



Confederation of Indian Industry

RESEARCH

125 Years - Since 1895

# PROMOTING LABOUR-INTENSIVE EXPORTS: SELECT SECTORS

OCTOBER 2020





# Contents

Summary of Key Findings .....	1
Introduction .....	4
Coffee, Tea, Mate and Spices (HS 09).....	5
<i>Challenges and Recommendations</i> .....	7
Footwear (HS 64).....	9
<i>Challenges and Recommendations</i> .....	10
Furniture (HS 94) .....	13
<i>Challenges and Recommendations</i> .....	15
Conclusion .....	16

## Summary of Key Findings

India has significant export potential in certain labour-intensive sectors such as coffee, tea, mate and spices (HS 09); leather and footwear (HS 64) and furniture (HS 94). Appropriate incentives and policies can boost India's export performance in these specific sectors.

To assess India's export potential in the three sectors, the CII paper 'Promoting Labour Intensive Exports: Select Sectors' undertakes a revealed comparative advantage (RCA) analysis at the 6-digit level to identify specific products with highest export potential. Other determinants such as export values, global shares and share of India's exports as percentage of global imports are also considered to arrive at the final list of products in each category.

The paper also highlights the challenges and bottlenecks facing each of these sectors. Further, the paper provides policy measures and recommendations to bolster Indian exports in each of these sectors.

Following are the brief summary of findings for each of the three sectors.

### Coffee, Tea, Mate and Spices (HS 09)

India's exports of coffee, tea, mate and spices have significantly increased over the last decade, at a faster rate than the world exports of the category.

- India's exports of the category increased from US\$ 2 billion in 2010 to US\$ 3.30 billion in 2019, registering CAGR of 5.13% during the ten-year period.
- Around 26 products at the 6-digit level are identified with the help of the RCA index. Top products are in the categories of cumin seeds, not crushed/ground (HS 090931); turmeric (HS 091030); fruits of genus of capsicum/pimento (HS090421); coriander seeds, crushed/ground (HS 090922); cumin seeds, crushed/ground (HS 090832), among others.

With growing interest in therapeutic value of spices and India's significant world shares, the right products as identified should be promoted.

### Recommendations

- India must build up capacity to ensure it meets the MRL (maximum residue level) requirements by using lower volumes of specific pesticides and other chemicals.



- Attention must be placed on modern packaging techniques for increased shelf life and better presentation of Indian spices for greater exports in overseas markets.
- Focus must be on developing aggressive marketing strategies to expand production, promoting 'Brand India' with branding exercises and encouraging awareness and understanding among exporters on marketing and communications through trade support institutions.

### Footwear (HS 64)

- India's footwear exports increased from US\$ 1.64 billion in 2010 to US\$ 2.8 billion in 2019, recording a CAGR of 5.51% over the last decade. However, in recent years, exports of Indian footwear and parts have been stagnating.
- Around 10 products are identified in the categories of footwear with upper soles (HS 640351); ski-boots, cross country ski footwear (HS 640312); uppers and parts (640610); footwear with outer soles of rubber, plastics or composition leather (HS 640391) and sports footwear (640319), among others.

With adoption of right strategies to promote the identified products, the sector has great potential to boost India's export performance globally.

### Recommendations

- The Indian Government implemented the "[Indian Footwear, Leather & Accessories Development Programme](#)" (IFLADP) for 2017-20 for the development of infrastructure and expanding production in the sector and facilitating greater investments. It is recommended that the scheme be continued beyond 2019-20.
- Footwear clusters must be developed with shared infrastructure including modern tanneries and effluent management systems along with good inland connectivity.
- As PU is a critical raw material and not available in India, duty-free import of PU is sought.

### Furniture (HS 94)

- India's furniture exports have significantly gone up in the last decade, increasing from US\$ 0.71 billion in 2010 to US\$ 1.84 billion during 2019.
- Around 5 products at the 6-digit level are identified with high potential with the help of an RCA analysis. These are in the categories of articles of bedding and similar furnishings (HS 940490); furniture of other materials including cane, osier or similar materials (HS 940389); sleeping bags (HS 940430); wooden furniture (HS 940360); and non-electrical lamps and lighting fittings (HS 940550).

High RCAs of these products coupled with significant global shares and high export share as percentage of global imports indicate the high competitive advantage of these products and their ability to perform well globally.

### Recommendations

- It is critical to shape internal capabilities to develop the raw materials and intermediate components of furniture domestically. The Government procurement program could be tailored towards using local products.
- Furniture industrial parks should be developed.
- Import duties must be reduced for the intermediate inputs.



## Introduction

The onset of the Covid-19 pandemic has caused widespread disruptions across the world and altered the global trading scenario significantly. As major countries are looking at recalibrating their trade strategies along with diversifying their export baskets, the current situation also presents an opportunity for India to become a reliable partner to the rest of the world.

Given this backdrop, this short analysis note focuses on the export performance of products across three select sectors that have the potential to stimulate India's trade performance. Using data from the International Trade Centre (ITC), the paper analyses and assesses the export potential of products at the 6-digit level for four labour-intensive sectors - coffee, tea, mate and spices (HS 09), leather and footwear (HS 64), and furniture (HS 94).

