

Composition of merchandise trade

6.29 Export growth in 2005-06 was broad-based with good performance in most of the sectors (Table 6.7). Major drivers of export growth during 2005-06 were petroleum products, engineering goods and chemicals. Growth of 66.2 per cent in exports of petroleum products (over and above the 91.2 per cent growth in the previous year) and the perceptible increase in share of petroleum products in total exports to 11.5 per cent in 2005-06 reflected not only the rise in POL prices, but also India's enhanced refining capacity. Induced by strong international demand and higher prices, exports of ores & minerals, after more than doubling in 2004-05, grew by another 17.4 per cent in 2005-06. Manufacturing growth was powered mainly by engineering goods (mainly manufactures of metals, machinery and instruments and transport equipment); chemicals and related products, and textiles. However, there was a marginal decline in the share of manufactured goods (other than POL) in total exports from 74.2 per cent in 2004-05 to 72.0 per cent. Agriculture and allied exports also registered reasonably good growth of 19.8 per cent.

6.30 Data on commodity composition of trade are available only up to October 2006. During April-October 2006, the major drivers of export growth were petroleum products and engineering goods while exports of primary products decelerated. Between the first seven months of 2004-05 and 2006-07, exports of petroleum products went up more than three-fold while that of engineering goods almost doubled. The deceleration in exports of primary products during April-October 2006 was mainly due to the negative growth in export of ores & minerals due to a fall in demand from China and Japan. Manufactured products export growth decelerated during April-October 2006, mainly due to the decline in exports of gems and jewellery with the fall in off-take in major markets like Hong Kong, Singapore, Israel, Belgium, Japan, Switzerland and Germany and a possible shift in consumer spending in US. The sustained growth of engineering goods exports was supported by machinery & instruments, primary & semi-finished iron & steel, non-ferrous metals and manufacturers of metals in particular. There was a deceleration in export growth in textiles across most of the product groups including readymade garments (RMG). With the sudden rise in

Table 6.7 : Commodity composition of exports

Commodity Group	Percentage share				Growth rate*			
			April-October				April-October	
	2004-05	2005-06	2005-06	2006-07	2004-05	2005-06	2005-06	2006-07
I. Primary products	16.0	15.4	14.9	13.9	36.2	18.9	38.6	17.3
Agriculture & allied	10.5	10.2	9.9	9.9	11.7	19.8	28.9	25.4
Ores & minerals	5.5	5.2	5.0	4.0	136.5	17.4	63.2	1.1
II. Manufactured goods	74.2	72.0	73.5	69.0	24.9	19.6	30.1	17.6
Textile incl. RMG	14.9	14.5	11.0	9.8	5.3	20.4	20.2	11.7
Gems & jewellery	16.5	15.1	16.8	12.9	30.2	12.8	29.6	-4.4
Engineering goods	20.7	20.7	20.6	22.5	40.2	23.4	36.8	37.0
Chemical & related pdcts.	12.2	11.6	11.3	10.4	33.9	17.3	27.9	14.8
Leather & manufactures	2.9	2.6	2.1	1.8	12.0	11.1	21.9	5.7
Handicrafts (incl. carpet handmade)	1.2	1.2	1.3	1.0	-7.0	30.2	37.4	-7.3
III. Petroleum, crude & products (incl. Coal)	8.5	11.5	11.0	16.3	91.2	66.2	67.7	85.3
Total exports	100.0	100.0	100.0	100.0	30.8	23.4	33.9	25.3
* In US \$ terms								
Source : DGCI&S, Kolkata								

share of POL products in exports to 16.3 per cent, the share of manufactures fell drastically to 69 per cent despite reasonable growth.

6.31 Prospects for export of textiles and clothing (T&C) including RMG, an important sector in India in terms of both output and employment, improved after dismantling of the quota system in 2005. Export of textiles including RMG grew by 20.4 per cent to reach US\$14.8 billion in 2005-06. But, in the second year of the quota free regime, growth of such exports by India moderated to 11.7 per cent in April-October, 2006, while that of China grew by 28.9 per cent in April-November 2006. Furthermore, during April-October 2006, while T&C exports to US from India grew by only 6.2 per cent, that from China grew by 16.8 per cent. Even though India improved its share of the global T&C trade from 2.9 per cent in 2004 to 3.4 per cent in 2005, China registered major gains to garner a 24 per cent share of such global trade. China's trade surplus in T&C increased by US\$ 20 billion to US\$100 billion in 2005.

