



Mapping Export Opportunities: *Sectoral Profiles and FTAs*

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Presentation Structure

- ❑ Setting the Context: Target
- ❑ Uttar Pradesh Industrial Profile and Recent Strategy
- ❑ Uttar Pradesh Export Mix
- ❑ Pathways: Key Potential Focus Sectors-Matching UP Industrial and Export Strategy with Global Import Demand and Growth
- ❑ Enabling Factors: FTA Push
- ❑ Enabling Factors: Central Policies and Incentives
- ❑ Some Brief Sectoral Issues:
Agro-Food/Textile/Leather/Apparel/Engineering/Electronic/Precision Machinery/Chemicals/Base Metals
- ❑ Making of a Robust Export Strategy

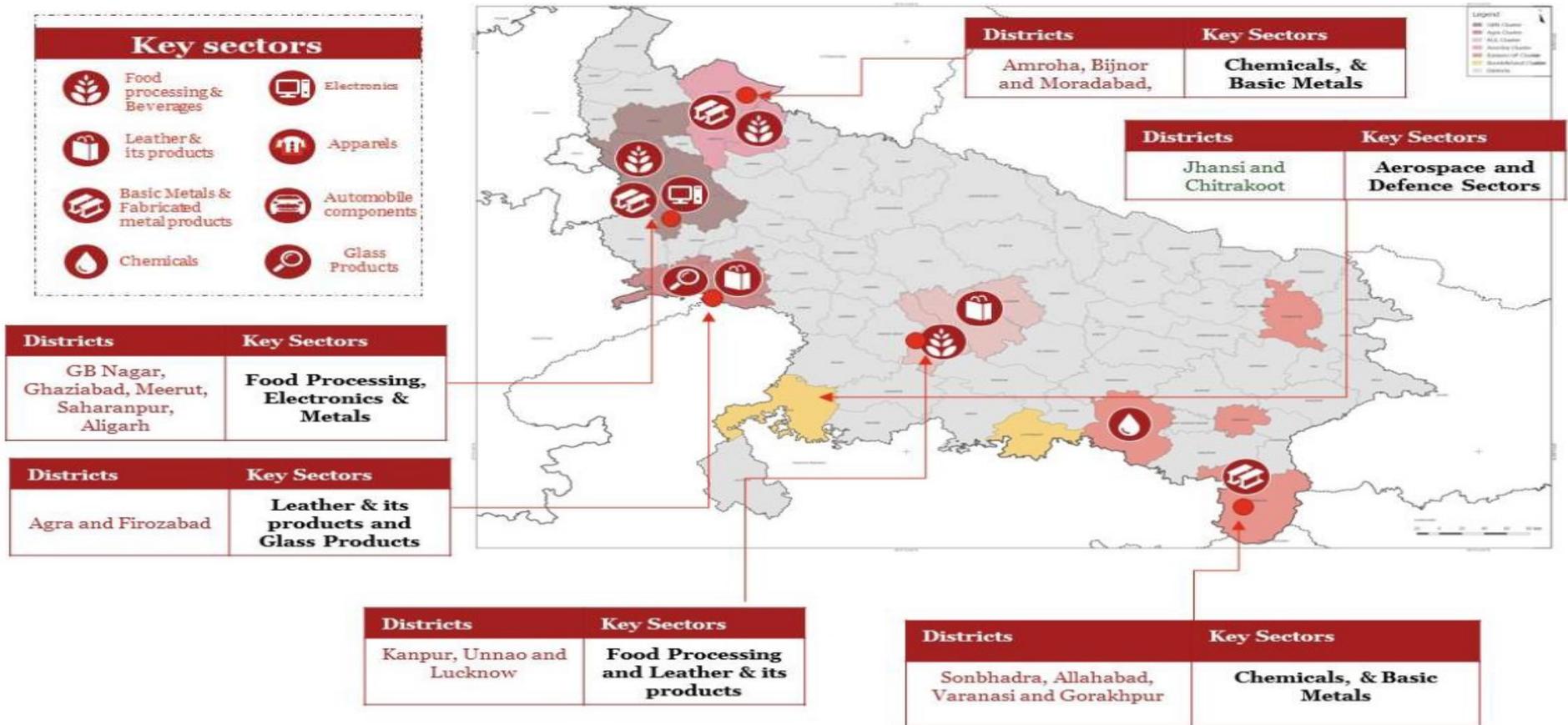
Setting the Context: Target

- ❑ India has set a target of USD 1 trillion merchandise exports by 2030
- ❑ Indian merchandise exports were USD 422 billion in 2021-22 and USD 447 billion in 2022-23
- ❑ *Reaching the USD 1 trillion target requires a CAGR of 12.2 % between 2023 and 2030*

