Asia-Pacific Trade Briefs

India

Merchandise trade: India's merchandise export growth decelerated sharply, to just 2.1% in 2014 – from an average annual growth of 9.2% between 2010-2014. India's top export products include: petroleum oils; diamonds and jewellery; and pharmaceutical products. Its largest export partners are the United States, China, and Hong Kong, China. The slowdown in India's exports is a result of: slowing global trade; the downturn in global commodity prices – particularly fuels; and greater risk-aversion stemming from global macro-financial uncertainty, which dampened demand for luxury goods such as diamonds and jewellery. Exports of pharmaceutical goods fell sharply in 2014, mainly because United States regulators banned imports from several large Indian drug manufacturing facilities. Despite these setbacks, the export growth was partly supported by depreciation of the Indian Rupee. In 2014, merchandise imports contracted by -0.5% – a slightly better performance than the Asia-Pacific total (-1.0%). Gold and petroleum are India's largest import products. India's petroleum imports declined sharply in nominal terms because of lower fuel prices, lowering their import bill, even though the volume of petroleum imports actually increased. Gold imports rose a phenomenal 746.1%, from $2.6 billion USD in 2013 to $22.2billion USD in 2014, as the Government lifted import restrictions.

Services trade: India's services exports grew by 5.0% in 2014 – marginally higher than the Asia-Pacific total growth of 4.8%. This was led by stellar growth in exports of telecoms, computer and information technology services – now the largest sector. Services imports grew even faster, by 17.4% in 2014 – more than twice the Asia-Pacific total of 6.1%. This was led by greater imports of transport services and travel services.

Global value chains (GVCs): The share of intermediate goods in trade – a proxy for participation in GVCs – is much higher in India (37%) than the Asia-Pacific region (22%) for imports. For exports the share in India (35%) is even further above the Asia-Pacific region (18%). Indian participation in GVCs is mainly centred on the diamond industry, as the country is a major hub for cutting and polishing diamonds. The diamond trade accounts for 5.9% of imports and 10.9% of total exports.

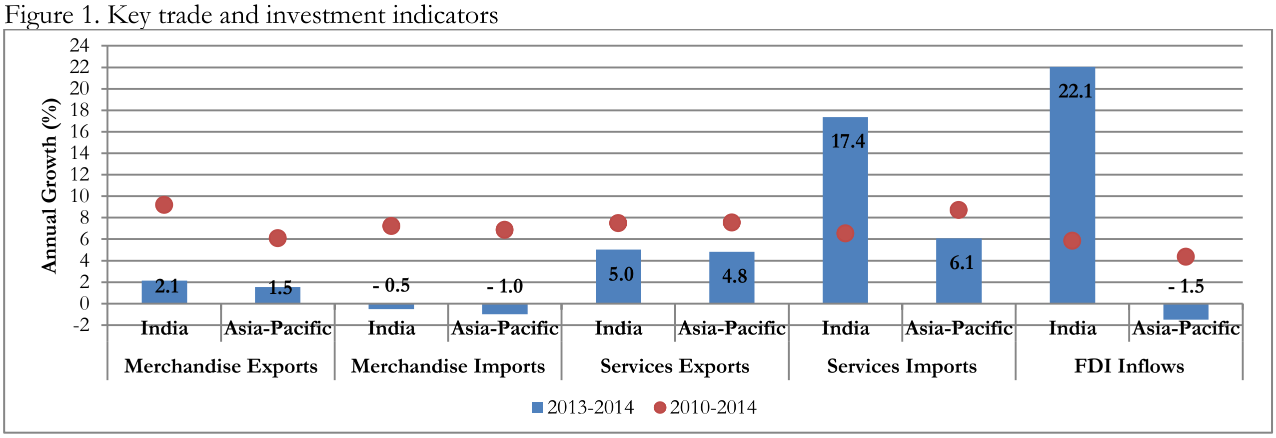
Foreign direct investment (FDI): FDI inflows grew by a phenomenal 22.1%, to reach $34.4 billion in 2014. The election of Prime Minister Narendra Modi and his focus on improving the investment climate have contributed to stronger investor sentiment. In September 2015, the 'Make in India' initiative was launched, aimed at encouraging multinational companies to manufacture their goods in India. India is an attractive destination for FDI because it has the second largest internal market in the world – with 1.3 billion people, low labour costs, robust economic growth prospects, and a large English speaking skilled workforce, though further efforts are needed, especially to tackle infrastructure bottlenecks.

