



## Export Preparedness Index 2022

**For Prelims:** [Export Preparedness Index](#), [NITI Aayog](#), Export Promotion, Research and Development, Global Trade Context.

**For Mains:** Export Preparedness Index.

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

### Why in News?

Recently, [NITI Aayog](#) has released the 3<sup>rd</sup> edition of [Export Preparedness Index \(EPI\)](#) for States/UTs of India for the year 2022.

- The report discusses **India's export performance amid the prevailing global trade** context in FY22, followed by an overview of the country's sector-specific export performance.

### What is the Export Preparedness Index?

#### ▪ About:

- EPI is a comprehensive tool which **measures the export preparedness of the States and UTs in India.**
- Exports are **vital for simulating economic growth** and development in a country, which necessitates understanding the factors which influence export performance.
- The index undertakes **a comprehensive analysis of States and UTs across export-related parameters** in order to identify their strengths and weaknesses.

#### ▪ Pillars:

- **Policy:** A comprehensive trade policy providing a strategic direction for exports and imports.
- **Business Ecosystem:** An efficient business ecosystem helping states attract investments and create an enabling infrastructure for individuals to initiate start-ups.
- **Export Ecosystem:** Assess the business environment, which is specific to exports.
- **Export Performance:** This is the only output-based parameter and examines the reach of export footprints of States and UTs.

#### ▪ Sub Pillars:

- The index also took into consideration **10 sub-pillars:** Export Promotion Policy; Institutional Framework; Business Environment; Infrastructure; Transport Connectivity; Export Infrastructure; Trade Support; R&D Infrastructure; Export Diversification; and Growth Orientation.

- **Features:** The EPI is a **data-driven effort to identify the core areas crucial for export promotion** at the sub-national level (states and union territories).
- It explores and highlights India's export potential by examining the different contributions made by each state and union territories.

### What are the Key Highlights of the EPI 2022?

- **Performance of States:**
  - **Top Performers:**
    - Tamil Nadu has topped in EPI 2022, followed by Maharashtra and Karnataka.
      - Gujarat, which held the top position in **EPI 2021 (released in 2022) has been pushed to the fourth slot in EPI 2022.**
    - Tamil Nadu's performance in terms of export performance indicators, including the value of exports, export concentration, and global market footprint, **contributed to its top ranking.**
      - It has been a consistent **leader in sectors such as automotive, leather, textiles,** and electronic goods.
  - **Hilly/Himalayan States:**
    - Uttarakhand secured the **top position among hilly/Himalayan states in the EPI 2022.** It is followed by **Himachal Pradesh, Manipur, Tripura,** Sikkim, Nagaland, Meghalaya, Arunachal Pradesh, and Mizoram.
  - **Landlocked Regions:**
    - Haryana topped the **chart among the landlocked regions,** indicating its preparedness for exports.
    - It was followed by **Telangana, Uttar Pradesh, Punjab,** Madhya Pradesh, and Rajasthan.
  - **Union Territories/Small States:**
    - Among union territories and small states, Goa ranked first in the EPI 2022.
      - Jammu and Kashmir, Delhi, Andaman and Nicobar Islands, and Ladakh secured the second, third, fourth, and fifth positions, respectively.
- **Global Economy:**
  - Global trade in 2021 showed signs of recovery from the Covid-19. Factors like increased demand for goods, fiscal policies, vaccine distribution, and easing of restrictions contributed to a **27% increase in merchandise trade** and a 16% increase in **services trade** compared to the previous year.
  - The Russo-Ukrainian war in February 2022 slowed down the recovery, impacting **sectors like grain, oil, and natural gas.**
  - Trade in goods saw significant growth, and services trade recovered to pre-pandemic levels by Q4 2021.
- **India's Export Trends:**
  - Despite global slowdown, India's **exports in 2021-22 crossed an unprecedented USD 675 Billion,** with trade in goods accounting for USD 420 billion.
  - The value of merchandise exports crossed USD 400 billion in FY2022, an ambitious goal set by the government, reaching up to **USD 422 billion by March 2022.**
    - The cause of this performance was manifold. Globally, the increase in prices of commodities and rise in demand from developed countries helped increase India's merchandise exports.

## What are the Key Learnings of the Exports Preparedness Index (EPI)?

- **Coastal states have fared the best** across all indicators with **six out of the top states** in the index coming from the coastal region of the country.
  - States like Tamil Nadu, Maharashtra, Karnataka, and Gujarat (all of them performing the best in at least one pillar).
- In terms of strengths, the policy ecosystem is **a positive story with multiple states adopting the necessary policy measures** to drive exports in their states.
  - At the district-level, 73 % of districts in the country have an export action plan and over 99 % are covered **under the 'One District One Product' scheme.**
- States have lagged in terms of transport connectivity. The absence of air connectivity hampers the **movement of goods across regions,** especially in states which are landlocked or geographically disadvantaged.
- The lower performance of the country in terms of **Research and Development (R&D) indicates the lack of attention given** to the role of innovation in exports.
- The state government has to both continue and extend its support to the **industries** which are struggling.

- 26 states in the country have registered a **decrease in the gross value addition** of their manufacturing sector.
- 10 states have registered a **decrease in the inflow of [Foreign Direct Investment \(FDI\)](#).**
- The lack of capacity-building workshops for exporters hampers their ability to penetrate the global markets as 25 of 36 states have organized less than 10 workshops across a year.
  - For the effectiveness of existing government schemes to support states, timely approval of projects is a must.

## What are the Recommendations of the EPI?

- **Adoption of Good Practices:** States should be encouraged to adopt good practices from their peers if they suit their needs. Learning from successful states can help lagging states improve their export performance.
- **Investment in Research and Development (R&D):** States should invest in R&D to drive product innovation, market-specific product creation, improvement in product quality, cost reduction, and efficiency improvement.
  - Establishing **dedicated research institutes with regular funding can help** states improve their exports.
- **Leveraging Geographical Indication (GI) Products:** States should **capitalize on their unique GI products** to establish a presence in the global market. Promoting and improving the manufacturing and quality of GI products can boost exports.
  - **For example,** Kancheepuram Silk products can only be exported by Tamil Nadu and have no competition across the country.
- **Diversification of Export Markets:** Identifying and promoting high-growth sectors, such as information technology, pharmaceuticals, automotive, textiles, and renewable energy, can enhance India's export potential.

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