

PROSPECTS & CHALLENGES FOR INDIAN EXPORTS POST FTAs

Abstract

Despite being the fastest growing economy compared to its peers, India still awaits quantum growth mainly in manufacturing segment which seems difficult unless merchandise exports grow substantially. Also in order to overcome export stalemate from the recent global shocks, it was imperative to finalize FTAs with diverse nations to reach wider markets and ensures uninterrupted supply chain for essential imports.

In view of the same, review of the potential of Indian exports under the holistic implications of the FTAs and other current developments is important, so that long term substantial benefits of these initiatives are realized and exports are improved through concentrated efforts from all stakeholders. This is also vital for convergence with the country's overall development and Viksit Bharat @2047 goals, apart from overall improvement of people centric development in the Global South through these frameworks. However, certain improvements in policies can still enhance framework for better results.



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Introduction & Objectives:

Despite commendable growth in the last few years, Indian exports are still well below its optimum potential. As India aims for an ambitious annual export target of \$2 trillion (goods and services) by 2030, from current \$850 billion levels, resolving the stagnation and risks under the merchandise exports is crucial and thus the recent FTAs, needs closer review to understand future prospects and challenges.

Basis & Methodology:

The article, based on current developments

against the backdrop of current data from WTO and GOI's Ministry of Commerce on exports, thus makes an attempt to analyze the future prospects and challenges.

i) Merchandise Exports of Top Nations from 2014 to 2024 (figs in Billion \$) (R#1)

Country	2014	2024	% Growth	Growth % Rank
China	2342	3577	52.73	3 rd
USA	1621	2065	27.39	9 th
Germany	1494	1682	12.58	
Netherland	672	921	37.05	8 th
Japan	690	707	2.46	
South Korea	573	684	19.37	
Italy	530	674	27.17	10 th
France	581	639	9.98	
Mexico	397	617	55.42	2 nd
UAE	343	604	76.09	1 st
Switzerland	311	447	43.73	5 th
Belgium	472	536	13.56	
India	323	443	37.15	7th
Russia	497	433	-12.88	
Australia	240	341	42.08	6 th

Brazil	221	337	52.49	4 th
Total	19013	24456	28.63%	

Conclusions:

- Global exports grew 29%, with UAE (76%) being best and worst being Russia (Declined 13%)
- India grew at over 37%, better than US, Netherland and Italy, but lower than Mexico, China, Brazil etc.

ii) Major Markets for Indian Exports in Recent Times (in Billion\$) (R#2)

Nations	2023-24	%share	2024-25	% share	Growth%
USA	77.515	17.74	86.514	19.77	11.61
UAE	35.625	8.15	36.638	8.37	2.84
Holland	22.367	5.12	22.763	5.20	1.77
UK	12.923	2.96	14.550	3.32	12.59
China	16.659	3.81	14.252	3.26	-14.45
Singapore	14.414	3.30	12.976	2.96	-9.98
Saudi Arabia	11.559	2.64	11.757	2.69	1.71
Bangladesh	11.066	2.53	11.485	2.62	3.79
Germany	9.840	2.25	10.629	2.43	8.02
Others (231)	225.105	51.50%	216.140	49.38%	-3.98%
Total (240)	437.072	100%	437.705	100%	0.15%

Conclusions:

- Total exports stagnated between the last 2 FYs.
- USA's dominating share (nearly 20%) was too risky in the long run.
- China's share reduced, while that of UK and Germany increased.
- Overall status (even before tariff and other constraints) reflected the need for diversification.

iii) Major Product Content of Indian Exports(Billion \$)(R#2)

Product Group	2023-24	%share	2024-25	%Share	% Growth
Mineral Oil etc	87.602	20.04	67.046	15.32	-23.47
Electric Machines etc	34.413	7.87	44.050	10.06	28.00
Nuclear Power Equip	30.057	6.88	33.475	7.65	11.37
Precious stones etc.	32.853	7.52	29.958	6.84	-8.81
Pharmaceuticals	22.106	5.06	24.578	5.62	11.18
Vehicles etc.	20.889	4.78	22.648	5.17	8.42
Textile Products	20.131	4.61	22.110	5.05	9.83
Organic Chemicals	20.331	4.65	20.121	4.60	-0.94
Iron, Steel, Products.	21.798	4.99	19.430	4.44	-9.83
Cereals (Agricultural)	10.994	2.52	12.752	2.91	16.00
Other Agricultural	37.006	8.47	38.448	8.78	5.00
Other Products	98.892	22.61	103.089	23.56	3.72
Total Exports	437.072	100.00	437.705	100.00	0.15

Conclusions:

- *Agricultural export increased nearly 20% from 2020-21 to over \$50 billion in recent years.*
- *Mineral oil, despite 23% reduction, is still a major item of exports.*
- *Electrical machines, Pharmaceuticals, Vehicles, Textiles have grown, while Iron & Steel and Gems declined*

FTAs and Emerging Global Trends:

i) FTAs: recent set of FTAs has huge trade potential for Indian products mainly related to its labor intensive sectors since the preferential reach of them has now expanded to nearly 70% of the world markets (R#3) especially under the EU FTA which has given India a MFN status for next 5 years (R#4). Agricultural exports stands to gain substantially (R#5) while Indian manufacturers have already started exploring newer and wider markets (R#6) which has also commendably highlighted under the recent reports of SBI (R#7) and RBI (R#8).

