Confederation of Indian Industry

MISSION
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Achieving USD 1 Trillion Services Exports by 2030: A Roadmap

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I. Introduction

The proliferation of information and communication technologies (ICT) and enhanced efficiencies in transportation, logistics, finance and other business services have enabled the success of global value chains (GVCs) that are largely based on decentralised economic activity. This decentralisation of economic activity has, in turn, facilitated the growth of trade in services over the past 20 years. Both world exports and imports of commercial services grew at a compound annual growth rate (CAGR) of 5 percent between 2010 and 2017. Trade in services is forecasted to grow at a CAGR of 7 percent, increasing to USD 12.4 trillion by 2030, and accounting for around 25 percent of all trade.

Global value chains (GVCs) play a preponderant role in connecting countries through trade, as 70% of world trade is for production in GVCs where goods and services are traded, not as final products, but are used for the production of other products for consumers around the world (OECD, 2018b). Services, and trade in services, are key enablers of global production networks. Services provide the "glue" that connects the fragmented and dispersed production stages that constitute GVCs. The deployment of international production networks, as well as their recent growths has been made possible by efficient and quality services, such as transport, logistics, communication, and financial services, as well as a wide array of business services, which are often supplied cross-border.

India possesses a strategic advantage to capitalise on the opportunities presented by the amplified presence of services in global trade. Its services sector is the largest contributor to the country's GDP and has also established a strong foothold in the global services-trade landscape. The value of India's commercial services exports US$202 billion in 2020 and imports of commercial services is US$152.8 billion in 2020.

The sub-sectors that dominate services exports in India are "computer and information services" and "other business services". Indeed, India is one of the largest exporters of telecommunications, computer and information services in the world, with exports of approximately USD 54.9 billion in 2017. This is unique for an emerging market.

It is thus important for public policy in India to offer strategic direction to sector, such that it can exploit the amplified presence of services in global trade. This will enable high-end value creation, employment generation, and sustained growth of the Indian economy.

II. Current Global Services Trading Environment

Services trade and policies now play an increasingly important role in the global economy, including through their impact on foreign direct investment, economy-wide productivity, digital connectivity, economic diversification and manufacturing competitiveness and exports. In addition, cross-border trade is expanding as a result of technological advances, and the supply of services by foreign affiliates (mode 3) exceeds trade through other modes of supply. Trade in value-added statistics underscore that services are important for countries at all levels of development.

Between 1980 and 2015, the average share of services in GDP across all developing countries grew from 42% to 55%. Services now create more jobs, and at earlier stages of development. Globally, services and agriculture each accounted for 39% of total employment in 2000; as of 2018, however, just over half of the world's population worked in services (52%).

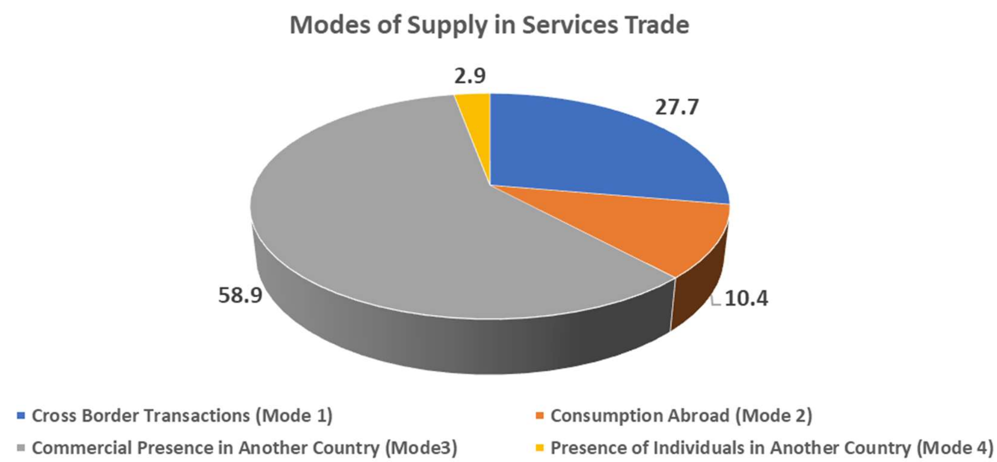
Measured according to balance-of-payment (BOP) statistics, cross-border trade in services has expanded at a faster pace than trade in goods since 2011. Services' share of world trade has grown from 9% in 1970 to over 23% in 2017 The WTO (2019) forecasts that services could account for up to one-third of world trade on a BOP basis by 2040, representing a 50% increase in the share of services in global trade in just two decades. This expansion of cross-border trade in services has been prompted by advances in information and communications technology, exemplified by the global expansion of the Internet, which has boosted opportunities for supply from a distance. A broad range of services can now be supplied cross-border over digital networks, e.g., professional, business, audio-visual, education, distribution, financial or even health services.

Many developing countries are taking greater advantage of direct export opportunities offered by new technologies that enable digital supply. Their share of global trade in services increased from 28% in 2005 to 34% in 2017. Exports of developing countries are concentrated in 'other commercial services' (43% in 2017), in contrast to transport (21%) and travel (32%). According to TISMOS (Trade in Services by Modes of Supply), global trade in commercial services was worth US$13.3trillion in 2017. These estimates present a comprehensive picture of services in world trade according to international treaties such as the GATS. Trade in services has expanded by 5.4 per cent per year on average since 2005, faster than the 4.6 per cent yearly expansion of trade in goods.

Figure shows the importance of the four modes of supply in services trade. With a value of US$ 7.8 trillion, sales through the establishment of foreign controlled affiliates worldwide (mode 3) are the dominant mode for trading services globally (58.9 per cent), in an unchanged pattern since 2005. Financial services and distribution services together account for around half of this value.

Cross-border services transactions (mode 1), including through electronic means, totalled US$ 3.7 trillion in 2017 with a 27.7 per cent share. Cross-border trade is widespread across different services sectors, including transport, professional and business services, distribution services and communications services, as well as computer services and related activities.

Services consumed in other countries (mode 2) accounted for US$ 1.4 trillion and 10.4 per cent of total trade in services, with tourism accounting for more than 60 per cent of the value. Only US$0.4 trillion, or 2.9 per cent, of services are traded worldwide through the presence of persons abroad (mode 4), but this share may vary for individual economies or sectors.



Source: WTO Estimates (2019)
Note: World Trade is calculated as the average of world exports and world imports

III. India's Services Trade

India's services exports have steadily grown from a mere $2.9 billion in 1980 to $6.7 bn in 1995, rising to $16.7 billion in 2000 and grown to $202.6 billion in 2020. Services imports have also risen significantly, from $2.9 billion in 1980 to $10.2 billion in 1995, rising to $19.2 billion in 2000 and further to $152 billion in 2020. India has moved to a slight services trade surplus over the years, which has partly offset its persistent and growing trade deficit in goods.

India's services exports grew at an average annual growth rate (AAGR) of 23.5 percent during the 1996-2005 period second only to Ireland and compared to 15.3 percent for China. However, there has been a deceleration over the 2005-17 period, with the AAGR of India's services exports declining to 9.9 percent, reflecting the global slowdown following the 2008 financial crisis. In CAGR terms, India's services exports grew the most rapidly among all countries at 11.1 percent over the 2005-17 period and exceeded the sector's CAGR for output and overall exports during this same period.

As a result, the share of services in India's total exports has risen from 18.1 percent in 1995 to over 37.7 percent in 2017. These trends highlight the export-oriented nature of services growth in the Indian economy as well as India's growing competitiveness in the world services market, especially in the post 2000 period.

Rapid growth in services trade has led to India's increased penetration of the world services market over the past two decades. India's share in world services exports has risen from less than 1 percent in the 1980s and 1990s to 1.9 percent in 2000, 2.9 percent in 2010 and was 3.44 percent in 2017. Its share in world services imports has similarly increased from 0.7 percent in 1990 to 2.3 percent in 2005 and further to nearly 3 percent in 2017.

