



Research Paper

India's Increasing Export Competitiveness: Success Factors

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Abstract

The main objective of this research is to analyze the economic agglomeration pattern of competitiveness of the main export products of India. How strong is its competitiveness, able to interact to serve national, regional, and global trade, what strategies will be adopted to increase export competitiveness? The approach to measuring agglomeration export competitiveness. Strategy to increase the agglomeration of India's export competitiveness through improving the regulatory environment, and increasing ICT capabilities at export ports.

I. INTRODUCTION

Export competitiveness is one of the determining factors for the persistence of a country's long-term economic growth, especially the tendency of exports, in addition to the level of equitable distribution of income, democratically managed institutions, trade openness, and foreign direct investment.(Jambor, Toth, and Koroshegyi 2017), (Izzatin et al., 2023). Foreign trade which is believed by economists to be a very effective factor in maintaining long-term growth must depend on trade in products that have been processed and have led to business so that they have higher added value, expected to encourage economic growth in the economic growth area. The concept of competitiveness has been used extensively, especially at the country, company, industry, and trade product levels,(Jambor, Toth, and Koroshegyi 2017). There are four determinants of regional and national location competitiveness namely local demand conditions, factor conditions, and the presence of similar industries.

Regional economic development is said to be stronger and in the right direction if it leads to agglomeration of economic activity.(Izzatin et al., 2023), Economic agglomeration is one of the growth improvement strategies for regional economic development, economic agglomeration is a spatial concentration of economic activity in a region, (Kuchiki, 2019). Grouping of economic activity occurs because each company or production area has a long-lasting flow of profits, as a result of the proximity of locations to each other. Economic agglomeration is the centralization of economic activity of one or several companies or production areas that bring benefits to each other by residing in the same location, (Kopczewska et al., 2017). According to Kuchiki (2019), the creation of economic agglomeration in one region must have part of the stages of conditions as necessary conditions consisting of:

- 1). Build regional physical infrastructure facilities such as ports and highways (toll roads).
- 2). Building strong economic institutions. Which according to the World Bank, (2023) is to develop an export push strategy from a development area.
- 3). Build skilled human resources.
- 4). Fulfillment of living conditions with a pleasant environment creates conditions where companies produce products that are useful to the masses at large so that they can plan their investments.

If these economic requirements cannot be met, then the creation of economic agglomeration will experience diseconomies in a region.

The uniqueness of this research from previous research is that it discusses major commodity trade in the Indian region (Ansofino et al, 2018), (Ansofino et al, 2019) with leading commodities in a broad sense, by looking at the export potential possessed by market intelligent analysis that has been carried out. What are the factors that affect its competitiveness in national, regional, and global trade? And what is the strategy for developing India's main exports? All these main questions want to be expressed through this research, using the perspective of trade flow theory and economic agglomeration.

Factors that affect the competitiveness of exports in India are the five variables affect the competitiveness of these exports, namely: demand condition in the region (demand condition). (Izzatin et al., 2023) Demand condition is measured by identifying (1) the size and composition of local demand, (2) the size and growth of local demand, (3) the number of local traders (local buyers) (Ginting, 2017). This study measures the demand condition of the growth of product imports and the number of agriculture product traders (local buyers) so that the growth of imports will reduce the competitiveness of imports. Factor conditions in the form of supply, production costs, labor productivity, technology, management, and entrepreneur. This study uses data on the amount of agriculture production produced by each country, and the amount of innovation and entrepreneurship produced by each country.

II. DISCUSSION

Geographical factors and infrastructure for the transportation of goods and people are one of the dominant key factors influencing the competitiveness of international trade so far. The geographical distance between countries that carry out international trade with their partner countries has determined the intensity of export and import activities of these two adjacent and neighboring countries. At the same time, trade facilitation factors which consist of four categories, namely: port infrastructure, customs environment, regulatory environment, and e-business infrastructure are also dominant factors in influencing increasing the competitiveness of a region's international trade. The following factors that are no less important for increasing the competitiveness of international trade are the quality and efficiency of logistics infrastructure and, the distribution of intermodal facilities to support intermodal connectivity to support loading and unloading of export and import goods at export ports. According to the World Bank (2023), there are six dimensions in measuring logistics performance in international trade, namely: the ability to follow and trace (track and trace) shipments of export goods to export destination countries, competence and quality of logistics services, ease in developing price competitiveness. Shipping, the efficiency of the customs clearance process, frequency of ships reaching target ports for timely delivery of goods, quality of trade, and transportation infrastructure. The factor of increasing technology in communication and transportation is a very important point at this time, in the midst of the Industrial Revolution 4.0 era in terms of growth in the volume and value of world trade. Improved communication technology in this case, especially the use of international telephone lines, websites, and e-business applications which help process transactions and determine shipping prices, and other custom environment issues, which makes the processes and procedures for export and import activities run smoothly and on time.

