, taxes of raw material are regulated under Goods and Services Tax (GST) law and are collected by Central and State Governments.

The majority of Foreign Trade Policy's approaches were introduced to deliver tax exemptions on the importation of products for export. But, following the implementation of GST, the rules were altered in order to provide refunds in which exporters are obliged to pay IGST on imports initially and would then get a refund.

Furthermore, the second wave of the pandemic and its new variants have had an adverse influence on the exporting community's ability to comply with Export Obligation (EO). As a result, the sector anticipates a crisis management system to be introduced in conjunction with the Ministry of Commerce.

A lot of attention had been given to India's strategy in giving export incentives; as Dispute Settlement Body, associated with WTO, objected that several export policies promotion violate WTO guidelines, the government then took over this chance to review these policies and bring them into accordance with the WTO's model for trade facilitation.

What are the opportunities for exporters?

Historically, exports have played an essential role in the development of nations like China, Japan, South Korea, Thailand, Malaysia etc. There is no doubt that exports are a huge part of the development and prosperity of a nation. These Asian countries showcase that imports and exports go simultaneously. They also grew in labour-intensive industries and propelled the value chain of manufacturing.

For a decade, exports in India have been contributing around 20% to the country's GDP.
Whereas, 32 percent of our imports are made up mostly of basic commodities. The majority of protected tariffs,

almost 70%, are charged on these items. Now, this has a domino impact on downstream businesses' prices. India might consider not imposing tariff and non-tariff restrictions (considered even less desirable than tariffs) on intermediate products.

This is so because products imported into India are used to make goods for export. Any rise in the value of these goods drives up manufacturing costs and restricts our ability to export. We've attenuated our competitive edge by increasing the price of these essential commodities, which are already suffering.

Though it contributes significantly to our GDP, our exports model is still not powerful enough. We aced the service sector but comparatively, our growth related to manufacturing, export and investment was stagnant for almost two decades. India's export structure is in dire need of big changes. Our export repertoire consists mostly of traditional goods; innovative goods are not included. Up to 70% of India's exports are aimed towards the 30% of global commerce that consists of goods with a decreasing global share.

A 360 degree change in our economy can be achieved if we fixate our focus on exports. India shouldn't slip away to join Global Value Chains (GVCs). A systematic approach and effective policies are required in order to benefit from this opportunity.

The potential for a swift reversal in the economy can only be achieved by pouring a lot of effort into exports. India has a chance to join global value chains, and we shouldn't let this chance go to waste. Effective policy making at all levels of authority is necessary to make a change. The economic world and individual expenditure, including investment, are both constrained. Exports must be the catalyst that fasten the growth in the upcoming years.

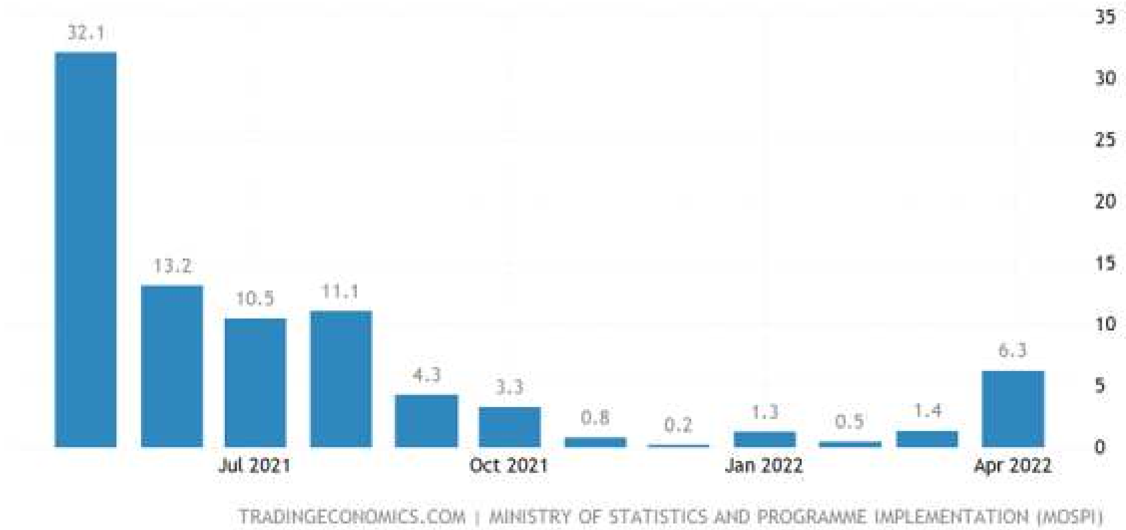
MAKE IN INDIA – NEW SCHEMES, TAX & DUTIES, INCENTIVES, CHALLENGES & OPPORTUNITIES

