



Structural Changes in India's Direction of Foreign Trade

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Structural Changes in India's Direction of Foreign Trade

Executive summary

India's direction of foreign trade has exhibited a structural shift during the last decade. Trade volume and trade share of emerging and developing economies has increased while the share of conventional trading partners has showed a declining trend.

China has become India's top trading partner followed by USA and UAE. India-China foreign trade has reached at US\$49.5bn with 8.7% share in India's total trade followed by USA at US\$46bn with 8.1% share and UAE at US\$45.4bn with 8% share during the first nine months (April-Dec 2013) of the current financial year 2013-14. India's trade (exports and imports) with China was only of US\$7bn in 2004 which increased to US\$38bn in 2008 and to US\$65bn in 2013.

However, with the revival of demand in advanced economies, USA has emerged India's top exports destination once again. India's exports to USA during the first nine months (April-Dec 2013) of the current financial year 2013-14 were at US\$29.3bn followed by UAE at US\$22.3bn and China at US\$10.8bn. Last year, FY 2012-13, UAE was the top exports destination followed by USA and Singapore.

UK and Germany have shifted downwards, while Belgium, Italy eventually disappeared from the top ten export destinations. On the other hand, Saudi Arabia and Netherlands have entered the top ten export destinations.

These shifts amongst India's trading partners are the result of several external factors including volatile economic environment in the advanced economies, huge imports of POL commodities, rising imports from China including electronic goods, machinery, organic chemicals, project goods and fertilizers etc.

China has emerged the major source of imports for India during the recent years. In 2004, imports from china were only of US\$4bn which surged to US\$27bn in 2008 and to US\$52bn in 2013. China's share in India's imports has also doubled within the last decade from 5% in 2004 to about 11% in 2013 and this has led China to replace USA as India's major import source.

Besides USA, several other countries Belgium, UK, Korea and Japan have also shown declining trend and finally disappeared from India's the top ten sources of imports. One significant development in India's import scenario is the emergence of Saudi Arab, UAE Kuwait, Qatar, Iraq and Switzerland amongst India's top ten import sources.

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India's direction of foreign trade has exhibited a structural shift during the last decade. This is manifest in the increased trade volume and trade share of emerging economies accompanied by up shift of their positions in India's top ten major trading partners. While, the share of conventional developed trading partners has showed a declining trends in India's overall foreign trade.

USA with 11.6% share in India's total trade remained the top most trading partner of India in 2004. The total trade with USA reported about US \$17 billion which is increased to US \$42 billion in 2008 and US \$76 billion in 2013. However, recent trends exhibited a declined its share to about 10% in 2008 and to 7.8% in 2013. While the trade with UAE has rose from US \$7.2 billion in 2004 to US \$29 billion in 2008 and to US \$75 billion in 2013. Increased trade volume is accompanied by rise in its share in India's overall trade from 5% in 2004 to 7% in 2008 and 9.5% in 2013 and even replaced USA as a top trading partner.

However, according to recent trade data from April-December 2013, China with 8.7% share in India's foreign trade have become the top-most trading partner of India followed by USA and UAE. This is considered as a significant change in India's foreign trade. Because, with China India's trade was only of US \$7 billion in 2004 which increased to US \$38 billion in 2008 and to US \$65 billion in 2013. Corresponding to this growing trade trends between the two countries, not only China's share in India's overall foreign

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trade increased from 4.9% in 2004 to 8.3% in 2013, but also become the topmost trading partner of India according to the recent India's trade data of 2013(Apr-Dec) surpassing major economies like USA and UAE. The country has reported the trade worth US \$50 billion with China with 8.7% share in the first nine months of the financial year 2013-14.

India's top ten trading partners

(in USD billion)

Rank	Country	Total trade in USD bn	Share in total trade (%) 2004	Country	Total trade in USD bn	Share in total trade (%) 2008	Country	Total trade in USD bn	Share in total trade (%) 2013	Country	Total trade in USD bn	Share in total trade 2013 (Apr-Dec)
1	USA	16.5	11.6	USA	41.8	10.1	UARABEMITS	75.5	9.5	CHINA PRP	49.5	8.7
2	UARABEMITS	7.2	5.1	CHINA PRP	38.0	9.2	CHINA PRP	65.8	8.3	USA	46.0	8.1
3	CHINA PRP	7.0	4.9	UARABEMITS	29.1	7.0	USA	61.4	7.8	UARABEMITS	45.4	8.0
4	UK	6.3	4.4	SAUDI ARAB	23.2	5.6	SAUDI ARAB	43.8	5.5	SAUDI ARAB	36.3	6.4
5	BELGIUM	5.8	4.1	SINGAPORE	15.5	3.7	SWITZERLAND	33.3	4.2	SWITZERLAND	16.7	2.9
6	GERMANY	5.5	3.8	GERMANY	15.0	3.6	GERMANY	21.6	2.7	IRAQ	15.5	2.7
7	HONGKONG	4.8	3.3	IRAN	12.9	3.1	SINGAPORE	21.1	2.7	SINGAPORE	15.4	2.7
8	JAPAN	4.4	3.1	UK	11.7	2.8	INDONESIA	20.2	2.6	INDONESIA	14.8	2.6
9	SINGAPORE	4.2	3.0	SWITZERLAND	10.4	2.5	HONGKONG	20.2	2.6	GERMANY	14.7	2.6
10	SWITZERLAND	3.8	2.6	JAPAN	10.2	2.5	JAPAN	18.5	2.3	HONGKONG	14.6	2.6
	Total Trade	142.00	100.0	Total Trade	415	100.0	Total Trade	791	100.0	Total Trade	570.1	100.0

