Export blocks: On India’s trade amid the pandemic

Introduction

# Official trade data for April, was the grimmest in over two decades.

# Merchandise exports had collapsed by over 60% and imports contracted only slightly less. Only two of India’s 30 biggest export products clocked positive growth — iron ore and pharmaceuticals, the latter by just a quarter of a percent.

# Thanks to the sharp dip in global oil prices, higher volumes of petroleum exports didn’t help much in value terms.

India’s Exports

# The trade collapse was not surprising as the spate of national lockdowns around the world have not only dented demand and investment, but also severely disrupted global supply chains and shipping routes.

# India’s exports, however, were already in a free fall. The government’s economic stimulus package in totality offered several reform commitments, improvements in the ease of doing business along with some forbearance and a few sops for micro, small and medium enterprises (many of which are also export-oriented units).

# However, there was no explicit respite offered for exporters.

Steps taken by RBI to promote exports

# The Reserve Bank of India, on May 22, did unveil a few measures, including a special ?15,000 crore liquidity facility for the Exim Bank of India and a six-month extension for importers to complete outward remittances.

# For exporters, the maximum permissible credit period from banks was extended from 12 months to 15 months, for disbursements made up to July 31, 2020.

# In an employment-intensive sector such as textiles, garment exports, which fell 16% between January and March, fell 91% in April.

World trade

# The outcome for May is unlikely to be any better and the World Trade Organization expects trade flows to slip by between 13% and 32% over 2020.

# The prognosis gets even murkier when one adds to this the new barriers on trade in medical and food supplies imposed by over 90 countries, and an increasing tendency to look inward for essential supplies (as India is doing too with its emphasis on self-reliance).

Way ahead

# The country is again pitching to become an alternative investment destination for big
global businesses in the hope that the COVID-19 pandemic would prompt them to hedge their China-dependent supply chains.