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A Study of Government Initiative for 2 Trillion Economy 2030

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ABSTRACT: The Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and textiles, Shri Piyush Goyal said that India will achieve 2 trillion export target by 2030.

The Minister was speaking at the Exporters Conclave held at Chennai on 16th October, 2022 organised by FIEO & O/o.DGFT in the context current geo political scenario to discuss the issues and the way forwards to keep the growth momentum. The session was participated by large number of leading exporters form Tamil Nadu comprising various sectors of exports.

KEYWORDS: government,initiative,trillion,economy,2030

I.INTRODUCTION

India recorded new milestones in goods & services exports in the last fiscal clocking US$ 422 Bn in merchandise sectors and US$ 254 Bn in services exports. 50% of the incremental GDP in 2021-22 was contributed by the exports sector. As stated by the Hon'ble Prime Minister, exports play a key role in transition of a country from a developing to a developed status, we have to push our exports so as to be in the comity of developed countries. Despite global headwinds, Indian exports have done reasonably well clocking 15% growth in the first six months of the current fiscal.[1,2,3]

At the meeting, the Minister emphasised on sustaining the export momentum and said that he is confidence that Indian exports will be able to wither the global headwinds and will surpass growth in exports by a big margin. While highlighting the growth of economy towards becoming developed nation, Hon'ble Minister said that by 2047, country will become 30 Trillion economy with 25% share in exports. By the year 2030, exports form India will be 2 trillion with 1 trillion product export with CAGR growth of 11 to 12% and 1 trillion service exports with CAGR of 18-19%.

The industry participants were assured that Government is committed to address the issues raised by them and many of the issues raised were resolved on the spot. The Commerce and Industry Minister urged the trade and industry to make all efforts to achieve higher export growth in this financial year.

Dr A Sakthivel, President, FIEO in his welcome address said that India is having very good opportunities for exports to Russia and the EU despite recessionary trends visible there and estimated that an additional export of US$ 8-10 Bn to Russia in the next 12 months and US$ 15-20 Bn to the EU can be exported . Russia's principal exports, of the total exports of US$. However he highlighted the liquidity problems of the exporters and requested the hon'ble Minister for introducing Exports Refinance Facility for banks so as to refinance them at Repo rate to the extent of credit extended to the export sector. The levy of GST on exports freight has further added to our liquidity woes and FIEO President requested for intervention of Hon'ble Minister for getting exemption from GST on exports freight .Looking into the rising interest rates , which have already crossed pre –covid level, Dr. Sakthivel said that the exporters are looking towards increasing interest subvention to 5% for MSMEs manufacturers and 3% to all in respect of 410 tariff lines.

He thanked Hon'ble Minister for agreeing to include Iron & Steel, Pharma and Chemical sectors under the RoDTEP Scheme which will impart further competitiveness to these sectors.[4,5,6]

Dr Shanmuga Sundaram IAS Development Commissioner, MEPZ SEZ in his address highlighted the export potentials of Tamil Nadu and as well as export form SEZ and said that the State is having highly developed industrial manufacturing eco system and one of the largest hub for production of Automobile, textiles, leather, engineering, etc.

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Exporters have flagged several issues related to the rising of cost of raw materials and subdued demand in certain key export markets and the need for more support to the exporters in this difficult time. Industry leaders requested for including left out sectors under RoDTEP and rationalisation of existing RoDTEP rates, exploring possibility for increased support under Interest Equalisation Scheme(IES) and under Market Access Initiative (MAI), and operationalisation of Production-Linked Incentive (PLI) Schemes for additional sectors.

Other issues discussed during the session includes Need for higher subvention under the Interest Equalization Scheme both for manufacturer MSMEs and exporters of 410 tariff lines; Relief on Average Export Obligation under EPCG for Service Sector; Export Benefit extension for export to Russia under Rupee payment; Higher freight costs; Withdrawal of 50% duty of export of law-grade Iron Ore; PLI scheme for Leather, Handloom, Auto parts etc. NTBs faced by the exporters in EU, Japan, China, etc

