

## **Stagnating Export**

### **What is the issue?**

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The trade numbers for 2016-17 is showing a declining trend when compared to 2015-16.

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### **What does statistics say?**

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- Trade volume in 2011-12 was \$305 billion.

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- It stayed above the 300-mark for the next three years before dropping off sharply in 2015-16.

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- In 2016-17 it is \$270 billion

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- The world exports showed similar trends due to slow growth all over the world.

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- Global merchandise exports in 2016 were \$16.5 trillion which was down by about 10 per cent from \$18.2 trillion in 2011.

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- India's share of global exports has remained more or less unchanged since 2011, at about 1.7%.

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- Prior to this there has been a steady increase in merchandise exports, from 0.8% in 2004.

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### **How far do the global factors affect?**

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- Part of the fall is due to the drop in oil prices since 2014, because of which the export of petroleum products has shrunk in value.  
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- Other reason is the growing energy self-sufficiency of the US, which has sharply reduced its energy imports.  
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- The other is the enormous success that China has had in import substitution.  
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- It supplanted imports from East Asian countries with domestic inputs into the manufacturing supply chain.  
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### **What are the domestic factors?**

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- India-China trade is one of the most unbalanced anywhere, with an export-import ratio of about 1:5.  
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- India also runs a trade deficit with about 2/3<sup>rd</sup> of its important trading partners.  
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- They signify that the problem lies at home and not abroad.  
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- India's exports are concentrated in very few products and very few markets.  
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- This makes the country vulnerable to negative swings in world trade.  
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### **What is the real reason?**

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- In spite of this India's improved on the Economic Complexity Index, to 45<sup>th</sup> in 2014 lace from 61<sup>st</sup> in 1995, in a list of 124 countries.  
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- This reiterates the fact that the real problem is not in world trade stagnation, or Chinese mercantilism, or a narrow export base though all of them are contributory factors.

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- The real problem is the failure to develop an efficient manufacturing base.
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- India has a surplus in services trade, agricultural goods trade (being the sixth largest exporter).
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- It also has a surplus in transfer payments/remittances.
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- But lags heavily in manufacturing sector whose share of the total trade in goods and services combined has been declining steadily.
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- This has to be substantially improved to increase India's exports.
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**Source: Business Standard.**

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