These are some of the sectors where India can meet domestic demand and also become a global leader in exports, provided appropriate incentives and sectoral strategies are adopted. Addressing global markets in these sectors also provides an opportunity for the country to create national brand equity and reduce high imports. This is particularly the case for sectors of furniture and leather and footwear, where India has a high import dependence on countries like China for finished goods.

As these two sectors are labour intensive in nature, expanding domestic production in these sectors would also generate additional employment in the country. India can also significantly benefit from expanding production in the sectors of spices, coffee and tea, where it is already doing well, given that exports of these products have recently surged, owing to their healing and immunity boosting properties, amidst the Covid-19 outbreak.

Sustained efforts to scale up production in these sectors will be another step towards the vision of 'Aatmanirbhar Bharat' that seeks to boost economic growth during the Covid period, through the strategy of becoming a leading exporter to the world, while also becoming self-reliant.

To assess the sectoral potential in boosting India's export performance, a revealed comparative advantage (RCA) analysis is carried out at the 6-digit level to identify specific items within the larger segment that have the highest export potential, along with several other filters.

The RCA index helps in assessing the relative advantage of a specific category of products. A value greater than 1 indicates that a product is globally competitive, while a

value less than 1 indicates that the product does not have a relative advantage in the world market. The detailed methodology is included in the annex.

Using data from the International Trade Centre and after collecting data for specific variables relevant to the analysis, the RCA index is computed for India's exports for the respective sector. All products for which the value of the index is less than unity are excluded.

Apart from computing the RCA index, several filters are also considered for assessing the export potential of the products. These include the value of India's exports along with global imports for the identified products, India's global share as well as India's export share as a percentage of world imports for such products.

While identifying the specific items at the 6-digit level for exports in these three categories, the note also briefly covers the key areas where policy actions can help to unlock the potential of their exports by stepping up and expanding domestic production.

## Coffee, Tea, Mate and Spices (HS 09)

India is the 4<sup>th</sup> largest exporter of coffee, tea, mate and spices in the world. Total world exports of coffee, tea, mate and spices stood at US\$ 47.94 billion during 2019. USA, Germany, France, Italy and Japan are the largest importers of these products in the world.

With India's exports valued at US\$ 3.30 billion, India accounted for around 7% of the world's total.

Despite the onset of Covid-19, the sector has registered stable growth.

India's spice exports have also surged in recent times. As per data from Spice Board of India, it registered a growth rate of 7% over April-December 2018 and 2019<sup>1</sup>.

Known for their immunity boosting properties, Indian spices have gathered further significance in the present situation. The time is therefore right to scale up efforts to expand production in the sector and leverage its potential to boost India's exports.

---

<sup>1</sup> <https://www.indianspices.com/sites/default/files/edec2018web.pdf>

**Table 1: Top Exporters of Coffee, tea, mate and spices**

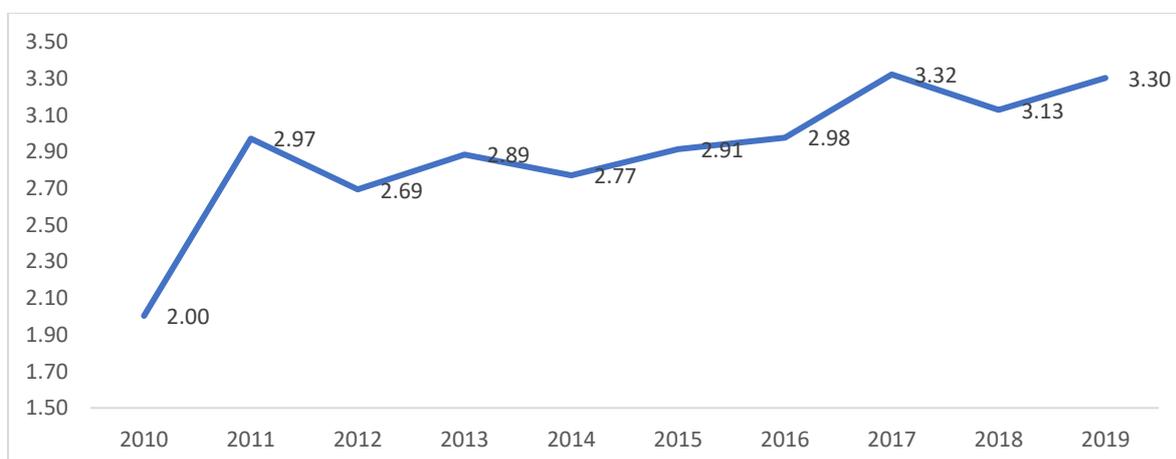
Country	Exported Value (US\$ billion)
Brazil	4.86
China	3.64
Viet Nam	3.40
India	3.30
Germany	3.06

Source: *International Trade Centre*

The largest category under this is coffee, which accounts for US\$ 30 billion, followed by tea at US\$ 7.3 billion, pepper at US\$ 3.5 billion and ginger and other spices at \$2.7 billion.