Where half of the labour force is reliant on agriculture, creating new prospects for manufacturing is a significant way for growth. There have been several improvements, in many aspects.

Make in India – an initiative which was introduced in 2014 with the motive of

- Creating millions of jobs in the manufacturing domain
- Elevating the contribution of manufacturing to GDP to 25% by 2025
- Achieve a growth rate of 12-14% annually.

In 2021, we climbed our way in the World Competitive Index from 70th to 43rd rank.
India also made a huge leap in World Bank's Ease of Doing Business from 130th to 63rd rank.
But these achievements don't hide the fact that we are lacking in the manufacturing sector.



Source: Trading Economics

April 2022 saw an escalation in India's manufacturing production of 6.30%.

New initiatives for Make in India

To assist the country's developing manufacturing facilities, the Ministry of Micro, Small, and Medium Enterprises (M/o MSMEs) has established a number of programmes.

Prime Minister Employment Generation Programme (PMEGP)

The PMEGP, which was established to generate employment opportunities for MSMEs in the nation, is carried out at the national level by the Khadi and Village Industries Commission (KVIC), and at the state and district levels by the State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centers (DICs), and banks.

Lean Manufacturing Competitiveness for MSMEs

By implementing Lean Manufacturing (LM) methods, the programme aims to enhance MSMEs' manufacturing competitiveness by boosting productivity, promoting efficient management practices, cutting waste, and fostering a culture of persistent improvement.

Lean manufacturing practises are implemented with financial support, primarily to cover the expense of a consultant (80 per cent by the Government of India and 20 per cent by beneficiaries).

Lean manufacturing consultants (LMCs) will charge Special Purpose Vehicles for carrying out services (SPV). In exchange, SPV will give the LMC the first sum of 20% and receive payment from the NMIU. Then the NMIU will get the money from the Ministry of MSME. The SPV will pay LMC on a milestone basis in 5 tranches, each equal to 20% of the set sum.

Export Market Promotion (EMP) Scheme

The Export Market Promotion Scheme (EMP) is an initiative of the Indian government that is carried out by the Coir Board. This programme intends to boost the Indian Coir Industry's export prospects.

In this scheme, aid would be given to business owners for up-levelling their operations and for the acquisition of a plant and machinery. In this way, the plan would enable businesses to establish a new unit that would be able to draw larger investments to the coir sector. The amount of financial support offered under this scheme will be set at 25 per cent of the entire cost of the machinery and plant that can be used, as purchased by the coir units. Moreover, any coir production or processing units that have a "Udyog Aadhar '' and are registered with the "Coir Board '' in accordance with the "Coir Industry" (Registration) Rules 2008 qualify to apply for financial support through this scheme.

Incentives

In March 2020, the first Production linked incentive (PLI) schemes were launched in India, focusing on three industries: Mobile Manufacturing, Pharmaceuticals (essential pharmaceutical ingredients), and Medical device production. Since then, the PLI idea has been broadened with schemes launched for other industries in order to strengthen India's manufacturing capabilities and promote export-oriented fabrication. The PLI schemes are designed to increase local supply chain capabilities, introduce new downstream businesses, and encourage financial investments in high-tech manufacturing.

PLI schemes aim to increase output and help Indian industry to attain its full potential. Restarting the Production Linked Incentive (PLI) for White Goods has refocused attention on this crucial GOI economic reform. By supporting regional and local goods, the programme has the potential to significantly change the manufacturing sector, accelerating economic growth and raising exports.

