



# India's Target of USD 1 Trillion Goods Exports by 2030

**For Prelims:** [Carbon Border Adjustment Mechanism \(CBAM\)](#), [Emission Trading System \(ETS\)](#), [Green Energy](#), [World Trade Organization](#), [Foreign Trade Policy](#), [European Union \(EU\)](#)

**For Mains:** Challenges posed by Indian Exports due to the recent trade restricting policies by the European Union (EU)

**Source:** [IE](#)

## Why in News?

Recently, the commerce Ministry has initiated an exercise to **identify required infrastructure needs**, potential sectors, and clusters which would help the country achieve the USD 1 trillion merchandise exports target by 2030.

- However, a major future challenge lies in ensuring sustainable practices throughout the supply chain. This comes in the backdrop of another environmental law passed recently by the [European Union \(EU\)](#) - **Corporate Sustainability Due Diligence Directive (CSDDD)**.

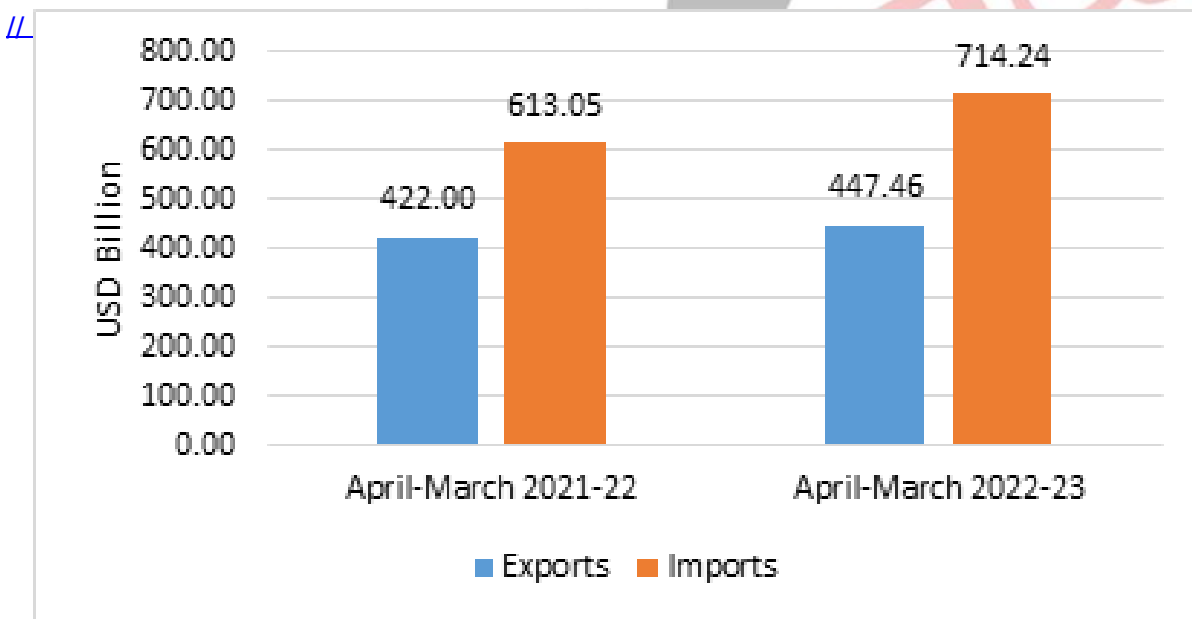
## What is the Current Status of India's Exports?

- The [Foreign Trade Policy \(FTP\) 2023](#) aims to boost **India's exports to USD 2 trillion** by 2030. It focuses on emerging **areas of export**, such as **high-tech manufacturing, pharmaceuticals, and e-commerce**.
- India's **merchandise exports** increased from **USD 314 billion** in 2013-14 to **USD 451 billion in 2022-23**, growing at an **average annual rate of 5%**.
- In terms of **export destinations** for Indian goods and services, the **United States** and the [United Arab Emirates \(UAE\)](#) have remained key markets, with India diversifying in terms of export destinations to Bangladesh, Indonesia and the Netherlands.
  - **However, India's trade deficit** has more than doubled in the last decade, reaching **over USD 50 billion in 2022-23**.

## What are the Emerging Sustainability Related Hurdles for Indian Exports?

- **Stricter Environmental Regulations in Importing Countries:**
  - Indian exporters, like those in sectors like textiles industry (water-intensive cotton and jute farming) and others, might struggle to comply with these evolving regulations if they don't adopt sustainable practices.
    - **Example:** The [European Union \(EU\)](#) recently passed the **Corporate Sustainability Due Diligence Directive (CSDDD)**.
    - This law requires companies operating in the EU to ensure their **entire supply chain** (from raw material sourcing to production) adheres to **environmental regulations** and follows sustainable practices.
- **Growing Consumer Demand for Sustainable Products:**

