

NATIONAL APEX CHAMBER

Prospects for Exports from India

**Five Pronged Strategy to Achieve
US\$700 Billion Merchandise Exports by 2025**



**PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY**



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March 2019

PHD RESEARCH BUREAU

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Executive Summary

Exports are a vital component of a dynamically growing economy like India. Supported by market resilience and dynamism, India's exports have undergone significant changes in the recent years in terms of volume, structure and direction. The Government of India has been undertaking several measures to boost the exports growth trajectory. However, the growth of exports has been at around 9% to 10% during the last few years. Going ahead, improved global demand along with recent reforms in policies and procedures at domestic front have created a great opportunity to strengthen the exports growth trajectory.

At this juncture, it becomes imperative to evaluate the performance of the India's structure of exports. The focus of the report is to identify the top twenty five export items from India, India's position in the world trade among these items and to ascertain the leading competitors in the same product categories, so that India's strengths and possible opportunity areas could be identified in order to foster an enhanced exports growth. The objective of the study is to analyse the top exporters and top importers in the world for the most prominent items-basket of India's exports.

The volume of India's merchandise exports in 2018-19 is estimated to be around USD 325 billion. In order to take this growth trajectory further to USD 700 billion by 2025, a five-pronged strategy has been suggested:-

- I. Identification of prospective products to scale up the export volumes
- II. Strengthening the export growth momentum towards emerging and developing economies through greater access in the Asian and African economies
- III. Structural improvements in export and logistics infrastructure
- IV. Developing the supply chains of Micro, Small & Medium Enterprises
- V. Enhancing the overall ease of doing exports

This study has indicated that India's international presence in the top 25 products of exports from India is meagre. Such structural incompetence may be attributed to the inefficient domestic value chain largely due to the low technological adaptability and the absence of technology intensive foreign investment. It cannot be denied that there lies a massive scope for Indian exporters in these product categories wherein it could capture the high world demand by strengthening its export-oriented firms in these sectors, including Vehicles, parts and accessories of vehicles, Petroleum oils and Medicines.

Additionally, efforts should be made to improve the country's competitiveness in the other areas as well where exists its inherent strength, including the agro and food processing products, textiles and garments, and the sports goods. Exploring these areas to revitalize exports growth with the improvement in logistics infrastructure and trade facilitation

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measures would enhance the exports growth trajectory and create approximately 30 million new jobs by 2025, of which enhanced agro and food processing exports would create around 20 million new job opportunities alone.

To harness the export potential of the country, the overall ease of doing exports is needed to be enhanced in terms of accessibility to the latest and the most efficient technology and techniques, increased availability to credit for long term loans, easier access to raw materials, building linkages for strong marketing of products, and by improving labour productivity, labour flexibility and capital efficiency.

The analysis of the India's top 25 items of exports shows that India is one of the top exporters in the world in 15 out of 25 items. Further, India is one of the top importers in the world in 5 out of 25 items. While studying its competitors, it is found out that out of the 25 items, United States of America is a strong competitor to India in 11 products and China is a strong export competitor in 6 items.

At the backdrop of global trade recovery, improvement of India's indicators like Ease of Doing Business and investment rating, India's trade scenario seems optimistic. Going forward, recent policy changes of Make in India campaign, Start-up India, Skill-India Mission and GST reforms have been evolutionary, and in the right direction. All these together should make exports more attractive and make exporters more competitive in the international markets.

In a nutshell, if India continues to move in the direction of the past several years, a new virtuous circle of increased exports and improved economic performance should ensue. A broad strategic policy to pursue comparative advantage in a more thorough going way will have very major advantages for India by promoting exports in the most efficient possible way.



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1. Growth of Global exports

The financial crisis of 2008 triggered a slowdown in global economic growth, manifesting itself in a demand-driven fall in international trade exacerbated by the deficit of credit and trade finance; falling commodity prices; declining remittances; contracting foreign direct investment (FDI); and the potential of declining official development assistance. These effects got superimposed onto the then ongoing global food crisis, volatile energy prices, and climate change challenges. The aggregate impact is such that most developing countries were being heavily hurt through declining exports, rising unemployment, and thus falling family incomes, bringing millions of people back into poverty or aggravating the conditions of those in extreme poverty.¹ Towards the end of 2008 (around October) the global recession started to manifest itself in international trade. The fall in global demand and the slowing down in economic growth translated into a substantial reduction in international trade that has affected the cross-border trade of virtually all countries and economic sectors.

Table 1: Growth of Global Exports

Year	Volume of Merchandise Exports (In US\$ Trillion)	Annual Growth Rate of Merchandise Exports	Merchandise Trade (% Of GDP)	Annual Growth Rate of Exports of Goods And Services
2007	14.11		49.0	6.6
2008	16.26	15.2	51.6	2.7
2009	12.63	-22.3	42.1	-10.2
2010	15.40	21.9	46.7	11.6
2011	18.45	19.8	50.3	6.6
2012	18.61	0.8	49.6	2.9
2013	19.07	2.4	49.3	2.9
2014	19.08	0.1	48.1	3.6
2015	16.61	-12.9	44.3	3.4
2016	16.11	-3.0	42.4	2.9
2017	17.82	10.6	44.2	5.0

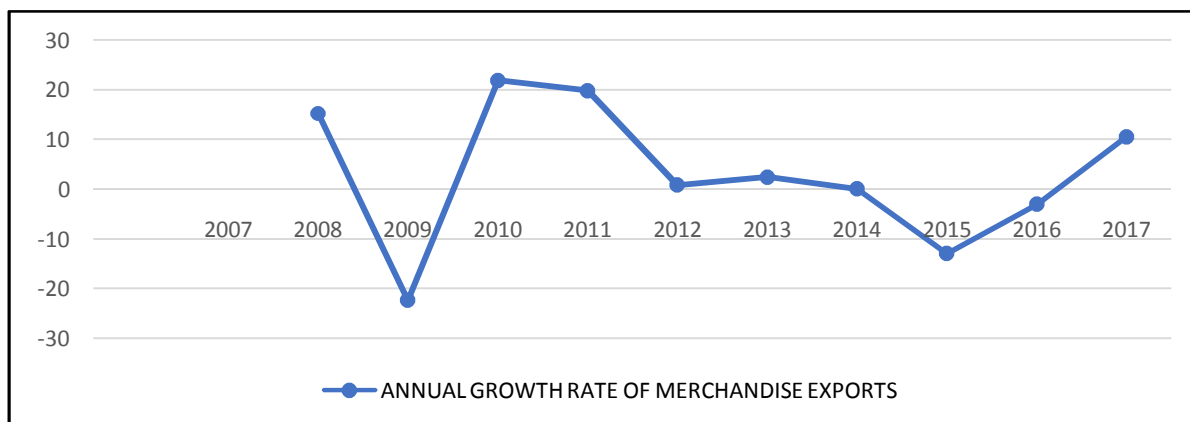
Source: PHD Research Bureau, compiled from World Bank Database

World trade growth started falling as a consequence of the global financial crisis from 6.64% in the year 2007 to 2.73% in year 2008 and collapsed in 2009, reaching a negative rate of -10.15%. However, it recovered strongly in 2010. Going further, global trade growth decelerated sharply in 2011 as the global economy struggled under the influence of natural disasters, financial uncertainty and civil conflict. The civil war in Libya also reduced oil supplies and contributed to sharply higher prices. All of these factors combined to produce below average growth in trade in 2011 at 6.56%. From 2011, the value of international trade (exports and imports) started falling, hovering around 2 to 3% till 2016. From 2010 to 2016, it had declined by around 8%. However, global trade growth did pick up pace in 2017, with its rate rising to 4.97%.

¹ www.unctad.org

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Graph 1: Annual Growth Rate of World Merchandise Exports (%)



Source: PHD Research Bureau, compiled from worldbank database

Volume of global merchandise exports (in US\$ Trillion) has shown a sharp fall in 2009 (due to financial crisis, 2008) from US\$ 16.26 trillion in the year 2008 to US\$ 12.63 trillion in the year 2009 , but revived thereafter in the next year (2010), with an annual growth rate of around 20%. However, it remained more or less stagnant between US\$ 18 trillion and US\$ 19 trillion from 2011 to 2014, after which there was a fall seen in the volume of world merchandise exports till the year 2016 and thereafter some improvement in it is observed by the year 2017. The value of global merchandise exports stands at US\$ 17.82 trillion for the year 2017.