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In April 2021, the Department for Promotion of Industry and Internal Trade (DPIIT) announced the PLI Scheme for White Goods, having a budget of Rs. 6,238 crore and was intended to produce parts and subassemblies for air conditioners (ACs) and LED lights. Candidates are given liberty to choose a time frame up to March 2022 or till March 2023.

The states' comparatively cheap labour expenses and significant demographic benefit are another reason why the central government wants them to participate in the PLI programme. Not every state is excelling in every industry, so it is advised to keep a niche and particular domains in mind while utilising comparative cost advantages in key aspects. Government assistance is also encouraging and assisting AC manufacturers in making the changeover to

Current scenario

The Make in India campaign was introduced around the time when big global corporations have already expressed their eagerness to establish manufacturing facilities in India.

In Union Budget 2022-23, the easing off of incentives in the importation of capital goods for certain items when adequate local manufacturing space is available gave the Make in India and Aatmanirbhar Bharat projects extra momentum. Customs import tariffs on intermediary goods have been reduced in industries including electronics, medical equipment, and chemicals, which can help promote value and more exports from the nation.

The defence manufacturing industry is another key benefactor of this year's budget, receiving 68 percent of the capital procurement budget for domestic industry in 2022–2023 (up from 58 percent last year), which could increase investments in local manufacture.

The purpose of focusing on Make in India remains the same. The government has introduced a 15% tax system for newly created domestic manufacturing enterprises in an effort to create a globally competitive business environment for some local companies.

What is the future?

Despite getting success in mobile manufacturing, automobile sector and pharmaceuticals, the contribution of manufacturing sector is just 15%. Although just three of the thirteen industries targeted by the scheme—automobiles and auto components, mobile manufacturing, and textile products—are labour intensive, there is a huge potential to enhance India's exports of labor-intensive commodities. The scheme should have put the spotlight on labor-intensive industries because India's proportion of low-skilled exports is around 15% lower than its share of the labour force (compared to parity in Bangladesh and Vietnam).

NEW MARKETS & NEW PRODUCTS

India will do weel to focus on markets like USA UAE, Mexico, Australia etc. in next few years and aim to achieve USD 750 billion to USD 1 trillion number early. Some of the prospective products include meat, cotton, fish, chemicals, rubber, ores, vehicles, furniture, steel and iron, and machinery. As of now, these prospects contribute approx. USD 127 billion making around 46% of India's total export.

For future, changes in policy such as more adaptable labour laws, easier business processes, and lower business costs will significantly contribute to improving and accelerating the export growth trajectory and achieving its goods export objective.

The following table outlines a region wise distribution of India's exports.

Department of Commerce
Export Import Data Bank
Export :: Region-wise

Dated: 25/7/2022
Values in US$ Million
Sorted on year 2022-2023

S.No.	Region	2021-2022	%Share	2022-2023 (Apr-May)	%Share	%Growth
1	North America	84,300.53	19.9814	16,024.84	20.3399	
2	EU Countries	64,963.55	15.3981	12,951.24	16.4387	
3	West Asia- GCC	43,931.73	10.4130	8,373.80	10.6287	
4	ASEAN	42,327.07	10.0326	8,090.53	10.2691	
5	NE Asia	49,294.27	11.6840	7,414.82	9.4114	
6	South Asia	34,181.76	8.1020	5,955.92	7.5597	
7	Other European Countries	19,391.77	4.5964	3,519.30	4.4670	
8	Latin America	14,934.05	3.5398	2,963.64	3.7617	
9	West Africa	13,565.36	3.2153	2,514.58	3.1917	
10	Other West Asia	10,804.94	2.5611	2,269.86	2.8811	
11	East Africa	8,264.57	1.9589	1,956.88	2.4838	
12	Southern African Customs Union (SACU)	6,607.86	1.5662	1,702.11	2.1604	
13	East Asia (Oceania)	8,934.59	2.1177	1,556.03	1.9750	
14	North Africa	7,133.11	1.6907	1,150.28	1.4600	
15	Other South African Countries	2,969.66	0.7039	654.06	0.8302	
16	Unspecified	2,161.26	0.5123	542.28	0.6883	
17	European Free Trade Associatipn (EFTA)	1,742.01	0.4129	385.21	0.4889	
18	Other CIS Countries	4,029.54	0.9551	336.59	0.4272	
19	Central Africa	1,677.82	0.3977	279.09	0.3542	
20	CARs Countries	678.83	0.1609	144.07	0.1829	
	India's Total Export	**421,894.29**		**78,785.13**		