IV. Leveraging India's Potential in Services Sector for Greater Exports

India's services sector, in comparison to agriculture and industry, has witnessed the most stable and sizable growth rates over the past 25 years (Table 1). The services sector has also made a prominent imprint in India's export earnings – since 2010 it has continuously remained a surplus sector with the surplus reaching US$30 billion in 2017.[1]

Table 1: Sectoral growth rates and contributions to GDP

	1991-92	1996-97	2001-02	2006-07	2011-12	2016-17	2017-18
Annual growth rate (at factor cost and in 2004-05 prices)							
Gross Domestic Product	1.52	7.82	5.52	9.57	6.69	7.09	6.48
Agriculture & allied activities	-1.95	9.92	6.01	4.16	5.02	6.29	3.37
Industry	-0.25	7.73	2.17	12.9	6.69	8.70	5.48
Services	4.32	6.83	6.54	10.09	7.06	6.67	7.64
Sectoral contribution to GDP (in percent)							
Agriculture & allied activities	28.6	26.27	22.42	17.37	14.37	11.73	11.36
Industry	20.27	21.96	20.03	20.66	20.3	20.80	20.56
Services	51.13	51.78	57.55	61.97	65.33	67.48	68.08

Source: Handbook of Statistics on Indian Economy, RBI

Table 2: Composition of services exports as a percentage of total service exports

	2011	2012	2013	2014	2015	2016	2017
Other business services	29.34	33.37	31.64	31.64	33.1	34.46	34.71
Computer and Information services	34.61	33.43	35.01	34.20	34.99	32.91	31.02
Travel	13.48	12.73	12.48	12.86	13.88	14.23	16.11
Transport	13.47	12.41	11.47	12.14	9.46	9.63	10.00
Financial services	4.76	3.79	4.32	3.69	3.53	3.22	2.64
Insurance and pension services	1.97	1.60	1.45	1.49	1.31	1.35	1.45
Construction	0.64	0.65	0.83	1.05	0.98	1.32	1.35
Telecommunications services	1.25	1.15	1.48	1.41	1.38	1.47	1.27
Personal, cultural, and recreation services	0.16	0.33	0.49	0.56	0.61	0.63	0.60

Use of intellectual property, n.i.e.	0.23	0.23	0.30	0.43	0.31	0.33	0.39
Audio-visual and related services	0.11	0.21	0.34	0.27	0.23	0.26	0.26
Goods-related services	0.00	0.09	0.17	0.25	0.21	0.18	0.20

Note: n.i.e. is not included elsewhere
Source: WTO

The services sector is considerably heterogeneous in its ability to contribute to India's exports, as evidenced in Table 2. In order to augment overall success, the services sector requires suitable policy interventions that enable intensive participation from different types of services providers.

Developing a niche policy stance may be more effective if each sector within services is classified into three sequential stages, based on level of development and ability to excel in export markets. These stages are:

- Stage 1: Those services sectors that require development in order to achieve scale and develop capabilities to export.

- Stage 2: Those services sectors that have already achieved the threshold level of development for exporting, but require strategic intervention in promotion, brand creation, etc., for expansion into the overseas markets.

- Stage 3: Those services sectors that already have well-established export-orientation but require monitoring and evaluation to continue adapting and evolving.

Each of these sequential stages presents a unique combination of challenges and opportunities, thus necessitating a differentiated policy approach. For instance, policies for the software sector should be aimed at preserving the sector's export momentum by transforming it into an innovation hub from an outsourcing hub. On the other hand, the healthcare services sector requires a targeted export policy in order to realise the potential that it harbours.

There is a need for a detailed assessment of individual sub-sectors within the services sector. In this regard, it is necessary to comprehensively examine the 12 champion services sectors identified by the Government of India, classifying each into respective groups based on the three stages discussed above, and make suitable policy recommendations. These services sectors, collectively and individually, hold significant potential for enhancing India's GDP, exports, employment and other economic outcomes.

V. Sector-wise Roadmap for Achieving US$ 1Trillion Services Exports by 2030

India exhibited increasing trend in services exports with the yearly net exports increasing from U$ 67.45 billion in 2016-17 to US$ 214.61 billion in 2019-20, the largest contributors being Computer and Information Services. However, the services sector, because of the pandemic, recorded a decline of only 3% in exports in 2020-21 to $ 205.27 billion.

The future of the services exports sector holds the potential of exponential growth at 10% in the financial year 2021-22 considering the fact that the consulting, telecommunications, computer and information services sector among others keep growing at a healthy pace. Further facilitation by the Government may unleash the maximum growth potential of the services sector.

The incomplete implementation of FTAs in the service sector with various nations such as Japan, South Korea and ASEAN limits the possibilities to engage in user-friendly and trade facilitative business as matters related to visas and professional qualifications of service providers like legal, medical, and financial services facilitators affect the smooth functioning of a business. The FTAs in services, if taken to the fullest potential with existing hurdles being addressed can help the nation to achieve a better number in its services exports.

The pandemic has led to the development of online education platforms at a large scale. India has the opportunity to position itself as a high quality and affordable education hub, under various modes of supply of services. The highly reputed Indian education sector can be encouraged and supported to push towards engaging in exports amid the acceptance of online education in the post Covid world.

Tourism and Hospitality services are an important driver of India's services economy. Relative to the other services sectors, Tourism and Hospitality sector exhibits a significant contribution to services' export orientation of the country while having a dominant domestic footprint. Although the sector has been severely impacted by the pandemic, going forward, a heightened emphasis on this sector will surely boost the services export potential of the nation.

The Transport and Logistics sector forms the foundation of disaggregated supply chains across the globe. An efficient logistics base is critical for augmenting competitiveness and international trade. The Transport and Logistics sector has the potential of becoming a major growth booster for the services exports from India.

India needs to also look at Banking, Financial and Insurance (BFSI) services as an important service sector with huge potential to export. The BFSI sector is gaining increasing importance in today's rapidly globalising economy and is traditionally the largest contributor in global trade.

The export of IT & telecommunication services is not only among the largest contributors to India's services exports, but these exports also constitute a significant portion of India's trade surplus in services. In light of the importance of the communications sector for the Indian economy in respect of earning foreign exchange and propelling economic growth and employment, it is pivotal to develop strategies which allow India to sustain its advantage as a leading exporter of communications services.

IT and IT Enabled Services

India's Information Technology – Business Process Management (IT-BPM) services amounted to USD 139.9 bn, growing at a rate of 8.1 percent in 2016-17 from USD 129.4 bn in 2015-16 (Economic Survey, 2018). India's highly qualified talent pool of technical graduates is one of the largest in the world and the country has a low-cost advantage by being 5-6 times less expensive than the US. This sector's exports grew from USD 107.8 bn to USD 116.1 bn at a rate of 7.6 percent during the same period. The sector is estimated to generate employment of almost 3.9 mn in the year 2016-17. Though the share of ICT services in India's total services exports has marginally declined in the past decade, the sector saw an increased share in total services exports in economies like China, Brazil, Russia and more (Economic Survey, 2018).

India's IT-BPM sector is expected to expand to USD 350 bn by 2025 and BPM is expected to account for USD 50-55 bn out of the total revenue. Moreover, revenue from the digital segment is expected to form 38 percent of the total sector revenue by 2025. It is one of the better performing sectors of India in terms of exports and has been accordingly placed in the third stage of development.

Enablers for Indian IT Services

Education
Technology is making education boundaryless and learning phygital. Digital initiatives of government such as Digital Infrastructure for Knowledge Sharing (DIKSHA) and the PM eVidya programs coupled with initiatives from private originations in education like TCS iON's Digital Learning, Digital Assessment, BYJUs, Unacademy etc. have pulled in previously untouched sections of society into the educational system and are fast breaking the barriers of traditional methods of teaching. With a large pool of high-quality teaching talent and enabled by technology and content, we see India has the potential to emerge as the 'teacher to the world'.

Information, Communication and Technology
To build at scale and pace, there is a need for an underlying robust open infrastructure. The infrastructure needs to be affordable, reliable, flexible, secured, and dynamic. This will not only enable innovative digital / digital led services but also create value for enterprises, consumers, and the society at large. There is a need for synergy between information, communication and technology offerings which can go beyond the linear growth possibilities.

Public Good
Government initiatives like Pradhan Mantri Jan Dhan Yojana, Aadhaar, UPI, Ayushman Bharat Digital Mission to name a few have used technology to bring all demographic segments into the mainstream. These initiatives showcase how successfully the government has adopted

technology in a country as vast and complex as India. Going forward, in our view creation of more digitally enabled open ecosystems is likely to bring more citizens to the mainstream and help create an environment where all the stakeholders gain from partnerships for society at large. The success of these programs at such scales reiterates the global leadership position of India and possibility the country offers to the world.

Start-up Push

Indian startups raised a record $24.1 billion in total from various investors during 2021 while 42 new startups crossed the valuation of $1 billion, making them unicorns. We see this momentum picking up from here and as one of the big growth drivers in the coming years. Today, Indian start-up ecosystem may be very well incubating the top 10 most valuable companies of the world. It is important that this enablement, acknowledgement, and positioning continue in the coming years to foster economic growth to attain the competitive edge in global markets.

Role of policymaking in achieving the vision

Supporting policies by Government will play a significant role in enabling the industry to achieve the desired vision. Internally, freedom to operate with minimal reporting, using macro indicators like growth, employment opportunities, sustainability awareness etc. will need to form basis for policy rather than complex compliances. Ability to negotiate effective FTAs and bilateral/ multilateral treaties like investment protection, Social Security, etc. will help the services sector contribute better.

Some of the promising areas which have potential growth include the following and thus policies to promote initiatives in the said areas could give desired returns.

- Making India a design and engineering hub
- Semiconductors and allied ecosystem are a live opportunity
- Product and Platform innovation for SaaS
- Leverage India’s data capabilities for AI and Analytics
- Managed cyber security services and security products
- Growth of GCCs in the country- doubling from current ~1250

While the draft Data Protection Bill has been under discussion, a clear monetization plan and mechanism to translate the regulation into functional framework is the need of the hour. The unintended potential adverse impact of the Data Protection Bill merits careful evaluation.

Additionally, conducive Labour policies, SEZ reforms, and favorable taxation ecosystem for promoting Research and Innovation can go a long way in augmenting the efforts of the IT Services industry.