Graph 2: Volume of Global Merchandise Exports (in US\$ Trillion)

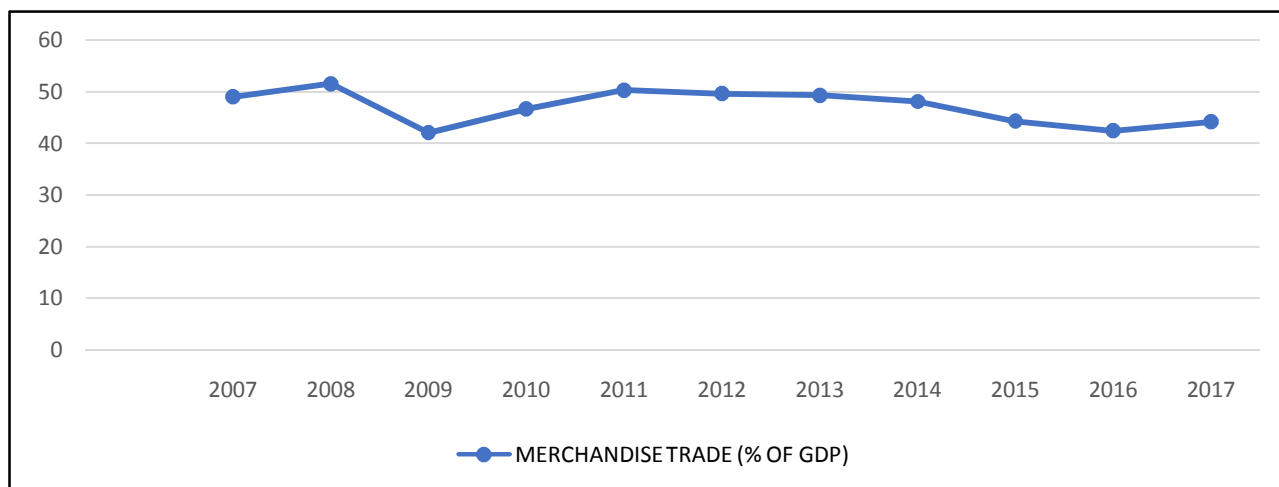


Source: PHD Research Bureau, compiled from World Bank database

Trade (% of GDP) is the sum of exports and imports of goods and services measured as a share of gross domestic product. It is a measure indicating the world's reliance on international trade. The larger the ratio, the more the global economy is exposed to international trade. According to the findings, global merchandise trade, as % of world GDP show a falling trend. It dropped from 51.48% to 42.07% between 2008 and 2009. Since 2009, it exhibited a revival, but has remained more or less stagnant since then.

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Graph 3: World Merchandise Trade (% of GDP)



Source: PHD Research Bureau, compiled from World Bank database

Since the Second World War, the volume of world merchandise trade has tended to grow about 1.5 times faster than world GDP, although in the 1990s it grew more than twice as fast. However, in the aftermath of the global financial crisis the ratio of trade growth to GDP growth has fallen to around 1:1. The year 2016 marked the first time since 2001 that this ratio dropped below 1 to 0. It recovered partly in 2017 but the further slowing of trade relative to GDP remains a cause for concern.²

Since 2011, merchandise trade, as % of world GDP has shown a steady decline with its value at 50.25% in 2011, 49.63% in 2012, 49.28% in 2013, 48.12% in 2014, 44.27% in 2015, 42.42% in 2016. However, in 2017, some improvement was seen. The value of merchandise trade as % of world GDP stands at 44.18% for the year 2017 (see table 1). The general trend of declining trade to GDP ratio suggests creeping protectionism since the financial crisis.

1.1 Reasons for varied world trade growth

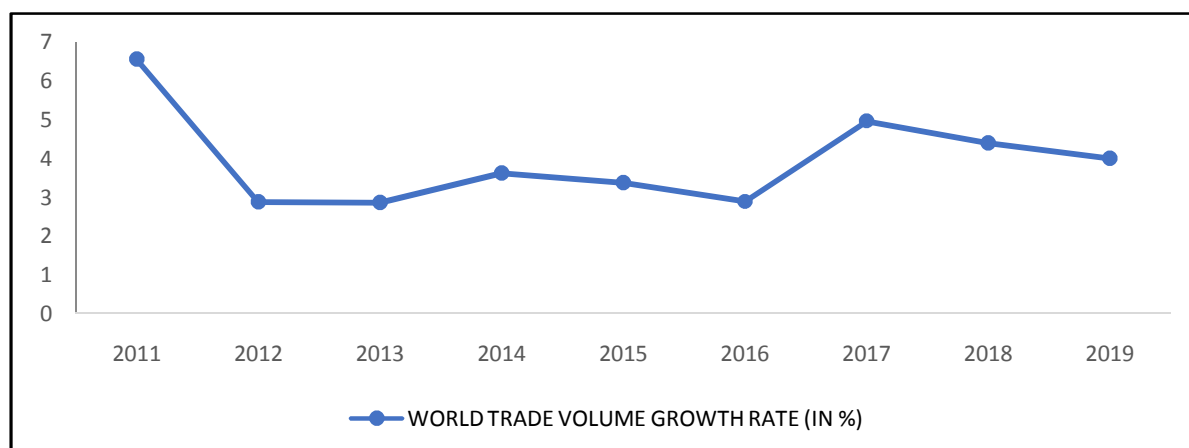
World trade growth collapsed in 2009, but recovered strongly in 2010-11. Trade growth has been disappointing in 2012-13, expanding only about 2% each year in volume terms, less than GDP growth, which is unusual. There is a concern that this slowdown is structural, linked to a deceleration in the expansion of the global production chain (which had been turbo-charged by China's WTO accession in 2001), or creeping protectionism since the financial crisis. While there may be elements of truth here, the slowdown is mainly cyclical. Europe comprises a large share of world trade (partly because trade between European countries is large) so the region's recession has made a large dent. Moreover, the European recession brought a general slowdown in manufacturing worldwide as an inventory correction occurred. Manufacturing still dominates global trade.³

² www.wto.org

³ Business Insider

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Graph 4: World Trade Volume Growth Rate (in %)



Source: PHD Research Bureau, compiled from World Bank database

From 2011 to 2014 the value of international trade grew at a rate of less than 2 per cent per year, and declined by 10 percent in 2015. A substantial part of the drop in international trade was due to nominal factors, principally the fall in the price of commodities and the overall appreciation of the US dollar. Weaker demand also played a role, especially in East Asia and in other parts of the developing world.⁴

The magnitude of the decline in the trade of goods and services observed in 2015 and 2016 was a reflection of low commodity prices and of a change in the dynamics behind the process of international integration. Further, several factors contributed to the revival of world trade in 2017, including increased investment spending and higher commodity prices, which raise incomes in resource-based economies and encourage investment in the energy sector, e.g. shale oil in the United States.

Table 2: Summary of Reasons for Trade Volume Growth Rate (Year 2011 to 2017)

Year	Trade Volume Growth Rate (in %)	Reasons
2011	6.6	World trade growth decelerated sharply in 2011 as the global economy struggled under the influence of natural disasters, financial uncertainty and civil conflict. A slowdown in trade had been expected after the strong rebound of 2010 but the earthquake in Japan and flooding in Thailand shook global supply chains, and fears of sovereign default in the euro area weighed heavily in the closing months of the year. The civil war in Libya also reduced oil supplies and contributed to sharply higher prices. All of these factors combined to produce below average growth in trade in 2011.
2012	2.9	Slowing global output growth and strong headwinds largely due to the

⁴UNCTAD Report

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		persistent European Union debt crisis, extraordinary levels of volatility in financial markets and in the broader economy, led to a steep downfall in the world's international trade.
2013	2.9	The sluggish pace of trade growth in 2013 was due to a combination of flat import demand in developed economies (0.2%) and moderate import growth in developing economies (4.4%). Several factors contributed to the weakness of trade and output in 2013, including the lingering impact of the EU recession, high unemployment in euro area economies (Germany being a notable exception), and uncertainty about the timing of the Federal Reserve's winding down of its monetary stimulus in the United States. The latter contributed to financial volatility in developing economies in the second half of 2013, particularly in certain "emerging" economies with large current account imbalances.
2014	3.6	A modest improvement is seen but world trade growth still remains fairly low.
2015	3.4	Several factors contributed to the lacklustre performance, including economic slowdown in China, recessions in other large developing economies including Brazil, falling prices for oil and other primary commodities, strong fluctuations in exchange rates, and financial volatility driven by divergent monetary policies in developed countries.
2016	2.9	The magnitude of the decline in the trade of goods and services observed in 2015 and 2016 was a reflection of low commodity prices and of a change in the dynamics behind the process of international integration. In particular, the fall in commodity prices and the appreciation of the United States dollar greatly contributed to the fall in the value of international trade. The appreciation of the US dollar has affected the value of international trade because the same volumes of goods can be purchased with fewer dollars. Still, deflationary factors can explain only some of the trade weakness of 2015 and 2016.
2017	5.0	The acceleration of world merchandise trade volume growth was broad based, driven by rising import demand across regions but most notably in Asia. Several factors contributed to the revival of world trade in 2017. These include increased investment spending, which is highly correlated with trade, and higher commodity prices, which raise incomes in resource-based economies and encourage investment in the energy sector, e.g. shale oil in the United States.
2018 (projected)	4.4%	As projected by the World Bank
2019 (projected)	4.0%	As projected by the World Bank

Source: PHD Research Bureau, compiled from World Bank database

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2. Growth of India's exports

Riding on the back of brisk growth in the global economy since 2002, India's exports witnessed a phenomenal threefold increase during the period 2002–03 to 2007–08. But this powerful dynamo for employment generation was threatened by rapid contraction in global demand and weakening labour markets.