Due to distance and easy shipping requirements, the biggest chunk of prospective markets are located in Asia. However, focusing on targeted markets in Europe like Germany, France, the United Kingdom, and the Netherlands that already have customers in India and other economies, might expand the market for our products. Likewise, the major markets for India in North America, such as the United States, Canada, and Mexico, are key markets that should be researched as they are already recognised as India's top exporting partners. Furthermore, there are several untapped markets in Africa that should be explored more for some valuable items.

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EXPORT FINANCING: A KEY ASPECT OF INTERNATIONAL TRADE

Exporters receive strong government support in all ways to generate foreign exchange, which is one of the key measures of a country's prosperity. Exporters are frequently expected to provide their overseas clientele attractive financing arrangements in order to keep their position as industry leaders. The exporting enterprises' liquidity are oftentimes greatly stressed by these credit extensions to foreign buyers. Offering the exporters sufficient trade financing from outside sources at attractive terms during the post-shipment period is therefore crucial.

Exporters frequently resort to quoting cheaper prices in order to make up for their inability to offer competitive credit terms if competitive trade finance is not readily available to them. National governments throughout the world provide export credit as part of their export promotion strategies, frequently at reduced interest rates to encourage exports.

The Export Financing Program was originally implemented by the RBI in 1967. The programme aims to make short-term working capital financing available to exporters at interest rates that are competitive globally. Both foreign currency and rupees can be used for export credit.

Export financing or trade finance can provide financial support to exporters who seek to sell their goods to foreign consumers. As a result, the product draws in additional clients, who go on to make larger purchases from the business, generating income.

The exporter may require funding for the short, medium, or long term depending on the type of commodities being exported. There are various kinds of trade finance companies and trade finance institutions, depending on the needs of the business and the nature of the export transaction. In essence, export finance provides financial assistance to exporters from product manufacturing to delivery to the customer.

However, exporters may experience protracted trade cycles and financial instability if the buyer is proposing standard repayment terms (typically, within a specific amount of time after the buyer receives the products). In order to relieve cash flow constraints, a trade financier can employ export invoice finance to advance payment to exporters. It might be viewed as a loan given to the exporter to help with various export-related chores. In addition to this, there are numerous other ways to get paid in foreign trade, including open accounts, cash in advance, documentary collections, and letters of credit.

Numerous finance companies offer monetary guarantees, close the funding gap between sellers and purchasers, and foster trust between them. Export finance aids in reducing cash flow problems by providing payment guarantees from clients when goods are sent, access to additional working capital through advance payments, and discounting customer bills to avoid payment delays.

Different types of export financing:

- Funding for exports before shipping (180-270 days)
- After shipping, export financing (180 days)
- Export credit insurance against bill collection
- Export credit insurance against quotas and subsidies

Master Circular- Rupee / Foreign Currency Export Credit and Customer Service To Exporters

Pre-shipment Rupee Export Credit

'**Pre-shipment / Packing Credit**' means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment / working capital expenses towards rendering of services on the basis of letter of credit opened in his favour or in favour of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods / services from India or any other evidence of an order for export from India having been placed on the exporter or some other person, unless lodgement of export orders or letter of credit with the bank has been waived.

Period of Advance

(i) The period for which a packing credit advance may be given by a bank will depend upon the circumstances of the individual case, such as the time required for procuring, manufacturing or processing (where necessary) and shipping the relative goods / rendering of services. It is primarily for the banks to decide the period for which a packing credit advance may be given, having regard to the various relevant factors so that the period is sufficient to enable the exporter to ship the goods / render the services.

