

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

STARRED QUESTION NO:61

ANSWERED ON:19.03.2012

TRADE DEFICIT

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

- (a) the details of the targets for export and import fixed and achieved during each of the last three years and the current year, item-wise and the reasons for variations, if any;
- (b) whether the trade deficit has increased during the current financial year particularly in the month of November, 2011;
- (c) if so, the details thereof and the reasons therefor;
- (d) whether any study has been undertaken to assess the impact of rising trade deficit on the national economy; and
- (e) if so, the details thereof and the corrective measures taken/being taken by the Government to reduce the trade deficit including review of the trade policy?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 61 FOR ANSWER ON 19TH MARCH 2012 REGARDING "TRADE DEFICIT"

(i) The details of the country's export target fixed and achieved during last three year and current year(as per DGCI&S, Kolkata) are as under:

(Values in US \$ Billion)

Year	Export Target	Export Achieved
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2008-09	175	185.30
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2009-10	Target was not fixed	178.75
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2010-11	200	251.14
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2011-12	300	267.41
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(April-February) Provisional

(ii) Item wise export targets are not fixed. No target is fixed for import.

(iii) Trade deficit for the month of November 2011 is US \$ 16.6 billion (provisional) as compared to US \$ 18.8 billion during October 2011 (provisional). Trade deficit for the first eleven months of current year 2011-12 (April-February) is US \$ 166.8 billion (provisional) as compared to US \$ 115.3 billion during corresponding period of last year that shows an increase.

(iv) The global economic crisis, the sovereign debt crisis in Europe and the economic slowdown in developed economies has adversely impacted demand for our exports. Trade deficit during the current year has been the highest compared to the previous years as imports have been growing both because of higher prices of importables and increased demand. The international prices of petroleum, fertilizers, gold, edible oil etc. have increased. Their demand also has increased. These lead to a higher value of imports.

(v) No formal study has been conducted to assess the impact of rising trade deficit. However, we are seized of the gravity of the matter. An ambitious strategy has been drawn up in the strategy paper and strategy plan to double exports of merchandise by 2013-14 as a means of bridging the trade deficit.

(vi) In spite of the uncertainty in the global environment, the recovery for India was much faster than many other countries in the world. This upswing in the exports has been mainly due to the multipronged strategy adopted by the Government of India especially through the Foreign Trade Policy. While keeping in mind the global crisis and its adverse effect; the Government has taken several steps post 2009 to improve our exports. The following mid-way corrections have been taken:

(a) Measures announced in August 2009:

26 new markets have been added under Focus Market Scheme.

The incentives available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%.

The incentive available under Focus Product Scheme (FPS) has been raised from 1.25% to 2%.

13 new markets have been identified under Market Linked Focus Product Scheme (MLFPS).

To increase the life of existing plant and machinery, export obligation on import of spares, moulds etc. under EPCG scheme has been reduced to 50% of the normal specific export obligation.

Focus Product Scheme benefit extended for export of green products and for exports of some products originating from the North East.

To encourage Value Added Manufactured export, a minimum 15% value addition on imported inputs under Advance Authorisation Scheme has now been prescribed.

(b) Measures announced in January/March 2010:

112 new products added under FPS at 8 digit level, eligible for benefits @ 2% of FOB value of exports to all markets.

113 new products at 8 digit level given higher benefits @ 5% of FOB value of exports under Special FPS on exports to all markets.

1837 new products added under MLFPS at 8 digit level, eligible for benefits @ 2% of FOB value of exports to specified markets.

Two new major markets viz. China and Japan added under MLFPS.

Timor Leste added as new FMS country, eligible for benefits @ 3% of FOB value of exports of all products.

(c) Measures announced in August, 2010:

Additional benefit of 2% bonus under FPS allowed for about 135 existing products. Major sectors include Handicrafts, Silk Carpets, Toys and Sports Goods, Leather Products and Leather Footwear, Handloom Products and Engineering Items including Bicycle parts and Grinding Media Balls.

256 new products added under FPS. Major Sectors / Product Groups are Engineering, Electronics, Rubber & Rubber Products.

Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.

Nearly 300 products from the readymade garment sector incentivized under MLFPS for further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.

A recent preliminary study conducted by Federation of Indian Exporters (FIEO) revealed that these schemes, particularly the Focus Market Scheme (FMS) and Market Linked Focus Product Scheme (MLFPS) has played a key role to diversify the India's export base. Out of the 27 new countries added under FMS in August 2009, exports to 15 countries registered impressive growth despite the global slowdown.

1 new markets added in Focus market Scheme (FMS).

(d) Measures announced in February 2011:

MLFPS: 335 New Products incentivised for exports to 15 specified countries.

71 new products of Chapter 63 (Textile Made ups) at 8 digit level for exports to EU (27 Countries).

FPS: 147 products incentivised for Bonus Benefits (additional 2%) under FPS at 8 digit level, henceforth eligible for benefits @ 4% or 7% of FOB value of exports. These includes Engineering items, Electronic items, Stationery items, Handmade carpets and other Floor Coverings under Chapter 57.

57 New products added for benefits @ 2% of FOB value of exports to all markets.

6 New products added under VKGUY for all markets.

(e) Measures announced in October 2011:

A new scheme viz Special Bonus Benefit Scheme, within the Focus Product Scheme introduced to provide special assistance @1% for 6 months from 1.10.2011 to 31.3.2012 as special assistance to cover 49 products in Engineering, Pharmaceutical and Chemical sectors.

A new scheme viz Special Focus Market Scheme, within the Focus Market Scheme introduced with a view to increase the competitiveness of exports with a geographical targeting. The total number of countries included under the scheme is 41 (12 countries from Latin American region, 22 countries from African region and 7 countries from CIS region). The scheme would provide additional 1% duty credit when exports are made to these countries. Therefore, exports to these countries would be entitled to duty credit scrip @4% of the FOB value of exports.

Exports of all items covered under Chapters 61 and 62 of ITC HS Classification i.e. Readymade Garments have been incentivized under MLFPS @ 2% of FOB value of exports when these products are exported to USA and EU during 1.4.2011 to 31.3.2012.

130 additional items mainly from sectors viz Chemical/ Pharmaceuticals, Textiles, Handicrafts, Engineering and Electronics included in the Focus Product Scheme for duty credit scrip @ 2% of FOB value of exports for exports made with effect from 1.4.2011.

The list of items under MLFPS has been extended to cover new items to specified countries viz. Agricultural tractors >1800cc capacity which would now be eligible for duty credit for exports made to Turkey. Sugar machinery & high-pressure boilers would be eligible for Brazil, Kenya, South Africa, Tanzania and Egypt. The scheme has also been extended to all existing MLFPS Countries for printing inks, writing ink etc. The items covered under MLFPS are entitled to get duty credit scrip @ 2% of FOB value of exports.

Status Holders Incentive Scrip extended for year 2012-2013 also.

The towns of Firozabad for glassware, Bhubaneswar for marine products and Agartala for bamboo and cane products have been notified as town of export excellence.