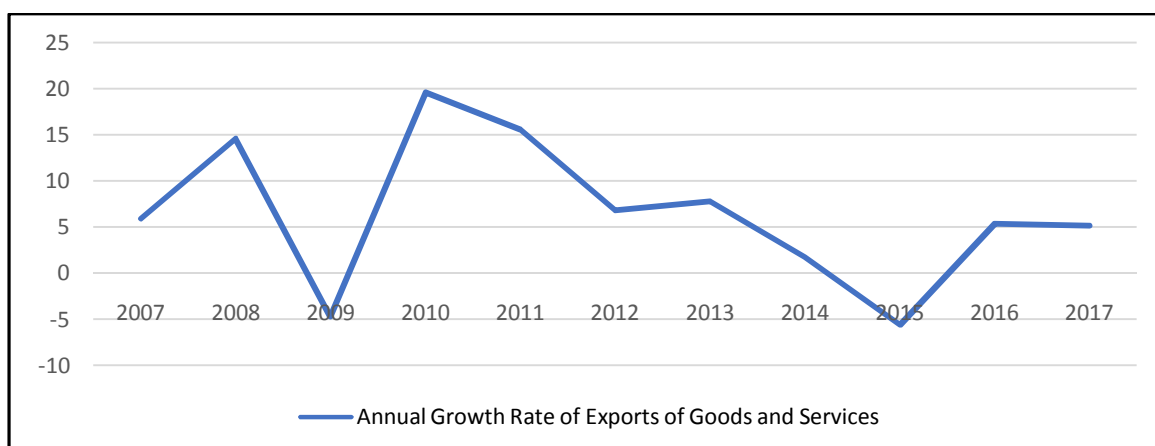
Table 3: Growth of India's Exports

Year	Volume of Merchandise Exports (in US\$ Billion)	Annual Growth Rate of India's Merchandise Exports	Merchandise Trade (% Of GDP)	Annual Growth Rate of Exports Of Goods And Services
2007	150.16		31.6	5.9
2008	194.83	29.8	43.5	14.6
2009	164.91	-15.4	31.9	-4.7
2010	226.35	37.3	34.8	19.6
2011	302.91	33.8	42.1	15.6
2012	296.83	-2.0	43.0	6.8
2013	314.85	6.1	42.0	7.8
2014	322.69	2.5	38.5	1.8
2015	267.44	-17.1	31.4	-5.6
2016	264.14	-1.2	27.5	5.4
2017	298.38	13.0	28.7	5.2

Source: PHD Research Bureau, compiled from World Bank database

As seen in graph 5, annual growth rate of Indian trade of goods and services had risen from 5.93% to 14.60% between 2007 and 2008. However, in 2009, it declined sharply to -4.69% as a result of global downturn. However, there was a strong revival in Indian exports annual growth rate at 19.62% in the year 2010, thereafter, a constantly falling trend is seen till 2015. After the negative trade growth rate of 5.59% in 2015, an upward trend is exhibited with 5.37% in 2016 and 5.16% in 2017.

Graph 5: Annual Growth Rate of Exports of Goods and Services in India (%)

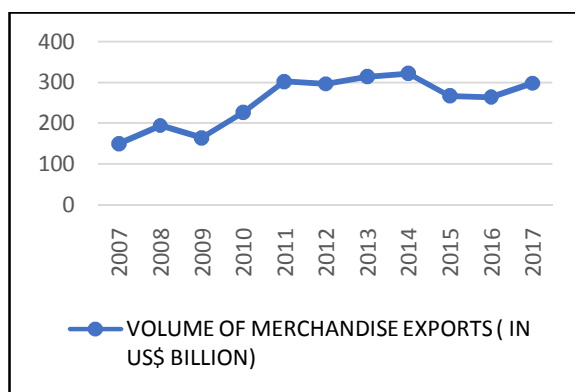


Source: PHD Research Bureau, compiled from world bank database

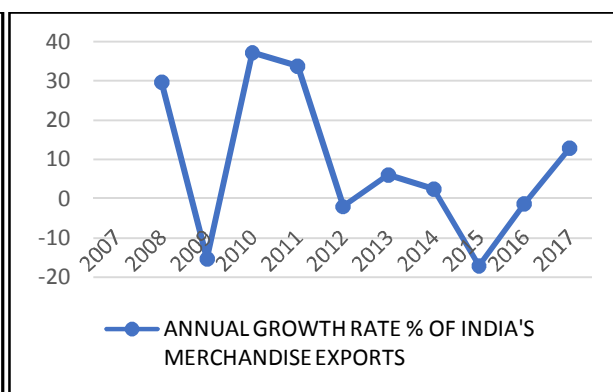
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As seen in graph 4, volume of India's merchandise exports fell sharply from US\$ 194.83 billion to US\$ 164.91 billion between the year 2008 and 2009. Volume of Merchandise Exports (in US\$ Trillion) has shown a sharp fall in 2009 (due to financial crisis, 2008), but revived thereafter in the next year (2010), with an annual growth rate of around 37%, rising further to US\$ 302.91 billion in the year 2011. However, the exports of goods value remained more or less same from 2011 to 2014, standing between US\$ 302.91 billion (in 2011) to US\$ 322.69 billion (in 2014).

Graph 6: Volume of India's Merchandise Exports (in US\$ Billion)



Graph 7: Annual Growth Rate of India's Exports (in %)



Source: PHD Research Bureau, compiled from World Bank database

There is a decline seen in the annual growth rate of India's merchandise exports post 2013 till 2016, with some improvement in 2017 (see Graph 7). The value of Indian goods' exports stands at US\$ 298.38 billion for the year 2017.

3. Leading Merchandise Exporter Countries

Table 3 enlists the leading merchandise exporter countries for the year 2017. It can be seen that China leads the world's international trade with US \$2263 billion worth of exports in 2017, followed by USA, Germany, Japan and Netherlands. Over the years, India's merchandise exports have grown at the rate of 5.3% (from 2011 to 2017). This is the third highest trade growth rate after Switzerland (average growth rate of 7.4%) and China and Poland (both had their merchandise exports grow at 5.6%).

Table 4: Annual Trade Growth Rate of Leading Merchandise Exporter Countries

Rank	Leading Exporters, 2017	Value of Exports, US\$ bn, 2017	Share % in 2017	Annual % Change (2017)	Average Annual % Change *(2011-2017)
1	China	2263	12.8	7.9	5.6
2	USA	1547	8.7	6.6	3.1
3	Germany	1448	8.2	8.5	2.4

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4	Japan	698	3.9	8.3	-1.0
5	Netherlands	652	3.7	14.1	0.9
6	Korea	574	3.2	15.8	3.4
7	Hong Kong	550	3.1	6.5	4.8
8	France	535	3.0	6.7	0.5
9	Italy	506	2.9	9.6	2.1
10	UK	445	2.5	8.6	1.5
11	Belgium	430	2.4	7.9	1.3
12	Canada	421	2.4	7.8	1.7
13	Mexico	409	2.3	9.5	4.6
14	Singapore	373	2.1	10.4	1.3
15	UAE	360	2	20.4	1.3
16	Russia	353	2	25.3	0.5
17	Spain	321	1.8	10.5	3.8
18	Taipei	317	1.8	13.2	2.3
19	Switzerland	300	1.7	-1.1	7.4
20	India	298	1.7	13	5.3
21	Thailand	237	1.3	9.9	3.0
22	Poland	231	1.3	14	5.6
23	Australia	231	1.3	19.9	2.1
24	Saudi Arabia	218	1.2	18.8	0.8
25	Malaysia	218	1.2	14.9	1.8

Source: PHD Research Bureau, compiled from trademap.org

Note: *average annual % change is calculated on the basis of yearly growth rates of exports of 2011 to 2017.

Value of India's merchandise exports stands at US \$ 298 billion for the year 2017, with its position at 20 in the world ecosystem. India's share of the merchandise exports is 1.7% of that of the world. Over the years, India has shown an impressive growth in its exports. From the annual growth of exports of 37% in the year 2011, India witnessed a steep fall in its exports growth of merchandise to -4% in the year 2012, which rose to 16% in 2013.

This 16% annual rate of exports growth for the year 2013 is recorded to be the highest among the 25 leading merchandise export countries. However, merchandise exports growth rate fell to -6% in the year 2014 and -17% in the year 2015. For the year 2016, growth rate of merchandise exports increased sharply and stood at -2%, increasing further to an impressive rate of 13% p.a. in the following year of 2017.

Over the years, India's merchandise exports have grown at the rate of 5.3% (from 2011 to 2017). This is the third highest trade growth rate after Switzerland (average growth rate of 7.4%) and China and Poland (both had their merchandise exports grow at 5.6%).

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4. Structure of India's exports - Top 25 export items from India

While analysing the structure of India's exports for the year 2017-18, it is observed that the top 25 export items from India constitute a share of 42.84% in its total exports basket. The exports of the product category of Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc (HSCode 271019) has the highest share at 7.98%, followed by others: (HSCode 710239) with a share of 7.75%.