(ii) If pre-shipment advances are not adjusted by submission of export documents within 360 days from the date of advance, the advances will cease to qualify for prescribed rate of interest for export credit to the exporter ab initio.

Benefits of export financing

Export finance is the financial assistance that a business that exports needs to purchase, process, manufacture, package, and export goods to foreign nations. One of the key benefits of export finance is that it makes it reasonably simple to obtain the short-term financing that a business needs to focus on steady expansion while maintaining cash flow. Exporters gain from export finance since they receive payments upon shipping or commissioning and don't have to pledge any assets. To sustain consistent cash flow, importers must match anticipated revenues with expenditures, which functions as a long-term loan.

THE MAKING OF A POWERFUL EXPORT ENGINE

India needs to grow at a 14 per cent CAGR over the years 2022–2030 for achieving $1 trillion in merchandise exports. However, India needs to take well calibrated steps to return to the export-driven development which was responsible for the country's strong GDP growth in the previous decade. India requires a more strategic approach, particularly in protectionism. There is a need to determine if India has to adjust its market strategy in order to better align it with the present dynamics of international commerce, given that it ranks as low as 20 among the top exporting countries in the world, with a share of just 1.7% in global exports (2019).

Although China and the UK are two of India's top export destinations, there is room for development there because we have not been able to significantly increase our market share there. China has started to reduce tariffs on some Indian exports, and it's possible that the UK would be more receptive to trade agreements with nations like India after the Brexit. Germany is one of India's biggest export markets, yet India only accounts for 0.8% of Germany's total imports.

Similar to the top 10 export destinations, India does not have a significant market share in any of the other top 20 import markets, therefore there is a lot to accomplish in these nations. India's exports should be encouraged to rise in regions of the world that we have overlooked.
In recent years, India's exports have evolved from profitable developed country markets to developing country markets, particularly in Africa and Asia, and increased toward products requiring skilled labour and capital.

Oil accounts for over 27% of all imports into India, contributing to the country's surging imports. Oil import costs soar as a result of increased oil prices, which negatively impact India's trade and current account imbalance. It is obvious that India urgently needs a long-term strategy to lessen its reliance on oil as its primary energy source.

India's non-oil imports have also increased significantly, and while they are tied to the growing Indian economy, a closer look at the sources of these increases reveals that currently China alone is responsible for nearly 21% of India's total non-oil imports. In 2001–2002, China accounted for just 5.4% of India's non–oil imports. India's trade deficit with China has steadily grown over the past 25 years. In response to surging imports, the government has raised imposed import duties on a number of goods.

Effective strategies aimed at encouraging large-scale manufacture of these non-essential commodities to "Make for India" and also, to exports are needed to minimize import reliance and promote domestic manufacturing of such items.

In the recent past, India has had some success exporting assembled cars. It resulted from a strategic 10-year plan called the Automotive Mission Plan (AMP) 2006-2016, which set a production goal of $150 billion by 2016 and made India the ideal destination for several types of vehicle manufacturing. The National Automotive Testing and R&D Infrastructure Project (NATRiP) incorporated R&D to this strategy in order to support global excellence. FAME, which was enacted in 2015, aims to turn India into a centre for the production of electric vehicles in the future.

India is starting to emerge as a hub for automotive and aeronautical parts. With a strategic plan, India may enter global value chains (GVCs), grow its exports from $10 billion to over $100 billion to developed countries, and serve as a P&C supplier for a variety of sectors.

Trade strategy goes beyond opening up our markets. It entails leveraging our market access to force open new markets. It's time to revise the Indian-ASEAN Free Trade. India must endeavour to maintain the WTO system, which may necessitate temporary duties or, better still, the threat to apply tariffs, in order to combat anti-dumping.

A Strategic Trade scheme which revitalises old labor-intensive exports, makes significant advances in networked products, avoids an inflated currency rate, and seeks wiser trade agreements, is what a New India need.

