

## Direction of Trade

6.36 The share of the 11 major trading partners of India, accounting for a share of

around 48 per cent in India's trade, has not changed much since 2000-01 (Table 6.10). While USA continues to be the single largest

**Table 6.10 : India's major trading partners, 2000-2005**

(Percentage share in total trade (exports+imports))

Country	2000-01	2002-03	2003-04	2003-04	2004	2005
					April-October	
USA	13.0	13.4	11.6	10.3	11.1	10.0
UK	5.7	4.6	4.4	3.7	3.6	3.7
Belgium	4.6	4.7	4.1	3.7	3.7	3.4
Germany	3.9	4.0	3.8	3.5	3.5	3.6
Japan	3.8	3.2	3.1	2.7	2.6	2.4
Switzerland	3.8	2.4	2.6	3.3	3.2	3.3
Hong Kong	3.7	3.1	3.3	2.8	2.8	3.0
UAE	3.4	3.8	5.1	6.2	5.6	5.4
China	2.5	4.2	4.9	6.4	5.6	6.4
Singapore	2.5	2.5	3.0	3.4	3.3	3.7
Malaysia	1.9	1.9	2.1	1.7	1.9	1.4
<b>Total (1 to 11)</b>	<b>48.6</b>	<b>47.9</b>	<b>48.1</b>	<b>48.0</b>	<b>46.8</b>	<b>46.4</b>

Source : DGCI&S, Kolkata

### Box 6.6 : India and Regional Cooperation in Asia

Asia has emerged as an engine of growth in the world accounting for around one fifth of world GDP. In 2004, total Asian trade amounted to US\$2388 billion, or above a quarter of world trade (26.8 per cent). Intra-Asian export has increased from 12.6 per cent of world trade in 2003 to around 13.5 per cent in 2004. While intra-ASEAN exports constituted around 22 per cent of the region's total exports in 2004, the shares of NAFTA at 55 per cent and EU-25 at 67 per cent were much higher. India unveiled the "Look East" policy in 1991. East Asia-including Japan, China, South Korea and ASEAN - is today India's largest trading partner, ahead of EU and the US.

Proliferation of Free Trade Agreements (FTAs) is the clearest evidence of Asian countries' desire to forge closer economic relationships. The growing importance of CECA's indicates that such agreements are becoming deeper, extending to areas beyond just tariff reduction. Intra-regional trade and investment require building up of shared infrastructure. Many Asian countries have joined together to develop cross-border infrastructure to lay the foundations for closer trading relationships and increased connectivity among countries. The Greater Mekong Subregion is quite advanced in this endeavor. Similar initiatives are underway in South Asia and in Central Asia, with exciting prospects for future development. The spirit of enhanced monetary cooperation in Asia is evident from initiatives like the Chiang Mai Initiative and the Asian Bond Fund having major potential for financing regional investments.

Asia remains one of the least integrated regions lacking a continent-wide regional organization. Forging closer links among Asian nations through appropriate institutional mechanisms can lead to substantial enhancement of national, regional and global productivity and output. In the past, India had adopted a very cautious approach to regionalism, and was engaged in only a few bilateral/regional initiatives, mainly through Preferential Trade Agreements (PTAs). Recognising that RTAs would continue to feature in world trade for a long time, and with the intention of expanding its export market, India began concluding in principle agreements as a possible step towards CECA's, which cover FTA in goods (zero customs duty regime within a fixed time frame on items covering substantial trade, and a relatively small negative list of sensitive items with no or limited duty concessions), services, investment and identified areas of economic cooperation. The recently concluded CECA with Singapore was implemented from 1st August, 2005. The Agreement on South Asia Free Trade Area (SAFTA) was signed by member countries of South Asian Association for Regional Cooperation (SAARC) in January, 2004. Negotiation on all aspects of SAFTA was concluded recently and the tariff liberalization programme is scheduled to be implemented from July 1, 2006. Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India, Framework Agreement for Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation (BIMSTEC) FTA, and India-Thailand Framework Agreement have also been signed, and FTA on Goods, Services and Investment with BIMSTEC are under negotiation. India-China, India-Japan, and India-South Korea joint study groups have also been set up.

trading partner of India, its share has fallen in 2004-05 and April-October, 2005. China emerged as the second major trading partner in 2005-06 and the share of combined China-Hong Kong at 9.4 per cent was close to that of USA. The impressive growth in trade with China was contributed by ores, slag, ash, iron and steel and organic chemicals on the export side, and by electrical machinery, other machinery and organic chemicals on the import side. While UAE is the next major trading partner, and is important both in terms of imports and exports, another important country, whose share has been increasing steadily, is Singapore, with which India has recently signed a Comprehensive Economic Cooperation Agreement (CECA). In the case of India-Singapore trade, precious stones, metals, mineral fuel, oil, ships and boats and other machinery were the major contributors in exports, and other machinery, electrical machinery, organic chemicals, books, newspapers and manuscript, and aircraft & spacecraft in imports.

6.37 Region-wise, in 2004-05, India's exports to Asia and Oceania, (with a share of 47.4 per cent) registered a robust growth of 27 per cent. This was powered by the high growth of exports to China, Singapore, UAE and the Republic of Korea. The other two major regions — EU-25 and America (with shares of 21.7 per cent and 20.4 per cent respectively) registered growth of around 20 per cent. Exports to Africa and Latin American countries were also impressive (Appendix Table 7.4 B). In April-October, 2005, while performance was similar to that in 2004-05, growth of exports to EU 25 accelerated, and exports to China-Hong Kong, Singapore and

Korea continued to be impressive. Significant growth was also seen in trade with Sri Lanka and Thailand, with which India has a Free Trade Agreement (FTA). The growing importance of Asia in India's exports indicates that the regional trading arrangements (RTAs) strategy is bearing fruit (Box 6.6). Framework Agreements on economic cooperation have also been entered into with MERCOSUR and Chile. India is also engaged with Gulf Cooperation Council and Mauritius for FTA/ Comprehensive Economic Cooperation Partnership Agreement. India-Israel and India, Brazil, South Africa (IBSA) joint Study Groups have also been set up.

6.38 In 2004-05, India's imports from Asia and Oceania, accounting for 35.4 per cent of total imports, was buoyant with growth of 40 per cent. Import growth from EU 25 (with a share of 16.9 per cent) at 20 per cent and that from America (with a share of 8.4 per cent) at 29 per cent were also impressive. In America, US was the major source of import, and Belgium, Germany and the UK were the major import sources in EU 25. In Asia, import growth from major sources like China and Singapore and, within SAARC, growth in imports from Sri Lanka and Pakistan, were impressive (Appendix Table 7.4 A). In April-October, 2005, there was an acceleration of growth in imports from EU 25, and growth in imports from Asia and Oceania, and from America continued to be impressive, despite a moderation. While the country-wise performance was almost similar to that in 2004-05, within SAARC, besides Sri Lanka and Pakistan, imports from Bangladesh witnessed an impressive rebound in growth in the first seven months of 2005-06, after a decline in 2004-05.