GUEST VIEW

Remove the value cap on exports by courier for an SME trade boom

India's denial of speedy air-freight services to exports worth over ₹5 lakh has restricted the export prospects of Indian SMEs

ARPITA MUKHERJEE
is professor, Indian Council for Research on International Economic Relations

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India has a high growth potential at a time when many of its key export markets are facing an economic slowdown. The International Monetary Fund (IMF) has predicted that by 2027, India will be the world's fourth largest economy, with a gross domestic product (GDP) of about $5.53 trillion. To reach this target, there is a need to reduce logistics costs and time and achieve exponential growth in both domestic and international trade.

Acknowledging this, many measures have already been taken by the government to support growth and trade. The path-breaking reform of a single goods and services tax (GST), along with schemes like the production-linked incentive programme, a close focus on the country's logistics sector under the PM Gati Shakti National Master Plan for Multi-modal Connectivity and the National Logistics Policy of 2022, apart from trade agreements with key export markets and government support for onboarding small and medium enterprises (SMEs) to digital platforms, are all expected to deliver a manifold increase in India's exports and fast-track our integration in global value chains to make the country *atmanirbhar* or self-dependent.

Yet, India's share in global exports is less than 2% and the country is struggling to meet export targets of $1 trillion of goods and services each by 2030. This is because of certain restrictions faced by exporters, especially SME exporters, which account for around half our xports. Among them is the lack of SME integration in global value chains. Another is a big barrier they face while using the most efficient mode of quick cargo movement: express delivery services.

While India's forthcoming Foreign Trade Policy may have a chapter dedicated to facilitating the integration of SMEs in global value chains, India is probably the only country which has a value limit of ₹5 lakh on exports of goods through courier/express mode. This adversely impacts the ability of our SMEs in high-value sectors like gems and jewellery, handicrafts, electronics and auto component goods to use express delivery services (EDS) for faster door-to-door delivery of goods and samples at reasonable cost.

Most clients of the express industry are SMEs. While integrating SMEs in global value chains is a priority on the country's agenda during its G20 presidency, our own SME exporters are losing out on an opportunity to use expedited delivery, due to the export value limit. High-value shipments are now exported through the general cargo mode, which causes delays.

While time and again this restriction of value has been raised by service providers and users, the main issue is that the limit is notified in the Foreign Trade Policy and is also part of India's outdated courier regulation. The express delivery sector is regulated by the Courier Imports and Exports (Electronics Clearance) Regulation, 2010, which replaced the Courier Imports and Exports (Clearance) Regulation, 1998. In the year 1998, when the first courier regulation came into force, the clearance of courier goods was being done manually at air passenger terminals.

Over the last 25 years, India's express delivery industry has made substantial investments in infrastructure and IT systems and has worked with Customs authorities to streamline the set-up and processes. From 2018 onwards, courier exports have been done via the Express Cargo Clearance System (ECCS), which is a robust IT-based risk management system. The Customs clearance of express/courier shipments has moved from passenger terminals to dedicated express terminals. Yet, the value restriction continues, as the 2010 Courier Imports and Exports (Electronics Clearance) Regulation has not been modified to reflect these developments.

There is therefore an urgent need to review the 2010 Courier Imports and Exports (Electronics Clearance) Regulation, and align it with the demands of modernization in general and with our upgraded infrastructure and global best practices in particular.

With e-commerce recording double-digit growth in recent years, both globally and in India, it is now a necessity for our SMEs to use this platform. There is growing global demand for Indian ethnic and cultural products. The government is also promoting such products in global markets. However, can designers from Varanasi, weavers from Kanchipuram or the exporters of Moradabad brass statues or Tanjore paintings cater to global consumers with a restriction of ₹5 lakh on courier-delivered exports?

Our exporters are competing with exporters from countries like Malaysia, Vietnam, China or Thailand in global markets. They should have a level playing field as these countries do not have any value limits on exports. Indian exporters should have the right to choose between express and general cargo, irrespective of policy restrictions. To ensure this, the value limit, as notified under the Foreign Trade Policy, should be removed, and then Customs can notify this change under the country's courier regulation.

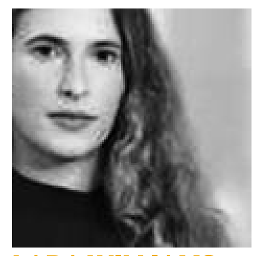
As a first step, the forthcoming Foreign Trade Policy (April 2024), which is likely to focus on enhancing exports and linking SMEs to global value chains through e-commerce platforms, may examine the adverse implication of value limits on exports through the courier mode, and push for their removal.