6.32 With a share of 23 per cent of India's merchandise exports, engineering sector is the largest contributor to such exports well ahead of gems & jewellery. There has also been a spurt in Engineering Process Outsourcing (EPO) from giant automotive and aerospace companies like Ford Motor Company, General Motors, Boeing and Airbus. Similarly, a number of semi-conductor manufacturing companies, electronic goods manufacturers, and mobile handset vendors have been outsourcing some of their work to India. EPO has grown at a compound annual rate of 37 per cent between 2003 and 2006, and has the potential to reach a level of US\$10-20 billion in the next five years from the present level of US\$3.5 billion. Such EPOs have a beneficial impact on engineering goods exports in the medium term. India, with its low cost labour and talented manpower, has the potential of being the major hub of engineering goods both for direct exports and development of engineering process outsourcing services.

6.33 Gems & jewellery, contributing about 15 per cent of India's total commodity exports, is an important item in India's export basket. While India has emerged as one of the key players in gems & jewellery exports on the basis of its traditional strength in craftsmanship and its share in the US\$146 billion global business in 2005 was around 11 per cent, of late, there has been a deceleration in export growth in this sector.

6.34 India had a share of 2.3 per cent of world exports of marine products (Table 6.8). Exports of marine products, which after a decline in 2003-04 had picked up in subsequent years, grew by 6.3 per cent in April-October 2006. In terms of export earnings, among marine products, frozen shrimp continued to be the largest export item, followed by frozen fish, cuttlefish, squid, and dried items. European Union accounted for the largest share of India's export of marine products, followed by US and Japan. This sector, however, faced a number of hurdles in the major export destinations. Indian shrimp imports to US have been subject to anti-dumping duty of 10.17 per cent from August 2004. In European markets, India's marine products have been facing problems due to multiplicity of standards – in addition to the EU's own standards, the standards of each of the member states.

6.35 While efforts at export diversification has continued, in 2005, India had a share of one per cent or more of world exports in only 32 out of a total of 99 commodity chapters at the two digit (Harmonised System (HS) Revision 1) level (Table 6.8). In these 32 items, India had a significant world export share of 5 per cent or more only in six items: carpets and other textile floor coverings; silk; lac, gums, resins, vegetable saps and extracts not elsewhere specified; ores, slag and ash; pearls, precious stones, etc.; and other made textile articles, sets, worn clothing, etc.

6.36 With a sudden spurt in world trade in 2005 and domestic constraints, two items of India's exports have moved out of the one per

Table 6.8 : Share of major exports of India in World exports

(Items with one per cent share and above in 2005)

HS rev.1	Product	2000	2005
03	Fish, crustaceans, molluscs, aquatic invertebrates, nes	3.4	2.3
05	Products of animal origin, nes	1.2	1.1
08	Edible fruit, nuts, peel of citrus fruit, melons	2.1	1.2
09	Coffee, tea, mate and spices	5.8	3.7
10	Cereals	2.3	1.3
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	1.7	1.1
13	Lac, gums, resins, vegetable saps and extracts nes	11.9	10.0
14	Vegetable plaiting materials, vegetable products nes	4.4	4.9
23	Residues, wastes of food industry, animal fodder	2.4	2.1
25	Salt, sulphur, earth, stone, plaster, lime and cement	2.7	3.4
26	Ores, slag and ash	1.9	9.1
29	Organic chemicals	1.2	1.6
32	Tanning, dyeing extracts, tannins, derivatives, pigments etc	1.5	1.5
41	Raw hides and skins (other than furskins) and leather	1.8	2.6
42	Articles of leather, animal gut, harness, travel goods	4.1	3.2
46	Manufactures of plaiting material, basketwork, etc.	0.1	1.9
50	Silk	11.3	10.0
52	Cotton	6.6	3.6
53	Vegetable textile fibres nes, paper yarn, woven fabric	4.5	3.4
55	Manmade staple fibres	2.0	1.3
57	Carpets and other textile floor coverings	7.5	10.8
58	Special woven or tufted fabric, lace, tapestry etc	2.4	1.6
61	Articles of apparel, accessories, knit or crochet	2.1	2.6
62	Articles of apparel, accessories, not knit or crochet	3.6	3.5
63	Other made textile articles, sets, worn clothing etc	6.3	6.6
64	Footwear, gaiters and the like, parts thereof	1.4	1.6
67	Bird skin, feathers, artificial flowers, human hair	1.7	3.1
68	Stone, plaster, cement, asbestos, mica, etc articles	1.9	2.7
71	Pearls, precious stones, metals, coins, etc	6.5	8.1
72	Iron and steel	0.9	1.2
73	Articles of iron or steel	1.2	1.1
74	Copper & Articles there of	0.4	1.0

