"12.7% Export Growth in April Signals Momentum; MSME Focus Key to Sustaining It"

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"India's Bold Overseas Investments Rise; Ease of Doing Business Still Crucial at Home"

Intro: From FTAs with the EU and UK to lifting rice export bans, India is reshaping its global trade-strategically, sector by sector. **Sharmila Kantha, Principal Consultant, CII** unpacks how India can turn global volatility into opportunity-by nurturing MSMEs, attracting high-tech FDI and leveraging smart diplomacy. This week on **Socio-Economic Voices**, she shares deep insights on rising electronics exports, strategic tariff timing and RBI's growth-focused moves. This exclusive interview with **Mahima Sharma** of **Indiastat** is a must-read blueprint for India's economic ascent in a turbulent world.

MS: With India and the EU having agreed on approximately five of the 23 chapters in their ongoing trade agreement negotiations, and aiming to finalize the deal by December 2025, what are the potential economic implications for India if sensitive sectors like dairy and rice remain excluded from the pact?

SK: By the end of 2025, the IMF expects India to have a gross domestic product (at current US dollars) of US$ 4.2 trillion, while the European Union is likely to touch close to US$ 20 trillion. With a combined population of 1.9 billion, the trade agreement between India and the EU would open up new avenues of growth and trade for the two economies.

Trade talks have gathered pace since the visit of the European Commission President in February 2025 and the two sides have agreed to finalise the deal by the end of the year, and in fact, may be even sooner as stated by the Commerce and Industries Minister during his visit to Europe in June 2025. The economic implications for India in terms of sensitive sectors like dairy and rice would, however, need to be assessed over a much longer time horizon.

- First, the progress on the proposed 23 chapters is tardy and it is likely that the agreement may get delayed.
- Further, even after signing the agreement, it requires ratification by all the EU member states which would take some time.
- Finally, going by the recent trade agreement between India and the United Kingdom, some sensitive sectors may not be included while others may have a tariff rate quota and yet others would open up over a longer period of a decade or so.

Therefore, the implications for India regarding the excluded sectors will not be immediately significant. India's exports of rice to the EU increased by 111% between 2019-2023 in volume terms. With lower tariffs and addressing non-tariff barriers through an agreement, India could take top spot in EU's imports of rice over the years, bringing higher incomes for its farmers. In the dairy sector, India has taken care to exclude it in the FTA with UK and this position is likely to be maintained for the EU as well, protecting India's small dairy farmers from the surpluses of the advanced European dairy industry.

MS: The UK-India trade deal concluded in May 2025 aims to make 99% of Indian exports tariff-free in the UK market. How might this agreement influence India's trade balance and export diversification, especially considering the exclusion of visa concessions?

SK: India's exports to the UK stand at US$ 14.5 billion in 2024-25, with the UK's share at 3.3% of India's total exports, as per the Indian Department of Commerce data. This represents an increase in share from 2.8% in pre Covid data of 2019-20, showing that the UK is emerging as a more important export destination for India. Similarly, the share of India's imports from the UK has expanded from 1.2% in 2020 to 1.9% in 2024, according to International Trade Centre (Intracen) data.

With the signing of the landmark India-UK FTA, bilateral trade in goods and services is estimated to rise to US$ 100 billion by 2030. India is currently the 14th largest import destination for the UK and there is huge space for it to build its exports to the country following the trade deal. Both goods and services are likely to benefit, with services likely to gain more than goods, given that services trade is already larger than goods trade. While visa concessions are not included in the deal, both countries have agreed to undertake a Double Contributions Convention **which will mean that workers would only pay social security contributions in one country at a time for up to 3 years.** This will provide relief to Indian service exporters which send employees to the UK for short-duration contracts.

UK Trade with India, GBP billions, 2024

	Goods	Services	Total
Imports	10.8	14.7	25.5
Exports	7	10.1	17.1
Total	17.8	24.8	42.6
Trade balance	-3.8	-4.6	-8.4

Source: Office for National Statistics, UK

MS: Given the recent U.S. court rulings creating uncertainty around President Trump's tariffs, how should India navigate its trade negotiations with the U.S. to safeguard its export interests?