These are the author's personal views.

MINT CURATOR

A treaty to protect the world's oceans will serve everyone well

A UN pact will grant the high seas a big role in climate mitigation



LARA WILLIAMS
is a Bloomberg Opinion columnist covering climate change.

Whales help phytoplankton thrive and capture atmospheric carbon

Here's a pop quiz. What is the earth's biggest carbon sink? Nope, it's not forests, or peatland. It's that body of water that covers 71% of our planet's surface: the ocean. Three billion people depend on its ecosystems for food and economic security. It also mitigates climate change, having absorbed 93% of the heat trapped by greenhouse gases and about 30% of the CO_2 emitted by burning fossil fuels so far. If we didn't have the ocean, we'd be much worse off. In return, humankind has polluted the oceans with oil, sewage and plastic. We've plundered our waters, harvesting fish stocks to depletion, tearing up the seabed with trawl nets and mining deep-sea mineral deposits. Noisy and polluting vessels plough across waters and sometimes into marine creatures.

Some 10% of marine species are at risk of extinction—and that's just the ones we know about. It's often said that we know more about the moon than we do about the deep sea, so the damage could be worse. A third of fish stocks are overfished; they're being caught faster than populations can recover. As seawater absorbs CO_2 and heat, it is becoming more acidic—30% more so in the last 200 years—and warmer.

Currently, less than 7% of the ocean is protected. Of the waters 200 nautical miles out from shore, beyond national jurisdictions, just 1% is well protected. These waters are known as the high seas, a largely lawless place that makes up two-thirds of the world's ocean and 95% of the Earth's habitable space by volume. They teem with life, supporting whales, sea turtles, huge shoals of fish, deep-water corals. The health of the high seas is integral to the well-being of the planet. That's why it's a huge breakthrough that after nearly two decades of negotiation, the high seas will finally get the protection they deserve.

United Nations member states struck a deal for a new agreement that provides a framework for more robust governance of international waters. The high seas accord, formally known as the Biodiversity Beyond National Jurisdiction treaty, classifies 30% of the world's oceans as protected areas, requiring environmental impact assessments for emerging activities and ensuring that benefits from the use of marine genetic material are shared.

The idea is to help protect and restore the ocean's biodiversity. By enabling nations to set up marine protected areas (MPAs) in the high seas, protecting 30% of land and sea by 2030 becomes far easier. These MPAs can be very effective: A 2017 study showed that marine reserves in national waters have on average 670% more fish, as measured by biomass, than adjacent unprotected areas. Not only is that a promising sign, but these flourishing populations also spill over into fishing areas, providing fishermen with increased catches. But there could be another benefit: climate mitigation.

The ocean is a huge carbon sink, but that status is increasingly threatened. Liz Karan, oceans project director at Pew Charitable Trusts, said that a healthy ocean ecosystem plays an important role in the carbon cycle. If biodiversity is lost, then the ocean's ecosystem services—carbon sequestration and oxygen production—would also be potentially lost or greatly reduced, she says.

A recent review of 22,403 publications spanning 241 MPAs found that marine conservation efforts significantly enhance natural carbon removal and storage. The effects that MPAs would have in the high seas has been less well-studied, but it's easy to imagine the climate benefits.

Consider a whale. The 13 species of great whales store an average 33 tonnes of carbon in their bodies in a lifetime. Unlike terrestrial animals, if a whale dies in the ocean, it pulls that carbon down to the depths, where it's stored. Plus, in a process known as 'the whale pump', whales dive down to feed and then return to the surface to breathe. At the surface, whales release nutrient-rich faecal plumes. This buoyant waste is great for phytoplankton, the tiny creatures that capture about 37 billion tonnes of CO_2 a year and produce at least 50% of the oxygen in our atmosphere. Wherever whales go, phytoplankton blooms follow, Sadly, great whale populations have been diminished after decades of industrial whaling and so has phytoplankton activity. The blue whale population is now less than a tenth of what it was during the 19th century. More whales equal more phytoplankton, and if phytoplankton activity was increased by just 1%, that would be equivalent in carbon capture to the sudden appearance of two billion trees. That's just one way in which a healthy ocean ecosystem helps. There are more.

However, the finalized treaty text is just the beginning. Protecting ocean biodiversity will require the dedication and focus of governments for years to come. Though the high seas are outside regional borders, let's hope nation states make them a priority in the decades to come.