Source : NCTI based on UN-ITC Trade Map data.

cent share in world exports. They are code 07: 'Edible vegetables and certain roots and tubers' due to fall in India's exports in 2005, and code 28: 'inorganic chemicals, precious metal compound, isotopes' due to rise in world exports. With the rise in copper prices, code 74: 'copper and articles thereof' has made an entry into the one per cent share category. In new items like office and telecom equipment and scientific instruments, which have registered high growth rates in world trade in recent years, India's share continued to be

negligible. The items with large potential, in which India has not yet made a mark while China has already established itself, include many electronic and electrical items, processed food items, scientific instruments and apparatus, toilet papers and handkerchiefs, electro-medical appliances, furniture and toys.

6.37 With hefty rise in crude oil prices, POL continued to be the most important item of India's imports, accounting for a little over a

Table 6.9 : Imports of principal commodities

Commodity	Percentage Share				Growth Rate*			
	2004-05	2005-06	April-October		2004-05	2005-06	April-October	
			2005-06	2006-07			2005-06	2006-07
POL	26.8	29.5	29.6	33.7	45.1	47.3	41.4	44.0
Pearls, precious & semi-precious stones	8.4	6.1	7.5	4.1	32.2	-3.1	36.8	-31.3
Capital goods	12.4	15.0	10.7	12.1	39.5	62.0	53.8	43.1
Electronic goods	9.6	9.5	9.1	9.4	35.1	32.7	33.2	29.2
Gold & silver	10.0	7.6	9.0	8.6	62.6	1.5	43.4	20.8
Chemicals	6.2	5.7	6.1	5.5	38.3	23.2	42.2	12.9
Edible Oil	2.2	1.4	1.7	1.3	-3.0	-17.9	-6.1	-1.1
Coke, coal and briquettes	2.9	2.6	2.6	2.4	126.7	21.0	30.6	21.1
Metaliferrous ores & metal scrap	2.2	2.6	2.7	3.9	90.5	57.3	75.3	85.5
Professional instruments and optical goods	1.4	1.3	1.4	1.3	24.4	28.9	43.8	18.5
Total Imports**	100.0	100.0	100.0	100.0	42.7	33.8	44.4	26.4
* In US \$ terms								
** Columns do not add up to a hundred because of other items not included in the Table								
Source : DGCI&S, Kolkata								

third of total imports in April-October 2006 (Table 6.9). Following POL, capital goods was the second most important item of import. Capital goods imports have been growing rapidly, reflecting higher domestic investment, resurgence of manufacturing, and rising needs of export sector. Import of industrial inputs like chemicals and metaliferrous ores & metal scrap also increased substantially to support high growth in manufacturing sector, while a rise in international metal prices was also a contributory factor for the latter.

6.38 Machinery including both electrical and non-electrical, transport equipment and project goods were the main contributors to the rise in capital goods imports. Project goods imports, which reflect the technological maturity and industrial capabilities of a country, increased by 48 per cent with the growth further accelerating in the current year. This augurs well for the industrial and infrastructure sectors of the economy.