II.DISCUSSION

Ambitious in scale and harmonised with the underlying economy, India's Foreign Trade Policy 2023 (FTP2023) charts out a course to increase India's exports to US$ 2 trillion by 2030. That's approximately the size of Italy's 2022 GDP or India's 2014 GDP. The 2.6-fold jump in exports between 2023 and 2030 charts an annual growth rate of 14.8 percent. These projections are marginally higher than India's GDP growth expectations till the end of this decade as it becomes the world's third-largest economy, crossing Germany in two years and Japan in four. Stepping back, it reimagines the India growth story through exports and powers exports built over trust and engagement with entrepreneurs and businesses.
The big picture as envisioned by the Union Minister of Commerce and Industry, Piyush Goyal, is as clear as the vision he attributes to Prime Minister Narendra Modi. It is also comforting to see the several arms of the government working together, using a similar approach—engaging with exporters like they do with taxpayers, for instance. The focus on exporters to export, rather than on bureaucrats to report, is also in tune with the larger policy actions of the government. Eliminating the need for a manual interface by using information technology is a work in progress, which began with the Income Tax Department and must trickle down to all compliance-managing ministries. Manual scrutiny of importers and exporters in FTP2023, for instance, would be the exception rather than the rule. Likewise, the certificates of origin issued by the government's "designated agencies" will give way to a self-certifying mechanism; this, the policy states, will reduce transaction costs.

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As in the time before the Statement on Industrial Policy 1991, when everything was restricted until allowed, the 'Free' unless regulated clause turns everything open, and makes clear what is prohibited, restricted, or limited to state trading enterprises. However, although the policy is integrated in terms of linkages with other policy arms, there seems to be some dissonance in communication—the policy points to a web link ("Downloads") to get a list of items limited to state trading enterprises, but an average analyst won't be able to find it.

Geographic specialisation and e-commerce

A geographic specialisation incentive, in tune with the One District One Product scheme, has been embedded into the FTP2023. Towns that produce goods worth INR 750 crore (US$ 91 million) or more will get notified as towns of export excellence (TEE). These towns will have priority access to export promotion funds. This policy expects to boost exports of handlooms, handicrafts, and carpets. Designating four new towns (Faridabad, Mirzapur, Moradabad, and Varanasi) as TEEs to the existing 39 takes the total to 43, a number that has the potential to multiply. Read along with the policy's aim to catalyse districts to become products-specific export hubs by removing bottlenecks, it hopes to link small enterprises and farmers with global markets. We don't know how the latter will play out; whether farmers will join the growth bandwagon or stay shackled to the past remains to be seen.

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Keeping e-commerce export target estimates of US$ 200-300 billion by 2030 in mind—a range so large that it becomes meaningless—FTP2023 lays out a roadmap to establish e-commerce hubs and their backend processes, such as payment reconciliation, book-keeping, returns policy, and export entitlements. This needs deeper and more serious thought and the document points to an incoming "comprehensive e-commerce policy." To deliver future-ready e-commerce, India needs a future-ready and adaptive policy. FTP2023 recognises this.[10,11,12]

Assuming a 12-percent nominal GDP growth over the next seven years (7-8 percent real growth plus 4-5 percent inflation rate), India's GDP should rise from US$ 3.31 trillion to US$ 7.3 trillion by 2030. During this period, FTP2023 talks about increasing exports from US$ 760 billion to US$ 2 trillion. In other words, not only are exports expected to rise, but their share as a percentage of GDP is also expected to increase, from 23 percent to 27 percent. This 4-percentage point rise is possible. But much depends upon how India negotiates international politics to become a hub of global exports and how much India can benefit from the disruption of supply chains, as corporate refugees shift from China to India. For the world's fifth-largest economy, 27 percent is a competitive number—the global average is 28.9 percent, that of the United States (US) 10.9 percent, China 20.0 percent, and Japan 18.4 percent; Germany at 47.0 percent is an outlier.

Irrespective, increasing the percentage of exports in the GDP in an economy that is the world's fastest-growing needs two pillars. First, the composition of exports. The top three exports from India—petroleum products, precious stones, and drug formulations—will face a challenge from those below (iron and steel, or gold); they will also face pressures from more value-added manufactured items such as automobiles and mobile phones. The structural change could also include e-commerce as an important contributor.

Just as the geopolitical chessboard of imports has made Russia India's top exporter of oil, it is not impossible to imagine a future where, after the US and the European Union (EU), new export markets may widen, notably to Southeast Asia, West Asia, and Africa.

And second, the direction of exports. Just as the geopolitical chessboard of imports has made Russia India's top exporter of oil, it is not impossible to imagine a future where, after the US and the European Union (EU), new export markets may widen, notably to Southeast Asia, West Asia, and Africa. And then, there is an entire group of smaller countries that could collectively add weight to and influence the direction of India's e-commerce exports; for instance, South America,. The US$ 2-trillion export target by 2030 may look audacious today, but given India's growth aspirations and the underlying policies carting this growth, this number is visible and possible.