India’s exports of coffee, tea, mate and spices have significantly increased over the last decade, at a faster rate than the world exports of the category. World exports of coffee, mate, tea and spices increased from US\$ 36.74 billion in 2010 to US\$ 47.94 billion in 2019, registering a compound annual growth rate (CAGR) of 2.7% over the ten-year period. On the other hand, India’s exports of the category increased from US\$ 2 billion in 2010 to US\$ 3.30 billion in 2019, registering CAGR of 5.13% during the ten-year period.

**India’s Exports of coffee, tea, mate and spices 2010-2019, US\$ billion**



Source: *International Trade Centre*

India’s share in world exports increased from 5.45% in 2010 to around 6.9% during 2019. Given its agro-climatic advantages in producing spices, the country accounts for major shares of world exports of many products at the 6-digit level. Pepper contributes the largest share in this segment with close to US\$ 1 billion worth of total exports. Tea, spice seeds and coffee comprise the other top products exported from India.

India is the largest producer and exporter in turmeric (curcuma), used in the pharmaceutical, nutraceutical and homeopathic industries for its anti-inflammatory, antioxidant and cancer prevention properties, apart from being used in cooking. It can create a new market in the EU where the vitamins and supplements revenue comes in at about Euro 14 billion. While India is the dominant source for the EU in turmeric, it stands a good chance to expand the market in the current times.<sup>2</sup>

With significant world shares and stable performance of exports, the sector has high potential to perform better globally if the right products are identified and promoted.

Around 26 products at the 6-digit level are identified with the help of the RCA index. Top products are in the categories of cumin seeds, not crushed/ground (HS 090931); turmeric (HS 091030); fruits of genus of capsicum/pimento (HS090421); coriander seeds, crushed/ground (HS 090922); cumin seeds, crushed/ground (HS 090832), among others.

The results are corroborated by recent data from the Spice Board of India that reports a surge in the value of exports of products such as turmeric, coriander and cumin which registered growth rates of 37%, 29% and 19% respectively, between 2017-18 and 2018-19<sup>3</sup>.

For the full list of products, see Table 1, Annex.

## Challenges and Recommendations

While India's share of global spices trade has increased, rising interest in natural and organic foods is helping to expand the global market and a strong branding push could succeed in positioning the country proactively as the key source for such products. This is an opportune moment to build India's global presence in these and other spices and popularize their healing potential.

According to the Ministry of AYUSH (Ayurveda, Yoga, Naturopathy, Unani, Siddha and Homeopathy), spices can help build immunity against illnesses, including Covid-19. It recommends use of turmeric, basil, cinnamon, black pepper, caraway seeds and ginger in concoctions and use of other spices in daily cooking.

The Indian Spices Board has initiated several export development and promotion schemes during 2017-20. These include proposals to assist establishing primary processing facilities for spices to promote exports; reimbursing courier charges to the extent of 50% of cost for sending business samples abroad; assisting registered exporters to improve packaging and presentation of spices; assisting exporters in product research

---

<sup>2</sup> <https://www.cbi.eu/market-information/natural-ingredients-health-products/turmeric/market-potential>

<sup>3</sup> CII calculations based on data provided by Spices Board of India :

<https://www.indianspices.com/sites/default/files/Major%20Item%20wise%20Export%202019.pdf>



and development, and encouraging MSME exporters in participating in international fairs, meetings, seminars and trainings, among others.

Stringent sanitary and phytosanitary measures by major trade blocs such as EU have impacted and restricted Indian exports of food products, such as spices, vegetables, fruits, tea, peanuts, etc. For example, the practice of setting MRL (maximum residue level) limits to very low for pesticides creates major barriers for trade especially for categories such as spices, tea, fruits, among others. As it is difficult for India to meet the low default levels for pesticides, it cannot address major markets such as the EU for some of these products.

- There is a need for dialogue and negotiation between India and its export partners in the area of setting MRL limits, so that big importers of agricultural items such as the EU work on removing such non-tariff barriers.
- At the same time, India must build up capacity to ensure that it meets the MRL requirements by using lower volumes of specific pesticides and other chemicals. The idea should be to promote organic farming as far as possible so that confidence of consumers in Indian products is strengthened.
- Special attention must be given to the packaging of these products as these products need to be preserved and reach the destination in perfect condition. Modern packaging techniques for increased shelf life and better presentation of Indian spices are critical for greater exports in overseas markets.

Thus, imparting and building the necessary local skills in technical packaging, facilitating access of testing facilities and building a dynamic packaging supply chain in the country, including favourable duty and transportation rates, are important steps that must be undertaken for boosting exports.

- Extension of benefits for duty free imports of these products must be sought.
- Aggressive marketing strategies must be taken up through organizing trade fairs, buyer-seller meets, and exhibitions through virtual platforms to expand production in these markets.
- Branding exercises are required to be intensified for promoting 'Brand India' through various campaigns along with ensuring support and large-scale participation.
- Promoting awareness and better understanding of marketing, communications, promotions, branding, consumer needs and destination markets among exporters through trade support institutions is required.

