

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:4347

ANSWERED ON:29.08.2011

IMPACT OF DOWNGRADING OF USA SOVEREIGN RATING

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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether there would be an adverse impact on the Indian trade especially on the exports due to the downgrading of the sovereign ratings of United States of America by S & P agency and Looming debt crisis in European Union;
- (b) if so, the details thereof;
- (c) the details of the sectors which are likely to be hit the most and the reasons therefor;
- (d) whether USA is the largest importer of Indian merchandise and software exports; and
- (e) the counter measures being taken/contemplated by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b) The downgrading of the US credit rating by the rating agency S&P, appears unlikely by itself to have any significant impact on Indian exports. However, the global economic situation is complex and is impacted by several factors. Some of the prevailing risk factors that exist include the medium to long term scenario related to the US debt ceiling and budget and current account deficits, the tendency towards pro-cyclical contractionary fiscal policies envisaged in US and many countries in Europe and the stability of the Euro-zone in light of the sovereign debt crisis in several Euro-Zone countries, etc. These factors and their consequences will evolve over time. While this will be revealed over time, it is pertinent that efforts are underway across the globe to address these risks and prevent any severe adverse impact. The impact of these factors in the future on the global and Indian economy will depend on the shape events take, given the above context. It is also pertinent that the US share in total Indian exports was 10.59% in 2009-10 and fell to 8.98% in 2010-11. The E.U. countries share in total Indian exports was 16.98% in 2009-10 and increased to 17.11% in 2010-11.

(c) India's main exports to the US are Gems & Jewellery, Drugs, Pharmaceuticals and Fine Chemicals, RMG Cotton incl. Accessories, Manufacture of metals and Machinery and instruments. Exports to the EU mainly comprise of Transport Equipments, Machinery & Instruments, Electronic goods, Plastics & Linoleums, Drugs, Pharmaceuticals and Fine Chemicals, RMG Cotton incl. accessories and Manufacture of metals. As mentioned above, the future scenario would be revealed over time.

(d) USA is not the largest importer of Indian merchandise. However, USA is the single biggest market for India's computer software and service exports accounting for more than 50% of India's exports.

(e) India's foreign trade policy includes comprehensive measures to safeguard and promote Indian exports including diversification to new markets in Latin America, Africa, Asia and the Oceania region.