

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

LOK SABHA
UNSTARRED QUESTION NO. 2024
TO BE ANSWERED ON 3rd JULY, 2019

TRADE DEFICIT

2024. SHRI KHAGEN MURMU:

DR. SUKANTA MAJUMDAR:

Will the Minister of **COMMERCE & INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

- whether there has been a continuous rise in the trade deficit and if so, the details thereof, year-wise along with the reasons therefor;
- the details of the targets fixed and achieved for import and export along with the details of the countries with which India's trade deficit has widened during the said period;
- whether the Government has received representations from various trade organisations/export promotion councils to give impetus to exports and if so, the details thereof along with the steps taken by the Government to address their concerns;
- the impact of trade deficit on the economy of the country indicating the sectors adversely affected thereby along with the reaction of the Government thereto; and
- the measures taken by the Government to boost exports to minimize the impact of the trade deficit?

ANSWER

वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)
THE MINISTER OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a): India's overall trade deficit (merchandise and services) for the last three years is as follows:

(in US \$ Billions)	
Years	Trade Deficit
2016-17	-40.20
2017-18	-84.45
2018-19*	-103.63

Source: DGCI&S, Kolkata and RBI (Provisional)*

The data given in the above table shows that the trade deficit increased in 2017-18 and 2018-19 as compared to the previous years. Trade deficit depends upon relative fluctuations in the imports and exports of different commodities due to the global and domestic factors such as demand and supply in domestic and international markets, currency fluctuations, cost of credit, logistics costs, etc. The increasing trade deficit

in spite of positive growth of exports is mainly due to higher imports particularly of the petroleum crude and products electronic goods, iron and steel, chemicals and related products, Coal, Coke & Briquettes, Fertilizers, Machinery and Non-ferrous Metals, which contribute to more than 70% share in total imports in 2018-19.

(b): As per Foreign Trade Policy 2015-20, the Government aims to increase India's export of merchandise and services from US\$ 465.9 billion to approximately US\$ 900 billion by 2019-20 and to raise India's share in world exports (Goods and Services) from 2% to 3.5%. India's share in world exports (Goods and Services) has increased to 2.1 % in 2017 as per WTO estimates. The value of India's overall exports (merchandise and services) and imports (merchandise and services) made in terms of US\$ billion during last 3 years are as follows:

(Value in US\$ Billion)

Years	Export	% Change	Import	% Change
2016-17	440.05	5.63	480.26	3.14
2017-18	498.63	13.31	583.08	21.41
2018-19*	535.86	7.47	639.49	9.68

*Source: DGCI&S & RBI (*Provisional)*

The major 25 countries with which India's trade deficit has widened during last three years are given in **Annexure-I**.

(c) to (e): Representations/suggestions to give impetus to exports are received from trade organizations/export promotion councils from time to time, which are taken into consideration as part of the regular ongoing process of review and reform of trade policies. Higher trade deficit is primarily because of essential imports to meet energy needs of the country and to meet consumer demands for those products which are not manufactured in India. Government has taken the following steps to boost India's exports and minimize the impact of trade deficit:

- i. A new Foreign Trade Policy (FTP) 2015-20 was launched on 1st April 2015. The FTP 2015-20 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in line with the 'Make in India', 'Digital India', 'Skills India', 'Startup India' and 'Ease of doing business' initiatives. The policy, inter alia, rationalised the earlier export promotion schemes and introduced two new schemes, namely Merchandise Exports from India Scheme (MEIS) for improving export of goods and 'Services Exports from India Scheme (SEIS)' for increasing exports of services. Duty credit scrips issued under these schemes were made fully transferable.

- ii. A new Logistics Division was created in the Department of Commerce to coordinate integrated development of the logistics sector. India's rank in World Bank's Logistics Performance Index moved up from 54 in 2014 to 44 in 2018.
- iii. Various measures for improving ease of doing business were taken. India's rank in World Bank 'Ease of doing business' ranking improved from 142 in 2014 to 77 in 2018 with the rank in 'trading across borders' moving up from 122 to 80.
- iv. A comprehensive "Agriculture Export Policy" was launched on 6th December, 2018 with an aim to double farmers' income by 2022 and provide an impetus to agricultural exports.
- v. A new scheme called "Trade Infrastructure for Export Scheme (TIES)" was launched with effect from 1st April 2017 to address the export infrastructure gaps in the country.
- vi. A new scheme called "Transport and Marketing Assistance" (TMA) scheme has been launched for mitigating disadvantage of higher cost of transportation for export of specified agriculture products.
- vii. The policy includes measures to nudge procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation from 90 percent to 75 percent of the normal export obligation.
- viii. The policy provides issue of Advance Authorisation to allow duty free import of inputs, which is physically incorporated in export product within a specified timeline.
- ix. The Mid-term Review of the FTP 2015-20 was undertaken on 5th December, 2017. Incentive rates for labour intensive / MSME sectors were increased by 2% with a financial implication of Rs 8,450 cr per year.
- x. Niryat Bandhu Scheme has been launched for outreach/ trade awareness amongst new/potential exporters.
- xi. Interest Equalization Scheme on pre and post shipment rupee export credit was introduced with effect from 1.4.2015 providing interest equalisation at 3% for labour intensive / MSME sectors. The rate was increased to 5% for MSME sectors with effect from 2.11.2018 and merchant exporters were covered under the scheme with effect from 2.1.2019.
- xii. A new scheme called Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) covering export of garments and made-ups was notified on 7.3.2019 providing refund of duties/taxes at higher rates.

Statement referred to in reply of part (b) of Lok Sabha Unstarred question no. 2024 for answer on 3rd July 2019.

25 major countries where trade deficit has widened during last three years

(Value in USD Million)

25 major countries where trade deficit has widened during last three years				
Sr. No:	Countries	2016-17	2017-18	2018-19*
1	SAUDI ARAB	-14862.11	-16659.26	-22917.49
2	IRAQ	-10596.50	-16153.58	-20583.81
3	KOREA RP	-8343.93	-11900.80	-12053.69
4	IRAN	-8126.89	-8459.16	-10014.63
5	QATAR	-6861.66	-6937.14	-9110.54
6	JAPAN	-5908.90	-6239.13	-7910.91
7	NIGERIA	-5895.37	-7246.41	-7879.50
8	VENEZUELA	-5449.83	-5787.16	-7094.18
9	GERMANY	-4402.06	-4607.91	-6258.65
10	KUWAIT	-2964.29	-5800.03	-6096.90
11	HONG KONG	5843.06	4014.29	-4985.02
12	GHANA	-1257.52	-2074.27	-3046.08
13	TAIWAN	-959.25	-1769.58	-1970.04
14	MEXICO	516.47	-147.47	-1735.46
15	PERU	-380.27	-1616.18	-1684.37
16	ALGERIA	236.77	-437.75	-756.69
17	BOLIVIA	-94.02	-562.06	-747.50
18	BURKINA FASO	-141.48	-484.22	-699.83
19	VIETNAM SOC REP	3466.00	2794.53	-684.86
20	JORDAN	-305.84	-444.16	-537.43
21	GABON	-26.12	-350.31	-400.84
22	CONGO P REP	-20.69	-82.12	-272.77
23	BELARUS	-130.41	-160.23	-171.48
24	LUXEMBOURG	-34.60	-41.84	-101.83
25	SOUTH SUDAN	3.07	-67.02	-79.43

*Provisional, Source: DGCI&S, Kolkata