Education Services

The expansion of the education sector is a key condition for sustained growth of an economy, largely due to its contribution to improving productivity, and enhancing innovation and technological capabilities. The education sector in India is estimated at USD 91.7 bn in FY18 and is expected to reach USD 101.1 bn in FY19. In India, the education market is expected to reach US$ 4 billion by 2025, from US$ 750 million in 2020. In recent decades, several market-friendly reforms have ensued in this sector, which was traditionally provisioned by public authorities through public institutions. India's relative advantage, in educational exports, lies in the Bachelor's degree program and in the Science/Technology stream. They accounted for 53.4 percent and 17.9 percent of the total inbound mobile tertiary students to India, on average per year, in the period 2012-13 to 2017-18 (Ministry of Human Resource and Development, 2019). The sector needs a push in terms of improving domestic educational infrastructure, push for pedagogical quality and broad-based accreditation, institutional agreements, program-based internationalization, and market-based internationalization. With all these improvements in line the sector at present stands at the first stage of development.

Improving Domestic Educational Infrastructure

Evening Classes

There are few numbers of tertiary educational institutions in the country that run evening classes. This will help people who can't pursue daytime classes because of their jobs or other reasons. In a phased manner, the number of such educational institutions can be increased.

More Classrooms and Related Facilities

Many educational premises, mostly universities, can have more classroom structures constructed, which will ease the competitive pressure on prospective students, including the foreign students. However, it is critical to ensure that this expansion in capacity does not dilute the quality of education imparted. To maintain teacher pupil ratio, a proxy for quality of education there is a need for simultaneous skill upgradation. Hostels need to be also upgraded to global standards.

Distance Learning

IGNOU has established itself as the pioneer in providing distance learning in India, and abroad. It provides high-quality teaching through 21 Schools of Studies and a network of 67 regional centres, around 2,667 learner support centres and 29 overseas partner institutions. Its success, however, is most prominent in the non-OECD countries. The IGNOU-model can be reiterated, with a greater focus on aligning with European or American system of education for growing country's footprints in these locations.

E-Learning

The international market for e-learning is expected to grow from USD 176.12 billion in 2017 to reach USD 398.15 billion by 2026 with a CAGR of 9.5 percent according to Statistics MRC. The ease of lectures / classes taken at any time, any number of time and from anywhere accommodates the need of the today's learner. An e-learning platform provides cost effective education and can be easily be scaled to accommodate large number of students. Investing and promoting in quality e-learning can help in increase of export of educational services.

Encourage Presence of Foreign Institutions in India

India has adopted a National Education Policy 2020 in which a holistic approach to education has been promoted. This is the first education policy of the 21st century and aims to address the many growing developmental imperatives of our country. The Policy proposes the revision and revamping of all aspects of the education structure, including its regulation and governance, to create a new system that is aligned with the aspirational goals of 21st century education, including SDG4, while building upon India's traditions and value systems. Partner with global institutions to set up 'Centres/Institutes of Excellence' within public universities. These Centres can focus on narrow fields of study, for example an 'MIT Institute for Nanotechnology' at an IIT, or an 'LSE Centre for HR and Industrial Employment Relations' at say Bombay University, or a 'Kellogg's School of Strategy' at FMS, New Delhi. The infrastructure for these centres shall be sponsored by the government or the university through special grants. However, these Centres shall be independently run by the partnering global institution, with their own fee structure and curriculum etc.

Further, short-term specialty courses such as Executive MBA schools can also be adopted. Course fees should be as determined by the partnering institution, which enables participation of global faculty etc.

These global tie-ups will bring branding association to the domestic institution, which will encourage greater flow of students from overseas due to familiarity with global partner institution. On the other hand, partner institutions will enjoy land bank and infrastructure provision, geographic spread and an ability to further attract student imports from India for other programs overseas.

Enhancing Competitiveness

Curricula Revision

The widening gap between education and employability of Indian labor force is evident from India Skills Report (2019), which reports only 47 percent of Science, Technology, Engineering, and Mathematics (STEM) graduates in India are employable. This calls for revision of curriculum for primary, secondary and tertiary education.

Periodic (every five years) revision of curricula by statutory bodies such as Bar Council in law, AICTE for technical education, and others supporting UGC will help bridge this gap. Such revisions should have inputs from both incumbent as well as newer professionals to ensure a balance between traditional theories and recent advances in the subject.

Inter-Institutional Mobility

Inter-institutional mobility of students can be promoted to offer specialization and multidisciplinary learning. Inter-institutional mobility shall catalyze a holistic learning approach in India where students can major in one discipline and minor in other subjects of their interest pursued at other institutes. Illustratively, Indian education system follows a semester-based system.

A provision can be made for students in universities to attend at least one semester at some other institute or undertake a dissertation under the guidance of professors of other institutes. This can either assume a 'league of institutions' form or an MOU between institutions.

Research Based Learning

The undergraduate courses have majority of students enrolled in higher education institutions. Furnishing research-based education should be an integral part of students' assessments to develop skills in analytical reasoning, problem-solving and collaborative working as well as employability. Mandating thesis or field work subject to course pursued in all institutes of higher education at an undergraduate level will expose the students to application-based learning along with conceptual learning. It can also motivate the students to enroll in Masters/PhD programs.

Skill Upgradation

Adoption to Learning Technologies

It has been proved in research studies that the use of technology in education has improved students' engagement and performance in the respective courses. This makes it imperative to make periodic investments in technologies associated with classroom learning including teachers' training in such platforms for seamless adoption. Partnerships with online platform for delivering quality teaching through video in an interactive manner to incorporate curriculum-based lessons can enhance children's learning experience.

Networking with Industrial Sector

Linking of industrial and educational sector will help keeping the skills at par with industry needs creating skilled and industry-ready workforce. The educational sector will understand the changing dynamics and needs of the industry and will be able to embrace changes in curriculum at right time. This can be done for all government institutions, wherein these institutes partner with relevant industry incumbents and develop industry specific coursework. Such partnerships give students a chance to upgrade their skillset and augment their employability.

Teaching Aides

Arrangements could be made for inducting human resources as teaching aides. It requires the aid to have a problem-solving skill for a given subject. An increase in infrastructure capacity, and higher enrollment rates puts pressure on quality of education (pupil-teacher ratio). Thus, it is critical to simultaneously expand the human resource base in education. Besides hiring more teachers, emphasis may also be on hiring Teaching Aides (TA) for the teachers. The TA not only ease the burden on teachers but being the connect between the teacher and the student, they enable higher quality interaction between teachers and students. Further, this will chisel student's interest in teaching professions and equip them for the same.

Demonstrable Standards

International Accreditation

Agencies such as the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) or the Washington Accord accredit many institutes across nations. India may adopt these for signaling quality tertiary education. In addition, the country could follow the UNESCO and the OECD issued guidelines on Quality Provision in Cross-Border Higher Education to emerge as a favoured global knowledge destination for international students.

Internationally Compatible Academic Credit System

Setting up an internationally compatible academic credit system will help compare students' work and effort during their courses. Indian annual examinations credit system is not compatible with ECTS system of EU or semester credit hour (SCH) of USA or Credit Accumulation and Transfer Scheme (CATS). Introducing an internationally compatible academic credit system will promote student international mobility and achieving global standards.

Participation in International Tests

The Program for International student Assessment (PISA) in the OECD countries have become one of the leading gold standards for educational quality. India's achievement in PISA will help India to make a presence in the OECD countries, thus improving the inflow of the students from OCED countries in India.

Network and Branding

MOUs Pertaining to Cross-Border Mobility of Students

The UKIERI mobility programme (India and UK), Canada India Education Council (CIEC) (Indian and Canada), inter-institutional agreement 2017-2021 between Universitat Pompeu Fabra, Barcelona and Jawaharlal Nehru University are some excellent examples to promote students/faculty from higher education institutes, academic research mobility and cross-border industry-academic cooperation. However, there is need to increase such arrangements, and their scope.

Twinning Academic Programs

A twinning academic program in India offers choice to Indian students to complete their study partly in Indian Institutions, and partly in a Foreign Educational institution. Such programs need to be intensively rescoped. Besides directly accommodating foreign students, it also serves as an outreach tool to those in these foreign students 'network.

Program-Based Networks

Such networks have benefitted the countries at the lower end of the educational exports the most. These networks push the individual countries for adopting cutting-edge reforms in education, and thus increase their competitiveness in educational exports. India would benefit immensely by adopting more program-based networks such as the Bologna Process.

Tourism and Hospitality

Captivating tourists' attention from all around the world, India's travel and tourism sector appears to be a lucrative opportunity to realise economic benefits. The sector's extensive backward and forward linkages with other sectors posit a reasonable incentive to embark upon the development of this sector. India witnessed nearly 7.25 percent annual increase, on average, in the number of foreign tourist arrivals (FTAs) in the period 1995-2016, from 2.12 mn in 1995 to 8.80 mn in 2016. This pattern in the number of FTAs reveals an upward drift in the year 2003 with an average annual growth of 3.4 percent in the period 1995-2002, and a much higher average annual growth of 9.6 percent in the period 2003-2016. The potential of

India's T&T sector requires targeted policy interventions in the realms of building service infrastructure, ensuring safety and security of foreign tourists, and reductions in the levels of air pollution in many cities.