WHAT IS INDIA'S COMPARATIVE ADVANTAGE IN GLOBAL COMPETITION?

India's comparative advantage lies in its large domestic market, low-cost labor, and higher availability of natural resources reducing the raw material cost.

- LOW LABOR COST

Low labor cost benefits top Indian exports by reducing the total operational expense. According to Global Data, the country's labor cost index stood at 155 in 2021, indicating relatively lower labor expenses. The availability of a large and skilled workforce in India attracts businesses with more options for their manufacturing projects. This abundant labor supply helps keep wages relatively lower compared to other countries. The minimum wage in India is \$95, which is quite low compared to \$1550 in the US, making it an ideal place to invest in manufacturing setup.

- INDIA'S DOMESTIC MARKET

India's large domestic market significantly contributes to its export competitiveness, boosting businesses through regular cash flows. The domestic market provides a platform for companies to test their products and services before exporting them. Apart from the benefit of testing their products, businesses also get a reliable source of capital to invest in improving exports. The domestic market also provides economies of scale, which help companies to produce goods at a lower cost. Due to better economies of scale, a larger domestic market, and a better testing environment, top Indian exports get a competitive edge.

- NATURAL RESOURCES OF INDIA

India has substantial reserves of coal and other energy resources, making it self-sufficient. This enables manufacturing industries to have a stable and reliable power source, reducing the dependency on expensive imports. Apart from the natural resource, government policies have helped top Indian exports to grow higher with a focus on not just coal and hydropower plants but also leveraging alternate resources like solar energy.

- INDIA - US TRADE

India is one of the largest trading partners of the United States. According to a report by US Census Bureau, the India-US trade deficit was more than \$33 billion in 2021. The exports from India were way ahead of

the imports from the US, which means the export competitiveness is better. Above India, US trade Statistics also indicate the dominance of top Indian exports.

- INDIA'S MANUFACTURING GROWTH

India's manufacturing sector has several advantages over manufacturing industries in other countries like US and Canada. Currently, India accounts for 3% of the total manufacturing in the world, ranked 6th in terms of output. Other countries in the top 6 manufacturing output rankings are Germany, Japan, the US, and South Korea. All these countries have higher minimum wages compared to India, making the country the best choice for manufacturing companies.

KEY TAKEAWAYS FROM INDIA'S EXPORT GROWTH STORY

India's economic growth is due to its favorable government policies, diversified exports, low labor cost, natural resources, and domestic market excellence. Its manufacturing sector is also rising. What makes this growth story significant is the end of dominance for other countries and the rise of top Indian exports worldwide. India's export competitiveness and manufacturing growth will continue to drive its economic growth. However, if you are a manufacturing company looking to leverage India's export competitiveness, you need a trusted manufacturing partner in the transportation infrastructure aspect, it is measured by transportation costs, in the case of export and import activities in a region and country, it is measured by the ratio between CIF and FOB, the length of the road to support activities at the export port, the number of modes, especially the truck fleet for loading export goods. Availability of rail transportation, to and from the export port. Next, the trade facility aspect is measured by the smoothness of activities in the customs environment, the regulatory environment that regulates export and import activities at the export port, such as how many documents are needed to send export and import goods to buyers abroad. The number of exporters who require services for export-import activities in a region and country. Lastly is the large portion of export and import activities in total GDP obtained by regions and countries involved in international trade.

MAJOR CHALLENGES IN INDIA'S EXPORT FRONT

Though there has been an increasing trend in India's exports, but the country has established its export competitiveness only in limited products such as rice, tea, milk etc. Lots of products have lower comparative advantage or disadvantage in the world trade. Here a few main issues and challenges have been identified in India's trade and competitiveness front:

1. Quantitative restriction or export quotas, export duties and import duties have imposed on several products. For instance, export restrictions or export bans were applied during 2000 to 2022 which have adversely affected India's on the Sanitary and Phytosanitary (SPS) agreement promoted member countries to recognize each other's conformity assessment systems based on international standards so that products certified in one country are accepted without the need for further inspection/testing by other countries. India is facing this challenge from major export destination such as EU, US, Australia and Japan. Indeed, SPS has major barriers on trade.
2. Market access, domestic support, and export subsidies [25] are among the major challenges for Indian agriculture exports. Because a better market access may positively and significantly impact agri-products export competitiveness. Hence, market access is a major issue in agri-products' export competitiveness.
3. In case of exchange rate, Mousavi and Leelavathi have suggested that there is no significant relationship between quantity of India's export and real exchange rate in the long run. Further, they argued that exchange rate is not a good indicator for predicting future quantity of exports.

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