

A CHANCE TO CHART CHINA-LIKE EXPORT TRAJECTORY

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Stitch in time: Such a strategy can help in creating four crore well-paid jobs by 2025 and 8 crore by 2030.

The Economic Survey says India has an unprecedented opportunity to chart a China-like, labour-intensive, export trajectory by integrating “Assemble in India for the world” into Make-in-India policy and thus can raise its export market share to 3.5 % by 2025 and 6% by 2030.

It said such a strategy could help to create four crore well-paid jobs by 2025 and 8 crore by 2030.

The Survey said India must focus on a group of industries, referred to as “network products”, where production processes are globally fragmented and controlled by leading Multi-National Enterprises (MNEs) within their “producer-driven” global production networks.

The Survey has suggested a strategy similar to one used by China to grab this opportunity, which is specialisation on a large scale in labour-intensive sectors, especially network products.

India must have laser-like focus on assembling operations on a mammoth scale in network product, wherein production occurs across Global Value Chains (GVCs) operated by multi-national corporations and focus on exports primarily to markets in rich countries, it said.

As per the Survey, the incremental value added in the economy from the target level of exports of network products, which is expected to equal \$248 billion in 2025, would make up one-quarter of the increase required for making India a \$5 trillion economy by 2025.

According to the Survey, the gap between China and India in the world market share is almost fully driven by the effect of specialisation. On the other hand, India is catching up with China in diversification across products and markets, it said.

“Overall, high diversification, combined with low specialization, implies that India is spreading its exports thinly over many products and partners, leading to its lacklustre performance, compared with China,” the Survey said.

According to the Survey, the specialisation effect can change over the years, owing to the changes in the quantity and/or the prices of exported commodities. As per the Survey, if India wants to become a major exporter, it should specialise more in the areas of its comparative advantage and achieve a significant quantity expansion.

In trade balance, India gained 0.7% surplus a year for manufactured products and 2.3% for total merchandise, the Survey said.

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