KEY LOGISTICS & SUPPLY CHAIN: CHALLENGES AND VULNERABILITIES

India needs to improve its cost-game by improving its logistical infrastructure, including its highways, ports, and airports, and construct a strong supply chain ecosystem for manufacturing enterprises if it is to overtake other global manufacturing hubs. India has identified 25 champion industrial areas that would aid in integrating its domestic manufacturing sector worldwide in order to maximise the prospects.

Global value chain disruptions during COVID-19 have a significant effect on domestic manufacturing value chains. These disruptions have sparked an ardent need to diversify the current supply chain and prompted businesses to look at novel choices for production and sourcing. It would present India with a variety of options to access the $1 trillion manufacturing base for local consumption and to influence the global manufacturing value chain for exports.

The private sector has to look for important industry sectors with a lot of opportunities for localization and a lot of potential for exports. This call for creating a network of home suppliers and internal resources that can be expanded to satisfy external demand. National supply chain networks may aid in boosting local manufacturing, which will increase job opportunities, improve Indian exports, and fuel investment-driven growth.

In order to effectively assess supply constraints on the Indian economy, an index of supply chain pressures for India (ISPI) was established by extracting common features enclosed in 19 domestic and international variables for the period of March 2005 through March 2022. It forecasts industrial production, GDP, and input costs in real time and exhibits lead indicator characteristics for export volumes and inflation. The most recent increase in the ISPI calls for close monitoring of supply chain pressures and emphasises how crucial the ISPI is to the Indian economy's early warning system for macroeconomic dangers.

In these times, it is anticipated that 16–26% of global trade may relocate to new places. It is crucial to focus on supply chain pressures in order to determine their effects on global and Indian macroeconomic state as well as their contribution to the future of global manufacturing, trade, and commerce with potential negative ripple effects on national economies. The pressures from supply interruptions are measured using a variety of metrics. The typical strategy is to track how a number of variables, including delivery times, shipping prices, and other underlying logistical indicators, change over time. They do, however, frequently focus on certain supply chain facets when providing information.

According to recent study, marine shipping constitutes about 95% of volume and, India's commercial trade constitutes 70%. East and West Asian countries account for 60% of cross-border trade, followed by countries in the United States and the European Union at 17% each and African countries at 8%. The top 10 countries in these regions account for more than 50% of India's total goods trade.

India's imports and exports during the past 20 years have consisted of around 40% and 65% of raw materials and intermediary items, respectively, that are gullible to fluctuations arising from supply chains.

Domestic truck shipping rates, domestic rail and air cargo traffic, and other expenditures associated with domestic transportation are all taken into account when calculating the ISPI. In order to indicate port traffic, port activity represented by inbound and outgoing goods as well as turnaround time are also taken into account. In the first wave of the pandemic, domestic goods transportation had the worst interruptions, particularly truck freight. As from second half of 2021, all of these variables showed strong recoveries.

Disruptions in the global supply chain are promptly transferred to local supply networks, particularly from the nations where India obtains the majority of its raw material and intermediate needs. This means that the current risks to inflation are on the upside and to export performance are to the downside. Looking ahead, integrated steps are needed to address labour shortages, disparities in the physical and digital infrastructure, consensus-based supply chain norms, and a lack of investment in capacity creation.

DIGITAL TRADE – TO A NEW DAWN

Consumers, businesses, and governments can all participate in digitally enabled trade transactions for goods and services that can be provided digitally or physically.
An example would be buying a book from an online store or having access to data online. As an outcome of declining trade costs and increased usage of information and communications technology (ICT) services, technological progress is predicted to stimulate trade growth. Digital technology would increase global trade growth by an average of 2 percentage points a year between now and 2030.

The increase in developing nations' share of global commerce will be more evident the quicker they are able to catch up technologically, and their trade growth will be 2.5 percentage points greater annually. It is assumed that by 2030, services exports will account for more than a quarter of all commerce, and technological advancements will likely lead to an increase in the proportion of services imports in manufacturing's gross output. Where everything which we can possibly think of has gone digital, trade has also picked up digitization/automation as its core, globally.

The largest industrial robot market in the world is in Asia, followed by Europe and America. Simultaneously, AI is becoming more widely used as its use has expanded outside the technology industry. It may be viewed as a type of automation where human intellect and skill are replaced by the computational power of machines.