During 2019, the top importers of Indian spices included countries like US, China, Vietnam, Hong Kong, Bangladesh, and Thailand, among others<sup>4</sup>. With appropriate marketing strategies, sectoral exports can be stepped up and promoted in these key markets. It is also important to diversify markets and explore potential in advanced countries where the demand for natural therapies can be expected to increase. Countries such as the UK, France, Italy, Latin American countries and others can be targeted.

## Footwear (HS 64)

India's footwear exports increased from US\$ 1.64 billion in 2010 to US\$ 2.8 billion in 2019, recording a CAGR of 5.51% over the last decade. However, in recent years, exports of Indian footwear and parts have been stagnating, with exports rising from US\$ 2.77 billion to only US\$ 2.81 billion over the last five years, between 2015 and 2019.

World exports of footwear went up from US\$ 96.84 billion in 2010 to US\$ 153 billion in 2019. The CAGR of world exports of footwear during this ten-year period stood at 4.7%. India's share of the global market has therefore been declining from 1.8% in 2010, which increased to 2.11% during 2014. Post 2016, India's share fell before moderating at 1.83% in 2019.

China is the top exporter of footwear, gaiters and parts in the world, followed by Vietnam, Italy, Germany and Belgium. The top importing countries are USA, Germany, France, Italy and Japan.

### Top Exporters of footwear, gaiters and parts

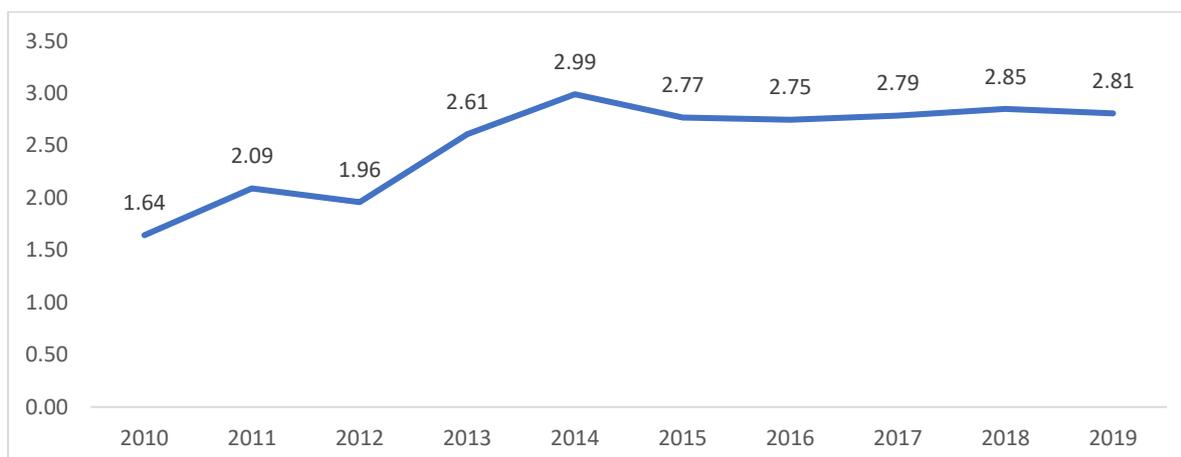
Country	Exported Value (US\$ billion)
China	47.80
Vietnam	25.33
Italy	12.34
Germany	9.03
Belgium	6.63

Source: *International Trade Centre*

<sup>4</sup> <https://www.ibef.org/exports/spice-industry-indias.aspx#:~:text=India%20is%20the%20world's%20largest,the%20global%20trading%20in%20spices.&text=In%20FY20%2C%20spices%20worth%20US%24%203.65%20billion%20were%20exported.>



### India's Exports of Footwear, gaiters and the like; parts of such articles, US\$ billion



Source: *International Trade Centre*

Given that India's footwear exports have been stagnating in recent years, efforts must be undertaken to ramp up domestic production as the sector has sufficient potential to boost India's trade performance. As per the Department for Promotion of Industry and Internal Trade (DPIIT), leather and footwear exports are among the top ten contributors of foreign exchange in the country.

The Council for Leather Exports places the value of leather product exports at US\$ 5.7 billion for 2019-20. Leather footwear and other leather goods exports totalled US\$ 2.2 billion and US\$ 1.4 billion respectively. Finished leather was the third largest item of export. However, for the purpose of this note, the leather and footwear sector as per HS code 64 has been studied.

An RCA analysis at the 6-digit level is carried out to identify products with high potential. Around 10 products are identified in the categories of footwear with upper soles (HS 640351); ski-boots, cross country ski footwear (HS 640312); uppers and parts (640610); footwear with outer soles of rubber, plastics or composition leather (HS 640391) and sports footwear (640319), among others.

For the full list of identified potential products, see Table 2, Annex.

### Challenges and Recommendations

The Indian footwear and leather sector is an emerging sector that had recorded high growth rates in the past. However, over the last few years, Indian exports of footwear parts have stagnated, and the pace of growth has been marginal.

Several internal as well as global factors are responsible for the sluggish growth of India's footwear exports. Internally, these include logistical issues, lack of technical expertise and skills, high taxes, and animal quarantine requirements for import of hides/skins/ leathers.

