

## CHAPTER 18

### TRADE

Export-led growth has become a key thrust for the trade in India. The export basket has undergone major compositional changes in recent years with fall in the shares of manufactures and gain the share petroleum crude and petroleum products. The composition of import basket also changed. The share of food and allied products imports hovered between 2-4 percent. The share of fuel import remained at about 33percent. The most noticeable change is the sudden increase of share of capital goods import in the recent years

The directional pattern of India's trade after changing in the first half of this decade with the share of the top 15 trading partners increasing moderately in 2007-08 compared to 2000-01, has not changed much after that with the top 15 countries continuing to hold the share of around 60 per cent even in 2009-10 and 2010-11 (April-September). An interesting development in the direction of India's trade is that the USA which was in first position in 2007-08 has been relegated to the third position in 2008-09, with the UAE becoming India's largest trading partner, followed by China. This position continued in 2009-10. This is mainly due to India's exports and imports of gems and jewellery items followed by POL. In 2009-10, exports to the UAE were higher than imports, while India's exports to China are lower than imports.

Among its top 15 trading partners, India had bilateral trade surplus with five countries, namely the UAE, USA, Singapore, the UK, and Hong Kong in 2009-. India's trade deficit with the USA and Singapore in 2007-08, turned into trade surplus thereafter. The UAE has displaced the USA as the topmost destination of India's exports in 2008-09 and 2009-10 with an export share of 13.2 per cent and 13.4 per cent respectively.

The data for Imports, Exports and Re-exports given are according to the Indian Trade Classification Revision-2 adopted from April, 1977 and followed upto March, 1987. From April 1987, a new system of commodity classification known as Indian Trade Classification (based on Harmonised Commodity description and coding system) was adopted. From the trade point of view to specify the new commodities, omission of obsolete and unimportant products and modification of existing nomenclature, it has been revised time to time (i.e. in the year 1991, 1992, 1996, 2003 etc.). From April, 2008 onwards ITC (HS) 2007 is followed.

The Directorate General of Commercial intelligence and Statistics, Kolkatta under the Ministry of Commerce, Government of India, is the pioneer official organization for collection compilation and dissemination of India's trade Statistics and Commercial information. These statistics are compiled on a very comprehensive basis, covering a very large number of products, and extremely useful in undertaking region wise, country wise, product wise studies on the prospects of foreign trade.

## Unit Value Price Index

A unit value import, export index is an index, which measures the change in the average cost of imported and exported goods. The unit value index allows us to identify those categories of goods, which are primarily responsible for the overall increase in the cost of total imports/exports into the economy. Unit values are subject to the effect of changes over time in quality, product mix and markets or sources of supply for a commodity item in addition to pure price changes.

Quantum Index is calculated by dividing the Export/Import Value by the Unit Price Index (with the base year as 100). The Quantum Index is considered to represent the integrated trading volume by taking the weighted average of indexes of traded items.

## Highlights

- India's share in world merchandise exports which had started rising fast since 2004, reached 1.3 per cent in 2009 and 1.5 per cent in 2010. India's exports and imports registered a 7 to 10 fold increase in the last decade from Rs 2090 billion in 2001-02 to Rs 14660 in 2011-12 and Rs 2452 billion in 2001-02 to Rs 23455 billion in 2011-12 respectively.
- The balance of trade, that is the difference between the value of total export and total import continues to be – ve in 2011-12 signifying the value of import is more than the value of export and the relevant figures from 2000-01 show that the gap between the value of total export and total import is widening over the years.
- The resilience of India's trade can be seen from the fact that its export and import growth, which fell to -3.5 per cent and -5 per cent in 2009-10 as a result of the shock from the 2008 global economic crisis, rebounded to 40.5 per cent and 28.2 per cent in 2010-11
- In, 2011-12, imports increased maximum (39%) in the last ten years. In 2010-11 export increased maximum (35%) in the last ten years, in 2011-12 export increased by 28.3%. The improvement in export growth of 35.1 percent in rupee terms in 2010-11 was mainly due to a large improvement in growth in volume (43.2 per cent) despite decline in the growth of unit value index.
- High growth of exports in volume terms is a positive sign and is mainly due to the growth in machinery and transport equipment (85.1 per cent), manufactured goods classified chiefly by material (41.2 per cent), food and food articles (29.9 per cent), and mineral fuels, lubricants, and related materials (26 per cent).
- In 2010-11, the growth of unit value index of exports declined to - 5.1 per cent, mainly due to decline in machinery and transport equipment (-18.2 per cent) and beverages and tobacco (-11.1 per cent).
- A dissection of the export quantum indices country-wise shows that the high growth in this index in 2010-11 is due to the high export quantum growth to China, South Africa, and the UAE.
- The increase in growth of imports in rupee terms in 2010-11 was due to growth in both volume and unit value indices. The volume index witnessed a growth of 10.1 per cent in 2010-11, due to the high growth of manufactured goods classified chiefly by materials (56 per cent), beverages and tobacco (31.1 per cent), and chemicals and related products (8.9 per cent).

- The unit value index of imports registered a growth of 11.2 per cent mainly due to growth in unit values of crude materials, inedible, except fuels (23 per cent), mineral fuels, lubricants and related materials (17.1 per cent), and machinery and transport equipment (10.1 per cent).
- The net terms of trade, which measures the unit value index of exports as a proportion of unit value index of imports, declined to - 14.3 per cent, due to the positive growth in unit value index of imports and negative growth in unit value index of exports for the first time in this decade.
- In terms of trade, reflecting the capacity to import, grew by 22.7 per cent in 2010-11 which is the highest in this decade, despite the highest decadal negative growth in net terms of trade, as the export volume growth was robust.
- Great changes in the sectoral composition of India's export basket seen in the 2000s decade have accelerated in the beginning of this decade. While the share of petroleum crude and products increased by 11.8 percentage points during the 10-year period from 2000-1 to 2009-10, it further increased by 4.8 percentage points from 2009-10 to 2011-12.
- The share of the other two sectors, i.e. manufactures and primary products fell almost proportionately by 11.6 and 1.1 percentage points respectively during 2000-1 to 2009-10 and 1.4 and 2.2 percentage points from 2009-10 to 2011-12.
- The inter-sectoral composition changes within manufactures exports have also been great with the biggest losers being labour-intensive manufactures like textiles, leather and leather manufactures, and handicrafts from 23.6, 4.4, and 2.8 per cent respectively in 2000-1 to 8.7, 1.6, and 0.3 per cent in 2011-12. The biggest gainer is the engineering goods sector with its share increasing from 15.7 per cent in 2000-1 to 22.2 percent in 2011-12.
- The share of electronics, increased from 2.5 per cent to 3.5 per cent in 2010-11, but fell in 2011-12. While the share of chemicals and related products increased marginally from 10.4 per cent to 11.6 per cent, that of gems and jewellery fell marginally from 16.6 per cent to 16.1 per cent during 2000-1 to 2011-12.

TABLE NO. 18.1  
**FOREIGN TRADE**

