

Direction of Trade

6.39 The share of 11 major trading partners of India, accounting for nearly a half of India's trade, has not changed much since 2000-01 (Table 6.10). US continues to be the single largest trading partner of India, but with a declining trend. China, on the other hand, has increased its share almost threefold to become the second largest trading partner of India. With rising POL prices, and India not only importing crude oil from but also exporting refined POL products to the United Arab Emirates (UAE), UAE has emerged as the third largest trading partner of India. There is a perceptible change in the share of India's trade with Singapore after the signing of the Comprehensive Economic Cooperation Agreement (CECA) with growth of gems & jewellery, petroleum products and ships and boats on the export side, and machinery and organic chemicals on the import side. In the two most recent years, there is a slight fall in the shares of countries like Belgium and Hong Kong, reflecting the slowdown in both exports and imports of gems & jewellery and related items.

6.40 In terms of export destination, US continued to be the principal destination accounting for 16.8 per cent of India's total

exports in 2005-06, followed by UAE (8.4 per cent), China (6.5 per cent), Singapore (5.4 per cent) and U.K. (5.0 per cent). Region wise, Asia and ASEAN countries have emerged as major export destinations. From a level of around 40 per cent in 2001-02, the share of Asia & ASEAN countries (including West Asia & North Africa (WANA) with a share of 19 per cent and the three China's: China Peoples Republic, Hong Kong and Taiwan with 10 per cent) accounts for half of India's total exports in April-October 2006. During this period, destination-wise, India's exports to Africa, Asia & ASEAN posted strong growth, while exports to Europe and America registered moderate growth. Among the major markets, while growth in exports to UAE, China and Singapore was very high, growth in exports to US and UK was moderate.

6.41 India's merchandise exports to South Asian countries increased by an impressive 19.3 per cent in 2005-06 compared to the 7.3 per cent growth in 2004-05. The major items of India's exports to South Asian countries include: engineering goods, chemicals and related products, petroleum, crude and products, cotton yarn fabrics and made ups, and rice. Similarly, imports from South Asian countries increased by 40.1 per cent in 2005-06 over and above an equally impressive

Table 6.10 : India's major trading partners, 2000-2006

Percentage share in total trade (exports+imports)

Country	2000-01	2002-03	2003-04	2004-05	2005-06	April-October	
						2005-06	2006-07
1. US	13.0	13.4	11.6	10.7	10.6	10.3	9.7
2. U.K	5.7	4.6	4.4	3.7	3.6	3.7	3.1
3. Belgium	4.6	4.7	4.1	3.6	3.0	3.3	2.4
4. Germany	3.9	4.0	3.8	3.5	3.8	3.7	3.7
5. Japan	3.8	3.2	3.1	2.8	2.6	2.4	2.3
6. Switzerland	3.8	2.4	2.6	3.3	2.8	3.3	3.2
7. Hong Kong	3.7	3.1	3.3	2.8	2.7	2.9	2.3
8. UAE	3.4	3.8	5.1	6.2	5.1	5.3	6.9
9. China	2.5	4.2	4.9	6.5	7.0	6.8	7.7
10. Singapore	2.5	2.5	3.0	3.4	3.5	3.7	4.0
11. Malaysia	1.9	1.9	2.1	1.7	1.4	1.4	2.2
Total (1 to 11)	48.6	47.9	48.1	48.2	46.1	46.8	47.5

Source : DGCI&S, Kolkata

growth of 40.6 per cent posted during a year ago. Major imports include non-ferrous metals, textile yarn fabrics and made ups, iron and steel, spices, organic and inorganic chemicals, artificial resins and plastic material, essential oil and cosmetic preparation and fruits and nuts. This trend is likely to be further strengthened with South Asian Free Trade Area (SAFTA) coming into force from January 1, 2006. India has already notified the reduction in tariffs as per SAFTA Agreement on July 1, 2006.

6.42 In 2005-06, for India's imports, Asia & ASEAN continued to be the major – and rapidly growing — source accounting for 35.2 per cent of total imports. Country-wise, imports from China recorded high growth of 51.3 per cent over and above the 75 per cent growth in the previous year. Growth of imports from EU25 (with a share of 16.0 per cent) was 19.5 per cent and that from America (with a share of 7.8 per cent) 12.7 per cent. In America, US

was the major source of imports; Germany, Belgium and the UK were the major import sources in EU25. In South East Asia, import growth from major sources like Singapore and Thailand and in South Asia, growth in imports from Sri Lanka, Bangladesh and Pakistan and even Maldives were high. In April-October, 2006 very high growth was registered in the case of imports from Africa, mainly due to dramatic growth rates in five digits in imports from Nigeria (mainly crude oil) which also raised its share in India's imports to 4.4 per cent. Among the other regions, growth was high in the case of imports from Latin America and Asia & ASEAN. Imports from major oil exporters like Saudi Arabia, UAE and other WANA countries recorded rapid growth. China, the top import source of India with 9.1 per cent share, recorded growth of 58.1 per cent, while imports from US (with 5.7 per cent share) was also buoyant at 30.2 per cent.