

RAJYA SABHA

Wednesday, the 21st December, 2011/30 Agrahayana, 1933 (Saka)

The House met at eleven of the clock,

MR. CHAIRMAN in the Chair.

ORAL ANSWERS TO QUESTIONS

Increase in trade deficit

*401. SHRI Y.S. CHOWDARY: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether it is a fact that the country's trade deficit has increased to a four year high;
- (b) if so, the details thereof; and
- (c) the steps/measures taken by Government to contain the trade deficit?

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA): (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) Yes Sir.

(b) The details of the country's trade deficit for the last four years and the current year are as under:

(Value in US\$ Billion : numbers rounded off)

| Year | Export | Import | Trade deficit |
|--------------------------------------|--------|--------|---------------|
| 2007-08 | 163 | 252 | 89 |
| 2008-09 | 185 | 304 | 119 |
| 2009-10 | 179 | 288 | 109 |
| 2010-11 | 251 | 370 | 119 |
| 2011-12 (April-November) Provisional | 193 | 310 | 117 |

The Trade Deficit for the 8 month periods April-November has been the highest compared to the corresponding periods in the last 3 years.

(c) The rate of growth of exports for 2009-10 has been -3.5% and for 2010-11 it has been 40.4%. For the period April-November, 2011 the growth rate has been 33.2% which is quite robust. However, imports have also been growing both because of higher prices of importables and increased demand. The prices of petroleum, fertilizers, gold, edible oil, gems & jewellery have increased. Their demand also has increased. These lead to a higher value of imports. Despite a very challenging global environment, measures taken by Government have not only arrested the decline of export, it has also been successful in reversing it. Anticipating that the situation is likely to be adverse, Government had announced a package on 13th October, 2011. In addition a strategy paper to double our exports by 2013-14 was released in May 2011. Earlier measures taken by the Government and RBI include the announcements made in the Budget 2009-10 and 2010-11; in the Foreign Trade Policy (FTP) 2009-14; thereafter in January/ March 2010; in the Annual Supplement to FTP released on 23rd August, 2010; and in announcements made in February, 2011. To increase our share in various export markets and to diversify our market and products, incentives have been provided under schemes viz. Focus Product Scheme, Focus Market Scheme, Market linked Focus Product Scheme and Vishesh Krishi and Gram Udyog Yojana.

SHRI Y.S. CHOWDARY: Sir, as we are all aware that there has been a lot of trade deficit for the past 4-5 years, I would like to know as to what is preventing the Government to set any targets for exports and also give boost to manufacturing exports rather than service exports.

SHRI ANAND SHARMA: Sir, as I mentioned, there has been a trade deficit in the country. That has historically been there. This is primarily because India needs to import many of the commodities and petroleum and gas which we do not have. Therefore, depending upon the needs of the country, what India imports, that gets reflected in the import numbers. During the last five years, there has been a consistent effort on the part of the Government to augment exports and to incentivise value-added manufacturing. As the hon. Member has asked that why we are not encouraging the exports of the manufacturing sector, the fact is that the manufacturing sector exports are on the increase. Only the engineering exports were in excess of \$ 66 billion.

Regarding his question about the targets, whether the Government is setting the targets or

not, my answer would be, "Yes". We have set targets under the Foreign Trade Policy, which is meant for five years, from 2009-2014. The objective is to double the share of India's trade in merchandise trade of the world by 2014, which would call for a minimum increase of 20 per cent per annum and also to double it, in percentage terms, by the year 2020. Despite the difficult economic backdrop, contraction of global demand, continuing weak recovery and crisis in Europe, we have been able to do well and cross the targets for the year 2010-11, when we reached the targets highest ever. For the first time in the history of this country, we crossed the figure of \$ 200 billion. But, the final figures were \$ 250 billion.

SHRI Y.S. CHOWDARY: Sir, apart from entering into treaties for exports ...*(Interruptions)*...

MR. CHAIRMAN: Silence, please.

SHRI Y.S. CHOWDARY: ...is Government monitoring the performance of the treaties that we have entered into with the neighbouring countries?

SHRI ANAND SHARMA: Sir, I could not get the question.

