

US share in India's exports up despite diversification move

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Notwithstanding India's efforts to diversify its merchandise exports, the country's dependence on the US for its outbound shipments has increased over the past 12 years by 7 percentage points to touch 17.4 per cent share in 2022-23 (FY23).

In contrast, the share of the US in India's total exports has continuously declined from a high of 21.7 per cent in 1998-99 to a low of 10.1 per cent in 2010-11, reveals India's Department of Commerce data. During the pandemic years of 2020-21 and 2021-22, the export share of the US was even higher than the FY23 levels.

In its vision statement released during the mid-term review of the 2015-2020 foreign trade policy in 2017, the Ministry of Commerce said the policy of market diversification that has stood India in good stead during the global economic downturn will continue to be a key determinant of the country's trade policy, together with product diversification.

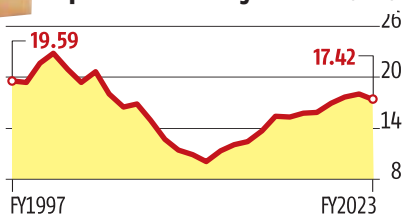
"To put exports on a high-growth trajectory, India needs a market diversification strategy based on the changing dynamics of growth in the world economy," it said.

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TRADE DYNAMICS

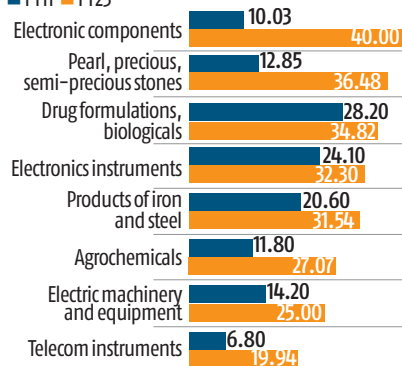
Share of the US in India's total exports over the years (In %)



Sectoral share of exports to the US

(In %)

■ FY11 ■ FY23



Source: Commerce ministry

ELECTRONIC GOODS EXPORT UP TWO NOTCHES TO 4TH PLACE

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chapter in relations between Airbus and IndiGo, democratising affordable air travel for millions of people in the world's fastest-growing aviation market. "It is also a resounding endorsement of the A320 Family's best-in-class operating economics that have been powering IndiGo's growth for almost two decades. We cherish our long-standing relationship with IndiGo and are proud of our success together," he added.

US share...

"So far, India's bilateral trade engagement has been mainly with the industrial powers. In future engagements, India will engage with regions and countries that are not only promising markets but are also major suppliers of critical inputs and have complementarities with the Indian economy," it added.

Jawaharlal Nehru University Professor Biswajit Dhar says India's widening bilateral trade surplus could come up for discussion during Prime Minister Narendra Modi's upcoming state visit to the US. "The diaspora provides a large market. It's an easy market for Indian businesses to tap into. Any successful diversification has to be carried out by the industry. We are playing straight into the hands of Americans. As the trade surplus increases, the voices get shriller in the US. India's inability to increase imports from the US could very well come up for discussion during Prime Minister Narendra Modi's visit," he says. Between FY12 and FY23, the US share in India's import basket rose from 4.8 per cent to 7 per cent.

However, Ajay Sahai, director-general and chief executive officer of the Federation of Indian Export Organisations, says exports to the US have gone up because exports in some of the sunrise sectors, such as drug and pharmaceutical, electronics and automotive components have increased as well as in some labour-intensive sectors.

"Despite this increase, our share in the US imports is about 2 per cent only. This shows we have not tapped into the major segments where US imports are happening. We should look into further increasing our share because the US is an economy where huge imports are happening," he adds. The Department of Commerce data shows that the share of the US in total exports of electronic components, agrochemicals, iron and steel products, among others, increased significantly

between FY12 and FY23. Dhar says the rising share of the US also shows India's free-trade agreements (FTAs) have not worked to India's advantage.

"While the Association of Southeast Asian Nations (Asean) entered into an FTA with India (in 2009), it also signed a trade deal with China. We lost our market share to Asean compared to the pre-FTA years because we couldn't compete with Chinese exports. Unless something dramatic happens with the production-linked incentive scheme and we gain some competitive advantage, export diversification is not going to happen," he adds. Sahai agrees: "That's why the focus is now on signing trade deals with major markets and complementary economies. That's why we have seen more imports happening than exports."

Livestock...

In 2022-23, India exported \$5.11 million worth of live animals, the bulk of which were sheep and goats. Trade sources said most of these animals were exported to West Asian countries during festival periods.

According to the draft Bill, the proposed law is aimed at framing "measures for the regulation of the importation of livestock and livestock products, as well as promotion and development of exports of livestock and livestock products".

It also said that the Centre by notification in the Official Gazette shall prescribe measures in such a manner as may be necessary for the purpose of promotion and development of export of livestock and livestock products

The Centre said the draft Bill is aimed at replacing the existing Livestock Importation Act, 1898, which was amended in 2001 (Livestock Importation (Amendment) Act of 2001). The amendment Act is aimed at maintaining the "biosecurity of the country" by preventing the ingress of exotic diseases through livestock and livestock products. A Kisan Sangh office bearer said: "There are positive and negative aspects to this draft Bill. It could solve the problem of stray animals and improve the breed of our indigenous livestock, but one needs to respect religious and cultural beliefs. The Kisan Sangh will defend the interests of farmers, without hurting religious sentiment."

Animal rights activists and groups, such as People for Animals India, launched a social media campaign against the draft Bill on Saturday.