With these interventions, in progressive steps, international tourist arrivals in India are expected to reach 30.5 mn by 2028 (IBEF, 2019). This is indicative of the immense potential of the sector. Thus, the sector has been placed in the third stage of development next to IT and ITeS services.

Enhancing Competitiveness

Harness MICE Tourism by Providing Fiscal Incentives to Companies
Fiscal incentives in the form of tax-breaks/exemptions on MICE related expenses can be offered to corporations for encouraging MICE tourism in the country. Thailand for instance, offers corporate tax exemption on income equal to 100% of expenses incurred on organising seminars in the identified 55 provinces.

Building Cross-Border Theme-Based Tourist Circuit
India can enter into strategic partnerships with countries to develop cross-border theme-based tourism circuits. For instance, India can establish a regional tourism cooperation mechanism with neighbouring countries like Myanmar and Nepal as well as Sri Lanka on developing a Buddhist tourist circuit, facilitating tourists to visit Buddhist related tourism spots in each of the three countries. Governments of the participating countries can devise a joint tourism plan for this which involves creation of a 'Buddhist Circuit Card' which provides tourists concessions on travel fare as well as sightseeing fares to various tourist spots identified in the circuit. A dedicated portal, with details on all sites identified within the tourist circuit, suggested itineraries depending on length of visit, places to stay, and connectivity can ease travel planning and thereby increase tourist arrivals. Further, government can encourage deployment of dedicated transportation services and certified travel operators to facilitate tourist movement across the Circuit – this is especially so in the contiguous Buddhist sites found in eastern Uttar Pradesh, Nepal and Bihar, where road and general hospitality infrastructure is deficient.

Develop Rally Circuits
Encourage global rally sports bodies such as World Rally Championship to host a Trans-Himalayan Rally Circuit crossing India, Nepal and Tibet (China), or an India-Nepal-Bhutan circuit. Such global events can bring global eyeballs to remote regions, and help catalyse tourist footfalls in otherwise less visited locations. Tax exemptions on some proportion of expenses, reimbursement of cargo handling charges, exemptions on broadcasting licenses, are some measures that government can adopt to encourage such events of global prominence in the country.

India Tourist Pass
Learning from successful travel-transportation cards globally, such as the Swiss Pass, the Government of India may issue an "India Tourist Pass" for foreign tourists. Such a card should only be available for purchase online – again through a dedicated portal – and accept payment only in foreign currency so as further earnings of foreign exchange through tourism. This

"smart card", which operates like a cash card, should be interoperable, so that tourists can use the same to pay for multi-modal transport services, including railways, buses, metro and other urban local travel modes. This smart Tourist Pass should be available for pickup at all international airports, as well as Metro stations and participating hotels which must enrol on to the program to provide such a value-added service to guests. The Pass should have appropriate pricing but should allow 100% "free" travel on the transportation modes covered, during the validity of the Pass. Such a travel card encourages freedom of movement by removing the hassle of paying for individual journeys – though reservation of seats on different modes of travel will remain subject to availability.

Develop Agri-Tourism

Agri-tourism is the form of tourism that capitalises on rural culture as a tourist attraction. Tourists can live as farmers, work as farmers, enjoy the hospitality in the farmer's household, buy fresh agricultural produce and other products from village artisans and self-help group women. While some progress has already been made with the development of Baramati Agri Tourism Centre, further efforts are needed to develop agri-tourism in the country.

Improving Infrastructure

Encourage Homestay Development in States/UTs

Homestays are a cost-effective way to provide tourists a unique and authentic experience. They bear several advantages. They help divert tourism traffic to unexplored interiors/rural areas of the country, serve as an alternate source of income generation for rural communities, facilitate rural development by providing employment and build ecologically sustainable development tourism models. Development of homestays should be encouraged through fiscal support like subsidised provision of utilities and tax exemptions. A ready template already exists in the case of Himachal Pradesh, which other States can emulate.

Liberalise Bilateral Air Traffic Rights

India should not only liberalise the existing bilateral Air Service Agreements (ASA) which it has with 109 countries but also increase the coverage of countries under ASA, especially the major FTA source countries. For instance, given the rising demand for air travel between India and Bangladesh, efforts should be made to further liberalise the 'Temporary Operation Permit' with Bangladesh from where India attracts maximum FTAs.

Fast-Track Release of Funds Sanctioned under Swadesh Darshan Scheme

Since the launch of Swadesh Darshan Scheme in 2014-15, only 50 percent of the total funds sanctioned have been released. In fact, the amount released against the sanctioned amount is reducing over the years. While approximately 80 percent of the sanctioned amount was released in 2014-15, this fell to 35% in 2017-18. Dedicated efforts are needed to ensure release of funds so that it translates into development of better tourist service infrastructure at the identified tourist circuits.

Overcome Language Barriers for Foreign Tourists

Since a majority of the countries from which India attracts tourists are non-English speaking, the government should take steps to reduce language barriers. Apart from encouraging travel guides fluent in foreign languages, the information disseminating platforms like the Ministry of Tourism's website and Incredible India app should be made available in foreign languages other than English. India should also encourage development of "Electronic Foreign Language Translators" – devices that allow easy translation from foreign-languages to not just Hindi and English but importantly regional Indian languages.

Branding

Encourage Cinematic Tourism

Shooting films in-country serves as an effective branding and promotion tool. Compared to advertisements, films reach wider audiences with greater run-times. Also, they are a cost-effective mechanism to market a tourist destination. To encourage cinematic tourism in the country, there is a need to identify and create an inventory/pool of tourist destinations ideal for cinematic tourism. Steps should be taken to enable film shootings by simplifying procedures and issuing time-bound clearances.

Greater Engagement in Tourism Related Multilateral Fora

As recommended in the India Draft National Tourism Policy 2015, India should actively engage in the activities/initiatives promoted by various tourism related multilateral fora such as UNWTO. These include UNWTO's "Chimelong initiative" which aims at capitalizing on wildlife conservation as a major asset of tourism development, and Sustainable Tourism Eliminating Poverty Initiative (ST-EP Initiative) which promotes poverty alleviation through the provision of assistance to sustainable tourism related development projects. Such engagements result in greater visibility of a country as a tourist destination because of the international organisation's branding efforts. Additionally, these engagements not only enable knowledge sharing amongst various tourism stakeholders but also provides an opportunity to build partnerships with other countries interested in cooperating on tourism sector concerns/opportunities.

Skills and Standards

Ensure Quality Foreign Language Speaking Tourists Guides

To ensure delivery of quality services benchmarked by international standards, efforts can be taken to mandate Internationally Recognized Language Examinations in the eligibility criteria for a government-approved general/expert linguistic guide. The government should take adequate steps to scale-up the availability of government-approved foreign language speaking tourists guides. This can be done by integrating language modules with hospitality degrees such as Degree in Tourism/Hospitality or Diploma in Archaeology. Also, to meet growing demands for different kinds of languages, differential travel guide fees should be enabled on the basis of language skills sets that guides possess, and/or on the basis of priority language skills as determined by the Govt. from time to time.

Transportation and Logistics

Transport and logistics services in India is a prominent sector in terms of contribution to national and state incomes, trade flows, FDI as well as employment. Indian transportation and logistics sector comprise of rail, road, water and air transport. The Indian logistics services sector is estimated to be worth around USD 160 bn in the year 2016-17 growing at a compound annual growth rate (CAGR) of 7.8 percent. The sector employs more than 22 million people. Though India jumped up from 54th rank in 2014 to 35th in 2016 in terms of Logistics Performance Index of the World Bank, the sector continues to face challenges such as high costs that negatively impact India's competitiveness in domestic and global market, under-developed infrastructure, multi-window clearances creating frictions in the movement of goods across modes, and lack of integrated IT infrastructure/modern technology (Economic Survey, 2018). The sector is in need of substantive capacity building to make its place in the international export market. Keeping that in perspective, the sector has been classified in the first stage of development.

Improving Infrastructure

Focus on Interconnectivity of all Modes of Transport
One of the primary reasons behind cost and time delays in Transportation and Logistics services is lack of connectivity between all modes of transport. Water transport is a crucial mode of transport for Indian merchandise trade. Approximately 95 percent of India's merchandise trade (by volume) is carried through seaports (Ministry of Shipping). However, last mile connectivity to these ports is one of the major constraints in smooth movement of cargo to/from the hinterland. With initiatives such as 'The Sagarmala Project' and Gati Shakti the government aims to resolve these issues, but projects continue to face several challenges. Optimization of modal mix should be one of the prime objectives to lower export costs and enhance competitiveness of Transportation and Logistics services.

Capacity Augmentation of Air Transport
The Regional Connectivity Scheme (RCS), also known as UDAN (Ude Desh ka Aam Nagrik), was launched by the government with an objective to link small, north eastern states and large airports across the country. However, the scheme faces an infrastructural hurdle. A few major Indian airports such as Delhi and Mumbai do not have the capacity to connect to the underserved and unserved airports, which can heavily impact the RCS scheme. The Ministry of Civil Aviation could adopt a holistic approach towards infrastructure development. Besides undertaking greenfield projects of building new airports in tier 2 and 3 cities, it should also lay focus on capacity building of existing major airports connecting India to the world.