MR. CHAIRMAN: Please repeat the question.

SHRI Y.S. CHOWDARY: Sir, our country has been entering into various treaties for exports with neighbouring countries. Is Government monitoring the performance of those bilateral treaties that we have signed with neighbouring countries?

SHRI ANAND SHARMA: Yes, we do monitor, and our trade with the countries of the SAARC region is very healthy, on the increase. We hope that with the new understanding reached and with the full implementation of the SAFTA Protocol, the trade in the region of the South Asia, among the member countries, is expected to double. We set a target even recently, during the visit of Pakistan's Commerce Minister, the country with which we have a bilateral trade of less than \$ 3 billion, to make it \$ 6 billion. Overall in the region, India's own trade with the countries of SAARC region is in excess of \$ 14 billion.

PROF. P.J. KURIEN: Sir, on seeing the hon. Minister's answer, I think, the increase in trade deficit is alarming. As per the reply, during 2010-11, the total trade deficit was US \$ 119 billion whereas for the year 2011-12, from April to November only -- of course, it is provisional -- the trade

deficit is US \$ 117 billion. This itself shows that it is alarming. Sir, I agree. The hon. Minister said that the essential items like oil etc. have to be imported. But what about the non-essential items? Indiscriminate imports are taking place. Sir, if you go to the market, you will find that the market is flooded with Chinese goods, cheap goods. People are buying only Chinese goods. What are you doing about indiscriminate imports taking place with regard to non-essential items being imported from China and countries, to which, you have given the MFN status? What are you going to do in this regard?

SHRI ANAND SHARMA: Sir, the hon. Member has put one supplementary but actually it has three parts. The first part is about the increasing trade deficit. I have mentioned in my reply and also to the hon. Member, who has asked this question, that though the last five years' figures show that despite the challenges, we have sustained high growth rates, percentage terms increase in our exports is higher than the percentage terms of our imports. Even for this year, which Professor Kurien has mentioned, the exports have registered a growth of 33.2 per cent reaching US \$ 193 billion whereas the imports have registered a growth of 30.2 per cent ... *(Interruptions)*...

MR. CHAIRMAN: Please. ... *(Interruptions)*...

SHRI ANAND SHARMA: I am coming to the numbers also. US \$ 193 billion is the number. I have myself mentioned in the reply to the question that from April to November, 2011, exports are US \$ 193 billion and imports are US \$ 310 billion, and, therefore, there is a trade deficit of US \$ 117 billion. Sir, I would like to inform the hon. Member that we have to keep in mind the developments which have taken place in the world. I did refer to the major contraction in global trade in 2008-09, 2009-10. It was in the range of 12 to 14 per cent because of the downturn; and the global economy has not emerged till now from the crisis of 2008 and 2009 whereas the Euro zone crisis has further aggravated the situation.

Secondly, what India imports has to be kept in mind. Since January, this year, there has been turbulence for various reasons in major oil producing parts of the world, like, North America and the Middle East. The oil prices have gone up; significantly impacting our own import Bill. There is a pressure on the Government to try to augment exports so that the trade deficit is reduced. Deficit will

always be there; we have not reached a situation where India will become self-sufficient in fertilizers, in oil and gas.

For the benefit of the hon. Member, I would like to inform that last year, our oil import bill alone was US \$ 105 billion. This is the figure of the last year. This year, it will be much more because the mean average oil price last year was US \$ 70 per barrel whereas, this year, the oil prices have spiralled to US \$ 115.

Similarly, Sir, India is a major importer of edible oils. We import 8 to 9 million tonnes of edible oils per annum. Edible oil prices including the farm oil prices have gone up. Pulses prices in the global market, where we have to import between 3 to 4 million tonnes, have gone up, so as the fertilizer prices. The hon. Member will appreciate that it is not because of want of effort. We take steps to improve the situation but when it comes to the contraction of global demands, when it comes to the spiralling commodity prices, the Government of India does not have the means to check and control or regulate those prices. Now, with regard to indiscriminatory import, Sir, that is not correct. We keep a watchful eye. We take measures. Even in the WTO Agreements, the countries have the provision either to impose anti-dumping duties, if there is a surge in import, or to go for safeguard duties, if there is a threatened -- even threatened, not actual -- injury to the domestic industry. We have taken steps in the past, including banning milk products, banning toys from the country the hon. Member referred to and also the mobile phones which did not have the IEMI identity, that is, the international identity numbers, and we thought we would take and we had taken these actions keeping in view the complaints and the fact that there was a surge in these imports.