Table 5: Summary Analysis of the Top 25 export items from India

S.No.	HSCode	Commodity	2017-2018 (in US\$ Billion)	% Share
1.	271019	Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc	24.22	7.98
2.	710239	Others:	23.53	7.75
3.	271012	Light Oils and Preparations:	12.42	4.09
4.	300490	Other Medicine Put Up for Retail Sale	9.93	3.27
5.	711319	Articles of other Precious Metal W/N Pltd Or Clad	9.42	3.10
6.	100630	Semi/Wholly Milled Rice W/N Polished/Glazed	7.35	2.42
7.	030617	Other Shrimps And Prawns : Frozen	4.78	1.57
8.	020230	Boneless	3.79	1.25
9.	870322	Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine of Cylinder Capacity>1000cc BtNt>1500cc	3.56	1.17
10.	711311	Articles of Jewellery And Parts Thereof Of Silver W/N Pltd/Cld With Other Precious Metal	3.32	1.09
11.	760110	Aluminium-Not Alloyed	2.89	0.95
12.	870899	Other Parts and accessories Of Vehicles of Hdg 8701-8705	2.61	0.86
13.	740311	Cathodes and Sections of Cathodes of Refined Cop	2.43	0.80
14.	841112	Turbo-Jets of A Thrust>25 Kn	2.12	0.70
15.	890590	Other Vessels, Fire Floats Etc	1.94	0.63
16.	880330	Other Parts of Aeroplanes or Helicopters	1.89	0.62
17.	871120	Motor Cycle Etc with Reciprocating Internal Combustion n Pstn Engine Of Cylinder Capacity>50 Cc To 250 Cc	1.77	0.58
18.	520100	Cotton, Not Carded or Combed	1.76	0.579
19.	610910	T-Shirts Etc Of Cotton	1.74	0.573
20.	870323	Vehicles with Spark-Ignition Internal Combustion Reciprocating Engine Of A Cylinder Capacity>1500 Cc Bt<=3000	1.73	0.572
21.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	1.59	0.52
22.	290243	P-Xylene	1.57	0.517
23.	710812	Other Unwrought Forms	1.50	0.49
24.	870321	Vehicle with Spark-Ignition Internal Combustion Reciprocating piston Engine Of Cylinder Capacity<=1000cc	1.26	0.41

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25.	294200	Other Organic Compounds: Cefadroxil And Its Salts, Ibuprofane, Nifedipine, Ranitidine, Danes Salt Of D(-) Pheny	1.05	0.35
Total share of top 25 items of exports in India's total exports				42.84

Source: PHD Research Bureau, Compiled from Ministry of Commerce

The annual percentage export growth is recorded the highest for the product “Turbo-Jets of A Thrust>25 Kn” (HSCode 841112) at 550.6%, followed by P-Xylene (HSCode 290243) with an annual export growth rate of 144.1%. The product category of “Articles of Jewellery And Parts Thereof Of Silver W/N Pltd/Cld With Other Precious Metal” (HSCode 711311) has shown the lowest growth rate of its exports at -15%, followed by “Other Parts of Aeroplanes or Helicopters “ (HSCode 880330) with their annual growth rate of exports at -14.5%.

5. Top 25 Destinations of exports from India

For the year 2017-18, the top 25 destinations of exports from India account for a total of US \$228.18 billion worth of exports. The leading importers of India's products include USA, UAE, Hong Kong, China, Singapore, UK, Germany, Bangladesh, Vietnam and Nepal.

Table 6: Top 25 Destinations of Exports from India

S. No.	Country	2017-2018 (in US\$ Billions)	% Share
1.	U S A	47.88	15.8
2.	United Arab Emirates	28.15	9.3
3.	Hong Kong	14.69	4.8
4.	China People's Republic	13.33	4.4
5.	Singapore	10.20	3.4
6.	U K	9.69	3.2
7.	Germany	8.69	2.9
8.	Bangladesh Pr	8.61	2.8
9.	Vietnam Soc Rep	7.81	2.6
10.	Nepal	6.61	2.2
11.	Netherland	6.26	2.1
12.	Belgium	6.21	2.0
13.	Italy	5.71	1.9
14.	Malaysia	5.70	1.9
15.	Saudi Arab	5.41	1.8
16.	Turkey	5.09	1.7
17.	France	4.90	1.6
18.	Japan	4.73	1.6
19.	Sri Lanka Dsr	4.48	1.5
20.	Korea Republic	4.46	1.5
21.	Australia	4.01	1.3
22.	Spain	3.99	1.3
23.	Indonesia	3.96	1.3

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24.	South Africa	3.83	1.3
25.	Mexico	3.78	1.3
Total		228.18	75.5

Source: PHD Research Bureau, compiled from Ministry of Commerce

For the year 2017-18, USA imported US \$47.88 bn worth of exports from India with its massive share standing at 15.8%, followed by UAE with a share of 9.3%, Hong Kong (share 4.8 %), China (share 4.4%) and Singapore (share 3.4%). This is followed by United Kingdom with a share of 3.2% in India's exports, Germany (share 2.9%), Bangladesh (share 2.8%), Vietnam (share 2.6%), Nepal (share 2.2%) and Netherland (share 2.1%).

6. India's Presence in the World Exports

India's international presence in the top 25 products of exports from India is meagre. The analysis of the leading export basket of India in this study indicates that among the leading 25 items of exports from India (in the year 2017), the product category of Vehicle with Spark-Ignition Internal Combustion Reciprocating piston Engine has shown the highest world import demand of USD 758.04 billion (year 2017) with the top importer countries of USA (share 23.7%), Germany (7.7%), China (6.6%), UK (5.8%) and Belgium (4.8%).

This is followed by the product category of Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc (HSCode 271019) at USD 611.91 billion of world import demand, with the top importer countries of USA (share 7.9%), Singapore (7.6%), Netherlands (4.6%), Mexico (4.1%) and Germany (4.1%). The world demand for other Organic Compounds: (HSCode 294200) is the lowest at USD 1,367,782 thousand with the top importers as India (28.7% of world imports), Japan (7.1%), USA (4.9%), Taipei (3.7%) and Jordan (3.4%).

Table 7: Summary of India's Presence in the World Total Imports of India's Top 25 Items of Exports and the Top 5 Importer and Exporter Countries

S. No.	HSCode	Commodity	Value of World Imports in 2017 (USD billions)	Top 5 Importer countries	Value of India's Exports in 2017-18 (in USD billion)	Top 5 Exporter Countries
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	271019	Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc (271019)	611.91	USA 7.9% Singapore 7.6% Netherlands 4.6% Mexico 4.1% Germany 4.1%	24.22	USA 11.8% Russia 8.9% Singapore 7% Netherlands 6.7% India 5.3%
2.	710239	Others:Diamonds,whet her or not worked, but not mounted or set	128.99	India 21.2% USA 18% Hong Kong	23.53	India 19% USA 14.5% Hong Kong

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		(710239)		15.9% UAE 10.8% Belgium 10.6%		13.2% Belgium 11.7% UAE 10.7%
3.	271012	Light Oils and Preparations: (271012)	611.91	USA 7.9% Singapore 7.6% Netherlands 4.6% Mexico 4.1% Germany 4.1%	12.42	USA 11.8% Russia 8.9% Singapore 7% Netherlands 6.7% India 5.3%
4.	300490	Other Medicine Put Up for Retail Sale (300490)	357.40	USA 18.1% Germany 7.3% Belgium 5.5% Switzerland 5.4% UK 4.9%	9.93	Germany 16.1% Switzerland 12.5% Belgium 8.1% France 7.4% UK 6.2%
5.	711319	Articles of other Precious Metal W/N Pltd Or Clad	73.97	Hong Kong 16.4% Switzerland 15.1% USA 12.4% UAE 8.4% France 5.9%	9.42	UAE 13.8% India 12% Switzerland 10.6% China 10.3% USA 9.7%
6.	100630	Semi/Wholly Milled Rice W/N Polished/Glazed	23.61	China 7.7% Iran 5.1% Benin 4.6% Saudi Arabia 4.3% UAE 3.2%	7.35	India 29.4% Thailand 21.4% Vietnam 21.4% Pakistan 7.2% USA 7.1%
7.	030617	Other Shrimps And Prawns : Frozen	28.76	USA 26.2% Vietnam 13.6% Japan 8.7% China 8.7% Spain 5.2%	4.78	India 16.3% Ecuador 10.4% Canada 9.6% Vietnam 6.6% Indonesia 5.8%
8.	020230	Boneless	22.17	China 13.5% Vietnam 11.3% USA 10% HongKong 8.3% Korea 7%	3.79	Brazil 19.7% India 17.7% Australia 15.6% USA 12.7% New Zealand 8.1%
9.	870322	Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine Of Cylinder Capacity>1000cc BtNt>1500cc	758.04	USA 23.7% Germany 7.7% China 6.6% UK 5.8% Belgium 4.8%	3.56	Germany 21% Japan 12.5% USA 7.1% Canada 6.2% UK 5.6%
10.	711311	Articles of Jewellery And Parts Thereof Of	73.97	Hong Kong 16.4%	3.32	UAE 13.8% India 12%

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		Silver W/N Pltd/Cld With Other Precious Metal		Switzerland 15.1% USA 12.4% UAE 8.4% France 5.9%		Switzerland 10.6% China 10.3% USA 9.7%
11.	760110	Aluminium-Not Alloyed	57.48	USA 19% Germany 9.9% Japan 9.8% Korea 5.8% Italy 4.8%	2.89	Canada 12.1% UAE 10.5% Russia 10.5% Norway 5.9% Australia 5%
12.	870899	Other Parts and accessories Of Vehicles of Hdg 8701-8705	387.39	USA 17.2% Germany 10.8% China 7% Mexico 6.5% Canada 5.3%	2.61	Germany 16.1% USA 11.6% Japan 8.9% China 8% Mexico 6.9%
13.	740311	Cathodes and Sections of Cathodes of Refined Cop	60.04	China 34.4% USA 8.5% Germany 6.9% Italy 6.7% Taipei, Chinese 6%	2.43	Chile 25.7% Russia 6.3% Japan 5.6% India 4.3% Congo 4.3%
14.	841112	Turbo-Jets of A Thrust>25 Kn	154.90	USA 15.3% UK 13.3% France 13% Germany 6.7% Singapore 5.6%	2.12	UK 19.6% France 10.7% USA 8.3% Germany 6.8% Singapore 5.6%
15.	890590	Other Vessels, Fire Floats Etc	21.04	Australia 30% India 9.8% Norway 6.3% UK 5.6% Congo 5.2%	1.94	Korea 50.6% India 11% China 10.9% Congo 7.7% Thailand 3.4%
16.	880330	Other Parts of Aeroplanes or Helicopters	90.86	USA 18.4% France 18.3% Germany 8.6% Singapore 6.7% UK 5.4%	1.89	UK 18.2% Germany 12.2% France 8.3% Singapore 7.2% USA 6.4%
17.	871120	Motor Cycle Etc with Reciprocating Internal Combustion n Pstn Engine Of Cylinder Capacity>50 Cc To 250 Cc	22.10	USA 10.2% Germany 7.6% France 7% Italy 5% Philippines 4.5%	1.77	China 27.1% Japan 11.6% Germany 8.8% India 7.7% Thailand 6.1%
18.	520100	Cotton, Not Carded or Combed	13.95	China 15.7% Vietnam 15% Bangladesh 13.1% Turkey 12%	1.76	USA 41.8% India 11.9% Australia 11.5% Brazil 9.7% Greece 2.8%