Towards Seamless Cargo Movement Across Roads
Road network is undeniably the most critical part of the transport infrastructure of India. Roads provide last mile connectivity for all freight movement across the country. Therefore, facilitating seamless cargo movement through roads shall reduce time costs and make transport services more affordable. The Ministry of Road Transport and Highways could mandate all state governments to conduct freight flow assessment. This shall map the movement of cargo in the state and across borders from major industrial centres. Subsequently, the state governments could aim and invest in the development of dedicated freight lanes on all major highways connecting logistics facilities to highways/railways/other prime network to foster access and seamless cargo movement.

Enhancing Competitiveness

Engaging in Regional Cooperation Agreements

As Transportation and Logistics services are support services, increased merchandise trade across borders shall drive demand for domestic transport and logistics services. Regional cooperation agreements could lead to higher export of Indian Transportation and Logistics services. Therefore, India should not only closely engage in its existing regional bilateral and multilateral agreements but also make efforts to further negotiate other such agreements.

Towards Large Parcel Size

India's logistics sector is plagued by the issue of parcel size. India is a trucking nation and operates on small parcel size and therefore, lose out on the cost advantage of economies of scale. Therefore, adequate measures should be taken to convert to large parcel size.

Standards

Digitization and Automation of Administrative Procedures

A major challenge that the sector faces is fragmentation. The sector thus demands better infrastructure and technology upgradation to resolve operational inefficiencies. Infrastructure projects are plagued by time and cost overruns stemming from execution delays. Delays in shipping are usually caused by a number of factors including opaqueness of shipment, tailback in freight transfer, slack processes of a courier operator etc. To reduce dependence on physical presence of customs officials and facilitate time-bound action, Central Board of Indirect Taxes and Customs (CBIC) could establish an online process for escalation of issues. Further, CBIC could mandate complete digitisation of applications, document submission, and approvals including permissions for movement of empty containers filed by shipping lines.

Adopting Sweden's 'Stairway' Concept

Adoption of the stairway concept by Sweden can help make customs more efficient in India. CBIC can categorize all registered companies in five categories, based on their compliance with Indian customs, standards and operating procedures. All companies in Category 3 and above, shall be assured a non-interrupted flow of goods. This shall not only save the government time and money in ensuring compliance every time goods cross borders but also help companies save on customs administration expenses.

Branding

Establishment of Indian Logistics Alliance

To attract more business for the Indian Transport and Logistics companies, the Ministry of Commerce and Industry, together with the Indian logistics industry could engage in the Indian Logistics Alliance marketing initiative. Establishment of 'Indian Logistics Alliance' could help bring more business to Indian Transportation and Logistics firms. This alliance may list all Indian Transportation and Logistics companies compliant with international standards and help connect foreign investors, and market players to these firms. This marketing strategy shall prove to be instrumental in driving the sector's exports demand.

Harnessing Travel and Tourism Potential

Demand for passenger transport can be accelerated by attracting tourists (both MICE and leisure), foreign students and Indian diaspora. Fiscal incentives in the form of tax-breaks/exemptions on MICE related expenses can be offered to corporations for encouraging MICE tourism in the country. Thailand for instance, offers corporate tax exemption on income equal to 100 percent of expenses incurred on organising seminars in the identified 55 provinces. Further, India can enter into strategic partnerships with countries to develop cross-border theme-based tourism circuits such as Buddhist circuit. Initiatives like these can help drive derived passenger transport demand in the country.

Skill Development

Establishment of Indian Logistics Alliance

One of the key challenges that plagues the Transportation and Logistics sector is paucity of skilled labour. All state governments need to make strategic investment for skill development. Creation of infrastructure for skill development including driver training institutes, vocational institutes, institutes imparting warehouse related courses, and cargo handling, through private sector participation is the need of the hour. In this regard, the Ministry of Commerce and Industry can coordinate with National Skill Development Council (NSDC) and Logistics Sector Skill Council for identification and formulation of relevant courses to be taught and providing degrees/certification programmes on such courses. This can also be done in collaboration with industry stakeholders to ensure imparting of industry relevant curriculum that shall enhance employability of the labour force.

Banking, Financial and Insurance Services

Abundant talented professionals and technology up gradation could promote the exports of financial services from India. Reserve Bank of India (RBI) has allowed 100 percent foreign investment through automatic route to the regulated financial services companies. It covers capital markets, investment management, real estate investments and foreign exchange services, etc.

However, the performance of the banking sector, Public Sector Banks (PSBs) in particular, was subdued in the year 2017-18. The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) increased from 9.6 percent to 10.2 percent between March and September 2017. Non-Banking Financial Companies (NBFCs) bring in diversity and efficiency to the financial sector and make it more responsive to the needs of the customers. The NBFC sector, as a whole, accounted for 17 percent of bank assets and 0.26 percent of bank deposits in 2017 (Economic Survey, 2018). The sector currently stands at the first stage of development.

Push for Internationalisation of Indian Fintech Solutions

Efforts should be taken to increase the global presence of the Indian fintech companies either by way of cross border fintech Cooperation Agreements or Indian fintech companies' direct collaborations with international financial institutions. A ready template already exists in this regard, where the Monetary Authority of Singapore (MAS) has signed a Memorandum of Understanding with the Department of Economic Affairs, Government of India, to strengthen cooperation in financial innovation between Singapore and India, through the establishment of a Joint Working Group. In fact, Singapore and India have achieved good progress in fintech co-operation.

The National Payments Corporation of India (NPCI) has entered into a partnership with Singapore's domestic payment system operator Network for Electronic Transfers (NETS) which enable cross-border payment linkage between Singapore's PayNow and India's Immediate Payment Service (IMPS). Additionally, NETS and NPCI created a payment linkage system that will enable a Rupay card holder to transact payments at any NETS enabled merchant in Singapore, and conversely for NETS card users to make RuPay acceptance points in India.

While some progress has already been made on developing international presence of Indian fintech solutions, significant potential is still untapped. India should, therefore, explore extending its fintech solutions BHIM UPI, RuPay and so on, especially in the neighbouring countries.

Continued Regulatory Push for Promoting Differential Banking Licenses

There is a need for niche banking in India and differentiated licensing could be a desirable step in this direction, particularly for infrastructure financing, wholesale banking and retail banking. The RBI in its 2017 discussion paper on Wholesale and Long-Term Finance Banks, while reiterating the need for operationalising multiple differentiated banks to provide services in the areas of their competitive advantage; the discussion paper proposes to offer a differentiated Wholesale and Long-Term Finance banking license. As per the RBI, such banks can operate as market-makers in securities such as corporate bonds, credit derivatives, warehouse receipts, and take-out financing etc and may provide refinance to lending institutions, offer services related to equity/debt investments, and forex / trade finance to their clients. However, despite the issue of 2017 discussion paper by the RBI, no concomitant decision on differentiated banking license for specialised institutions has been taken. In this regard, it is important that Government should consider streamlining its efforts towards adoption of differential banking license.

Leverage Technology to Reshape Trade Finance

Trade finance represents financial instruments that facilitate international trade by introducing a third-party to the contract to assume risks associated with the transaction. Although nearly 80 percent of international trade relies on trade finance, there still exists a gap of USD 1.5 trillion in the global trade finance market. MSMEs face the greatest hurdles in accessing trade finance, despite the fact that their growth significantly impacts the growth of the country. However, banks refrain from extending trade finance to MSMEs because of a confidence gap that exists due to their lack of credit history and limited experience of the process involving extensive paperwork. The current infrastructure of trade finance has various pain points like multiple invoice factoring and duplicative bills of lading that make keeping a check of the paperwork an onerous task for the parties involved in the contract.

Emerging technologies like blockchain can be deployed to overcome the aforementioned problems in trade finance, drive efficiencies and reduce costs. Blockchain contains a digital entry of a transaction/contract which can be viewed and updated by the parties involved. This would eliminate all the paperwork and quicken the process by allowing real-time review of the financial documents, reducing the time taken to initiate a shipment.

Deepen Debt Market

It is well recognised that a well-functioning corporate bond market complements a sound banking system in an effective manner. Despite initiatives taken by various regulators in the recent past, the debt market in India still remains far from satisfactory. To encourage foreign participation in India’s debt market, both the RBI and SEBI have recently liberalised regime for FPI investments in debt securities. These measures can provide the much-required impetus to the existing corporate bond market in India; however, it is important that concomitant dedicated efforts towards further strengthening the debt market are undertaken.

Make India Regulatory Friendly for Offshore Fund Management

Typically, investment funds operating in India are managed by fund managers located/residing in jurisdictions such as Singapore, London, and Hong Kong, consequently resulting in loss of revenue. The offshore management is largely to avoid adverse tax consequences. To its credit, the Indian government in 2016 amended the Income Tax Act, 1961 by inserting Section 9A in the Act to promote India as fund-manager friendly jurisdiction – commonly referred to as safe harbour norms, detailing 17 conditions to be satisfied by an offshore fund to avail tax exemption (HLAG, 2019).