Finally, as Commerce Minister, Mr Goyal also oversees the Department for Promotion of Industry and Internal Trade, where some excellent initiatives are underway. The Jan Vishwas (Amendment of Provisions) Bill, 2022, for instance, decriminalises several business compliances and makes doing business in India easier. The Commerce Ministry, therefore, is a catalyst for change in both internal and external trade. Looking at both these changes together, we can expect the creation of a virtuous cycle—ease of doing business should attract domestic and global capital, capital should create jobs and growth, and a large part of that will find its way into exports, which in turn should attract more capital for expansions of capacity or new plants. If these projections reach fruition, Mr Goyal can celebrate with laddoos; if breached, he can add pedhas—and both can bring weight to exports.[13,14,15]

III.RESULTS

According to the Information Handling Services (IHS) Markit report, India is likely to overtake Japan as Asia's second-largest economy by 2030.

- Currently, India is the sixth-largest economy, behind the U.S., China, Japan, Germany and the U.K.
- IHS Markit is a global leader in information, analytics and solutions for the major industries and markets that drive economies worldwide.
    - GDP Projection:
        - In terms of value, the size of the Indian economy stood at USD 2.7 trillion in 2021, which is projected to grow to USD 8.4 trillion by 2030.

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- This boom is enough to overtake Japan, making India the second largest economy in the Asia-Pacific region by 2030.

- India's growth rate is projected to be 8.2% in 2021-22, compared to a decline of 7.3% in the previous fiscal.
- However, the momentum of the current financial year(FY) will continue in 2022-23 as well and India will achieve 6.7% growth.

- Role of Different Sectors:
  - The manufacturing, infrastructure and services sector along with the e-commerce sector have a big role to play in boosting India's growth rate.
  - Not only this, due to increasing digitization, the e-commerce market will become bigger in the coming times.[16,17,18]
    - According to a report, 1.1 billion Indians will have internet by 2030, in 2020 this number was 500 million.
- Growth Rate:
  - Overall the future of the Indian economy looks strong and stable, making it the fastest growing country in the country for the next decade.
  - In the long term also, technological developments like infrastructure sector and startups will play a big role in sustaining India's rapid growth rate.
    - Being one of the world's fastest-growing economies will make India one of the most important long-term growth markets for multinationals in a wide range of industries, including manufacturing industries such as autos, electronics and chemicals, and services industries such as banking, insurance, asset management, healthcare and information technology.
- Middle Class Support:
  - India gets the most help from its vast middle class, which is its main consumer force.
    - Indian consumer spending will also double in the next decade. This could increase from USD1.5 trillion in 2020 to USD3 trillion in 2030.
- FDI Inflows:
  - The large increase in Foreign Direct Investment (FDI) inflows to India that has been evident over the past five years is also continuing with strong momentum in 2020 and 2021.
  - It is being boosted by large inflows of investments from global technology Multinational Companies (MNCs) such as Google and Facebook that are attracted to India's large domestic consumer market.
- Current State of India's Economy:
  - India's GDP at current prices stood at USD 694.93 billion in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22.
  - India is the fourth-largest unicorn base in the world with over 21 unicorns collectively valued at USD 73.2 billion.

Government Initiatives for Boosting Economy

- 'Make in India' and the National Policy on Electronics 2019 (NPE 2019)

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- Production-linked Incentive Scheme (PLI) in Various Sectors[19,20]
- Major Telecom Sector Reforms:
    - Major telecom sector reforms have been approved in September 2021, which are expected to boost employment, growth, competition, and consumer interests.
    - The rationalisation of adjusted gross revenue, the rationalisation of bank guarantees (BGs), and the encouragement of spectrum sharing are among the key reforms.
- Deep Ocean Mission:
    - The Indian government approved the Deep Ocean Mission (DOM) in August 2021, with a budget outlay of Rs. 4,077 crore (USD 553.82 million) over the next five years.
- Focus on Renewable Sources:
    - In order to generate energy, India is focusing on renewable sources. It plans to achieve 40% of its energy from non-fossil sources by 2030, up from 30% currently, and to increase its renewable energy capacity from to 175 gigatonnes (GW) by 2022.
    - In line with this, India and the United Kingdom jointly launched a 'Roadmap 2030' in May 2021 to collaborate and combat climate change by 2030.