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				Indonesia 9.1%		
19.	610910	T-Shirts Etc Of Cotton	38.51	USA 15.2% Germany 11% UK 6.7% France 5.8% Japan 5.7%	1.74	China 18.5% Bangladesh 13.6% Turkey 6.5% India 6.1% Germany 5.1%
20.	870323	Vehicles with Spark-Ignition Internal Combustion Engine Of A Cylinder Capacity>1500 Cc Bt<=3000	758.04	USA 23.7% Germany 7.7% China 6.6% UK 5.8% Belgium 4.8%	1.74	Germany 21% Japan 12.5% USA 7.1% Canada 6.2% UK 5.6%
21.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	128.99	India 21.2% USA 18% Hong Kong 15.9% UAE 10.8% Belgium 10.6%	1.59	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%
22.	290243	P-Xylene	48.17	China 41.3% Belgium 8% Taipei 5.4% USA 5.4% India 4.6%	1.57	Korea 22.6% Japan 11.5% USA 9.3% Netherlands 8.3% Singapore 7.2%
23.	710812	Other Unwrought Forms	350.90	Switzerland 19.9% China 14.6% India 10.3% UK 9.8% UAE 9.4%	1.50	Switzerland 21.1% Hong Kong 16.2% USA 6.2% UK 5.3% UAE 5.2%
24.	870321	Vehicle with Spark-Ignition Internal Combustion Reciprocating piston Engine of Cylinder Capacity<=1000cc	758.04	USA 23.7% Germany 7.7% China 6.6% UK 5.8% Belgium 4.8%	1.26	Germany 21% Japan 12.5% USA 7.1% Canada 6.2% UK 5.6%
25.	294200	Other Organic Compounds : Cefadroxil And Its Salts,	1.37	India 28.7% Japan 7.1% USA 4.9% Taipei 3.7% Jordan 3.4%	1.05	India 61% USA 10% China 3.6% Japan 3% Korea 2.8%

Source: PHD Research Bureau, compiled from trademap.org

Note: % figures in column (7) indicate the share of the country in the total world exports of the commodity mentioned in column (3);
% figures in column (5) indicate the share of the country in the total world imports of the commodity mentioned in column (3)

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Table 8 provides a snapshot of the top five commodities whose world demand in the year 2017 has been the highest. These are those product categories where India could increase its international presence by further expanding its markets. The top 5 importer countries in the world for these commodities have also been identified, in order to gauge an idea about India's potential buyer countries, so that a suitable course of action could be devised by the government to further enhance trade relationships with such prospective buyer nations.

India has a huge untapped potential in these identified products wherein it could capture the high world demand by strengthening its export-oriented firms in these sectors. There is a need to identify and address the various barriers in order to boost competitiveness and hence exports of these products. The respective industries could be strengthened by improving labour productivity, labour flexibility and capital efficiency. Having quality manpower, infrastructure improvements and raw material availability would also play a major role. Access to the latest and the most efficient technology and techniques will bring competitive advantage to the major players. It has been found out that the highest value of world imports (in USD billions) were in the following product categories of:

1. Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine
2. Petroleum Oils and Oils Obtained from bituminous Minerals
3. Other Parts and accessories Of Vehicles
4. Medicine Put Up for Retail Sale, and
5. Other Unwrought Forms⁵

Table 8: Potential Scope of Exports from India among the India's Top 25 Items of Exports

S. No.	HSCode	Commodities	Value of India's Exports in 2017-18 (in USD billion)	Value of World Imports in 2017 (USD billions)	Top 5 Importer Countries	Top 5 Exporter Countries
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	870322	Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine Of Cylinder Capacity>1000cc BtNt>1500cc	3.56	758.04	USA 23.7% Germany 7.7% China 6.6% UK 5.8% Belgium 4.8%	Germany 21% Japan 12.5% USA 7.1% Canada 6.2% UK 5.6%
	870323	Vehicles with Spark-Ignition Internal Combustion Reciprocating Engine Of A Cylinder Capacity>1500 Cc Bt<=3000	1.74			
	870321	Vehicle with Spark-	1.26			

⁵ Other Unwrought Forms (not worked into a finished condition) of materials

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		Ignition Internal Combustion Reciprocating piston Engine of Cylinder Capacity≤1000cc				
2	271019	Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc	24.22	611.91	USA 7.9% Singapore 7.6% Netherlands 4.6% Mexico 4.1% Germany 4.1%	USA 11.8% Russia 8.9% Singapore 7% Netherlands 6.7% India 5.3%
	271012	Light Oils and Preparations:	12.42			
3	870899	Other Parts and accessories Of Vehicles of Hdg 8701-8705	2.61	387.39	USA 17.2% Germany 10.8% China 7% Mexico 6.5% Canada 5.3%	Germany 16.1% USA 11.6% Japan 8.9% China 8% Mexico 6.9%
4	300490	Other Medicine Put Up for Retail Sale	9.93	357.40	USA 18.1% Germany 7.3% Belgium 5.5% Switzerland 5.4% UK 4.9%	Germany 16.1% Switzerland 12.5% Belgium 8.1% France 7.4% UK 6.2%
5	710812	Other Unwrought Forms	1.50	350.90	Switzerland 19.9% China 14.6% India 10.3% UK 9.8% UAE 9.4%	Switzerland 21.1% Hong Kong 16.2% USA 6.2% UK 5.3% UAE 5.2%

Source: PHD Research Bureau, Compiled from the study on Prospects for Exports from India

Note: % figures in column (7) indicate the share of the country in the total world exports of the commodity mentioned in column (3); % figures in column (6) indicate the share of the country in the total world imports of the commodity mentioned in column (3)

In the product of Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine (HSCode 870322), India exported only USD 3.56 billion in 2017-18 whereas the value of world imports for this product stood at USD 758.04 billions, indicating that despite being among the top 25 items of exports from India, India's Vehicles (with Spark-Ignition Internal Combustion Reciprocating Piston Engine) are not valued enough in the world markets. In 2017, the top exporters for the same were Germany, Japan, USA, Canada and UK, together producing more than

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50% of all exports. On the other hand, the USA, Germany, China, UK and Belgium were the biggest importers, mainly for the purpose of re-exporting. Despite being a product of India's leading export basket, India's presence in the world for its exports is meagre so much so that it doesn't find its place among the world top exporters of this product.

Thus, there is a need to strengthen the Indian automobile industry by improving labour productivity, labour flexibility and capital efficiency. Having quality manpower, infrastructure improvements and raw material availability also play a major role. Access to latest and most efficient technology and techniques will bring competitive advantage to the major players. Further, there is a need to facilitate infrastructure creation, attract investment and promote research and development. The role of Industry will primarily be in designing and manufacturing products of world-class quality establishing cost competitiveness and improving productivity in labour and in capital.

In the product category of Petroleum Oils and Oils Obtained from bituminous Minerals (HSCode 271019), India exported USD 24.22 billion in the year 2017-18, as compared to the world demand of USD 611.91 billion. India is the 5th largest leading exporter of this product in the world with its share of 2017 standing at 5.3%. The top exporters included USA (11.8%), Russia (8.9%), Singapore (7%) and Netherlands (6.7%). Being a leading export from India, there is a need to boost exports and value-addition in this industry. Oil refiners need to go upmarket into petrochemicals and research based products. Further, a knowledge-intensive speciality chemicals sectors needs to be incentivised, to foray into new materials and related products, and hence have the required capacity building.

In the year 2017-18, in the product category of Other parts and Accessories of Vehicles (HSCode 870899), India exported a meagre USD 2.61 billion whereas the world demand for this product stood at USD 387.39 billion. In 2017, More than 50% of the world exports of this product were from Germany, USA, Japan, China and Mexico. There is a need to continue strengthening capacity building in this industry in order to capture rising global demand.

For the product category of Other Medicine Put up for Retail Sale (HSCode 300490), India's presence is quite less as compared to the world demand. India's exports of this product stood at USD 9.93 billion whereas the world demand for the same was about USD 357 billion. Government incentives to further facilitate research in the pharma sector would play a crucial role in boosting exports of this sector.

For the product category of Other Unwrought Forms (HSCode 710812), in the year 2017-18, India exported USD 1.50 billions of it whereas the world imports registered a steep figure of USD 350.90 billions. Further, in the year 2017, India was the 3rd largest buyer of the same product after Switzerland and China. India's share in the world imports of "other unwrought forms" stood at 10.3%. Efforts need to be directed towards this sector to become a net exporter of this product.

Broadly, in the above identified product categories, trade relations could be strengthened with USA, Germany, China, UK, Belgium, Singapore, Netherlands, Mexico, Canada, Switzerland and UAE,

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as these economies form the highest demand in the world and thus provide an opportunity for India to expand its markets further in these product areas.