Despite the introduction of Section 9A, significant concerns for managing funds from India remain. Firstly, the tax regime imposing several riders is extremely complex, disincentivising many from managing funds from India. Instead, investment funds may continue with their existing practice of requiring fund managers to operate from foreign jurisdictions, resulting inter-alia in potential revenue loss for India. Moreover, besides being complex and onerous, most of the conditions prescribed under Section 9A and related Rules are either – (a) not related to tax; or (b) not aligned with conditions prescribed by regulators such as SEBI and RBI.

In order boost offshore fund management in the country, Government of India needs to revisit the tax-regime and should simplify the conditions under Section 9A and related Rules by deleting conditions which are non-tax in nature and align the same with existing regulations issued by SEBI and RBI. Besides catering to domestic demands, a conducive taxation framework can also help establish India as a global hub for fund management activities.

Enable Further Development of the International Financial Services Centre

Financial centres that cater to customers outside their own jurisdiction are referred to as international or offshore financial centers (OFCs). Gujarat International Finance Tec-City (GIFT City) multi services special economic zone has set up the first International Financial Service Centre in India (IFSC) in accordance with the SEZ Act 2005 (SEZ Act), SEZ Rules 2006 and the regulations made thereunder. The IFSC in GIFT City is being developed as a global financial and information technology services hub designed to be at par with globally benchmarked financial centres such as London, Hong Kong, Singapore, and Dubai. Although the initial banking transactions from IFSC in India have been very encouraging, it is small in comparison to Hong Kong, Singapore and Dubai. Therefore, efforts need to be taken to further leverage the potential of IFSC in the country.

Enable International Collaboration for Fintech Technology Absorption & Incubation

To enable development of emerging fintech technologies in the country, it is important to promote technology absorption and incubation which is a function of education, knowledge, skills, experience and training. India can enter into partnerships with industry, universities in other countries thereby facilitating technology absorption. Such collaborations will help India in adoption of best practices crucial for bringing about structural changes in areas like-capacity building, resource development and benchmarking of occupational and skill standards.

Telecommunication Services

The telecom sector forms the backbone of India’s digital economy and has evolved into a vibrant market since it was liberalized in 1991. Tele-density in India has improved from 6.51 in the 4th quarter of 2003 (TRAI, 2004) to 91.45 in the 4th quarter of 2018 (TRAI, 2019). In 2019, there are 1.19 billion telephone subscribers and 604.21 million internet subscribers in the country (TRAI, 2019). India’s telecom exports in 2017 were worth USD 2.16 billion. India’s relative strength lies in having one of the lowest prices for data and voice calling across the world. This is due to intense price competition between service providers in the sector. Monthly average revenue per user has declined from Rs.141 in April-June 2016 to Rs. 70.13 in the quarter October-December 2018.

Many service providers have exited the market, while others have consolidated. The remaining service providers now grapple with the challenge of monetising their investments in 3G and 4G networks, while also building capacity to bring 5G networks to India The sector grapples with major challenges such as growing losses, increasing debt pile, and debatable spectrum costs (Economic Survey, 2018). The sector has been classified into the second stage of development.

Facilitate Overseas Investments by Indians

Exports through commercial presence harbour immense potential to earn foreign exchange for India, as these are not demand-driven and hence more stable than exports through cross border supply. One instrument to facilitate investments are Bilateral Investment Treaties (BITs) with other countries. BITs provide institutional support to protect and promote investments in foreign jurisdictions, thus reducing the risk associated with investing abroad. The government may strive to increase the number of BITs that India has with other countries and should consider amending the model BIT to prioritise investor interests.

Support Financial Sustainability

High indebtedness and low revenues are the key challenges that major Indian telecommunications service providers face. This is also likely to impact their ability to invest in 5G spectrum and deployment of related technologies and infrastructure. The government could strive to support these firms to ensure that Indian networks can compete and interconnect with international networks. The NDCP has provided for the rationalisation of levies for telecom. The Steering Committee on 5G has recommended that the Universal Service Obligation Fund be used for a ‘viability gap funding’ model for deploying 5G infrastructure and has recommended that the government provide financial support for 5G trials.

Participate in International Discussions on Data Storage and Transmission

India has refrained from participating in WTO negotiations on e-commerce and the Osaka track negotiations at the G20 summit. These negotiations are likely to have implications for cross border data flows, which is an important component of trade in communications services. India is not participating since it anticipates that developing countries will not have the autonomy to address issues in the digital economy, including matters such as storing data locally and taxing digital flows. These concerns must be balanced against the risk of potential restrictions for market access to many export destinations for India. As an alternative to participating in global level negotiations, India may consider engaging in bilateral or regional level negotiations on this topic, perhaps with other developing countries. Discussions on cross border data flows may be included under negotiations on services trade. This will help India signal its intent for international cooperation and will allow it to observe outcomes under such arrangements.

Spearhead Research on 5G Applications for Developing Countries

5G applications differ in their uses in different developmental and socio-economic contexts. In this regard, India should aspire to develop 5G applications customised for use in developing countries and in geographical regions similar to India. This will enable India to market these innovations to other countries and will also open avenues for Indian communications service providers to invest in foreign markets, which will enhance exports of communications services through commercial presence. The Steering Committee on 5G has laid down a roadmap for instituting use case labs for such research, and for standard setting bodies for the applications layer.

Contribute to Global Standard Setting and other Conversations

The Steering Committee on 5G has recommended that India participate in setting international standards for communications technologies. Some of the key topics being discussed at international fora include human safety and standards for macro-connectivity between telecom networks. India has contributed to global standards for 5G technology with the Large Cell Low Mobility technology which is being fine-tuned at the ITU. The NDCP and the Steering Committee on 5G have already identified participation in global standards development organisations as an important intervention, and the latter has even recommended that this be a government led initiative.

Prioritise Public Resource Efficiency

High quality communications service provisioning requires that spectrum is allocated and used efficiently. The GSMA has cautioned against governments setting high reserve prices for 5G spectrum or granting licenses for short periods as this may discourage long term investments. A few interventions may ensure that spectrum is used in an efficient and effective manner. For instance, reforms may be required in calculating the reserve prices for spectrum auctions. The current methodology is heavily reliant on bid prices from previous auctions to determine the reserve prices. This approach ignores other factors which affect spectrum prices, such as the amount of spectrum auctioned, the number of participants, etc. Further, the overall spectrum allocation strategy should be one that fosters trust between government and industry for sustainable industry growth. It is also important to make as much spectrum available for communications services as possible, and to make sure that licensees can use a combination of spectrum bands to fulfill coverage requirements.

Facilitate Infrastructure Development

Expansive, high quality communications networks can enhance the export of communications services through the modes “cross border supply” and “consumption abroad”. This is premised on infrastructure deployment, which is a challenging and costly activity in India. To install towers, cables and other such infrastructure, service providers have to obtain permissions from state and local governments which is a time consuming and costly process. Easing the process of obtaining such permissions is one of the key recommendations of the Steering Committee on 5G, since 5G deployment will require the installation of large-scale under-ground and above-ground infrastructure. The central government must collaborate with local authorities to ensure that these permissions are granted in a reliable, timely and cost-effective manner. Additionally, to enable effective monetisation of investments in 5G deployment, it is important to ensure that other infrastructure can be used to install 5G equipment and can be adapted to implement 5G applications. The Steering Committee Report on 5G has recommended developing guidelines on the use of street furniture such as lamp posts for mounting 5G infrastructure, besides amending building and construction regulations to ensure that 5G equipment can be installed indoors and highways etc can use 5G enabled applications.

Leverage Broadcasting Infrastructure for Broadband Provisioning

Incoming international long-distance traffic can be enhanced by increasing the number of people who have access to communications networks in India. In this regard, infrastructure in the TV industry can be used for the provisioning of broadband services. Different types of TV distribution technologies require different interventions in this regard. Cable TV infrastructure is already used for providing internet services. However, this is limited to a few large networks. Unbundling the local cable TV loop can help enhance competition amongst TV and internet service providers at the last mile. This can also translate into consumer benefits such as greater choice and lower prices. Further, Direct to Home networks can be used for providing internet services but doing so is currently not allowed. The NDCP has already identified this as a strategy.

Take an Ecosystem Approach to Enhance Local Equipment Manufacturing

Manufacturing communications equipment locally can address security concerns related to communications service provision and enable innovations in services provisioning. To develop a robust equipment manufacturing ecosystem in the country, India needs to attract brand owners who invest in improving forward and backward integration in equipment supply chains. This will directly facilitate development of component suppliers who tend to follow the brand owners. India suffers from several cost disadvantages compared to other countries like China, Vietnam, South Korea and Taiwan with respect to logistics, utilities and land. To incentivise investment from such motherships, Government of India should, therefore, provide both production-based as well as WTO compliant export-oriented incentives to encourage domestic manufacturing of equipment.

Facilitate Data Centre Development in India

Cross border data transmission is a key component of communications services exports. Data centres store and process data, and thus influence the routes for data transmission. Developing data centres in India could help increase exports of data transmission services if data stored in India is accessed in foreign jurisdictions. While the NDCP has proposed incentives for developing data centres, challenges including high access facilitation charges, poor connectivity, restrictions on participation in internet exchanges, and outdated licensing frameworks which limit ability to install dark fibre remain. These challenges must be addressed in order to build future-ready network infrastructure. Further, forthcoming data storage requirements should strive to balance legitimate state interests such as securing data with the benefits of an open data transmission regime, including more competitive and higher quality data storage services in India.

