Lower elasticity of trade to real GDP ratio

2259. SHRI TIRUCHI SIVA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that India's elasticity of trade to real GDP has been significantly lower compared to the world trade over the period 2002-2014 and that it was only India's higher growth of GDP which caused its share in world trade to grow in the pre-crisis period;

(b) the reasons for India's lower elasticity of trade to real GDP ratio; and

(c) the details of the suitable interventions by Government, if any, that could be made to improve this ratio?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE AND INDUSTRY (SHRIMATI NIRMALA SITHARAMAN): (a) and (b) The ratio of India's merchandise trade growth to India's GDP growth is found to be higher than the corresponding ratio for the world. As per the data from DGCI&S, CSO, IMF and WTO for the period 2002 to 2014, India's average merchandise (export + import) trade growth rate during 2002-03 to 2013-14 was 21.8% and GDP growth was 7.5%. The average rate of growth of world trade for the period 2002 to 2013 was 10.3% and average global GDP growth rate was 4%.

India's average merchandise (export + import) trade growth rate during 2002-03 to 2007-08 (pre crisis period) was 24.3 % and GDP growth rate 7.9%. For post crisis period 2008-09 to 2013-14, average merchandise trade growth has been estimated at 19.3% and GDP growth at 7.2%.

The share of India's merchandise trade (Export + Import) as percentage of India's GDP has increased from 23.57% in 2002-03 to 36.43% in 2007-08, this share further increased to 44.11% by the year 2013-14.

WTO data shows that India's share in world merchandise trade increased to 1.58% in 2008 from 0.80% in 2002 (pre crisis period). In the post crisis period, India's share in world merchandise trade increased from 1.67% in 2009 to 2.07 % in 2013.

(c) The improved trade to GDP ratio can be attributed to an aggressive export promotion strategy adopted by the Government especially for high value items that have a strong manufacturing base. The core of present export strategy adopted by the Government is to retain presence and market share in traditional markets, move up value chain in providing export products in developed countries' markets; and open up new vistas, both in terms of markets and products in these new markets. Strengthening efforts to build a brand image for important Indian exports, and promote a thrust for quality up-gradation.

The Government continuously monitors export performance of different sectors and takes need based measures, keeping in view the financial and overall economic implications.

Impact of gold imports on trade deficit

2260. DR. K.V.P. RAMACHANDRA RAO: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether soaring gold imports have pushed up the trade deficit and have offset the cushion provided by drop in oil prices;

(b) if so, how does Government proposes to deal with the situation;

(c) whether the yellow metal trade has witnessed a spurt in smuggling as well; and

(d) if so, whether it was on account of demand-supply mismatch or new duty on gold imports?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE AND INDUSTRY (SHRIMATI NIRMALA SITHARAMAN): (a) and (b) India's gold imports reached all time high levels of US$ 56.5 billion and US$ 53.8 billion respectively during 2011-12 and 2012-13, which led to higher trade deficit of US$ 183.4 billion and US$ 190.3 billion in 2011-12 and 2012-13 respectively. The rise in imports of gold was one of the factors contributing to India's high trade and current account deficit in 2011-12 and 2012-13. However, as a result of the various measures taken by the Government and Reserve Bank of India, trade deficit declined from US$ 190.3 billion in 2012-13 to US$ 135.8 billion in 2013-14.

The Government has also taken a number of initiatives to boost exports and reduce imports, so as to reduce trade deficit and current account deficit. The Government gradually increased customs duty on gold from 2 per cent in January, 2012 to 10 per cent in August, 2013. The Reserve Bank also put in place the 80:20 scheme for nominated banks/agencies/entities to rationalize the import of gold in any form/ purity, including import of gold coins/dore into the country. During 2014-15 (April-January), trade deficit increased only marginally by US$ 1.8 billion to US$ 118.4 billion as against US$ 116.5 billion for the corresponding period of previous Year. The 80:20 scheme was withdrawn in November 2014. These measures have helped in reducing trade deficit and CAD in 2013-14 and subsequent quarters of 2014-15.

As regards the oil prices, the monthly average crude oil prices (Indian basket) was trading at more than US$ 100 per bbl between April, 2011 to August, 2014. However, crude oil prices fell sharply from September, 2014 and reached US$ 46.6 per bbl in January, 2015. Owing to the fall in crude oil prices the oil import bill also came down, which has led to lower levels of trade deficit in the current year.