According to the Annual Report of RBI, 2017-18, the top markets that absorbed half of the increase in India's exports in 2017-18 included the USA, China, Hong Kong, Germany, Bangladesh and Vietnam. By contrast, exports to the United Arab Emirates, the third largest export destination, declined due to lower shipments of gems & jewellery and readymade garments, which shrank the bilateral trade surplus from a year ago.

Measuring India's External Competitiveness - RCA

The Revealed Comparative Advantage (RCA) is computed as the ratio of a commodity's share in a country's exports relative to the share of the commodity in total world exports (equation 1). The trade pattern of a commodity is assumed to reflect inter-country differences in relative costs as well as in non-price factors, "revealing" the comparative advantage of the trading countries.

$$RCA = (X_{ij} / X_{wj} \mid X_i / X_w) \quad \text{..... (Equation 1)}$$

Where X_{ij} is i^{th} country's export of commodity j ,
 X_{wj} is world's exports of commodity j ,
 X_i is total exports of country i , and
 X_w is total world exports.

A country is said to have comparative advantage in a particular sector if the RCA for that sector is greater than 1.

According to the Annual Report of Reserve Bank of India, 2017-18, measures of India's external competitiveness present a mixed picture. While India has gained share in world exports over time, a decline in the RCA for a few products/sectors points towards diminishing comparative advantage even as India has been able to maintain its advantageous position in its top 5 export sectors. India's RCA in pearls and precious stones has eroded considerably over 2006-2017 while there has been an increase in India's RCA in textiles in 2017. Nonetheless, India has been able to protect its relative advantage in the top five export sectors (mineral products, textiles, chemicals, base metals and pearls & precious stones).

6.1. Strategy to scale up the exports' volume to USD 700 billion by 2025

The volume of India's merchandise exports in 2018-19 is estimated to be around USD 325 billion. In order to take this growth trajectory further to USD 700 billion 2025, a five-pronged strategy has been suggested:-

- I. Identification of prospective products to scale up the export volumes
- II. Strengthening the export growth momentum towards emerging and developing economies through greater access in the Asian and African economies

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- III. Structural improvements in export and logistics infrastructure
- IV. Developing the supply chains of Micro, Small & Medium Enterprises
- V. Enhancing the overall ease of doing exports

There is a massive scope for Indian exporters in the top 25 product categories wherein high world demand could be captured. The export volumes of the leading export basket should be further enhanced by strengthening the export-oriented firms in these sectors, including Vehicles, parts and accessories of vehicles, Petroleum oils and Medicines.

Additionally, efforts should be made to improve the country's competitiveness in the other areas as well where exists its inherent strength, including the agro and food processing products, textiles and garments, and the sports goods. Exploring these areas to revitalize exports growth with the improvement in logistics infrastructure and trade facilitation measures would enhance the exports growth trajectory and create approximately 30 million new jobs by 2025, of which enhanced agro and food processing exports would create around 20 million new job opportunities alone.

Newer destinations of exports from India should be explored further. In terms of market access to Indian exports, there is a need to capture the huge untapped potential by further strengthening the direction of our exports towards Asian and African economies. To enhance the competitiveness of exports and hence the export growth trajectory, there is a need to improve physical infrastructure like strengthening of rural-urban connectivity to markets, stronger linkage between raw material suppliers and processing units. The logistics, transport system and development of ports should be promoted in the coming times.

MSMEs hold immense potential to revitalise export growth with improved ease of doing business such as further reforms in the labour laws, availability of land and easy and low cost financing facilities. Thus, developing the value chains of MSMEs and making them more structurally competent would add to their efficiency and hence the country's overall export growth momentum. To harness the export potential of the country, the overall ease of doing exports is needed to be enhanced in terms of accessibility to the latest and the most efficient technology and techniques, increased availability to credit for long term loans, easier access to raw materials, building linkages for strong marketing of products, and by improving labour productivity, labour flexibility and capital efficiency.

6.2. Analysis of India as one of the Leading Traders in the World

While analysing the structure and direction of top 25 items of exports from India in the previous sections, it is found out that India is one of the top exporters in the world in 15 out of 25 items and is one of the top importers in 5 out of 25 items.

The product categories in which India is one of the leading importers in the world include diamonds (HSCode710239 and 710231), P-Xylene (HSCode290243), Other Unwrought Forms (HSCode 710812) and Other Organic Compounds (HSCode 294200).

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The items in which Indian economy is among the leading exporter countries in the world include Other Petroleum Oils, Diamonds (Industrial as well as non-industrial), Light oils, Articles of other Precious Metal, Milled Rice, Frozen Shrimps And Prawns, Boneless, Articles of Jewellery, Cathodes, Other Vessels, Fire Floats Etc, Motor Cycle, Cotton, T-Shirts Etc Of Cotton, and Other Organic Compounds.

Table 9: Summary of Analysis of India's position as one of the Leading Importers and Exporters among India's top 25 items of exports

S. No.	HSCode	Commodity	India as one of the top importers	India as one of the top exporters	India among both Leading Exporters as well as Importers	India neither among the Leading Exporters Nor among the Leading Importers
1.	271019	Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc		Yes		
2.	710239	Others: Diamonds, whether or not worked, but not mounted or set	Yes	Yes	✓	
3.	271012	Light Oils and Preparations:		Yes		
4.	300490	Other Medicine Put Up for Retail Sale				✓
5.	711319	Articles of other Precious Metal W/N Pltd Or Clad		Yes		
6.	100630	Semi/Wholly Milled Rice W/N Polished/Glazed		Yes		
7.	030617	Other Shrimps And Prawns : Frozen		Yes		
8.	020230	Boneless		Yes		
9.	870322	Vehicles with Spark-Ignition Internal Combustion Reciprocating Piston Engine Of Cylinder Capacity>1000cc BtNt>1500cc				✓
10.	711311	Articles of Jewellery And Parts Thereof Of Silver W/N Pltd/Cld With Other Precious Metal		Yes		
11.	760110	Aluminium-Not Alloyed				✓
12.	870899	Other Parts and accessories Of Vehicles of Hdg 8701-8705				✓
13.	740311	Cathodes and Sections of		Yes		

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		Cathodes of Refined Cop				
14.	841112	Turbo-Jets of A Thrust>25 Kn				✓
15.	890590	Other Vessels, Fire Floats Etc		Yes		
16.	880330	Other Parts of Aeroplanes or Helicopters				✓
17.	871120	Motor Cycle Etc with Reciprocating Internal Combustion n Pstn Engine Of Cylinder Capacity>50 Cc To 250 Cc		Yes		
18.	520100	Cotton, Not Carded or Combed		Yes		
19.	610910	T-Shirts Etc Of Cotton		Yes		
20.	870323	Vehicles with Spark-Ignition Internal Combustion Reciprocating Engine Of A Cylinder Capacity>1500 Cc Bt<=3000				✓
21.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	Yes	Yes	✓	
22.	290243	P-Xylene	Yes			
23.	710812	Other Unwrought Forms	Yes			
24.	870321	Vehicle with Spark-Ignition Internal Combustion Reciprocating piston Engine Of Cylinder Capacity<=1000cc				✓
25.	294200	Other Organic Compounds : Cefadroxil And Its Salts, Ibuprofane, Nifedipine, Ranitidine, Danes Salt Of D(-) Pheny	Yes	Yes	✓	
		TOTAL	5	15	3	8

Source: PHD Research Bureau, compiled from the study on Prospects of Exports from India

It is worth noting that there are 8 product categories in which India is neither one of the leading exporters nor is it among the leading importers in the world. Such items include Other Medicine (HSCode 300490), Aluminium-Not Alloyed (HSCode 760110), Turbo-Jets of A Thrust>25 Kn (HSCode 841112), Other Parts and accessories Of Vehicles of Hdg 8701-8705 (HSCode 870899), Other Parts of Aeroplanes or Helicopters (HSCode 880330), Vehicles with Spark-Ignition Internal Combustion Reciprocating Engine Of A Cylinder Capacity>1500 Cc Bt<=3000 (HSCode 870323) and Vehicle with Spark-Ignition Internal Combustion Reciprocating piston Engine Of Cylinder Capacity<=1000cc (HSCode 870321).

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6.3 India as the Top Importer as well as Exporter in the World

India is the leading importer, in the world, of 3 products out of its top 25 items of exports. These products are diamonds, non-industrial diamonds and other organic compounds, indicating that the country's domestic demand is higher for these products. India is also the top exporter of these products. It is observed that out of these three, India exported 61% of the world exports of other organic compounds and imported 28.7%, indicating that India's international presence for this product category is significantly high at USD 1.05 billion out of the total world demand of USD 1.37 billion.

Table 9.1: Products categories where India is the top importer as well as exporter in the world

S. No.	HSCode	Commodity	Value of World Imports in 2017 (USD billions)	Top 5 Importer countries	Value of India's Exports in 2017-18 (in USD billion)	Top 5 Exporter Countries
1.	710239	Others: Diamonds, whether or not worked, but not mounted or set	128.99	India 21.2% USA 18% Hong Kong 15.9% UAE 10.8% Belgium 10.6%	23.53	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%
2.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	128.99	India 21.2% USA 18% Hong Kong 15.9% UAE 10.8% Belgium 10.6%	1.59	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%
3.	294200	Other Organic Compounds : Cefadroxil And Its Salts, Ibuprofane, Nifedipine, Ranitidine.	1.37	India 28.7% Japan 7.1% USA 4.9% Taipei 3.7% Jordan 3.4%	1.05	India 61% USA 10% China 3.6% Japan 3% Korea 2.8%

Source: PHD Research Bureau, compiled from the study on Prospects of Exports from India.