Global factors such as weak consumer sentiment, specifically in the European Union following Brexit, India's largest destination for footwear exports, have impacted footwear exports.

India faces high competition from countries such as China, Vietnam, and Indonesia, among others which have a cost advantage owing to factors such as localized value chains, supportive export policies and dedicated efforts to promote footwear as a sustainable brand.

As the Indian footwear and leather industry has significant potential to boost exports, it is imperative to provide conducive infrastructure and appropriate incentives. India enjoys a natural advantage due to the presence of a huge livestock reserve including buffaloes, cows, goats, pigs, sheep, and camels, aggregating about 536 million as per the Livestock Census 2019. The sector employs about 4.2 million workers, including a large proportion of women workers.

The Indian Government implemented the "[Indian Footwear, Leather & Accessories Development Programme](#)" (IFLADP) for 2017-20 for the development of infrastructure and expanding production in the sector and facilitating greater investments. This includes various sub-schemes for skill development, technology development and brand promotion. As part of this, the Mega Leather, Footwear and Accessories Cluster Sub-Scheme was introduced, providing assistance of up to 50% of the project cost, with a maximum limit of Rs 50-125 crore depending on land area. Special Purpose Vehicles for this may be set up by private companies, industry organizations, financial institutions or state or local governments. IFDLAP was to spend Rs 2,600 crore over three years.<sup>5</sup>

While India has a good access to leather raw material, global tastes are geared towards non-leather footwear which accounts for about 86% of total global consumption by volume. It is important to build the industry for non-leather products as well, including sports shoes, textile shoes, and other materials. This would entail ensuring the raw material availability for such products.

- The IFLADP scheme needs to be continued beyond 2019-20 to build adequate infrastructure and to support skill development, design and centres of excellence. The scheme must be enlarged to include more funds, focus on non-leather footwear and expand design which is an intrinsic part of footwear. Mega cluster schemes under the program must be fast-tracked with organized footwear manufacturers being encouraged to expand in traditional clusters.
- Footwear clusters must be developed with shared infrastructure including modern tanneries and effluent management systems as well as good inland connectivity.

---

<sup>5</sup> <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1575758>



- Further, export related incentives and promoting Brand India must be taken up on a priority basis to create a level playing field.
- Free trade agreements with select importing markets must be facilitated and fast tracked. Prevailing tariff structures must be examined to avoid inverted duties. Efforts must be in place to develop a tariff structure that encourages global players and investors to set up facilities in India.
- There are several restrictions under the Market Access Initiative Scheme (MAIS) such as restriction on grants to individual exporters for particular events. Relaxation of such guidelines are recommended for better and more aggressive marketing.
- India's share of non-leather footwear in the global import market is low. One of the reasons that India is unable to compete in this sphere is the high import duty of the basic raw material PU, which is presently fixed at 20%. As PU is a critical raw material and not available in India, it is recommended that the duty-free import of PU be sought.
- The Animal Quarantine clearance requirement needs to be removed for all categories of wet blue leathers and also for all types of finished and crust leathers.
- Many companies in the leather sector are unable to fulfil annual average export obligation, though they fulfilled overall export obligation under the Export Promotion Capital Goods (EPCG) scheme. It is recommended that the condition of maintaining annual average export obligation be removed.
- As Indian exports require support in the import of critical inputs as per global market trends, it is suggested that the limit for duty free import of critical inputs may be raised from 3% to 5% of FOB (free on board) value of exports in previous years as has been done for textiles and for footwear and other leather products.
- Upgradation of technical expertise for building a talented and skilled workforce is critical. There is a need to impart education with the help of technology to build knowledge and creativity in the workforce. Greater use of technology along with skill development partnerships with international markets would also play a significant role in improving market access.
- Information among workers and producers must be facilitated through the use of online platforms on latest global fashion trends. Efforts towards promoting quality and standards of products must also be in place.
- There is also a need to promote modernization of industry. A scheme similar to Status Holders Incentive Scrip (SHIS) under earlier FTP (which provided additional 1% Scrip for import of capital goods) may be considered.

- As many changes in tanning technology are taking place along with development of new types of leathers, the revision of finished leather norms is critical for the survival of the finished leather segment and revival of exports.

