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Boosting Exports in India

What is the issue?

- When domestic demand is dull, competitive economies look to export markets.
- India now increasingly needs an export boost to reverse its economic slump.

Why are exports crucial for India now?

- One of the main reasons for the slowdown in India in recent years has been its failure to generate export momentum, especially merchandise exports.
- So, exports have fallen significantly in relation to gross domestic product (GDP).
- Reversing these trends and achieving an export boost is crucial for the Indian economy to work its way out of the current slump.
- Notably, every country that has grown rapidly has been a successful exporter.

How is China's export slump utilised by other countries?

- It is said that an export thrust is difficult when global trade is not doing well.

- However, notably, when garment trade is stagnant, Vietnam, Indonesia and Cambodia have recorded rapid export growth.
- Bangladesh too has continued to pull ahead of India.
- The reason is that these countries have taken up the slack in China's exports to their advantage.
- Beijing used to export $20 billion worth of garments every month; this is now down to $12 billion.
- India made use of this to a relatively minor degree.
- In comparison, Bangladesh, which used to export only 60% of what India did, now exports twice as much as India.
- [The irony is that Bangladesh sources cotton, yarn and fabrics from India.]
- Vietnam too has overtaken India and is now comfortably ahead.

How significant can garment exports get to be?

- Garment exports offer a solution to complex problems, beyond helping to narrow the trade deficit.
- **Employment** - The textiles/garments sector already accounts for about a third of total manufacturing employment.
- So, promoting garment exports could provide the single greatest boost to jobs in manufacturing.
- **Women** - Most employees in the garment industry are women whose reduced participation in the labour force has become a matter of concern.
- **Consumption** - Garment sector is more employment-intensive than any other large industry.
- [It is 10-fold or more when compared to the automobile/engineering sector.]
- So, much of the industry's sales turnover therefore goes towards wages.
- This, resultantly, boosts domestic consumption demand, which is notably a key priority now.

What lies ahead?

- Chinese exporters face the threat of US tariff hikes (not yet applied to garments).
- So, the opportunity is still there for India to take advantage of the slump in China's exports.
- In recent years, the government has helped by introducing flexible labour rules.
- It has also contributed to provident fund accounts (thus partially closing the wage gap with Bangladesh).
- India's latest offer, of a 17% tax rate to new manufacturing outfits, closes another gap.
- But, exporters have to deal with other such challenges as poor infrastructure and time-consuming port processes.
- Equally important is correction of the rupee's overvaluation.
- A correction of the rupee's blown up value is not only feasible, but it is urgently required if rapid export growth is to return.

Source: Business Standard

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