Uttar Pradesh can set a target of contributing to 10% of Indian merchandise exports by 2030

- ❑ Uttar Pradesh exports would have to grow from approximately USD 17.5 billion in 2021-22 to USD 10 billion in 2030
- ❑ *This would mean a very steep CAGR 24.4 %*
- ❑ **This is very ambitious, but not impossible:** countries like South Korea, Taiwan, Malaysia, and earlier Japan had demonstrated such growth rates during their early development phase

Uttar Pradesh Industrial Profile and Recent Strategy



Source: ADB Report using ASI Data

Uttar Pradesh Export Mix



High Value/High Growth	High Value/Low Growth	Low Value/High Growth
Agro Products Inorganic Chemicals Base Metals Textiles* Leather** <i>Engineering</i> <i>Electronics</i>	Apparels	Dairy Organic Chemicals Precision Engineering Base Metal (Value Added Articles)

* Made-ups/Carpets

** minor presence in final products that dominate international market

In depth analysis of engineering and electronics, and their wider presence within the value-chain has not been possible due to paucity of time and secondary data

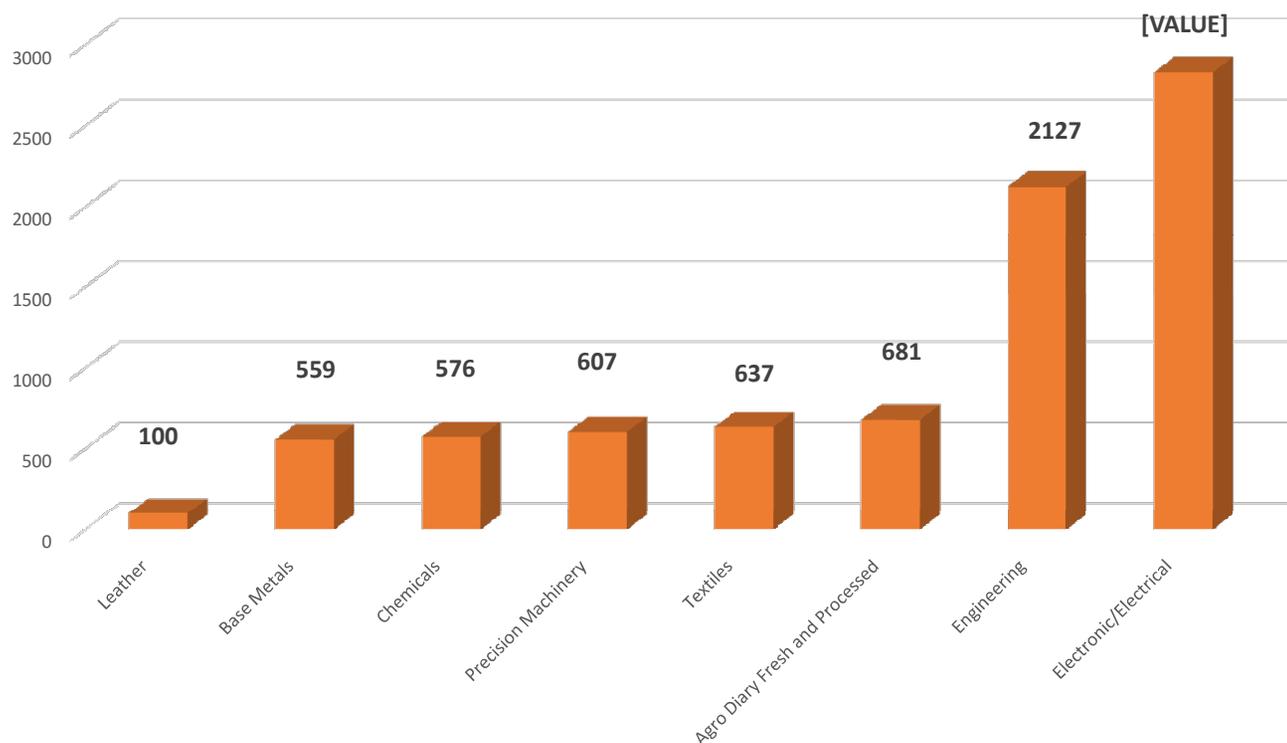
Automobiles, though important part of UP's export basket has been kept out: the longer-term growth of the sector is undergoing rapid technological change

Pathways: Key Potential Focus Sectors

Matching UP Industrial and Export Strategy with Global Import Demand and Growth



Average Annual Import Demand, USD billion (2018-22)



Leather	0.50%
Base Metals	3.10%
Chemicals	3.10%
Precision Machinery	3.30%
Textiles	3.50%
Agro Diary Fresh and Processed	3.70%
Engineering	12.00%
Electronic/Electrical	15.00%
Cumulative	44.20%