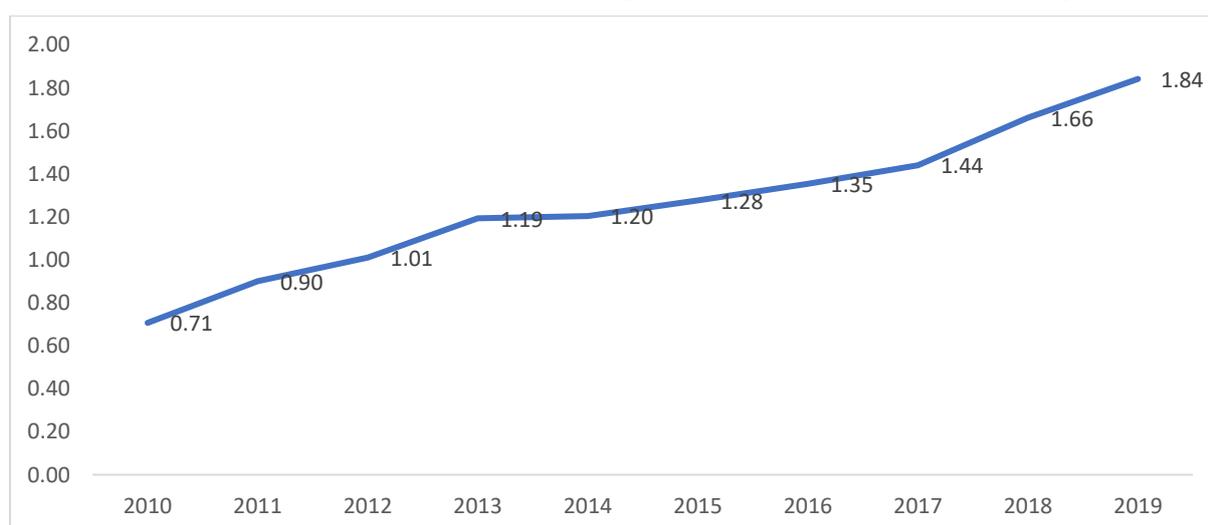
## Furniture (HS 94)

The furniture industry comprises of home furniture, office furniture, niche products for specific segments, lighting and lamps, and furnishings and mattresses. Furniture and seats are the two major components of the sector.

India's furniture industry has registered stable growth over the last few years. Increasing incomes along with rising demand, rapid urbanization and an expanding housing sector are some of the factors that have contributed to the growth of the furniture industry in India.

India's furniture exports have significantly gone up in the last decade, increasing from US\$ 0.71 billion in 2010 to US\$ 1.84 billion during 2019. India's exports of furniture during the ten-year period grew at an impressive rate and recorded a CAGR of around 10.05%. However, this was from a low base and represents a minuscule share of the global market. India's global share of furniture exports increased marginally from 0.42% in 2010 to 0.7% in 2019.

**India's Exports of Furniture, bedding, mattress and similar furnishings**



Source: *International Trade Centre*

World exports of furniture during the same period i.e. between 2010 and 2019, grew from US\$ 166.67 billion to US\$ 263.61 billion and registered a CAGR of 4.7%.



China is the largest exporter of furniture and parts in the world, with exports valued at US\$ 99.5 billion during 2019. Other top exporters in the category include Germany, Poland, Italy and Vietnam. USA is the top importing country in the world for furniture and parts, followed by Germany, UK, France and Canada.

#### Top Exporters of furniture, bedding, mattress and similar furnishings

Country	Exported Values (US\$ billion)
China	99.50
Germany	17.85
Poland	14.69
Italy	13.80
Viet Nam	12.46

Source: *International Trade Centre*

Indian exports of furniture face stiff competition from cheap Chinese imports. While the sector displays significant potential, domestic production needs to be expanded with the right sectoral policies and incentives to step up India's global export share.

An RCA analysis is employed to identify products with high export potential at the 6-digit level. At the same time, significant export values, global shares as well as share of India's exports as percentage of global imports are also considered to arrive at the final products.

Around 5 products at the 6-digit level are identified with high potential. These are in the categories of articles of bedding and similar furnishings (HS 940490); furniture of other materials including cane, osier or similar materials (HS 940389); sleeping bags (HS 940430); wooden furniture (HS 940360); and non-electrical lamps and lighting fittings (HS 940550)

For details of the identified products, see Table 3, Annex.

High RCAs of these products coupled with significant global shares along with a high export share as percentage of global imports indicate the high competitive advantage of these products and their ability to perform well globally. While RCA is based on existing exports from a country, India in this sector needs to address a wider range of products and develop local capacity in newer segments of the market. Lighting fixtures could be a good way to diversify.

Expanding domestic production across these categories can significantly boost India's exports of furniture. With changes in global conditions, India has a great opportunity to step up India's global share with a targeted and holistic strategy.

## Challenges and Recommendations

High cost of furniture is one of the major challenges facing the sector. Further, high dependence on imports of raw material and intermediate inputs is another factor that hinders the growth of the furniture industry. India's dependence on China is specifically a concern, wherein Chinese share of India's total imports continues to be very high. Low R&D spending and marketing efforts are also some of the challenges that the sector must overcome to enhance competitiveness.

Focus must be on reducing cost through possible import substitution and also developing internal strengths and capabilities.