SK: The tariff impositions by the US under President Donald Trump are uncertain and fluctuating; therefore, any attempt to assess their impact would be infructuous at this stage. India has done well to agree to undertake negotiations on a bilateral trade deal during Prime Minister Narendra Modi's visit to the US in February, before the April 2 tariffs were announced. Since then, several meetings have taken place between the trade officials including in early June.

India needs to be cautious about its negotiating stance, keeping in mind both its market opportunities as well as its market vulnerabilities. The advantage for India is that trade between the two sides is complementary and not competitive and the items of interest for both sides are different. **Reducing tariffs on the Indian side for goods from the US must be undertaken in this light and India can make major concessions, since even after reducing tariffs for US goods, these are unlikely to significantly displace Indian manufacturing which operates at a lower price level.**

In turn, the US would be likely to offer India terms that would make Indian goods competitive vis-à-vis competitor nations, which would be an opportunity for India. India would also need to factor in the tariff reduction timeline in concessions offered to the US.

In the FTA with the UK, a long time horizon has been agreed for tariff reduction in certain goods and the same position should be taken in the case of the US. A third priority for India would be to balance its various sectors rather than look at sectoral concessions in isolation.

Some give and take among sectors might be required where losses in one sector may be offset by gains in another. India should attempt to keep non-trade issues out of the discussions and also address non-tariff barriers for its exports in the US. At the same time, unilateral concessions during the negotiations need to be avoided.

MS: In FY 2024-25, India's merchandise exports have seen a significant shift, with high-tech and value-added sectors like electronics and engineering taking the lead. What strategies should India adopt to sustain and enhance this transition?

SK: It is interesting to note that India's goods exports maintained their value despite the uncertainties of global trade during this period, characterised by trade wars, supply chain disruptions and geopolitical issues. Looking at India's top export items of over US$ 10 billion in value for 2024-25, it is found that growth was fastest in electrical equipment (deriving primarily from smartphones) at 28%, followed by cereals (16%), machinery and equipment (11.4%), pharmaceuticals (11.2%) and automotives (8.4%). Among the top products, there was a negative growth rate for fuels and gems and jewellery.

A key factor for growth in electronics was the establishment of factories by major smartphone suppliers, based on incentives offered under the production linked incentive scheme. **India has proved its manufacturing competence in the high-tech electronics and machinery sectors** and must go on to attract other major global manufacturers for high-end products in these categories through facilitative and encouraging investment policies. The establishment of large-size special zones and certain incentives as well as policy stability and easy redressal of disputes would help encourage multinationals to invest in India. For other high value goods such as organic chemicals and gems and jewellery which have been mainstays in the Indian export profile, **there is a need to address issues such as marketing, access to raw materials and inputs, and conducive import structure.**

MS: India lifted its remaining restrictions on rice exports in an effort to double agricultural shipments by 2030. How might this policy change affect global rice markets and India's domestic agricultural sector?

SK: There has been a 16% rise in India's exports of cereals over 2024-25, led by rice. This achievement came as restrictions began to be lifted on all its rice exports from September 2024. With India as the world's largest rice exporter, global prices depend on India's level of exports and as its exports go up, global prices have declined. The global market for rice stands at about 55 million tonnes, hence the expected volume of India's exports of 21.5 million tonnes between September 2024 and October 2025 will be a major factor in global rice prices. The fall in global prices arising from India's larger exports will greatly benefit African nations which are heavily reliant on imports from India.

According to a study (IFPRI, March 2025), restrictions on rice exports lead to greater rice availability in the domestic market and consequently, a drop in employment and incomes, while also raising consumer prices due to lower profitability of rice millers. The study stresses that the uncertainty created by rice export bans adds to farmer woes and suggests that targeted compensation for affected farmers, release of buffer stocks and trade negotiations could better support India's rice farmers and consumers rather than export restrictions.

MS: Despite global uncertainties, India's total exports for April 2025 were estimated at US$ 73.80 billion, registering a 12.70% growth compared to April 2024. What factors contributed to this growth and how can India mitigate potential risks to maintain this momentum?

SK: A look at the growth rates of export commodities for the month of April 2025 shows that electronic goods, engineering goods and agricultural products performed well. The rapid growth in exports of rice, fruits and vegetables and spices is encouraging and reveals a growing interest in Indian agricultural goods. In electronics, it appears to be frontloading of purchases before the tariffs imposed by the US come into effect. This is seen in the surge in exports to the US in April at over 27%.

