

India should tap USD 60 bn export opportunity in low skilled manufacturing sectors

A recently released working paper by Dr. Shoumitro Chatterjee and Dr. Arvind Subramanian highlights some facts about India's export performance which are contrary to the widely held beliefs. The findings of this paper hold significance at a time when India is adopting policies to become a self-reliant economy.

India has missed USD 60 billion in export opportunity in the low-skill manufacturing sectors such as textile and clothing, according to this paper which is co-authored by Dr. Shoumitro Chatterjee of Pennsylvania State University and Dr. Arvind Subramanian from the Ashoka University in October 2020. In other words, the paper points out that India is exporting about USD 60 billion less in low-skill exports annually than it should be given its abundant labour resource. The major reason for missing this opportunity is that India has not made optimal use of its vast unskilled labour resource to boost its low-skilled manufacturing base, compared to other countries such as Vietnam, Bangladesh and China. According to the authors, India's share in global low-skilled exports is about 15% less than its share of the global labor force. Consequently, India suffered at least USD 60 billion in missing exports and USD 140 billion in missing production in the low-skilled manufacturing sector, the authors argue.

Spectacular Export Performance

The interesting part of this research is that the authors found India's export performance to be the third best after Vietnam and China since 1995. Even though India has not tapped its low-skilled manufacturing exports to its true potential, the authors estimated that India's export performance was far higher than the world average export growth since 1995.

Contrary to widely-held belief, the paper points out that India's manufacturing exports grew on average by 12.1%, the third-best performance in the world and nearly twice the world average of 6.4% between 1995 and 2018.

The research paper points out, "since the 1990s, India has been one of the most successful exporters, gaining market share in each of the three decades: in the first decade of the twenty-first century, India's success was extraordinary, and even in the most recent period of collapsing world exports, its success has been highly respectable."

Segment-wise share

The authors argue that India's economic growth since 1990s was driven by exports, similar to the growth model in East Asian countries such as South Korea, Taiwan, Japan and more recently in China and Vietnam. However, the only difference in the growth models between India and these countries is that India's export performance was largely led by exports of high-skilled

manufacturing and services sectors. The share of low-skill intensive exports (manufacturing) is low, whereas the share of high-skill intensive exports (manufacturing and services) is high and has been rising. Between 1995 and 2018, the share of low-skill intensive exports declined from about 34% to 20%. In contrast, skill-based exports have risen from 42% in 1995 to 65% in 2018.

The report concludes by pointing out that India's longstanding inability to export unskilled manufacturing products is an indictment but equally it is an opportunity, especially with China vacating export space in these products. An extraordinary policy effort will be required to exploit this opportunity, the authors conclude.

Notifications

PIB

Minister attends first BRICS Finance Ministers and Central Bank Governors Meeting

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1671481>

PIB's Daily Bulletin on COVID 19

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1671459>

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<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd34-2020.pdf>

Countervailing duty on import of flat products of stainless steel

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-others2020/csot02-2020.pdf>