SHRI SHYAMAL CHAKRABORTY: Sir, is it true that one of the reasons of the trade deficit is bilateral agreement with some countries like Bangladesh and other SAARC countries introducing abolition of import duty which has created havoc, and the domestic industries are suffering very much? I am talking about the handloom and other industries.

SHRI ANAND SHARMA: Sir, that is not the correct position. Had that been the position, India's export would not have been increasing on a year-on-year basis. As I mentioned to the hon. Member, India's exports stood only at 163 billion US dollars four years ago. After that came the

economic crisis and the financial crisis. In 2009, it was 179 billion US dollars, and that was the period when there was a global turmoil. We took various steps and a number of measures, first the three stimulus packages were announced, one by the Prime Minister and two by the Finance Minister. Those stimulus packages were aimed at ensuring that the domestic production remained steady and robust. Fortunately for us, the domestic demand also remained very strong. At the same time, through the foreign trade policy measures and interventions, we carefully looked at how to redeem the situation. The priority was to arrest the fall and reverse the trend. In May 2009, India's exports were in deep red territory of -39.4. For a brief period, even the industrial production moved to a negative territory. But we did turn around. Government worked closely with the industry, with the exporters, to policy intervention. We were very clear at that time that we could not have waited, given the pressure on the trade account and the increasing deficit, for the recovery in traditional destinations, that is, Europe, America and Japan, where we would have taken years. So, we took a conscious decision to go in for market diversification. We identified two incentivised schemes -- focus market scheme and focus product scheme ...*(Interruptions)*...

SHRI TAPAN KUMAR SEN: Sir, I think, the question is different. ...*(Interruptions)*...

MR. CHAIRMAN: Just one minute, please. ...*(Interruptions)*...

SHRI TAPAN KUMAR SEN: I think, the question is relating to ...*(Interruptions)*... He is replying to something else. ...*(Interruptions)*...

SHRI SHYAMAL CHAKRABORTY: I am not going to argue with him. I just repeat the question. One of the reasons for the trade deficit in my opinion -- there are a lot of reasons -- is the bilateral agreement of introducing import-free region with some countries, particularly in the handloom and other sectors. If you want, I can lead a delegation to you. ...*(Interruptions)*... Please hear the agony of the handloom workers. ...*(Interruptions)*...

श्री बलविन्दर सिंह भुंडर: चेयरमैन साहब, यह जो ट्रेड डेफिसिट है, इसको कम करने के लिए मैं मिनिस्टर साहब से यह जानना चाहता हूँ कि पेट्रोलियम, फर्टिलाइजर, एडिबल ऑयल एण्ड पलसेस, चूंकि ये चार चीजें हैं, जिसके कारण मेजर डेफिसिट है, तो क्या इसको कम करने के लिए आप जो एडिबल ऑयल एण्ड पलसेस हैं, इसकी सपोर्ट प्राइस, कंट्री में इसके लिए ठीक गुड प्राइसेस देंगे? नंबर वन, नंबर टू फर्टिलाइजर के लिए.....

श्री सभापति: नहीं, नहीं। यह सवाल इससे रिलेटिड नहीं है।

श्री बलविंदर सिंह भुंडर: मैं इसी से related सवाल पूछ रहा हूँ...**(व्यवधान)**...

श्री सभापति: देखिए, support price एक चीज है और trade deficit दूसरी चीज है...**(व्यवधान)**...

SHRI BALWINDER SINGH BHUNDER: Sir, please listen to me. ...**(Interruptions)**...

MR. CHAIRMAN: Please don't argue.

SHRI BALWINDER SINGH BHUNDER: Sir, please listen to me. ...**(Interruptions)**...