Source: PHD Research Bureau, compiled from Ministry of Commerce

The other major significant and interesting change which occurred during the last decade is the replacement of many traditional developed economies by emerging developing economies. This is evident with the fact that UK, Belgium which had reported the trade worth US \$4 billion with about 5% share in India's total trade in 2004 gradually disappeared from the list of India's top ten trading partners.

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The countries Hong Kong, Japan which accounted for trade of nearly US \$5 billion with 3% share in India's overall trade have also reported declining trends in recent years. However, the countries - Iran, Indonesia, Saudi Arab, and Iraq which were not amongst the major trading partners of India in 2004 have entered the list of top ten trading partners of India in recent years.

These shifts amongst the three major trading partners USA,UAE and China is the result of several external factors viz. slowdown in advanced economies, huge imports of POL commodities, rising imports from China especially of machinery etc.

In terms of export volume, USA had been the topmost export destination for Indian exports. In 2004, exports to USA were reported at US \$11.5 billion in 2004 which were increased to US \$21 billion in 2008 and to US \$36.2 billion in 2013. However, it is observed that USA share in India's total exports has declined from 18% in 2004 to about 13% in 2008 and to 12% in 2013.

On the other hand, exports to UAE have shown a remarkable rise during the last decade. Exports to UAE were US \$5.1 billion in 2004 which increased to US \$15.6 billion in 2008 and to US \$36.3 billion in 2013. Growing exports to UAE made the country capable to increase its share in India's exports from 8% in 2004 to 12% in 2013 and to replace USA as the top most export destination of India. However, recent data (2013 April-December) shows that with US \$29 billion exports and with 12.8% share in

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India's exports, USA has restored its position as number one in India's top ten export markets and surpassed UAE which have overtaken its position in 2007.

India's top ten export destinations

(in USD billion)

Rank	Country	Apr-Mar 2004	%Share	Country	Apr-Mar 2008	%Share	Country	Apr-Mar 2013	%Share	Country	Apr-Dec 2013(P)	%Share
1	USA	11.49	18	USA	20.7	12.71	UARABEMITS	36.3	12.09	USA	29.3	12.77
2	UARABEMITS	5.13	8.03	UARABEMITS	15.6	9.59	USA	36.2	12.04	UARABEMITS	22.4	9.77
3	HONGKONG	3.26	5.11	CHINA PRP	10.8	6.66	SINGAPORE	13.6	4.53	CHINA PRP	10.8	4.7
4	UK	3.02	4.74	SINGAPORE	7.3	4.52	CHINA PRP	13.6	4.52	SINGAPORE	10.4	4.51
5	CHINA PRP	2.96	4.63	UK	6.7	4.11	HONGKONG	12.3	4.09	HONGKONG	9.2	4
6	GERMANY	2.54	3.99	HONGKONG	6.3	3.87	NETHERLAND	10.6	3.52	SAUDI ARAB	8.9	3.86
7	SINGAPORE	2.12	3.33	NETHERLAND	5.2	3.22	SAUDI ARAB	9.8	3.26	UNSPECIFIED	7.3	3.18
8	BELGIUM	1.81	2.83	GERMANY	5.1	3.14	UK	8.6	2.88	UK	7.2	3.13
9	BANGLADESH	1.74	2.73	BELGIUM	4.2	2.58	GERMANY	7.3	2.41	NETHERLAND	6.0	2.63
10	ITALY	1.73	2.71	ITALY	3.9	2.4	JAPAN	6.1	2.03	GERMANY	5.4	2.37
	Total	63.84		Total	163.1	100	Total	300.4		Total	229.5	100

Source: PHD Research Bureau, compiled from Ministry of Commerce

India's major export destinations have experienced various other changes in terms of strengthening and weakening, positions of different important countries. UK, Germany have shifted downwards in India's top ten export destinations, while Belgium, Italy eventually disappeared from the respective list. On the other hand, Saudi Arab and Netherlands have become significant destinations for India's exports and in fact entered the group of India's top ten export destinations during the period of 2007-09.