Keeping in mind the continuing global trade uncertainties, India is taking several steps to sustain export pace. **First, it has fast-tracked its discussions on free trade agreements** with the EU and the US as well as several other countries. **Two, it is working intensively on building the India brand,** with ministers making it a point to interact with overseas business communities. **Three, it is addressing transaction costs through digitalisation.**

To keep up the momentum, it would be important for India to:

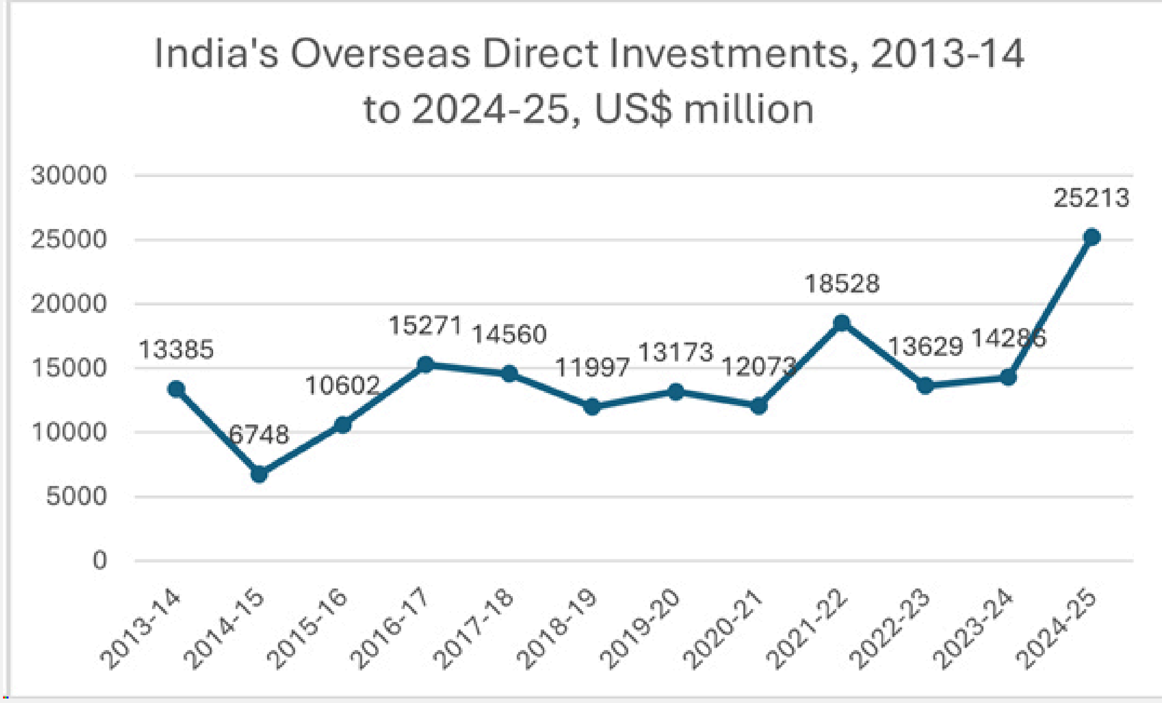
1. Support exporters during challenging times, which would also help in leveraging shifting global value chains and positioning India as a stable and reliable source country.
2. India must explore how to widen the exporter base and encourage more enterprises to export.
3. Focused attention to MSME exporters through reintroduction of the interest equalisation scheme, credit availability for obtaining requisite certifications and enhanced marketing and entry support can help keep India's exports on the fast track.
4. Further, there are several items where India's exports fell in April, including organic and inorganic chemicals, handicrafts, iron ore and certain agri products. Steps need to be taken to reverse the decline in these products.
5. It is also noticed that exports to top markets dropped steeply over the month, including the Netherlands, Singapore and UK. While a part of this may be due to fall in fuel prices, efforts to redress this through dedicated marketing can be considered.

MS: While gross FDI inflows increased to US$ 81 billion in FY 2024-25, net FDI moderated, signaling a maturing economy. How should India interpret this trend? What policies can be implemented to attract and retain foreign investment?