However, for the product category of diamonds, India share in its world exports stands 19% for the year 2017, whereas it imported 21.2% of the total world imports in the same year. India exported 23.53 USD billion and 1.59 USD billion worth of other diamonds and non-industrial diamonds respectively, whereas the world import demand stood at around 129 USD billion for the year 2017. This indicates huge potential for India to explore in this field of diamonds, wherein anyway, India has a comparative advantage.

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6.4 Products categories where India is the top exporter in the world

It is found out that India is the top exporter in the world for 5 products out of its top 25 items of exports. These products are other diamonds, Semi/Wholly Milled Rice W/N Polished/Glazed, Other Shrimps and Prawns: Frozen, Non-Industrial Diamonds and other Organic Compounds.

Table 9.2: Products categories where India is the Top Exporter in the world

S. No.	HSCode	Commodity	Value of World Imports in 2017 (USD billions)	Top 5 Importer countries	Value of India's Exports in 2017-18 (in USD billion)	Top 5 Exporter Countries
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	710239	Others: Diamonds, whether or not worked, but not mounted or set	128.99	India 21.2% USA 18% Hong Kong 15.9% UAE 10.8% Belgium 10.6%	23.53	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%
2.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	128.99	India 21.2% USA 18% Hong Kong 15.9% UAE 10.8% Belgium 10.6%	1.59	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%
3.	100630	Semi/Wholly Milled Rice W/N Polished/Glazed	23.61	China 7.7% Iran 5.1% Benin 4.6% Saudi Arabia 4.3% UAE 3.2%	7.35	India 29.4% Thailand 21.4% Vietnam 21.4% Pakistan 7.2% USA 7.1%
4.	030617	Other Shrimps And Prawns : Frozen	28.76	USA 26.2% Vietnam 13.6% Japan 8.7% China 8.7% Spain 5.2%	4.78	India 16.3% Ecuador 10.4% Canada 9.6% Vietnam 6.6% Indonesia 5.8%
5.	294200	Other Organic Compounds : Cefadroxil And Its Salts, Ibuprofane, Nifedipine, Ranitidine, Danes Salt Of D(-) Pheny	1.37	India 28.7% Japan 7.1% USA 4.9% Taipei 3.7% Jordan 3.4%	1.05	India 61% USA 10% China 3.6% Japan 3% Korea 2.8%

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Source: PHD Research Bureau, compiled from the study on Prospects of Exports from India. Note: % figures in column (7) indicate the share of the country in the total world exports of the commodity mentioned in column (3); % figures in column (5) indicate the share of the country in the total world imports of the commodity mentioned in column (3)

It can be observed that among these 5 items, India's international presence is weak in majority of the products except in the category of Other Organic Compounds where India exported 61% of the world exports of other organic compounds and imported 28.7%, indicating that India's international presence for this product category is significantly high at 1.05 USD billion out of the total world demand of 1.37 USD billion.

India has a huge untapped potential in these identified products wherein it could capture the high world demand by strengthening its export-oriented firms in these sectors.

6.5 Analysis of USA and China as India's Export Competitors

Out of the 25 items, United States of America is a strong competitor to India in 11 products and China is a strong export competitor in 6 items. USA is among the leading exporter countries in the 11 product categories which include Petroleum Oils, Diamonds (industrial as well as non-industrial), Light Oils, Articles of other Precious Metal, Milled Rice, Boneless, Articles of Jewellery, Cotton, T-Shirts of Cotton and Other Organic Compounds.

Though USA gives us strong competition in these product categories, however, India is the top exporter in the world (as in 2017-18) in Diamonds (industrial as well as non-industrial), Milled Rice and Other Organic Compounds (see Table 9.2). Certainly, these are the items in which India could expand its comparative advantage and thus further increase its share of exports to the world. China is among the leading exporter countries in 6 product categories including Articles of other Precious Metal, Articles of Jewellery, Other Vessels-Fire Floats, Motor Cycle, T-Shirts of Cotton and Other Organic Compounds.

Table 10: Summary analysis of USA and China as India's Competitors

S.No.	HSCode	Commodity	Top Exporter Countries	USA	China
1.	271019	Other Petroleum Oils and Oils Obtained from bituminous Minerals Etc	USA 11.8% Russia 8.9% Singapore 7% Netherlands 6.7% India 5.3%	Yes	
2.	710239	Others: Diamonds, whether or not worked, but not mounted or set	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%	Yes	
3.	271012	Light Oils and Preparations:	USA 11.8% Russia 8.9% Singapore 7% Netherlands 6.7%	Yes	

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			India 5.3%		
4.	711319	Articles of other Precious Metal W/N Pltd Or Clad	UAE 13.8% India 12% Switzerland 10.6% China 10.3% USA 9.7%	Yes	Yes
5.	100630	Semi/Wholly Milled Rice W/N Polished/Glazed	India 29.4% Thailand 21.4% Vietnam 21.4% Pakistan 7.2% USA 7.1%	Yes	
6.	030617	Other Shrimps And Prawns : Frozen	India 16.3% Ecuador 10.4% Canada 9.6% Vietnam 6.6% Indonesia 5.8%		
7.	020230	Boneless	Brazil 19.7% India 17.7% Australia 15.6% USA 12.7% New zelaand 8.1%	Yes	
8.	711311	Articles of Jewellery And Parts Thereof Of Silver W/N Pltd/Cld With Other Precious Metal	UAE 13.8% India 12% Switzerland 10.6% China 10.3% USA 9.7%	Yes	Yes
9.	740311	Cathodes and Sections of Cathodes of Refined Cop	Chile 25.7% Russia 6.3% Japan 5.6% India 4.3% Congo 4.3%		
10.	890590	Other Vessels, Fire Floats Etc	Korea 50.6% India 11% China 10.9% Congo 7.7% Thailand 3.4%		Yes
11.	871120	Motor Cycle Etc with Reciprocating Internal Combustion n Pstn Engine Of Cylinder Capacity>50 Cc To 250 Cc	China 27.1% Japan 11.6% Germany 8.8% India 7.7% Thailand 6.1%		Yes
12.	520100	Cotton, Not Carded or Combed	USA 41.8% India 11.9% Australia 11.5% Brazil 9.7% Greece 2.8%	Yes	
13.	610910	T-Shirts Etc Of Cotton	China 18.5% Bangladesh 13.6% Turkey 6.5%	Yes	Yes

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			India 6.1% Germany 5.1%		
14.	710231	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved Or Bruted	India 19% USA 14.5% Hong Kong 13.2% Belgium 11.7% UAE 10.7%	Yes	
15.	294200	Other Organic Compounds : Cefadroxil And Its Salts, Ibuprofane, Nifedipine, Ranitidine, Danes Salt Of D(-) Pheny	India 61% USA 10% China 3.6% Japan 3% Korea 2.8%	Yes	Yes
		TOTAL		11	6

Source: PHD Research Bureau, compiled from the study on Prospects of Exports from India

Interestingly, both USA and China are one of the top exporters in the world for three product categories which are Articles of other Precious Metal, T-Shirts of Cotton and Other Organic Compounds. Thus, these three products pose a fierce competition to India, despite them forming a significant part of India's leading export basket. These items could be considered as potential threats to India's business. Policies should be efficiently directed to enhance the manufacturing and hence marketing of these items to ensure being the leading exporter country in the world.

As analysed in the previous section, despite being the leading exporter nation, India is also the leading importer of Diamonds (industrial as well as non-industrial) and Other Organic Compounds in the world. If countries like USA and China are among the top exporter of these items, then undoubtedly, Indian economy could identify exports of these items to be of utmost priority and significance.

7. Conclusions and Way Forward

Exports are a vital component of a dynamically growing economy like India. The Government of India has been undertaking several measures to boost the exports growth trajectory. However, the growth of exports has been at around 9 to 10% during the last few years. Going ahead, improved global demand along with recent reforms in policies and procedures at domestic front have created a great opportunity to strengthen the exports growth trajectory.

The volume of India's merchandise exports in 2018-19 is estimated to be around USD 325 billion. In order to take this growth trajectory further to USD 700 billion by 2025, a five-pronged strategy has been suggested:-

- I. **Identification of prospective products to scale up the export volumes-** There is a massive scope for Indian exporters in the top 25 product categories wherein high world demand could be captured. The export volumes of the leading export basket should be further

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enhanced by strengthening the export-oriented firms in these sectors, including Vehicles, parts and accessories of vehicles, Petroleum oils and Medicines. Additionally, our country could focus to improve its competitiveness in the other areas as well where exist its inherent strength viz. the agro and food processing products, textiles and garments, and the sports goods. Exploring these areas to revitalize exports growth with the improvement in logistics infrastructure and trade facilitation measures would enhance the exports growth trajectory and create approximately 30 million new jobs by 2025, of which enhanced agro and food processing exports would create around 20 million new job opportunities alone.