Audio-Visual Services

The audio-visual sector is among the key sectors for creativity for the country. It enables cultural and economic conjoint within and across societies, and thereby, is an integral part of the socio-economic development. In India, the media and the entertainment sector thrive on the country's vibrancy and diversity. The sector, valued at USD 27.3 billion in 2016, has a significant impact on the economy in activities related to content creation, and through its linkages with other sectors. These linkages are commonly visible in advertisements of goods and services, sports and arts, paper and paper products, telecommunications, and electrical equipments. The audio-visual services sector in India witnessed a growth of 13 percent in 2016-17, reaching a revenue size of INR 1.5 trillion. India's relative advantages in the audio-visual sector include low costs of production, diversity of content and talent, and a fast-growing market for digital media. Indian audio-visual sector lags behind other countries due to lack of specialized workforce in the sector and low density of cellular connectivity.

The sector, driven by the availability of niche content, and a vast and diverse audience with increasing access to smartphones and internet, can be a source of significant economic gains from exports, especially in forex earnings and employment generation. It has been placed in the second stage of development.

The audio-visual services industry, driven by the availability of niche content, and a vast and diverse audience with increasing access to smartphones and internet, can be a source of significant economic gains from exports, especially in forex earnings and employment generation. The following strategies will enable India to realise this potential.

Competitiveness

Remedy impediments to implementing co-production treaties
India has entered into co-production treaties with 13 countries, but it has produced only a few films under such arrangements. Co-production treaties are a good way to enable Indian producers to overcome barriers to market access and can enable Indian producers to understand the preferences of foreign audiences, besides providing Indian filmmakers access to capital and human resources. Currently, it is quite costly for a foreigner to produce a film in India, and obtaining permissions is a time consuming and costly process. The Ministry of Commerce and Industry (MOCI) may form an inter-ministerial group with the Ministry of Information and Broadcasting (MIB), where they can consult and collaborate with industry bodies to help produce more content under these agreements. A detailed institutional framework that enables a single window clearance system (uniform across the country) for shooting foreign films in India, issuing permits in a timely manner, and the introduction of production incentives can remove bottlenecks to co-production in India.

Collaborate with other countries to curb piracy of Indian content abroad
India could earn greater export revenues by preventing piracy of Indian content in foreign jurisdictions. The Indian government can collaborate with foreign governments to identify locations where Indian content is pirated the most, the reasons for this piracy and interventions which can encourage consumption through legal means. Such collaborations may be instituted under current and new MOUs on IP. India has MOUs on IP with many

developed countries including USA, UK, European Office for Patents, France and Germany (Office of the Controller General of Patents, Designs & Trademarks). Such collaborations can also be extended to developing countries which are major exporting destinations for India and have weak IP administration frameworks Another model for such collaboration could be that inviting multi-stakeholder participation from multiple countries.

Strengthen institutional capacity for IP administration

The Indian Copyright Act, 1957 provides the highest levels of copyright protections as specified by WIPO administered treaties (WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty) and the Berne and Rome conventions. However, India lacks the institutional capacity to optimally utilise the provisions of the Act. For instance, the Intellectual Property Appellate Board does not have a technical member for copyright which undermines the value that India could unlock with a well administered copyright regime. A similar gap exists at the TDSAT, which is responsible for adjudicating disputes between TV broadcasters and distributors. 83 percent of the disputes considered at the TDSAT pertain to broadcasting (Vidhi legal, 2017). However, having such expertise is not required for being appointed to a position at the institution. The MOCI should strive to address gaps in copyright administration at the IPAB and consult with other relevant authorities to develop adequate institutional capacity.

Incentivise content production in India through fiscal incentives

Governments in countries like Hungary, France, and Singapore offer financial incentives in the form of tax breaks, grants, and subsidies for shooting a film in their country. This has a two-fold advantage. First, it generates both income and employment in their economy (as local people are hired in the production stages). Second, it leads to a boost in the tourism industry of the country. A five-times increase in the footfall of Indian tourists to Switzerland, where several Indian movies were shot in the second half of the 1990s, is a prominent example in this regard.

Identify regional strengths and develop clusters

The AV services industry thrives in clusters, as there are positive spillovers in terms of talent pool and infrastructure, there are opportunities for collaboration and for ideas to be exchanged which facilitates creative productions. State governments of Telangana, Andhra Pradesh and Karnataka have instituted policies to develop clusters for Animation, VFX and Gaming in their states. Developing AV service clusters in different areas is a good idea to propel the development of digital infrastructure in underserved areas. The MOCI should consult with the NITI Aayog, state governments and the MIB to identify regional strengths and develop clusters based on regional advantages such as language, themes or skills.

Examine economic regulation

Revenue streams for many segments of the AV services industry are regulated, including TV broadcasting and music. This limits the resources available with firms to invest in content quality, which adversely impacts competitiveness in international markets. The MOCI may consult with the MIB to develop strategies to address market failures in these industries without hampering investments in content quality.

Encourage integration with digital products

Digital products refer to those products which can be accessed digitally, such as e-books, films, and music. It is relatively easier and cheaper to trade audio visual services in the form of digital products. Thus, backward integration of audio-visual services with digital products enhances the tradability of services and makes Indian services more competitive. The MOCI should work with the concerned ministries, regulators and authorities to address obstacles to integrating AV services with digital products and provide incentives where necessary.

Branding

Enhance exports of public service broadcasting

The Public Service Broadcaster harbours significant potential to contribute to the export of AV services from India as it has access to a rich library of content and can uphold high editorial standards as it is not bound by commercial or political considerations. Currently, All India Radio (AIR) broadcasts content in about 150 countries in 27 languages and DD-India programmes reach 38 countries (Prasar Bharati, 2018). Prasar Bharati has recently signed MOUs with Bangladesh and South Korea to broadcast DD India in these countries and broadcast channels from those countries on DD Free Dish. MOCI should strive to build more such partnerships to increase exports and introduce foreign audiences to Indian content, which may open up foreign markets for private sector firms from India.

Leverage diaspora networks

Indian diaspora can prove to be an asset for disseminating Indian work in foreign locations, building mentorship networks for Indian talent, and for enhancing AV services exports through the mode ‘presence of natural persons. The MoCI may work with the Ministry of External Affairs (MEA) and MIB to connect with diaspora desks at Indian outposts in other countries, and capitalise on these networks to organise events, invite investments, and match Indian talent with opportunities in other countries.

Enable content markets at film festivals

Film festivals and other such industry exhibitions can prove to be instrumental in connecting buyers and sellers of audio-visual services. India should strive to emulate the success of the European Film Market, which is hosted at the Berlinale festival every year. Besides showcasing works, facilitating transactions is a prominent part of the festival. In 2019, 9,973 representatives from 111 countries attended the European Film Market. There were 551 exhibitors, 196 stalls and offices, and 1,885 buyers at this event (European Film Market, 2019). The festival also hosts differentiated events for specific purposes, languages or geographies. For example, there are specific markets for co-productions and digital technology, and avenues for African businesses and professionals to connect with each other.

Facilitate arrangements with foreign distributors

Cross border supply of AV services is likely to increase exports through other modes of supply as well. To encourage exports through this channel, the government may facilitate partnerships between Indian content providers and foreign distributors. This is especially important since distribution capacities in foreign jurisdictions may be limited due to infrastructure constraints or regulations such as local content quotas. One way for the Indian government to encourage foreign distributors to host Indian content on their networks is by compensating them for some of their costs. For example, when Chinese broadcasters expressed their reluctance to broadcast Korean content on their networks, the Korean government paid for dubbing and translating this content and also helped arrange for advertisements during these broadcasts.

Skills

Develop export-oriented skills
It is important to equip the Indian workforce with skills such as translation and audience measurement so that Indian content can be tailored to foreign audiences. Institutional capacity to build these skills may be developed by fostering partnerships between educational/skilling institutions and industry participants. Such partnerships aid talent discovery and are not heavily dependent on government funding. For example, Netflix launched a training programme for producers and post-production supervisors on specialised skills used in this sector in partnership with the Government of Maharashtra (Times of India, 2019). The MOCI should encourage such collaborations for skill development and also facilitate private sector grants targeted towards skill development. Further, institutions may use student exchange programmes to introduce Indian talent to foreign jurisdictions and enable students to build networks and skills which facilitate exports.

Create internationally recognised skill certification programmes
Internationally acceptable skill certification can enhance AV services exports as they reduce information asymmetry between Indian professionals and foreign clients or employers. It can also enhance productivity and ensure consistency in service provision. Developing such programmes will require collaborating with educational institutes in India and abroad and working with foreign employers and governments to understand their skill requirements. Additionally, existing skill certificates can be made more acceptable abroad through Mutual Recognition Agreements (MRA). For example, India has signed a Mutual Recognition Agreement with Singapore pertaining to nursing services (PIB, 2018). Such arrangements can especially enhance exports through the mode 'presence of natural persons' and may also facilitate international collaborations.

