

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 2/3rd 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 45th in 2014 lace from 61st 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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