- II. Strengthening the export growth momentum towards emerging and developing economies through greater access in the Asian and African economies-** India's international presence in the leading 25 products of exports from India is meagre. The analysis of the India's top 25 items of exports shows that India is one of the top exporters in the world in 15 out of 25 items. Further, India is one of the top importers in the world in 5 out of 25 items. While studying its competitors, it is found out that out of the 25 items, United States of America is a strong competitor to India in 11 products and China is a strong export competitor in 6 items. Newer destinations of exports from India should be explored further. In terms of market access to Indian exports, there is a need to capture the huge untapped potential by further strengthening the direction of our exports towards Asian and African economies.
- III. Structural improvements in export and logistics infrastructure-** To enhance the competitiveness of exports and hence the export growth trajectory, there is a need to improve physical infrastructure like strengthening of rural-urban connectivity to markets, stronger linkage between raw material suppliers and processing units. The logistics, transport system and development of ports should be promoted in the coming times.
- IV. Developing the supply chains of Micro, Small & Medium Enterprises-** MSMEs hold immense potential to revitalise export growth with improved ease of doing business such as further reforms in the labour laws, availability of land and easy and low cost financing facilities. Thus, developing the value chains of MSMEs and making them more structurally competent would add to their efficiency and hence the country's overall export growth momentum.
- V. Enhancing the overall ease of doing exports-** To harness the export potential of the country, the overall ease of doing exports is needed to be enhanced in terms of accessibility to the latest and the most efficient technology and techniques, increased availability to credit for long term loans, easier access to raw materials, building linkages for strong marketing of products, and by improving labour productivity, labour flexibility and capital efficiency.

Going forward, there is a need to facilitate infrastructure creation, attract investment and promote research and development. With the uplifted role of the industry in designing and manufacturing products of world-class quality by establishing cost competitiveness and improving productivity in



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labour and in capital would go a long way in revitalising India's export growth momentum. The recent policy changes of Make in India campaign, Start-up India, Skill-India Mission and GST reforms have been evolutionary, and in the right direction. All these together should make exports more attractive and make exporters more competitive in the international markets.

In a nutshell, if India continues to move in the direction of the past several years, a new virtuous circle of increased exports and improved economic performance should ensue. A broad strategic policy to pursue comparative advantage in a more thorough going way will have very major advantages for India by promoting exports in the most efficient possible way.

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Annexure 1

Table 11: Annual Trade Growth Rate of Leading Merchandise Exporter Countries (for the years 2011 to 2017)

Rank	Exporters	Value US\$ bn 2017	Share % in 2017	Annual % Change (2017)	Average Annual % Change (2011-2017)	Annual % Change (2016)	Annual % Change (2015)	Annual % Change (2014)	Annual % Change (2013)	Annual % Change (2012)	Annual % Change (2011)
1	China	2263	12.8	7.9	5.6	-8	-3	6	8	8	20
2	USA	1547	8.7	6.6	3.1	-3	-7	3	2	4	16
3	Germany	1448	8.2	8.5	2.4	1	-11	3	3	-5	17
4	Japan	698	3.9	8.3	-1.0	3	-9	-3	-10	-3	7
5	Netherlands	652	3.7	14.1	0.9	-6	-17	0	3	4	8
6	Korea	574	3.2	15.8	3.4	-6	-8	2	2	-1	19
7	Hong Kong	550	3.1	6.5	4.8	1	-3	-2	9	8	14
8	France	535	3	6.7	0.5	-1	-13	0	2	-5	14
9	Italy	506	2.9	9.6	2.1	1	-14	2	3	-4	17
10	UK	445	2.5	8.6	1.5	-12	-9	-7	14	-7	23
11	Belgium	430	2.4	7.9	1.3	0	-16	-8	14	-6	17
12	Canada	421	2.4	7.8	1.7	-5	-14	4	1	1	17
13	Mexico	409	2.3	9.5	4.6	-2	-4	4	2	6	17
14	Singapore	373	2.1	10.4	1.3	-2	-15	0	0	0	16
15	UAE	360	2	20.4	1.3	-10	-12	0	8	N/A	N/A
16	Russia	353	2	25.3	0.5	-17	-31	-6	0	2	30
17	Spain	321	1.8	10.5	3.8	1	-13	2	9	-4	21
18	Taipei	317	1.8	13.2	2.3	0	-11	3	1	-2	12
19	Switzerland	300	1.7	-1.1	7.4	4	-6	-13	15	33	20
20	India	298	1.7	13	5.3	-2	-17	-6	16	-4	37
21	Thailand	237	1.3	9.9	3.0	1	-7	0	0	0	17
22	Poland	231	1.3	14	5.6	1	-9	5	13	-5	20
23	Australia	231	1.3	19.9	2.1	-1	-24	-1	-3	-3	27
24	Saudi Arabia	218	1.2	18.8	0.8	-11	-41	-9	-3	6	45
25	Malaysia	218	1.2	14.9	1.8	-5	-14	3	0	0	14

Source: PHD Research Bureau, compiled from trademap.org

Note: *average annual % change is calculated on the basis of yearly growth rates of exports of 2011 to 2017.



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About Us

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 1,30,000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At the National level, the PHD Chamber is well represented in 16 States with its own offices and MOUs with eleven Partner Chambers in different States.

At the Global level we have been working with the Concerned Ministries, Embassies and High Commissions to bring in the International Best Practices and Business Opportunity.

PHD Chamber has special focus on the following thrust areas:

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- **Housing**
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- **Education & Skill Development**
- **Agriculture & Agri-business**
- **ICT**
- **International Trade**

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Sanjay Beswal

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The objective of the Foreign Trade and Investment Committee of PHDCCI is to review India's foreign trade and investment scenario from time to time, to organize meetings and discussion sessions with experts/policy makers, to present suitable memoranda to the government as and when required and to conduct research studies/ surveys to gauge the expectations of the industry stakeholders on important trade and investment related issues.

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Prospects for Exports from India

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ISBN Number: 978-93-84145-80-4

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PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
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<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> India's Economic Developments 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	
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	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Industry Development Monitor (IDM) 	
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Trade & Investment Facilitation Services



SINGLE WINDOW INFORMATION AND PROCEDURAL FACILITATION

Trade and Investment Facilitation Services (TIFS) is a vital component for international trade and investment community. It is envisioned to facilitate firms across the globe for trade and investments in India while simultaneously meeting India's rapidly growing appetite for new markets to enhance trade and investments.

Considering the thirst of the Nation to place India at the forefront of Global Economic Architecture, PHD Chamber of Commerce and Industry launched a specialized desk on Trade and Investment Facilitation Services (TIFS) on 31st March 2017. TIFS is an information and advisory hub to provide requisite and detailed information to facilitate national and international business firms to invest in India; advising them on prospective business opportunities in India in general and in States and promising sectors in particular.

Vision of TIFS

We aim to make India a US\$ 100 billion (per annum) investment destination in the next five years and to enhance India's trade trajectory to the higher level. We envisage US\$ 1000 billion merchandise trade (exports and imports) and US\$ 500 billion services trade (exports and imports) per annum in the next five years.

Geographical Area

TIFS covers pan India from Jammu Kashmir in the North to Tamil Nadu in the South and from Gujarat in the West to Arunachal Pradesh in the East.

Three role dimensions

1. Information role:

Serving as a key link to all information centres on all national and regional/local regulations and clearances. This includes maintaining or having direct and easy access to such information. This also means constant updating of such information.

2. Catalyst role:

Providing facilitative advisory services to help overcome key obstacles and strengthen key positive enablers for enhanced trade and investments. This includes providing information or "leads" on opportunities that would benefit international business community to invest in India.

3. Networking role:

Effective networking with relevant Indian and overseas agencies and leveraging of such networks in the direction of risk mitigation and enhancing trade and investments.

Strategic Collaborators of TIFS

TIFS work in close coordination with Trade Consulars' of different countries as well as international trade and business community and international chambers of commerce. Further, for facilitating and providing information on procedural requirements, TIFS also work in close coordination with the government both at the central and the state level as well as industry associations in India.

Trade Consular's of
different countries

Government including
Central and State

Industry
Associations

International Trade
and
Business Community

International
Chambers
of Commerce

International
Consulting Firms

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It is envisaged to be the first-point-one-stop reference for potential investors from around the world. Our team of domain and functional experts provides sector-and state-specific inputs, and hand- holding support to investors. We assist with location identification, expediting regulatory approvals, facilitating meetings with relevant government and corporate officials among others. For instance, if an investor A from Germany wants to invest USD 100 million in a textile business in India.

- A team of trained staff will be associated with the task for maintaining a physical helpdesk and provide the investor with all the help required regarding the relevant approvals to set up a business and information related to investment areas across India.
- Facility to set up meetings of the investors with Government officials for specific investor queries, both at the state government and central government level.
- Regular updates on various economic developments in India in general and sector specific in particular.
- Updates on state level developments related to policy amendments, sectoral developments, taxation mechanism, infrastructural, etc.
- Updates on Foreign Direct Investment norms, Foreign Trade Policy, etc.

TIFS undertakes the following activities

- i. Through regular research and networking with Government bodies, Entrepreneurs, Industry associations, Embassies/Consulates, Investment delegations, etc., the TIFS gather information on possible trade and investment opportunities in various sectors of the Indian economy.
- ii. TIFS advises prospective traders and investors, national and international, in their process of filing applications and helping them meet other procedural and regulatory requirements. For this purpose, information on specific trade and investment guidelines at the state and central level is provided by TIFS.
- iii. TIFS provides information at a broad level to international investors about possible potential joint venture partners in India. If TIFS is aware of any Indian parties interested in formation of Joint Ventures (JVs) with some global partners, such information is made available to interested investors.
- iv. In case of requests made by individual investors to undertake specific research assignments, financial analysis or due diligence of any specific joint venture partner or Mergers & Acquisitions (M&A) targets, TIFS provides adequate resources to carry out such requests on an agreed cost.
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A: Thematic research reports

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3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
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5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
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11. Budget 2013-14: Moving on reforms (March 2013)
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13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
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31. Economy on the Eve of Union Budget 2015-16 (February 2015)
32. Budget Analysis (2015-16)
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35. Progress of Make in India (September 2015)
36. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
37. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
38. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
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