GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:6776
ANSWERED ON:09.05.2003
TRADE DEFICIT
MINATI SEN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether despite a huge accumulation of foreign money during the last seven months of the current fiscal, India`s trade deficit increased at 62.4765 crore dollars;

(b) if so, the reasons therefor; and

(c) the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): The foreign exchange reserves (including Gold and SDRs) have increased from $54.1 billion in end-March 2002 to $75.4 billionin end-March 2003. During the same period, according to Directorate General of Commercial Intelligence & Statistics (DGCI&S) merchandise trade deficit has increased from $6950 million in 2001-02 to $7685 million or $768.5 crore in 2002-03

(b): Overall foreign exchange reserves position represent the net outcome of India`s international transactions on both the currentand the capital accounts of balance of payments. Merchandise trade deficit, which reflects the excess of merchandise imports over merchandise exports, constitutes only a part of the transactions on current account of balance of payments. Along with trade in invisibles, the current account balance shows a surplus as per recent trends.

(c): While imports are related to the needs of the economy, exports depend, inter alia, on various factors such as international market conditions, tariff and non tariff barriers, domestic infrastructure, cost of export credit, policy framework etc. The gap between export and import expenditure is sought to be reduced through export promotion measures, which are taken by the Government through various policy and promotional schemes.