- It is critical to shape internal capabilities to develop the raw materials and intermediate components of furniture domestically, which play a critical role in the manufacturing of the finished product.
- Greater investments in technology, research and innovation must be facilitated to develop high quality, safety and standards at par with global trends. Design elements must be boosted and contemporary styles need to be developed.
- Furniture industrial parks should be developed. Local produce such as cane, bamboo and rattan can be developed as separate brands for an organic feel.
- Greater market research with focus on business intelligence and consultancy services must be provided that focuses on latest design, trends and markets.
- Skill development programmes, with training facilities along with the development of suitable industrial courses must be instituted.
- India should consider a niche for itself in green furniture and fittings products, which consumers may like to purchase for health and sustainability reasons.
- To build domestic capability, the Government procurement program could be tailored towards using local products.
- Curbs on the imports of finished furniture through the imposition of high tariff barriers will be required. Inbound shipments of non-essential items must also be reduced to boost domestic manufacturing. On the other hand, import duties must be reduced for the intermediate inputs. This in turn will strengthen the furniture industry in India.
- Delisting of furniture from soft duty list of countries such as Malaysia, Indonesia and Vietnam is required as cheap Chinese imports are re-routed under low or nil duty under favoured nations benefits.
- Effective marketing strategies must be in place with a focus on promoting marketing through digital platforms.



## Conclusion

While sector specific strategies are required that are tailor made to address the various bottlenecks facing the different sectors, targeted and holistic policies at the national level are also required.

These must include enhancing ease of doing business reforms that focuses on fast and time bound approvals, facilitating the single window system, digitization and integration of records etc.; effective state policies that provide incentives for boosting domestic manufacturing, develops cluster model for promoting exports; provides adequate electricity and land for large manufacturing units; building enterprise competitiveness through engagement in enterprise training and information; focusing on technology transfer and greater incentives for R&D and encouraging scale in domestic manufacturing by promoting flexible labour regulations, availability of infrastructure, among others.

The four sectors discussed in the paper have significant untapped potential and a combination of national and state level policies focussed on addressing sectoral concerns and aimed at expanding domestic production can provide a significant impetus to Indian exports from these sectors.

## Methodology for identifying products with high potential

The RCA index is computed to evaluate the country's relative advantage or competitiveness for a specific category of products, while also providing valuable information about potential trade prospects in the global market and with new partners.

World Bank's World Integrated Trade Solution (WITS) database defines the RCA index of country  $i$  for product  $j$  as the product's share in the country's exports in relation to its share in world trade:

$$RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$$

Where  $x_{ij}$  and  $x_{wj}$  are the values of country  $i$ 's exports of product  $j$  and world exports of product  $j$ , where  $X_{it}$  and  $X_{wt}$  refer to the country's total exports and world total exports.

In other words, the numerator is the country's total exports of a specific product divided by country's total exports. On the other hand, the denominator is the world exports of the commodity divided by total world exports.

A value greater than one indicates that the country under consideration has a revealed comparative advantage in the product. Similarly, a value less than 1 signifies that the country has a revealed comparative disadvantage in the product.

Table 1: India's potential exports for tea, coffee, mate and spices

Product code	Product label	World Exports (US\$ million)	India's Exports (US\$ million)	RCA Index	World Imports (US\$ million)	India's Global Share (%)	India's exports/World Imports (%)
090931	Cumin seeds, neither crushed nor ground	520.02	450.08	50.22	490.99	86.55	91.67
091030	Turmeric "curcuma"	300.57	194.35	37.51	290.93	64.66	66.80
090421	Fruits of the genus Capsicum or of the genus Pimenta, dried, neither crushed nor ground	1176.11	694.06	34.24	1282.32	59.01	54.12
090922	Coriander seeds, crushed or ground	33.41	15.80	27.43	35.20	47.28	44.88
090932	Cumin seeds, crushed or ground	60.80	24.37	23.25	65.25	40.08	37.35
090832	Cardamoms, crushed or ground	26.06	7.67	17.08	100.12	29.43	7.66
090921	Coriander seeds, neither crushed nor ground	151.39	40.46	15.51	137.44	26.72	29.44
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	3429.99	720.55	12.19	3419.26	21.01	21.07
090422	Fruits of the genus Capsicum or of the genus Pimenta, crushed or ground	928.06	155.17	9.70	748.60	16.72	20.73
091012	Ginger, crushed or ground	81.15	12.10	8.65	112.88	14.91	10.72
091091	Mixtures of different types of spices	505.57	71.56	8.21	508.92	14.15	14.06
090961	Juniper berries and seeds of anise, badian, caraway or fennel, neither crushed nor ground	238.06	30.28	7.38	251.87	12.72	12.02
091099	Spices (excluding pepper of the genus Piper, fruit of the genus Capsicum or of the genus Pimenta, ...	703.44	86.85	7.16	796.39	12.35	10.91

Product code	Product label	World Exports (US\$ million)	India's Exports (US\$ million)	RCA Index	World Imports (US\$ million)	India's Global Share (%)	India's exports/World Imports (%)
090962	Juniper berries and seeds of anise, badian, caraway or fennel, crushed or ground	21.00	2.56	7.08	29.35	12.20	8.73
090720	Cloves, whole fruit, cloves and stems, crushed or ground	15.18	1.68	6.42	13.02	11.06	12.89
090412	Pepper of the genus Piper, crushed or ground	360.71	38.68	6.22	377.46	10.72	10.25
090812	Nutmeg, crushed or ground	61.56	6.09	5.74	61.67	9.90	9.88
090811	Nutmeg, neither crushed nor ground	103.66	9.86	5.52	99.60	9.51	9.90
090831	Cardamoms, neither crushed nor ground	824.07	55.33	3.90	685.14	6.71	8.08
090230	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	1700.13	70.12	2.39	1564.51	4.12	4.48
090411	Pepper of the genus Piper, neither crushed nor ground	1065.39	41.28	2.25	1049.24	3.87	3.93
091011	Ginger, neither crushed nor ground	886.79	32.45	2.12	968.63	3.66	3.35
090111	Coffee (excluding roasted and decaffeinated)	17751.42	499.45	1.63	18512.49	2.81	2.70
090822	Mace, crushed or ground	21.06	0.50	1.38	16.51	2.38	3.03
090620	Crushed or ground cinnamon and cinnamon-tree flowers	184.47	3.25	1.02	148.58	1.76	2.19
090710	Cloves, whole fruit, cloves and stems, neither crushed nor ground	293.88	5.15	1.02	296.99	1.75	1.74