Prompt technical advancements also help services to become more frequent in cross-border international trade. The foundation of digital trade is made up of information and communication technology services, which also support the digitalization of other types of services by providing the required network infrastructure. The development of digitally enabled services, which are backed by a number of new services built on data-driven creative solutions like cloud computing, has also been made easier by new technology.

Countries don't have to start from scratch when creating identity solutions and payment platforms; instead, they can adapt basic systems like open source software and AI models, to fit their own needs and settings.
Some projections claim that by 2030, digital trade will offer India an economic potential worth Rs. 3,331 thousand crore. To maximise the benefits of digital trade, problems including excessive red tape for digital businesses, constrained cross-border data flows, and uneven copyright and intermediate liability policies must be resolved. The facilitation of open data flows and the removal of export controls (such as the application of customs tariffs on digital commodities) will go a long way in promoting digital trade. Similarly, to increase the contribution of digital exports, cross-border data flows must be made possible, and a clear framework for processing and storing data should be put in place sooner than later.

About Resurgent India Ltd.

Resurgent India is a full service a growing Investment Bank and a SEBI registered Category I Merchant Bank. We are also a certified company under ISO 9001:2015. We offer services in the lines of Mergers & Acquisitions, Private Equity, Debt Solutions, Structured Finance, Capital Market Solutions, Transaction Advisory, Valuations, Enterprise Risk and Tax Services, Training etc.

We advise clients in all aspects of finance and our expertise lies in the areas of debt, equity and transaction advisory. The firm rests on its strong and professional leadership that has an in-depth understanding of key business drivers. Our management excels in domain knowledge, capital syndication alternatives with remarkable transaction execution capabilities and have established network with leading private equity funds, banks & financial institutions. Strong research focus to ideate several cross border opportunities is one of the core strength and being empanelled for TEV Studies with 21 Public Sector Banks, We have a pan India presence with offices in Gurgaon, Delhi, Mumbai, Kolkata, Bengaluru and Jaipur

We offer independent advice on debt & capital raising, mergers & acquisition, financial reconstructing, valuation and due diligence for our clients.

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ASSOCHAM
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About Assocham

The Associated Chambers of Commerce & Industry of India (ASSOCHAM) is the country's oldest apex chamber. It brings in actionable insights to strengthen the Indian ecosystem, leveraging its network of more than 4,50,000 members, of which MSMEs represent a large segment. With a strong presence in states, and key cities globally, ASSOCHAM also has more than 400 associations, federations and regional chambers in its fold.

Aligned with the vision of creating a New India, ASSOCHAM works as a conduit between the industry and the Government. The Chamber is an agile and forwardlooking institution, leading various initiatives to enhance the global competitiveness of the Indian industry, while strengthening the domestic ecosystem.

With more than 100 national and regional sector councils, ASSOCHAM is an impactful representative of the Indian industry. These Councils are led by wellknown industry leaders, academicians, economists and independent professionals. The Chamber focuses on aligning critical needs and interests of the industry with the growth aspirations of the nation.

ASSOCHAM is driving four strategic priorities - Sustainability, Empowerment, Entrepreneurship and Digitisation. The Chamber believes that affirmative action in these areas would help drive an inclusive and sustainable socio-economic growth for the country.

ASSOCHAM is working hand in hand with the government, regulators and national and international think tanks to contribute to the policy making process and share vital feedback on implementation of decisions of far-reaching consequences. In line with its focus on being future-ready, the Chamber is building a strong network of knowledge architects. Thus, ASSOCHAM is all set to redefine the dynamics of growth and development in the technology-driven 'Knowledge-Based Economy. The Chamber aims to empower stakeholders in the Indian economy by inculcating knowledge that will be the catalyst of growth in the dynamic global environment.

The Chamber also supports civil society through citizenship programmes, to drive inclusive development. ASSOCHAM's member network leads initiatives in various segments such as empowerment, healthcare, education and skilling, hygiene, affirmative action, road safety, livelihood, life skills, sustainability, to name a few.

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