Standards

Recognise and encourage compliance with content standards
Standards can encourage the export of Indian content as they would enhance competitiveness in international markets and can make it easier for Indian service providers to adapt to the regulatory requirements in other countries. In India, content in films for public exhibition is regulated by the Central Board of Film Certification and content on TV is self-regulated by broadcasters, besides the Cable TV Networks Act. Recently, a group of eight Online Curated Content Providers have signed a self-regulation code which covers themes. Since the cost of exporting content through digital media is low relative to other mediums, it is important to encourage standardisation of online content to ensure competitiveness in international markets.

In this regard, the government should formally recognise industry efforts to regulate their content and encourage service providers to conform to these guidelines. Further, it is important to consider if Indian standards require modification to conform with international content standards, so that content made primarily for Indian audiences is easily marketable abroad.

Infrastructure

Infrastructure for live events
Live events including sports, live performances, and award shows are an important source of revenue for the Indian economy. These events attract tourists, businesses and professionals to India, and the dissemination of such events over the internet, broadcast media and print media helps enhance the export of AV services from India. High quality infrastructure is necessary to attract such events to India, and emerging industries such as e-sports are dependent on the availability of technologically advanced infrastructure. Therefore, India should strategise to develop and maintain world-class infrastructure to facilitate hosting live events and disseminating this content. The development of AR and VR enabled gaming facilities and smart stadiums should be particularly encouraged.

Film exhibition infrastructure
India's film exhibition infrastructure does not adequately address India's potential demand for film exhibition. This limits the resources that are available for producers to invest in content quality, which in turn hampers competitiveness in global markets. This is exacerbated by the precedent of levying local body entertainment tax in certain cities and states. The Central government should issue an advisory to states to not impose local body taxes on films and further consult and collaborate with industry bodies to increase cinema penetration.

Medical Value Travel

India has one of the most thriving healthcare tourism sectors globally. Approximately 70 percent of India's export of healthcare services in 2015-16 accrued to healthcare tourism, and they were valued at US$ 620.3 million. During 2010-16, the country witnessed an average annual growth rate of 27.91 percent in the number of inward healthcare tourists (DGCIS, 2017). Over 1 million patients' arrivals to India every year prior covid (including patients for modern medicines, Ayurveda and wellness). The objective is to promote India as a quality Healthcare destination for persons across the globe, so as to gainfully utilize the health care expertise and infrastructure available in the country. India has grown to become a top-notch destination for medical value travel because it scores high over a range of factors that determines the overall quality of care.

Healthcare market in India is expected to reach US$ 372 bn by 2022, driven by rising incomes, greater health awareness, lifestyle diseases, and increasing access to insurance. The hospital industry in India stood at USD 61.79 bn in 2017-18 and is expected to reach USD 132.84 bn by 2022-23. Given its current external market presence and potential, the sector has immense potential to further increase its exports.

As India aspires to achieve its potential in healthcare tourism, it would benefit from employing strategies to build upon its strengths and improve upon its weaknesses. While the country has competitively priced world-class healthcare services, it must market its unique offerings better and develop allied services to extract the maximum economic benefits from this sector. Some measures that will enable India to extract the maximum benefit from its healthcare tourism are suggested below:

- Policy should encourage insurance players to provide customized products to the healthcare tourists and should adequately advertise such steps in the public domain. Policy should also encourage insurance players to sign MOUs with their overseas counterparts as absence of such MOUs may hinder smooth transition of a potential healthcare beneficiaries to a foreign country. This would help increase the number of medical tourists arrival from countries such as the USA, where health insurance is a key determinant of the amount of money that people spend on healthcare services. Moreover, healthcare services in the US and alike countries are quite costly, India can capture the excess demand by reducing the roadblocks to insurance availability.

- Several healthcare tourists respond significantly to assistance in planning their travel and lodgings. India can address the missing or under-penetrated market by encouraging public/private players to provide the services of bespoke healthcare packages and taking care of the healthcare logistics so that the potential beneficiary remains hassle free during his/her treatment. For example, patients from the Russian Federation prefer to travel to Israel, Turkey, South Korea and Germany because of the convenience of all-inclusive medical packages and short waiting times.

- Creating partnerships with hospitals from other countries will enable India to augment the brand value of indigenous hospitals in foreign countries. This may also help India to benefit from technical know-how and best practices abroad, along with tapping more foreign healthcare tourists.

- Adequate training can be offered to the inhouse healthcare personnel to be sensitive to potential foreign healthcare beneficiaries. Healthcare centres would also benefit from employing translators to facilitate communication with international patients.

- Connectivity is of immense importance when it comes to healthcare tourism. For example, many countries in Africa and Asia remain an untapped market for healthcare tourism in India because of poor air connectivity. India should prioritize and enhance the connectivity from major outbound healthcare tourism destinations.

- One of the major factors that patients consider while seeking medical treatment in foreign country is low cost of treatment, inclusive of travel and lodgings. To attract patients from regions such as the African countries, India should facilitate easy finance for treatments. Public/private sector banks or NBFCs can be encouraged to devise such financial products.

- India should be cognizant of ethical concerns which may affect its reputation as the market for healthcare services export. There must be careful deliberation and complete disclosure about pre-counselling, informed consent, and post-procedure care. India should also develop a clear legal framework for addressing malpractice in healthcare for tourists.

V. Conclusion and Way Forward

The preceding discussion highlights how the service sector has not only outperformed other sectors of the Indian economy but has also helped India integrate with global trade and capital markets. IT-IT enabled services and business services have been the most important segments in driving India's presence in the global services market. The importance of this sector has led to an increased focus on services in both multilateral and preferential trade negotiations, but by and large, India has not been able to secure greater market access in services in its sectors and modes of interest in either forum.

Going forward, if India is to sustain its competitiveness and growth in services exports, both domestic and international strategies will be needed.

Domestic Policy Strategy

On the domestic front, steps will be needed to enable more broad-based and diversified sources of growth within the service sector, with greater backward and forward linkages to the rest of the economy. Services could play a greater value-added role in India's manufacturing exports and could derive more impetus from internal sources of demand. While this will require a more vibrant manufacturing sector and related policy measures in manufacturing, it will also require addressing constraints that plague India's services sector. This includes investing in transport and digital infrastructure, reducing regulatory restrictions that affect services both at the border and behind- the-border, investing in human capital to strengthen and sustain India's advantage in knowledge and skill-intensive services, liberalizing business and professional services to encourage competition, and harmonizing and internationalizing domestic standards.

Globally almost sixty percent of the services exports comes through FDI route, what we call in WTO parlance "Mode 3". India has a miniscule share in this mode of services exports. Over the years our domestic companies have excelled in banking & financial, telecommunication, education, hospitals and of course Information Technology. It is high time for us to encourage them to explore global market through outward FDI. In this context, we propose Department of Commerce to frame an Outward FDI Policy for Services Sector with an aim to facilitate the exports of services.

International Strategy

On the international front, India will need to be much more integrative and forward looking in its approach to services negotiations. It must exploit synergies that exist across modes and across sectors, such as between IT hardware, electronics, automotive industries and IT and IT-enabled services, between outward FDI in IT-enabled services and related mode 1 and 4 based professional services exports. In its agreements with Asian partners, India needs to be strategic in pursuing its interests in services by accessing the regional production network through a mix of trade and investment flows and a combination of different modes.

Its negotiations must also be backed by continued domestic reforms to upgrade domestic standards and improve the business environment to better leverage these FTAs through exports and investments.

Other Issues

Several issues will also be important to consider in the context of India's services strategy. One such issue is whether the current pattern and modalities of services exports, which largely depend on IT and BPO services and modes 1 and 4, need to change, especially at a time when new technologies and business models threaten the Future of Work and protectionist threats pose a challenge.

How will the advent of Artificial Intelligence, robotics, additive manufacturing on one hand, and regulatory developments concerning data localization, data protection norms affect India's services export and growth prospects? How will growing servicification (or mode 5 of services) create new opportunities and challenges for India? A related issue is whether India is spending too much of its negotiating capital with regard to services, both in the WTO and in its FTAs correctly.

There is also an urgent need to improve data collection in services, particularly, with regard to bilateral trade and investment flows so as to better understand the direction of our services engagement and with regard to measuring the incidence of regulatory barriers in services. Such information would greatly support both our international and domestic strategies in services. Further, as trade flows are ultimately among firms, it would be important to step beyond the mechanics of services commitments and rulemaking under FTAs and the WTO to understand the firm and industry level drivers and constraints to India's services trade prospects.

With the Government and industry on the same page, the export endeavour can be achieved to make India a global leader in services exports.

Confederation of Indian Industry

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 more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII engages closely with Government on policy issues and interfaces with thought leaders to enhance efficiency, competitiveness and business opportunities for Industry through a wide portfolio of specialized services and strategic global linkages.

As India marches towards its 75th year of Independence in 2022, CII, with the Theme for 2021-22 as *Building India for a New World: Competitiveness, Growth, Sustainability, Technology*, rededicates itself to meeting the aspirations of citizens for a morally, economically and technologically advanced country in partnership with the Government, Industry and all stakeholders.

India's premier business association has over 9000 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 294 national and regional sectoral industry bodies. With 62 offices, including 10 Centres of Excellence in India, and 8 overseas offices in Australia, 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

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

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Reach us via our Membership Helpline Number: 00-91-99104 46244

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