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Export needs less red-tape, tariffs need overhaul

Hindustan Times

New Delhi, 27 February 2013: The survey has called for a proper tax and tariff structure for exports and infrastructure projects, and the setting up of innovative finance models.

India's export growth, which was continuously negative since May 2012, turned positive with a growth of 0.82% in January.

The survey says many micro, port-specific and sector-specific issues related to infrastructure, trade facilitation, tax and tariffs and credit need attention. "Addressing these issues… can exponentially promote India's export growth," it said.

It drew attention to the fact that finished jewellery imported from Thailand is cheaper than raw gold available in India, and called for a review of the inverted duty structure under the India-Thailand FTA.

The survey said a proposal is being put in place for providing 100% government funding to road developers to rescue the highways sector, where there is a severe equity crunch. It also suggested easing exit norms for developers: "In current market conditions, these firms are unable to raise new equity.

Exit route needs to be eased so that promoters can sell equity positions after construction, passing on all benefits and responsibilities to entities that step in."

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Emerging markets to transform trade flows

Claire Jones, Financial Times

27 February 2013: Exports between leading emerging markets will drive global growth in the coming decades, transforming international trade flows, according to a report published on Wednesday.

The report, compiled by HSBC and Oxford Economics, predicts that intra-emerging market trade is set to grow rapidly in the years to 2030 as these economies grow wealthier and domestic demand rises.

"Emerging markets are developing at a phenomenal pace and are set to reshape world trade patterns over the next 20 years," said James Emmett, of HSBC.

Export growth would be strongest in India, Vietnam and China, all of which are expected to post double-digit annual growth over the next seven years.

Exports from advanced economies would grow at a more subdued pace. Most industrialised nations tend to sell the bulk of their goods and services to other advanced economies, in which demand is set to be weak in the coming years as these nations struggle to recover from the global financial crisis.

Technological innovation in emerging markets would also lead to greater competition in certain industries. Trade in leading industrialising economies such as China would increasingly be driven by growth in sectors such as industrial machinery and information technology, in which advanced economies have traditionally dominated.

"Some of the faster growing emerging markets show a shift from basic commodities trading in sectors such as cereals or sugar to become a refiner or producer of branded goods based on those raw materials," Mr Emmett said. "In many of the developed markets there is a shift towards increasingly specialised products such as chemicals and pharmaceuticals products as companies seek opportunities for higher returns."

Facing competition from lower-cost producers in the emerging markets, exporters from the advanced economies would need to increasingly focus on high-technology sectors, where they can still command a competitive advantage.

The US would continue to see strong export growth in industries such as machinery, motor vehicles, aircraft and aerospace equipment and computers, where technological innovation plays a significant role. German and French manufacturers working in these sectors would also perform well, the report predicted. Rapid industrialisation and higher wages in emerging markets would also present opportunities for advanced economies to export more to the leading industrialised nations.

As the likes of China shifted towards higher value-added sectors, this would also present an opportunity for countries where wages are lower, such as Vietnam and Bangladesh.

Canada, Mexico and China would remain the biggest export partners of the US.

China would remain Brazil's top export destination, while the country's fastest growing export partners would be India and Vietnam, the report said.

India, which is not as trade-oriented as many other emerging economies, would see a sharp rise in trade within Asia. Trade linkages with China were set to grow in importance.

India would also become one of Argentina’s top five export partners by 2030. Trade linkages between the South American economy and other countries across the Asia-Pacific region, such as South Korea, Vietnam, China and Malaysia, would also strengthen.

Emerging economies such as Poland and Turkey would benefit from their proximity to Europe, the Middle East and Asia.

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‘Trade laggard’ India too breathes fire

Times Of India

New Delhi, 28 February 2013: India's growth performance has been similar to that of fast growing Asian economies at similar stages after takeoff to rapid growth but not as spectacular as China's.

The economic survey, which has done a comparative study of growth and trade between India and other Asian economies, said that India has grown at about China's pace despite being seen as a trade laggard.

The chapter on "Seizing the Demographic Dividend" cited three hypothetical scenarios to drive home the point about creating quality jobs outside of agriculture to reap the benefits of demographic dividend and improve livelihoods in China.

The survey analyzed various economic outcomes for some key Asian countries around their dates of initial "takeoff" into periods of high growth. The year of "takeoff" for Asian countries were set at 1979, 1973 and 1967 for China, Indonesia and South Korea, respectively, and for India it was 1991, when major economic reforms were unveiled.

It said that better human capital accounts for only a small part of the growth in labour productivity for the fast growing Asian economies. The two biggest contributors are the growth in capital deployed per worker and growth in total factor productivity (TFP). TFP measures how productive the job is capturing aspects like the technology used, the efficiency with which the work is carried out, organizational capabilities and trust.