SK: India achieved a **landmark in inward FDI during 2024-25 by crossing US$ 1 trillion in cumulative flows since April 2000.** The year also saw FDI equity inflows at US$ 50 billion, a rise of 13% over the previous year. While FDI (as per international best practices) had declined from a 2021-22 peak of US$ 84 billion during the two following years, the curve has turned up again in 2024-25 and this is an encouraging sign that India is high on the radar for global investors. The drop in net FDI inflows arises primarily from global companies repatriating or disinvesting to the tune of about US$ 7 billion and a jump in India's overseas investments by more than US$ 12 billion. These are both positive trends. **Several large foreign investors benefited from IPOs during the year and exits by PE/VC firms led to enhanced repatriation of profits.**

On the outflows side, the surge in 2024-25 represents Indian companies taking advantage of overseas opportunities. The increase in outflows is broadbased to the top 10 destinations and also shows heightened interest in non-conventional destinations since the share of the top 10 recipient countries fell from 82% in 2023-24 to 70% in 2024-25. In terms of sectors, financial, insurance and business services as well as wholesale, retail trade, restaurants and hotels saw doubling of outflows over 2024-25, while manufacturing ODI also increased substantially. These are positive signs of Indian investors becoming bolder and would translate into income receipts in later years.

To keep up the momentum in inward FDI, India must work on the ease of doing business, ensuring faster approvals and processes. It is important for India to not only focus on anchor investors but also on smaller enterprises to encourage them to invest in the country. **Indian states too need to strengthen their investment climates** and provide simpler procedures at the grassroots for foreign investors. **Tweaks in tax policies and easier dispute resolution can also boost FDI.**



Source: Department of Economic Affairs, various years; *data is updated regularly

MS: The Reserve Bank of India reduced its key repo rate by 50 basis points to 5.50% and cut the cash reserve ratio by 100 basis points to 3% in June 2025. How might these monetary policy decisions influence private investment and economic growth in the next two years?

SK: RBI's decision to frontload interest rate cuts and infuse liquidity in the markets are welcome and well considered. These will positively drive investments and growth, thereby leading to employment and higher incomes. The RBI stated that inflation has softened to well below its target rates and this will further benefit from the normal monsoon season as projected. CPI inflation data for May 2025 released after the MPC meeting came in at 2.82%, the lowest in the last 6 years. Global oil prices have come down to US$ 60-65 levels. According to the World Bank, indices for energy, non-energy and metals and minerals have declined in May 2025 as compared to March 2025. At the same time, global volatility continues and this has influenced the inflation-growth dynamics for India. Thus, the RBI's move is timely and prudent.

While it will take some time for the interest rate cut to pass through to investment outcomes, **it is possible that private investments and consumption will rise in the next half year.** Gross fixed capital formation (GFCF), a proxy for investments, accounts for about 30% of India's GDP and has been rising in the last three years. With public investments carrying out the heavy lifting in GFCF in recent years, there is less space for public expenditure going forward, especially since the Government has prioritised a prudent fiscal deficit. Private capital expenditure as a share of GFCF has come down and it is to be hoped that the declining interest rates will encourage a rising share in coming years. The lower interest rate will also encourage households to spend more on big-ticket items. **Thus, this should sustain growth at a time of global uncertainty and help India retain its place as the world's fastest growing large economy.**

About Sharmila Kantha

Ms Kantha is the Principal Consultant, Confederation of Indian Industry. She is an Economics graduate from Delhi University and has diplomas in French and Mandarin. She was most recently heading international research and corporate communications at the Confederation of Indian Industry. She has worked there for over 21 years. Her areas of research have included economic policy, manufacturing, exports and general economic issues. Earlier, she was employed in a public sector bank. Sharmila Kantha is also the author of three books on Indian business. She has extensively published articles with think tanks and news platforms.

About the Interviewer

Mahima Sharma is an Independent Journalist based in Delhi NCR. She has been in the field of TV, Print & Online Journalism since 2005 and previously an additional three years in allied media. In her span of work she has been associated with CNN-News18, ANI - Asian News International (A collaboration with Reuters), Voice of India, Hindustan Times and various other top media brands of their times. In recent times, she has diversified her work as a Digital Media Marketing Consultant & Content Strategist as well. Starting March 2021, she is also a pan-India Entrepreneurship Education Mentor at Women Will - An Entrepreneurship Program by Google in Collaboration with SHEROES. Mahima can be reached at media@indiastat.com