UPSC Syllabus Topic : GS Paper 3 Agriculture – Marketing of agricultural produce.

On India's Agricultural Export Sector – Export potential

Current Status of India's Agricultural Export Sector:

- In 2022-23, India's agricultural exports amounted to $52.50 billion, increasing from $50.21 billion in 2021-22.
- Major export items include basmati rice, non-basmati rice, sugar, spices, and oil meals, accounting for about 51.5% of India's agricultural exports.
- Other exported products encompass coffee, tea, tobacco, fresh and processed fruits, groundnuts, fresh vegetables, dairy products, live animals, buffalo meat, and marine products.
- The government aims to nearly double agricultural exports to around $100 billion by 2030.

Challenges Faced by India's Agricultural Export Sector:

1. **Low on the Agri-export Value Chain:**
   - Majority of exports are low-value and semi-processed.
2. **Inadequate Infrastructure:**
   - Lack of cold chain infrastructure and inefficient logistics leading to spoilage and reduced competitiveness.
3. **Structural Issues:**
   - Small landholdings and limited access to credit hinder farmers' transition to commercial production.
4. **Arbitrary Export Curbs:**
   - Recent bans on exports, such as rice, affect India's credibility as a reliable food source.
5. **Lack of Diversification:**
   - Concentration on a few products poses risks to overall exports if production declines.
6. **Logistical Challenges:**
   - High freight rates and container shortages due to the Red Sea crisis.

Government Initiatives to Boost Agriculture Exports:

- **Agri-Export Policy:**
  - Focuses on infrastructure overhaul, logistics improvement, state government involvement, and export-centric cluster development.
- **Agri-Cells in Embassies:**
  - Set up in 13 countries to facilitate agricultural exports.

Recommendations:

1. **Export Curbs:**
   - Adopt a smart trade policy rather than a protectionist approach to control food inflation.
2. **Diversification:**
   - Increase diversification in the food export basket to mitigate risks associated with the decline in production of specific items.
3. **Moving Up the Value Chain:**
   - Attract private investment in processing activities to enhance the value of exports, promoting agricultural growth and increasing farmers' incomes.

By addressing these challenges and implementing strategic measures, India can foster a more robust and diversified agricultural export sector.

UPSC Syllabus Topic : GS paper 3 – Indian economy – Mobilization of Resources.

Issues associated with inverted import duties in India – Our import duty regime needs urgent correction

Problems with India's Import Duties:

1. **Increased Production Costs:**
   - Inverted duties lead to higher production costs, affecting sectors like textiles and engineering, reducing global competitiveness.
2. **Complex Tax System:**
   - India's import tax system is complex, with multiple layers of tariffs and an intricate inverted duty structure. This deters foreign investment and hampers domestic manufacturing competitiveness.
3. **Negative Global Perception:**
   - The increase in average import tariffs from 13.5% in 2014 to 18.3% in 2021 goes against global trade trends, inviting international criticism.
4. **Hindered Global Integration:**
   - High tariffs and complexity impede Indian manufacturers' integration into global value chains, crucial for economic growth in a globalized economy.

Government Initiatives:

- **Inter-Ministerial Coordination:**
  - The commerce ministry has engaged with the finance ministry to address distortions for specific items in the Union budget, indicating a collaborative approach.
- **Focus on Rationalization:**
  - Efforts are underway to simplify the tariff system by reevaluating basic customs duties and other charges, moving beyond the previous approach of increasing tariffs on imported final products.

Recommendations:

1. **Revise Inverted Duty Structure:**
   - Reform the import duty system by reducing taxes on inputs, especially in key sectors like textiles and engineering, to enhance global competitiveness and lower production costs.
2. **Simplify and Rationalize Tariffs:**
   - Make the tariff system more transparent and investor-friendly to attract foreign investment and facilitate the integration of Indian manufacturing into global value chains.

By addressing these issues and implementing strategic reforms, India can create a more conducive environment for economic growth and global competitiveness in the manufacturing sector.