- Indian exporters in sectors like apparel, footwear, or home goods can lose market share if their products **aren't perceived as sustainable**. Consumers might choose alternatives from competitors with a stronger sustainability focus.
  - **Example:** Globally, consumers are **increasingly choosing eco-friendly** products. Fashion brands are facing pressure to **use recycled materials** like organic cotton or polyester.
- **Supply Chain Transparency Requirements:**
  - Indian exporters who **cannot demonstrate a transparent and sustainable supply chain** may face difficulties accessing some export markets.
    - **Example:** Many countries are demanding greater transparency in supply chains. This means ensuring **ethical labour practices** (fair wages, safe working conditions) and **environmentally responsible sourcing** throughout the production process.
- **Carbon Pricing Mechanisms:**
  - Indian exporters, particularly those in **heavy industries like steel or cement** production, may face **increased costs** due to their high carbon footprint. This could make their products less competitive in the global market compared to those with lower emissions.
    - **Example:** Groups like the **European Union (EU)** are implementing **carbon pricing mechanisms** like **Carbon Border Adjustment Mechanism (CBAM)** to reduce carbon emissions.
- **Lack of Infrastructure and Awareness:**
  - India might face challenges due to a lack of infrastructure for sustainable practices like **efficient waste management** or readily available **renewable energy sources**.
  - Additionally, there may be a need to raise awareness among businesses about the importance of sustainability and best practices to achieve it.



## How does EU's Environmental Regulations Impact India's Export Targets?

- **Sustainability Issues for India's Export:**
  - India's major exports to the EU, such as **iron ore and steel**, are facing a significant threat due to the **carbon levies ranging from 19.8% to 52.7%**.
  - The proportion of **coal-fired power in India is close to 75%**, which is much higher than the EU (15%) and the global average (36%).
- **Increased Costs and Compliance Burden:**
  - Over 1/4th of India's exports of iron, steel, and aluminium are destined for the European Union. However, industry fears that potential EU tariffs could increase the cost of these exports by **20 to 35%**.
  - Additionally, Indian companies will need to **implement stricter due diligence practices**

throughout their supply chains. This could involve audits, monitoring, and risk assessments to ensure no forced labour or environmental damage occurs. These measures will likely add to operational costs.

▪ **Market Access Challenges:**

- Companies that fail to comply with CSDDD standards may face difficulties exporting to the EU. The directive **allows for civil liability claims and potential exclusion** from the EU market for non-compliance.

▪ **Risk to Export Competitiveness:**

- **CBAM**, initially, is likely to affect a few sectors but **may expand to other sectors** in the future, such as refined petroleum products, organic chemicals, pharma medicaments, and textiles, which are among the top 20 goods imported from India by the EU.
- Since **India has no [domestic carbon pricing scheme](#)** in place, this poses a greater risk to export competitiveness, as other countries with a carbon pricing system in place might have to pay less carbon tax or get exemptions.

## What Steps Can Be Taken By India To Counter the Sustainability Related Hurdles?

▪ **Global Supply Chain (GVC) Integration:**

- India needs to increase its presence in the vast network of [global supply chains](#), which account for 70% of global trade, is a significant growth opportunity.
- Cross-country estimates suggest that a **1% increase in GVC participation can boost per-capita income by more than 1%**, particularly when countries engage in limited and advanced manufacturing.

▪ **Infrastructure Boost:**

- India should focus on upgradation of ports, airports, and railways is crucial to handle the projected surge in exports and imports.
- The Indian government has partnered with the **Asian Development Bank (ADB)** for collaboration that will identify promising sectors for export growth and pinpoint the necessary infrastructure upgrades to handle the projected \$2.5 trillion increase in total trade volume by 2030 - A step in the right direction.

▪ **Voicing Collective Challenges :**

- India should raise developing countries' collective challenges related to the CBAM and CSDDD in international forums like the [World Trade Organisation \(WTO\)](#), asserting that it undermines the crucial principle of '**Common but differentiated responsibility.**'
  - By imposing restrictions on the developing world's ability to industrialise, CBAM challenges the equity envisioned in international climate agreements.

▪ **Consideration of Export Tax:**

- As a strategic response, India is contemplating imposing a similar tax on its exports to the EU. While this could subject producers to a [comparable tax burden](#), the **funds generated offer a unique opportunity to reinvest** in environmentally friendly production processes.
  - This not only **mitigates the impact of current taxes** but also positions India favourably for potential future reductions.
  - The success of this countermeasure hinges on navigating these uncertainties and securing international cooperation.

## What are the Major Government Initiatives to Promote Export Growth?

- [Trade Infrastructure for Export Scheme \(TIES\)](#)
  - [PM Gati Shakti National Master Plan \(NMP\)](#)
  - **Duty Drawback Scheme**
  - [Remission of Duties or Taxes on Export Product \(RoDTEP\)](#)
  - [Rebate of State and Central Taxes and Levies](#)
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**Drishti Mains Question:**

Q. Discuss about the recent trade restricting policies by the European Union (EU) and their impact on Indian exporters.

**UPSC Civil Services Examination, Previous Year Question(PYQ)**

**Prelims:**

**Q1. Which of the following adopted a law on data protection and privacy for its citizens known as the 'General Data Protection Regulation' in April 2016 and started implementation of it from 25th May 2018? (2019)**

- (a) Australia
- (b) Canada
- (c) The European Union
- (d) The United States of America

**Ans: (c)**

**Q2. 'Broad-based Trade and Investment Agreement (BTIA)' is sometimes seen in the news in the context of negotiations held between India and (2017)**

- (a) European Union
- (b) Gulf Cooperation Council
- (c) Organization for Economic Cooperation and Development
- (d) Shanghai Cooperation Organization

**Ans: (a)**

**Mains**

**Q. "Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs)". Comment on the progress made in India in this regard. (2018)**