Source: CII calculations based on International Trade Centre Data

Table 2: India's potential exports of Footwear, gaiters and the like; parts of such articles

Product code	Product label	World exports (US\$ million)	India's Exports (US\$ million)	RCA	Global Share (%)	World Imports (US\$ million)	India's exports/ World Imports (%)
640351	Footwear with outer soles and uppers of leather, covering the ankle (excluding incorporating ...	2161.09	282.09	7.57	13.05	2069.24	13.63
640312	Ski-boots, cross-country ski footwear and snowboard boots, with outer soles of rubber, plastics, ...	23.38	1.92	4.76	8.20	29.82	6.43
640610	Uppers and parts thereof (excluding stiffeners and general parts made of asbestos)	3621.35	270.50	4.33	7.47	3291.92	8.22
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	13530.61	933.06	4.00	6.90	14304.97	6.52
640319	Sports footwear, with outer soles of rubber, plastics, leather or composition leather and uppers ...	3191.86	215.46	3.92	6.75	1699.42	12.68
640212	Ski-boots, cross-country ski footwear and snowboard boots, with outer soles and uppers of rubber ...	988.32	45.26	2.66	4.58	974.03	4.65
640219	Sports footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear ...	2610.14	118.67	2.64	4.55	2897.27	4.10
640340	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather ...	2730.91	87.31	1.85	3.20	2601.70	3.36
640320	Footwear with outer soles of leather, and uppers which consist of leather straps across the ...	421.50	13.33	1.83	3.16	122.58	10.87

Product code	Product label	World exports (US\$ million)	India's Exports (US\$ million)	RCA	Global Share (%)	World Imports (US\$ million)	India's exports/ World Imports (%)
640199	Waterproof footwear covering neither the ankle nor the knee, with outer soles and uppers of ...	254.04	4.36	1.00	1.72	284.13	1.53

Source: CII calculations based on International Trade Centre Data

**Table 3: India's potential exports of Furniture, bedding, mattress and similar furnishings**

Product Code	Product Label	World Exports (US\$ million)	India's Exports (US\$ million)	RCA	Global Share (%)	World Imports (US\$ million)	India's Exports/ Global Imports (%)
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled with any material or of cellular rubber or plastics (excluding mattress supports, mattresses, sleeping bags, pneumatic or water mattresses and pillows, blankets and covers)	11601.06	465.64	2.33	4.01	10730.86	4.34
940389	Furniture of other materials, including cane, osier or similar materials (excluding of bamboo, rattan, metal, wood and plastics, and seats and medical, surgical, dental or veterinary furniture)	3232.11	87.41	1.57	2.70	2637.33	3.31
940430	Sleeping bags, whether or non-electrically heated	599.45	12.96	1.25	2.16	536.03	2.42
940360	Wooden furniture (excluding for offices, kitchens and bedrooms, and seats)	26766.45	544.25	1.18	2.03	24947.40	2.18
940550	Non-electrical lamps and lighting fittings, n.e.s.	966.69	16.67	1.00	1.72	945.28	1.76

Source: CII calculations based on International Trade Centre Data



**Confederation of Indian Industry**

**125 Years - Since 1895**

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government and civil society, through advisory and consultative processes.

For 125 years, CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with about 9100 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 288 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

With the Theme for 2020-21 as Building India for a New World: Lives, Livelihood, Growth, CII will work with Government and industry to bring back growth to the economy and mitigate the enormous human cost of the pandemic by protecting jobs and livelihoods.

With 68 offices, including 10 Centres of Excellence, in India, and 9 overseas offices in Australia, China, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.



**Confederation of Indian Industry**

**RESEARCH**

**125 Years - Since 1895**

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

### **Confederation of Indian Industry**

The Mantosh Sondhi Centre

23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)

T: 91 11 45771000 / 24629994-7 • E: info@cii.in • W: www.cii.in

Follow us on:



[cii.in/facebook](https://www.cii.in/facebook)



[cii.in/twitter](https://www.cii.in/twitter)



[cii.in/linkedin](https://www.cii.in/linkedin)



[cii.in/youtube](https://www.cii.in/youtube)

Reach us via our Membership Helpline: 00-91-124-4592966 / 00-91-99104 46244

CII Helpline Toll Free Number: 1800-103-1244