

# 2023: India relatively steady amid global slowdown



## EXIM MATTERS

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The global trade and economy brought two surprises this year—the slowdown in the Chinese economy, and the resilience of Europe and the United States (US). In turn, India's trade figures were also quite unflattering.

When China, the second largest economy in the world, ended its Covid induced lockdown restrictions earlier this year, the widespread expectation was that its economy and exports would boom again. As it turned out, the growth of the Chinese economy was rather tepid and its exports also didn't pick up as expected. That had its effect on many smaller economies in East Asia whose fate is linked with the growth of the Chinese economy. As this year comes to an end, there is no certainty regarding which way the Chinese economy would go.

In the beginning of the year, most analysts predicted a slowdown or even a recession in Europe and the US. Contrary to expectations, the US maintained

significant economic growth while bringing down inflation and unemployment rates. Europe weaned itself away from Russian oil and gas and still managed to avoid a recession while tackling the problem of inflation quite successfully. Russia has also shown a strong resolve and resilience despite diverting enormous resources to sustaining its war with Ukraine.

The trade war between China and the US continued with export restrictions on some critical items and higher import duties on some others. The industrial policy giving subsidies for growth of certain industries also introduced fresh distortions in global trade. The dispute resolution system at the World Trade Organisation remained dysfunctional due to reluctance of the US to appoint enough members to its appellate body.

In India, the export and import figures have been trending downwards mainly due to fall in commodity prices and freight rates compared to the previous year. While overall sluggish demand in the west, export restrictions on some commodities and a somewhat overvalued rupee also played a role in the negative export growth, the fall in imports had more to do with protectionist policies of the government that entailed not only higher import duties but also a host of quantitative restrictions such as pre-import licensing and

registration requirements and bringing more and more items under quality control disciplines.

Our commerce ministry huffed and puffed to somehow get a free trade deal done with the United Kingdom during this year but failed due to differences on crucial issues. There was little progress on other trade negotiations also. The government settled most of the trade disputes with the US but towards the year end, the US imposed anti-subsidy countervailing duties on a few Indian products on which the government gives remission of duties and taxes under a new scheme.

The finance ministry and the Reserve Bank of India worked in tandem to ensure that the inflation does not go up and growth impulses are maintained. The government spending on infrastructure, especially in the logistics sector, has helped the ease and cost of doing business. The finance ministry has opted not to blindly accept the recommendations of the Directorate General of Trade Remedies in many cases, considering the impact of such protective duties on the downstream user industries.

Overall, it has been a relatively steady year for the Indian trade and economy amidst some turmoil and slowdown in the global economy.

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