IV.CONCLUSION

- On one hand, the sectors like manufacturing and construction recovered steadily in 2021, on the other hand, low-skilled individuals, women, self-employed people, and small firms were left behind.
- Infrastructure and manufacturing are the two pillars that should be used to push the growth structurally.
    - However, infrastructure building or revival of the investment cycle, in general, would require the private sector to also start contributing.
    - The fundamentals for a revival in private corporate and households' is emerging with financial institutions, especially banks, in a better position, corporates deleveraging, and a low-interest rate regime.
- The recovery of the Indian economy in FY22 totally depends on how steadily household incomes recover and activity in the informal sector and smaller firms normalise.
- India should also increase ease of business and ease of living to enable the private sector to create wealth over a long period of time.
- Participation of women in the workforce is a key driver of India's growth. Therefore India should increase women's participation in the workforce.[20]

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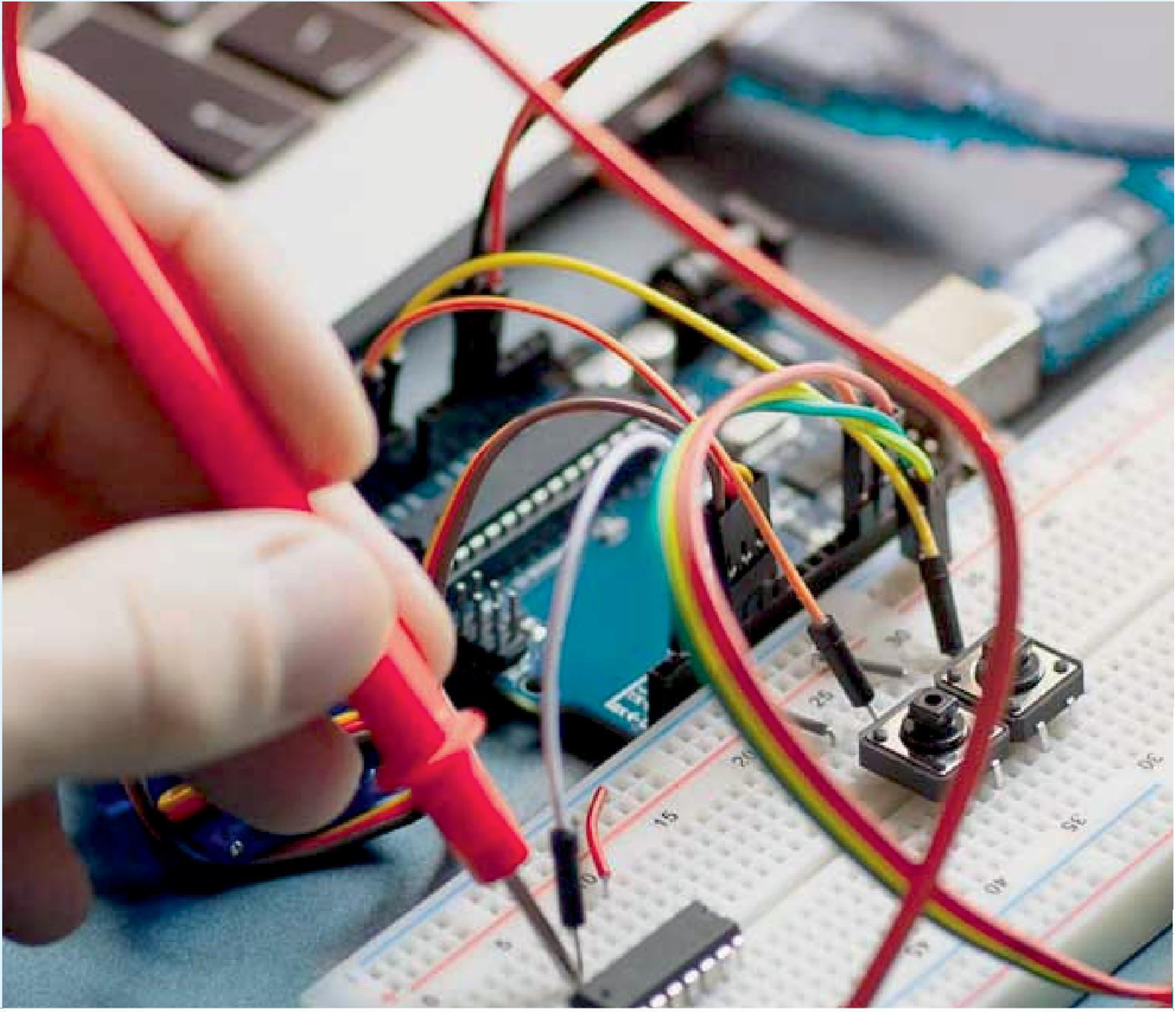

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