दूसरी चीज फर्टिलाइज़र है। मैं जानना चाहता हूँ कि क्या आप green manure को बढ़ावा देना चाहेंगे? तीसरी चीज पेट्रोलियम है...**(व्यवधान)**...

श्री सभापति: आपको केवल एक सवाल पूछने की इजाज़त है।...**(व्यवधान)**...

श्री बलविंदर सिंह भुंडर: सर, इसी सवाल के तीन parts हैं।

श्री सभापति: सप्लीमेंटरी सवाल में तीन parts नहीं होते हैं। Please ask your one supplementary.

SHRI BALWINDER SINGH BHUNDER: Sir, the question is only one.

श्री सभापति: आप बैठ जाइए...**(व्यवधान)**... You can ask one supplementary.

SHRI BALWINDER SINGH BHUNDER: Sir, please try to understand. Sir, please listen to me.

MR. CHAIRMAN: Please try to understand me. ...**(Interruptions)**... I have given you an opportunity to ask a supplementary question on the main question.

SHRI BALWINDER SINGH BHUNDER: Sir, this is the main question which I am asking. ...**(Interruptions)**... It is the reason of deficit. ...**(Interruptions)**...

श्री रुद्रनारायण पाणि: सर, मिनिस्टर साहब का जवाब इतना लंबा है...**(व्यवधान)**... Sir, the Minister is giving a long reply. ...**(Interruptions)**...

MR. CHAIRMAN: Is Mr. Pany his spokesman? ...**(Interruptions)**...

श्री बलविंदर सिंह भुंडर: सर, मैं यह जानना चाहता हूँ कि देश के trade deficit को कम करने के लिए मंत्री जी कोई steps उताने के लिए तैयार हैं, ताकि देश को फायदा हो?

MR. CHAIRMAN: Please answer the part that relates to your jurisdiction. ...*(Interruptions)*...
Please do not interfere.

SHRI ANAND SHARMA: Sir, the Government is duty bound to meet the national needs and that too, of the growing economy which includes the energy needs and the food security of the people. If that requires certain imports, which I have mentioned, it is very clear that India would like to augment the production of what India has and the House is aware that they are ongoing efforts in all three fields to increase productivity. But, this question does not relate to my Ministry. The Finance Minister and the Agriculture Minister have given detailed information as to what is being done to increase the production of oil seeds, to increase the production of pulses, and onshore and offshore exploration of oil and gas is already on in the country. But, India's demands are also growing and that is why, imports are unavoidable.

MR. CHAIRMAN: Thank you. Question No.402. ...*(Interruptions)*...

श्री रुद्रनारायण पाणि: सर, प्रश्न 401 में कुछ और सप्लीमेंटरी सवाल पूछने की इजाजत दे दीजिए ...*(व्यवधान)*...

श्री सभापति: पाणि जी, प्लीज, बैठ जाइए ...*(व्यवधान)*...

श्री अविनाश राय खन्ना: सभापति जी, हम इसी प्रश्न पर और सवाल पूछना चाहते हैं ...*(व्यवधान)*...

MR. CHAIRMAN: Mr. Khanna, please resume your place. ...*(Interruptions)*... Please sit down. ...*(Interruptions)*... I am afraid indiscipline is not going to help the functioning of the House. ...*(Interruptions)*... Mr. Pany, please resume your place. ...*(Interruptions)*...

आप बैठ जाइए ...*(व्यवधान)*...

श्री रुद्रनारायण पाणि: सर, हम प्रश्न संख्या 401 पर और सवाल पूछना चाहते हैं ...*(व्यवधान)*...

श्री सभापति: पाणि जी, आप नोटिस दे दीजिए, डिस्कशन होगा ...*(व्यवधान)*...

श्री रुद्रनारायण पाणि: सर, पहले भी ऐसा हुआ है। एक प्रश्न पर 4-5 सप्लीमेंटरी सवाल पूछे गए हैं। सर, एक बार, एक प्रश्न पर 56 मिनट तक सवाल-जवाब हुए थे।

MR. CHAIRMAN: Are you trying to teach the Chair how to conduct the Question Hour?