Tariffs: Average MFN applied and effective tariffs at 12.1% and 9.8% are slightly higher than Asia-Pacific averages of 7.4% and 7.4%. Average WTO bound duty, at 47.5%, is much higher than the Asia-Pacific average of 21.7%.

Trade costs: Trade costs between India and other regional economies have fallen sharply since 2009. However, it remains costlier for Asia-Pacific economies to trade with India than with China, Japan and the Republic of Korea or with major EU economies (France, Germany, and the United Kingdom). Based on the UNRC Survey 2015*, India has implemented 67.7% of potential trade facilitation measures compared to 46.5% for the Asia-Pacific.

Trade agreements: India has 14 trade agreements in force, much higher than the Asia-Pacific average of 7 agreements. PTA partners account for 38% of exports, compared to 35% for the Asia-Pacific. For imports, 49% are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: http://unnext.unescap.org/UNTFSurvey2015.asp

Figure 2. Top merchandise markets

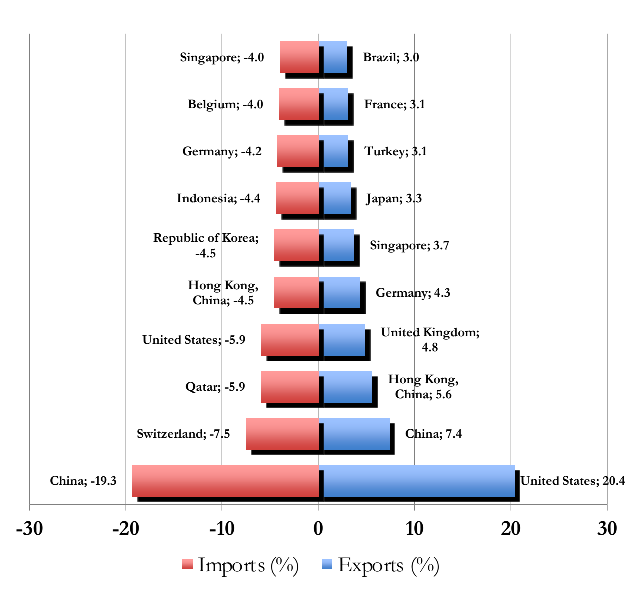


Figure 3. Top merchandise products

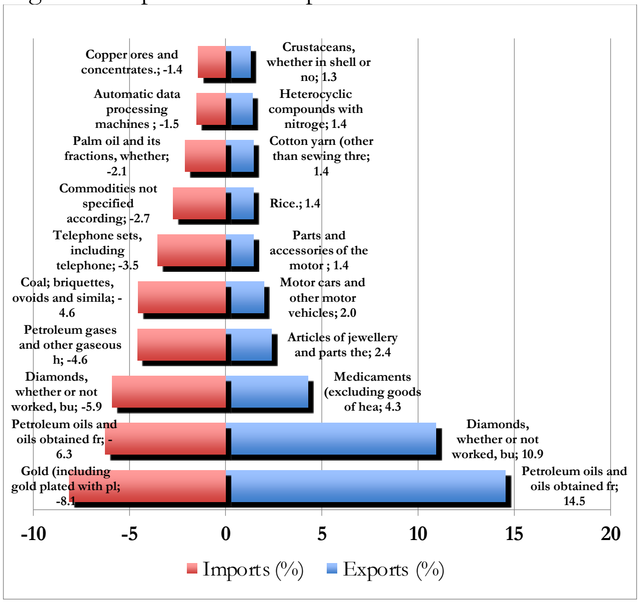


Figure 4. Trade in goods by their use

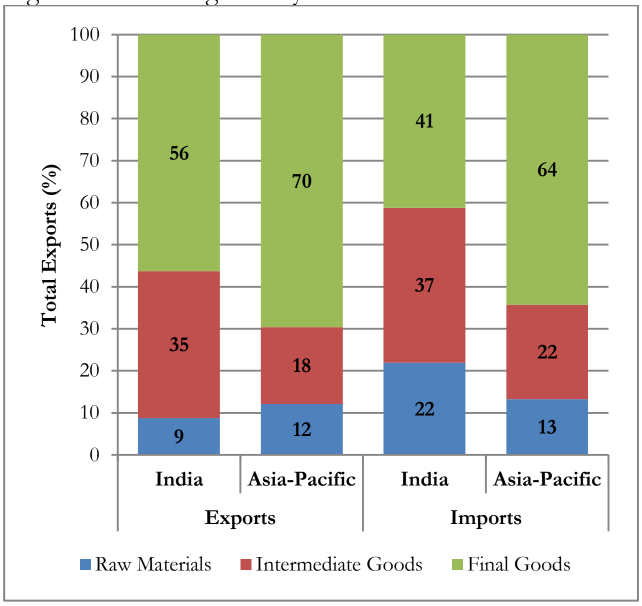


Figure 5. Foreign direct investment

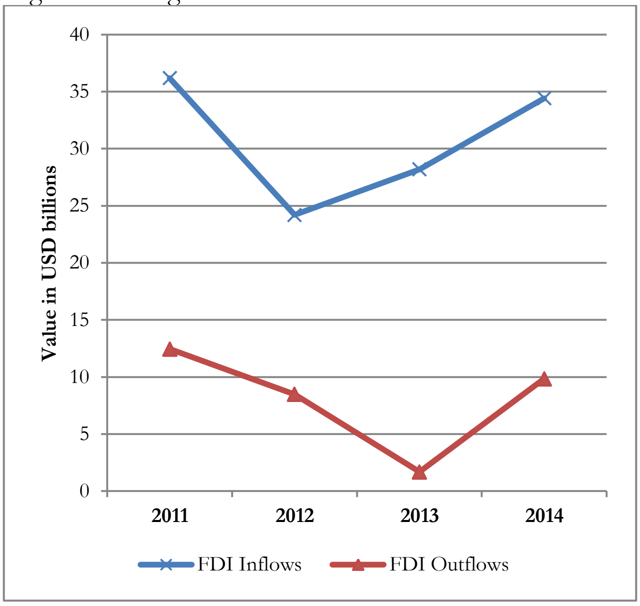


Figure 6. Tariffs

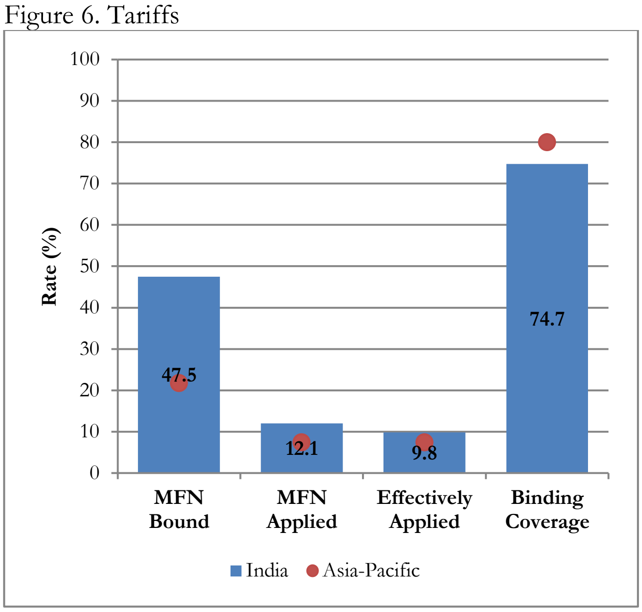
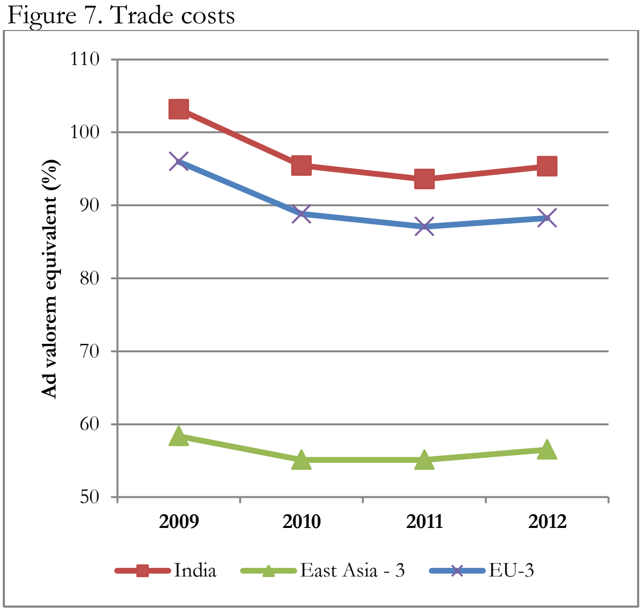


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.
Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.
Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.
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