

70 years of Independence

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New Horizons on India's Foreign Trade in Goods & Services



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Even as the weak global trade growth in the last few years largely reflects persistent weakness in the global economy as observed by the World Trade Organization (WTO) in April 2017, India's foreign trade performance, both on the merchandise goods and in the services fronts, has been singularly showing up positive trends.

A particularly noteworthy feature is that in the country's export efforts, the immense contribution of the Micro, Small and Medium Enterprises (MSMEs) has been growing up, providing employment opportunities to countless skilled, semi-skilled personnel besides diversifying into a plethora of product portfolios. The share of exports from MSME in the country's aggregate exports has grown up from 42.42 per cent in 2013-14 to 44.76 per cent in 2014-15 and to 49.86 per cent in 2015-16.

Thanks to the pro-active supportive policies of the government, challenges on the trade front in the face of protectionist barriers and non-tariff obstructions in the form of ever-changing standards and other sanitary and phyto-sanitary riders, India's exports had acquitted commendably. This is confirmed by the fact that the country's exports have been exhibiting positive growth for the last nine months. In line with growth indicated by exports since September 2016, exports during June 2017 have shown growth of 4.39 per cent in dollar terms valued at US\$ 23562.62 million as compared to US\$ 22572.30 million during June, 2016. .

During June 2017, Major commodity groups of export showing positive growth over the corresponding month of last year are Engineering Goods (14.78%), Petroleum Products (3.60%), Organic & Inorganic Chemicals (13.20%), Rice (27.29%) and Marine Products (24.27%).

Cumulative value of exports for the period April-June 2017-18 was US \$72212.33 million (Rs 465472.04 crore) as against US \$65311.77 million (Rs 436960.98 crore) registering a positive growth of 10.57 per cent in dollar terms and 6.52 per cent in Rupee terms over the same period last year.

Imports during June 2017 were valued at US\$ 36522.48 million (Rs 235361.85 crore) which was 19.01 per cent higher in dollar terms and 13.96 per cent higher in Rupee terms over the level of imports valued at US\$ 30688.54 million (Rs. 206524.39 crore) in June, 2016. Cumulative value of imports for the period April-June 2017-18 was US\$ 112263.10 million (Rs. 723631.11 crore) as against US\$ 84545.78 million (Rs. 565754.29 crore) registering a positive growth of 32.78 per cent in dollar terms and 27.91 per cent in Rupee terms over the same period last year.

Major commodity group of imports showing high growth in June 2017 over the corresponding month of last year are Petroleum, Crude & products (12.04%), Electronic goods (24.22%), Pearls, precious & Semi-precious stones (86.31%), Machinery, electrical & non-electrical (7.02%) and Gold(102.99%).

On trade in services, in which as per WTO's latest ranking India is placed at the eight slot as the leading exporter valued at 161 billion US dollars in 2016 and holding 3.4 per cent of the global share. India is also hailed as the leading importer of services holding the tenth slot, accounting for a share of 2.9 per cent of global share in imported services valued at 133 billion in 2016. Thus, India enjoys a trade surplus of a huge 28 billion dollars in services export. It is also a fact that the share of services to total gross value added for the last three years hovers between 51.8 per cent in 2014-15 to 53.7 per cent in 2016-17. It is therefore no wonder that the country has tabled the 'concept note for an initiative on trade facilitation in services' at the WTO to facilitate discussion among WTO members with an aim to achieve a positive outcome to leverage India's competitive advantage as a services exporter.

With a view to promoting trade in services, the government has pursued a multi-pronged and holistic strategy of negotiating meaningful market access through multilateral, plurilateral and bilateral trade deals, trade promotion through participation in global fairs/exhibitions, focused strategies for specific markets and sectors. It has also extended fiscal benefits and incentives through Services Exports from India Scheme (SEIS). In all, both in goods and in services, the country continues to grow apace in recent months despite the inhospitable external milieu in the form of trade protectionism and impediments to services exports by strict visa regime from the rich world and an anemic global growth in both the merchandise goods and relatively moderate growth in services.

It needs to be noted that the new Foreign Trade Policy (FTP) unveiled by the NDA government on April 1, 2015 had a focus on bolstering both manufacturing and services exports and improving the ease of doing business. Salient features of the FTP 2015 encompass, among others, merchandise export from India scheme, service export from India scheme, free transferability of duty credit scrips for payment of custom duty, excise duty and service tax. The government also ratified the Trade Facilitation Agreement (TFA) of the WTO to make India's foreign trade a hassle-free operation for the stakeholders over the years. A National Committee on Trade Facilitation under the chairmanship of the Cabinet Secretary has been established which would go into the evolving of process of simplifying border management steps and adoption of new transparency measures, all of which are likely to cut the transaction cost of imports and exports and enable smooth movement of goods across borders. In all, India's foreign trade is in the cusp of major transformations and a perspicuous picture would unfold before long once all the crucial initiatives currently under way begin to fructify.

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