Pathways: Key Potential Focus Sectors

Matching UP Industrial and Export Strategy with Global Import Demand and Growth



- ❑ These eight focus sectors represent high volume (44.5% of total global imports), and relatively high-growth areas

- ❑ Average annual import demand in these sectors stood at USD 8.1 trillion USD, and is expected to reach to about USD 9.3 trillion by 2030 (conservative estimate)

- ❑ In order to reach that target of USD 100 billion exports by 2030, UP would need to target having at least 0.8% to 1% share of the global import market across these sectors

- ❑ Value-integration and capturing market share in key segments would require FDI by global champions, including contract manufacturers serving global brands in some of these sectors

Enabling Factors: FTA Push

- Competitor countries in these key sectors have zero duty access in major markets due to existing FTAs or GSP benefits available to LDC countries like Bangladesh
- Indian exports on the other hand often face high MFN applied tariffs

Number of HS6 Tariff Lines with High Average MFN Tariffs			
<i>Major Sectors</i>	Australia	UK	EU
Agro Diary	6	19	6
Chemicals	2	37	27
Leather	8	5	10
Textiles	64	120	40
Base Metals	9	4	4
Engineering	19	4	7
Electronics	12		4
Precision Machinery	0	0	2

- Successful conclusion of ongoing FTA negotiations will help neutralize this disadvantage

Enabling Factors: Central Policies and Incentives

- Investment: Product Linked Incentive Scheme

Food Processing/Chemicals/Engineering/Electronics/Precision Machinery/Textiles

- Marketing and buyer outreach: Market Access Initiative (MAI) Scheme
- Access to Credit: Pradhan Mantri Mudra Yojana (PMMY) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
- New infrastructure for trade fairs and exhibitions in India
- Skill Development: Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and several others
- Infrastructure: PM Gati Shakti Master Plan

Sectoral Issues: Textiles and Leather



TEXTILES

- China plus 1 effect/LDC graduation (Bangladesh)/Vietnam capacity constraint creates opportunities
- Labour costs in UP, especially eastern UP is competitive vis-à-vis China, Bangladesh and Vietnam
- However, skill development at scale and plug-and-play options need to be made available (ease of access to land and labour, reducing time to production for investor)
- Need to focus on industrial textiles and apparel, especially value added segments (leveraging PLI led investment in some key areas)

LEATHER

- India in general, and UP in particular has very low share in the value-added final product segment of leather. This segment accounts for 80% of the import demand and is high growth
- A focused strategy is required addressing technology, design, skill, quality raw material and capital related challenges to this sector

Sectoral Issues: Engineering/Electronics/Precision Machinery



- China plus 1/Vietnam capacity constraints will create opportunity for attracting investment
- Fast rising domestic demand due to both consumer spending and government investment in physical and digital infrastructure should help firms to attain economies of scale in a relatively shorter time
- PLI schemes in key segments of these sectors will further add impetus to attracting investment
- But sector requires specialized skills sets, and focused capacity building in making available skills at scale would be key: strategic partnerships with skill developers in Taiwan/Vietnam/Korea
- Leverage recommendations of NEP: Linking HS and BSc (Hons) programs into industrial skilling
- Creating a plug and play ecosystem would go a long-way in attracting tier II suppliers/contract manufacturers in the value chains in these industries. These tier II players are key to technology transfer and skill development

Some Suggestions for a Robust Export Strategy # 1: *Optimally leverage Central government schemes*



- How best can state help UP based businesses in the sector leverage central government enabling schemes
 - PLI
 - Credit Support for MSMEs
 - Market Access Schemes
 - Participation in Trade Fairs
 - Infrastructure for Exports
 - Leveraging PM Gati Shakti attached funds to fast track industrial cluster related logistics
 - Skill Development
- Support needed by businesses to leverage FTA benefits (access preferential tariffs/address NTMs)

Some Suggestions for a Robust Export Strategy # 2: *Developing Deep Sector Focus*



- Developing deep sectoral understanding: Global trade networks, key suppliers and buyers, value-chain, skills-eco-system, product differentiation
- Develop deep product level understanding within sectors: which product represent high-value/high-growth or both
- Develop sector specific export strategies till 2030
- Export Strategy must be complemented by targeted investment promotion policy to attract global and national champions in that sector to UP
- Skill mapping and skill development plan for sector: complementing central schemes
- Working with Indian missions to identify operational, managerial and skill development talent related to the sector, and bringing them in UP to support industrial clusters as a common pool for MSMEs
- Augmenting support to MSME exporters facing challenges with credit cycle due to market uncertainties to the extent possible
- Facilities to support product or prototype development: Scaling up and sectoral targeting of the StartinUP Program: Best practice examples from China



Thank You

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