MY VIEW | GENERAL DISEQUILIBRIUM

India must re-arm G20 to reduce trade weaponization

RAJRISHI SINGHAL

is a policy consultant and a senior journalist. His Twitter handle is @rajrishisinghal.

The palpable tension at the conclusion of two recent G20 meetings holds pointers to the possible path ahead for India's geo-economics. If portents emerging from the meeting of finance ministers and central bank governors in Bengaluru (24-25 February) and the foreign ministers meeting in Delhi (1-2 March) are anything to go by, one of India's key building blocks for future economic growth, foreign trade, might face renewed challenges.

The lack of a final consensus-based statement in both meetings, with all parties settling for a sub-optimal 'Summary and Outcome Document' instead of the usual joint communique, points to uncompromising divisions as geopolitical anxieties take precedence over consensus on key geo-economic and governance issues. Unbridgeable schisms between the US-led Western bloc and Russia-China partnership may force India, which holds the G20 presidency for 2023, to not only sharpen its balancing act but also re-calibrate some of its ambitions.

Geopolitical jostling drowned out Prime Minister Narendra Modi's inaugural message at the foreign ministers' meeting: "The world looks upon the G20 to ease the challenges of growth, development, economic resilience, disaster resilience, financial stability, transnational crime, corruption, terrorism, and food and energy security...We should not allow issues that we cannot resolve together to come in the way of those we can." Collective approval proved elusive when the final document inserted two paragraphs from the 2022 Bali meetings denouncing Russia's role in the Ukraine war, prompting both China and Russia to withhold approval. It also detracted from the main issues that a G20 gathering of finance or foreign ministers is expected to discuss. There is now some doubt over whether the Indian presidency will be able, later this year, to emulate Indonesia's November 2022 diplomatic adroitness in extracting a leadership consensus on a communique, despite varying and antagonistic positions.

Truth be told, the G20 under India's presidency is nowhere near the pageantry that had been promised. It is also unlikely that the geopolitical contestations will vaporise soon, which then situates India's presidency into a somewhat uncertain position. All eyes will be on the outcomes achieved at the G20 trade ministers meeting, whenever it is scheduled. Before that comes the trade and investment sherpa group, which meets within a fortnight in Mumbai; the attendees will be under pressure to keep dissensions at bay and achieve some progress on substantive trade issues which can then be successfully converted by trade ministers into a consensual communique. But with rich G20 members expected to reprise their act of indignation again, these lengthening shadows threaten hopes of reforming the World Trade Organization (WTO), leave alone reviving global trade.

It must use the presidency to minimize geopolitical schisms and preserve global trade vibrancy

This also raises questions about the future of trade and what it means for India. Trade plays a big role in India's economic growth aspirations. India has been at the forefront of demanding WTO reforms, which has also been echoed in past G20 communiques in Riyadh, Sorrento (Italy) and Labuan Bajo (Indonesia). But, at the same time, India has also been vigorously pursuing bilateral trade deals; over the past couple of months alone, India has signed agreements with the US, Germany, Italy, and the European Union, among others, to initiate strategic trade agreements. One can see this as a hedge, given risks to global trade from hardening geopolitical postures. It is unlikely that global trade will wither away, but there are bound to be structural shifts in ambitions, partnerships and flows.

Trade, throughout history, has often been weaponized. As a former colony, India was left impoverished by Britain's extractive trade practices. In later years, post the WTO's birth, Western nations have also weaponized trade—the examples of EU's unreasonable non-tariff barriers, or the US's recent trade restrictions under the rubric of 'national security', stand out. Then along came China which, emulating rich predecessors, leveraged its WTO membership and global trade biases to acquire strategic heft and monetise its expansionist ambitions. This competitive trade aggression between the traditionally pugnacious versus a combative upstart has reached a tipping point, threatening not only global trade, but also imperilling developing and poor nations.

India's response may not lie in responding with equal aggression, given that its share of global merchandise trade is less than 2% of the global total and close to 4% in services. The country's best bet might still lie in multilateralism, but that will require close work with other poor and developing nations. Two clear tasks stand out. One, India's rhetoric about ties with the Global South has often raced ahead of its ability to deliver; time and again, India has found itself isolated at multilateral bodies during voting on crucial issues. Second, the government should recognize that the G20 is neither a spectacle nor a vote-catcher; success will require a nose to the grindstone and not grandstanding. There is a likelihood that some rich nations might want to undermine India's G20 presidency by placing the Russia-Ukraine war squarely in the middle of all discussions, thereby precluding possibilities of any substantive solutions. India will have to utilize all the negotiating and diplomatic skills at its disposal to ensure that does not happen.