GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3173
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TRADE DEFICIT
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Will the Minister of FINANCE be pleased to state:

(a) whether global rating agency Moody`s has warned about India`s widening trade deficit and also raises its vulnerability to global shocks;

(b) if so, the details thereof along with the response of the Government thereon;

(c) whether the Government has identified the factors responsible for widening trade deficit of the country during the last three years;

(d) if so, the details thereof; and

(e) the steps taken/proposed to be taken by the Government to bridge the trade deficit ?

Answer

MINISTER OF STATE FOR FINANCE SHRI NAMO NARAIN MEENA

(a & b): Moody's Investor Services has published an article on Feb 18, 2013 titled "India's Widening Trade Deficit is Credit Negative, Raising External Vulnerability" that inter-alia discusses some of the issues related to India's trade deficit.

Government has noted the views expressed in the article.

(c & d): The data for imports, exports, and the trade balance for the last three years is given in the Annexure.

Moderate export growth (21.3%) and high import growth (32.3%) was the main reason for higher trade deficit during 2011-12 as compared to 2010-11.

During 2011-12, the global economic slowdown contributed to the moderation in the export growth. The high import growth during this year was due to factors such as:

(i) increase in the world crude oil prices: Petroleum, Oil and Lubricants (POL) imports accounted for about 32 per cent of India's total imports with a growth of 46.2 percent, and

(ii) increase in gold and silver prices: The value of imports of gold and silver increased from US$ 29.8 billion in 2009-10 to US $ 61.5 billion in 2011-12. The share of gold and silver imports which was around 7.5 percent of India's total imports from 2005-06 to 2008-09 increased to 11.5 percent in 2010-11. In 2011-12, it accounted for 12.6 per cent of India's total imports with a growth of 44.5 per

(e): Government has, from time-to-time, announced a number of trade policy measures with a view to increase exports. These measures include foreign trade policy measures, such as granting incentive on incremental exports made during the period Jan-March 2013 over the base period Jan-March 2012, extending the Zero-duty Export Promotion Capital Goods (EPCG) Scheme up to 31st March 2013 and enlarging its scope, etc. In addition, some other measures such as increase in customs duty on gold and platinum, modifying gold deposit scheme to provide a link to Gold ETF (exchange traded fund) etc. are expected to moderate the amount of gold imported into the country. Together, such measures are expected to assist in reducing trade deficit.

In this regard, some important trade policy measures announced by the Government are mentioned on pages 164-166 of the Economic Survey 2012-13, which is available at http://indiabudget.nic.in/es2012-13/echap-07.pdf.

Annexure

Data for the trade balance for the last three years

(Amounts in USD million)

S.No	Year	Exports	% Growth	Imports	% Growth	Trade Balance
1.	2009-2010	178,751	-3.53	288,373	-5.05	-109,621
2.	2010-2011	251,136	40.49	369,769	28.23	-118,633
3.	2011-2012(P)	304,624	21.30	489,181	32.29	-184,558

4.	2012-13 (April -February) (P)	265,946	-4.03	448,037	0.25	-182,090

Data Source: DGCIS, Kolkata, P:Provisional