The best part of the FTAs seems to be the preferential status of India's exports to these countries (R#9) like 99% of Indian Goods under the UK FTA will be eligible for zero duty.

However, FTAs are only enablers and this needs to be suitably capitalized by the Indian producers and businesses and hence the PM also stressed that the next economic transformation crucially depends on the decisive response of the Indian businesses (R#10) for which the Quality, competitive cost and successful market diversification (R#11) will be most crucial aspect in the future. Despite some sectional misgivings these FTAs has vastly expanded the scope of Indian business to expand substantially. (Suggestion S#1)

ii) Global Supply Chain: FTAs could not only expand India's export, but also enable to diversify their risky imports and hence will be crucial for securing supply chain for its manufacturing sector. Recent tension in the Middle East has induced the nation to expand the sources of its energy

procurement beyond the conventional blocks (R#12). Also supply agreements with Chile (R#13) Brazil and PAX Silica pact (R#14) are focused to ensure supply of Rare Earth inputs vital for its automobile, RE and other critical industries. Similarly even the recent dominance and rising cost of solar components from China (R#15) needs focused resolution. (S#2)

As stated by the Secretary General of BSEC the world cannot ignore Re-globalization as since both Globalization as well as WTO is unable to resolve the present crisis and realignments (R#16)

iii) AI Impact Summit 2026: the New Delhi summit hosted 118 nations, 89 of whom supported the final declaration (R#17) for responsible and democratic use of AI for benefit of masses under regulated governance. India's PM emphasized on MANAV ideals (R#18) for human centric AI applications where human and AI will work together for greater benefits of all. GOI also detailed a five-layer AI strategy accessible to all through specialized AI models and investing in compute infrastructure aligning AI progress with development. (R#19) Use of AI in improving weather forecasting, climate actions, agricultural production, productivity gains etc. will be focused under an oversight framework for minimizing its negative impacts. (R#20)

Ex PM of UK reflected Britain's best decision from a similar summit of 2023 hosted by them in the form of creation of AI security institutes with technical capability to evaluate the risks. He also said that AI is bound to disrupt employment but can be minimized with right preparations through policy and skills. (R#21) (S#3)

iv) Other Incidental Developments:

Improvement in corruption index ranking (R#22), New Labor codes (R#23), Proposed reforms in Customs Regulations (R#24), Macroeconomic stability (R#25) and GIFT city operations (R#26) etc. should improve Ease of Doing Business and enable private companies to invest more to capitalize the frameworks of FTAs.

However challenges like recent USA & Chinese objections at WTO on Indian PLI scheme (R#27) and Infrastructure inefficiencies for sea food etc. (R#28) are likely to hinder exports.

Export diversification focus like steel now looking for newer market due to Europe's CABM impacts (R#29) and India having now the experience and capacity to deliver practical and scalable solutions for Global South (R#30) could minimize export risks for India. (S#4)

SWOT Analysis of India Emerging now for Global Trade:

Strengths: Technical manpower, Surplus Agricultural produce, Rich Mineral base, MSMEs supply chains, Young work force and lower labor cost, Rising Purchasing power of expanding middle class, Technological advancement.

Weakness: Status Quo mentality; skill deficit among educated, non commensurate private investments, manufacturing sector's under performance, Global Supply chain risks, high finance and logistic cost etc.

Opportunity- Expanding global market, GOI policy supports, growing demand for generic, herbal and Ayurvedic products, cultural advantages, China plus one factor, general and medical tourism, demand for organic and coarse food, solar alliance's global pursuits, infrastructure skill exports etc.

Threats: Cyber-security, AI's risks, Regional Tensions, Uncertain long term policy, growing income disparity, Technological obsolescence, Inadequate domestic R&D, lower (than best global) Ease of Doing Business. (S#5)

Suggestions for further consolidation:

S#1- Holistic and futuristic growth prospects, instead of segmental and sectional challenges, needs to be capitalized by the Indian businesses, as probably no FTA can ideally cover the needs of 100% stakeholders.

S#2- While the short term solution for critical supply chain can't ignore source diversification, India needs to secure more and more indigenous

means to replace the items critical for supply chain security.

S#3- AI has good scope for raising world economy and welfare provided it can be regulated for the specified purpose in good intent and India's vision and efforts in that direction may need flexible implementation .

S#4- Emerging situations and policies should ease the framework for greater exports, but for some timely corrections to overcome the challenges, but the overall policy directives seems to be well inclined.

S#5- SWOT analysis gives us an overall optimistic picture as potential can be fully capitalized while the threats and weakness needs specific flexible policy resolutions in the long run.

Conclusion:

India could do well to integrate its macro policies on exports growth, manufacturing sector consolidations and leadership of the Global South and hence these FTAs and other trends noted seems suitable for expediting faster export driven economic growth of the nation towards the Viksit Bharat @ 2047 goals .

However, ultimately the success of the FTAs for growth of business and nation depends on the business maturity of all the stakeholders to work progressively under the constantly changing global markets. They must be ready to proactively optimize their own businesses THROUGH COMPETITIVE COST AND QUALITY IMPROVEMENTS in line with the ecosystems and support infra build by GOI and work positively and refrain from lost markets and government's financial supports while focusing on the diversified market for real growth. MA

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