In terms of import volume, China has remained the major source of imports in India. In 2004, imports from china were only of US \$4 billion which surged to US \$27 billion in 2008 and to US \$52 billion in 2013. Its share in

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India's imports has also doubled within the last decade from 5% in 2003-04 to about 11% in 2012-13 and this has led China to replace USA as India's major import destination. Besides USA, several other countries Belgium, UK, Korea, Japan have also exhibited declining position in India's top ten import markets and finally disappeared from the respective list.

India's top ten import destination

(in USD billion)

Rank	Country	Apr-Mar 2004	%Share	Country	Apr-Mar 2008	%Share	Country	Apr-Mar 2013	%Share	Country	Apr-Dec 2013(P)	%Share
1	USA	5.03	6.44	CHINA PRP	27.15	10.79	CHINA PRP	52.25	10.65	CHINA PRP	38.69	11.36
2	CHINA PRP	4.05	5.19	USA	21.07	8.37	U ARAB EMITS	39.14	7.98	SAUDI ARAB	27.47	8.06
3	BELGIUM	3.98	5.09	SAUDI ARAB	19.47	7.74	SAUDI ARAB	34.00	6.93	U ARAB EMITS	23.01	6.76
4	SWITZERLAND	3.31	4.24	U ARAB EMITS	13.48	5.36	SWITZERLAND	32.17	6.55	USA	16.73	4.91
5	UK	3.23	4.14	IRAN	10.94	4.35	USA	25.20	5.14	IRAQ	14.88	4.37
6	GERMANY	2.92	3.73	GERMANY	9.88	3.93	IRAQ	19.25	3.92	SWITZERLAND	15.24	4.47
7	KOREA RP	2.83	3.62	SWITZERLAND	9.76	3.88	KUWAIT	16.59	3.38	KUWAIT	13.52	3.97
8	JAPAN	2.67	3.41	SINGAPORE	8.12	3.23	QATAR	15.69	3.2	QATAR	11.32	3.32
9	AUSTRALIA	2.65	3.39	AUSTRALIA	7.82	3.11	INDONESIA	14.88	3.03	INDONESIA	11.08	3.25
10	INDONESIA	2.12	2.72	KUWAIT	7.70	3.06	GERMANY	14.33	2.92	NIGERIA	11.01	3.23
	Total	78.15		Total	251.65	100	Total	490.74	100	Total	340.63	100

Source: PHD Research Bureau, compiled from Ministry of Commerce

One significant development in India's import scenario is the emergence of Saudi Arab, UAE as India's major import destination which have captured top positions in India's top ten import markets. Entry of Kuwait, Qatar and Iraq in India's top ten import destination is also a key development in India's import trends. Switzerland is also observed as other major import market for India with which trade deficit has surged continuously on account of huge import of gold during the last decade.

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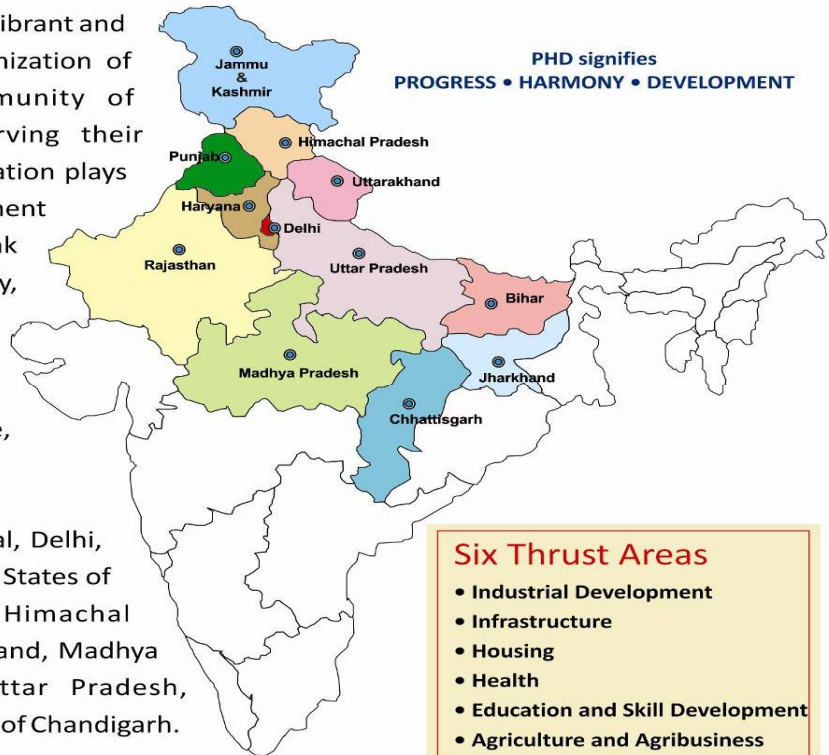
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2. Economic Analysis of States: A Study of Northern & Central States of India (October 2011)
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4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility, Trade Performances & Exporters Profitability (Apr 2012)
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7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)

B: State profiles

16. Rajasthan: The State Profile (April 2011)
17. Uttarakhand: The State Profile (June 2011)
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