The study showed that Indonesia and South Korea relied much more on capital deepening. India did not have as much growth in capital per worker as these countries but had stronger growth in TFP. China grew because of more capital deployed as well as strong increases in TFP.

The survey said that underpinnings for continued strong Chinese growth in the years beyond the second decade after takeoff are a robust investment rate as well as substantial increases in the intrinsic productivity of jobs.

"If India were to follow a similar path, it would need to increase savings and investment, both of which will follow from the demographic transformation. But it will also have to increase the intrinsic productivity of jobs, that is total factor productivity (TFP)," the survey said.

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Diversification of products a must

Nayanima Basu, Business Standard

New Delhi, 28 February 2013**:** Even as export growth has surpassed the pre-crisis level in 2010-2011, the adverse impact of the global recession seems to be showing only now, with exports falling drastically in 2012-2013. According to the Economic Survey 2012-2013 presented by Finance Minister P Chidambaram in Parliament today, growth in exports can only be achieved with greater diversification of products.

For the first 10 months of the current financial year (FY13), exports declined in eight months. It revived slightly by posting growth of 0.8 per cent in January 2013 year-on-year. The trade deficit reached a peak of $184.6 billion in 2011-12 from $118.6 billion in 2010-11, with the highest growth of 55.6 per cent since 1950-51. The trade deficit of $167.2 billion for 2012-13 (April-January) was 7.9 per cent higher than the $154.9 billion in 2011-12 (April-January).

"India has been fairly successful in diversifying its export markets from developed countries like the US and Europe to Asia and Africa, which has helped to a great extent in weathering the global crisis of 2008 and the recent global slowdown. However, in terms of product diversification, a lot more needs to be done as can be seen from the following," the Survey noted.

According to the Survey, the recent global slowdown has thrown up new challenges for India with its export growth being continuously negative since May 2012, compared to high growth rates of even above 50 per cent in some months of the previous year.

It also suggested that more focus needs to be given in export of products such as electronic, electrical, engineering, textiles, iron and steel and ores, among others. The Survey also noted that India should focus on gaining its market share in the exports of some traditional items such as textiles and leather.

The Survey has strongly recommended to increase India's bargaining capabilities while negotiating a trade deal with its partner countries, keeping in mind the geopolitical considerations. It has said that India should "bargain more", especially in those free trade agreements where there are livelihood concerns. "India also has to follow a strategic regional trading policy focusing on the potential technology-intensive items in the more important RTAs (regional trade agreements)," it said.

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Can cos innovate to beat export slump

Times of India

New Delhi, 28 February 2013: Government on Wednesday blamed slow global recovery for its bleak outlook on exports, but expressed hope that companies would learn to sidestep problems through innovative management practices.

While plugging for a diversified export basket and a strategy to tap new markets outside the ones traders have traditionally focused on, the Economic Survey said in the absence of improved demand, especially from the US and European Union, it would be tough to boost exports. A revival of industrial growth, along with steps such as greater corporate productivity and better logistics infrastructure would be of some assistance though, it added.

There are at least two reasons for the decline in export growth: (i) external factors or partner country incomes,(ii) changes in exchange rate.GDP growth of partner countries has also slowed down significantly (from more than 6% y-o-y in the first quarter of 2010 to less than 1% in the third quarter of 2012).This would exert a negative effect on India's export growth. On the other hand, the real effective exchange rate for India has depreciated, suggesting a positive effect on exports, it said.

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Let's get proactive on boosting exports

The Economic Times

20 June 2013: The figures for May reveal that India's trade deficit has worsened further, what with exports declining and imports — notably of gold — rising.

Heightened imports can, of course, lead to much economic gain, but a persistent trade deficit needs to be addressed (and corrected) with proactive policy.

The data show that imports from tiny Switzerland have shot up an eyepopping 128% in April (over the like period last year), making it the top country of import, well ahead of China.

The figures seem questionable and call for a proper scrutiny, along with a medium-term plan to change the scenario of persistent trade deficits with our main trading partner, China. There is much scope to press for improved trade access.

But the latest trade figures also point at structural weaknesses in our international trade. Now the single biggest item in value terms in India's merchandise exports are petroleum products, but these are highly import-intensive, with quite minimal value-addition and thus hold little upside for export growth.

More important, for the next biggest item, engineering goods, which account for about 19% share of exports, the monthly figures show a markedly declining growth trend. The same is the case for textiles, which make up about 9% of the export basket.

We clearly need to strategise policy to boost competitive advantage in such high potential sectors like engineering goods, textiles and transport equipment. Other segments like pharmaceuticals and fine chemicals hold much potential.

But the biggest opportunity may well be in electronic goods, which account for barely 2% of our export share, about the same as ore and minerals. What is required is vision to chalk out and implement an eco-system that steps-up manufactures and boosts productivity in tandem. It would pay rich dividends, for years.

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