



Asia-Pacific Trade Briefs

India

Merchandise trade: As of 2015, merchandise trade accounted for 70.4% of the total trade by India. Merchandise exports grew modestly by 4.2% on average during 2010-2015, which was a weaker performance than the Asia-Pacific region's average 7.5%. In 2015, Indian exports shrank by 17.2%, which was almost twice as much as the Asia-Pacific region decline of 9.7%. The major export items were concentrated in minerals and petroleum products, diamonds and refined oil. Furthermore, India most recently surpassed Thailand as the world's largest rice exporter. The drop in refined oil exports due to lower demand from the United States and China – the largest export markets – and worsening price competitiveness in terms of falling world crude oil prices, were the main reasons for the export contraction despite the fifth consecutive year of rupee weakening relative to the United States dollar. While merchandise imports grew at 2.9% on average during 2010-2015, a sharp contraction of 15.3% was recorded in 2015 with the largest import decline seen in gold and mineral fuels.

Services trade: While the services sector of India is the economy's largest sector in terms of contribution to GDP, the share of services trade remains small at around 12.6% of GDP and has been declining marginally since 2012. Services exports grew at 5.8% on average during 2010-2015, slightly below the Asia-Pacific average growth of 6.4%. However, in 2015 exports dipped by 0.6%, which was much less than the Asia-Pacific average fall of 4.8%; imports fell by 3.9%, which was less than the Asia-Pacific average decline of 5.2%. Construction, transport, communications and banking services were the major services exports and imports; this slowing down of the overall services trade was largely due to a drop in transportation services exports.

Intraregional trade: In 2015, 31.9% of exports in goods went to the Asia-Pacific region. Among the non-regional markets, the United States, at 22.4%, was by far the largest export partner, while within the region the main export partners included China (6.4%) and Hong Kong, China (5.3%). Meanwhile, 48.2% of imports in goods were from the Asia-Pacific region, with China being the largest supplier of imported goods (25%). India is the largest partner with several economies in South Asia, such as Bhutan, Nepal and Sri Lanka. Since India is the fastest-growing emerging economy, it is almost expected to start filling the void in demand for intraregional exports that will emerge with the rebalancing of China's trade patterns.

Foreign direct investment (FDI): FDI inflows to India expanded by 10% on average during 2010-2015, while in 2015 inflows recorded an even stronger expansion at 27.8%, which was significantly higher than the Asia-Pacific region's average 5.6%. The services, construction development, computer software and hardware, and telecommunications sectors attracted the highest investments. In addition to the robust economic growth and large domestic market, the Government's initiative "Make in India" provided an incentive to relax stringent FDI regulations for around 15 sectors including aviation, defence and pharmaceuticals. This may contribute to the FDI attractiveness of India. On the other hand, overseas investment from India contracted considerably by 36%, which may reflect FDI diversion as Indian investors start to invest more at home than overseas.

Tariffs: In 2014, average MFN applied and effectively applied tariffs at 12% and 9.8%, respectively, were considerably higher than the Asia-Pacific economies' averages of 6.9% and 5.9%, respectively. Average MFN bound duty, at 47.8%, is substantially higher than the average of Asia-Pacific economies of 20%. The country's binding coverage at 74.8% of tariff lines is lower than the Asia-Pacific average of 84.9%.

Trade costs: International and intraregional trade costs of India remained higher compared with the trade costs of best performing economies in Asia and the Pacific, although a declining trend has been observed since 2009. Nonetheless, average trade costs for India are about 63% higher than those of East Asia-3, while being almost the same as those of the European Union-3 incurred in reaching the major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation).

Trade agreements: India has 14 trade agreements in force, which is much higher than the Asia-Pacific average of 7.6 agreements per country. Of India's total exports, 27.1% is with PTA partners, compared with 33.3% for the Asia-Pacific region. Of the country's total imports, 41.3% come from PTA partners, compared with 44% for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

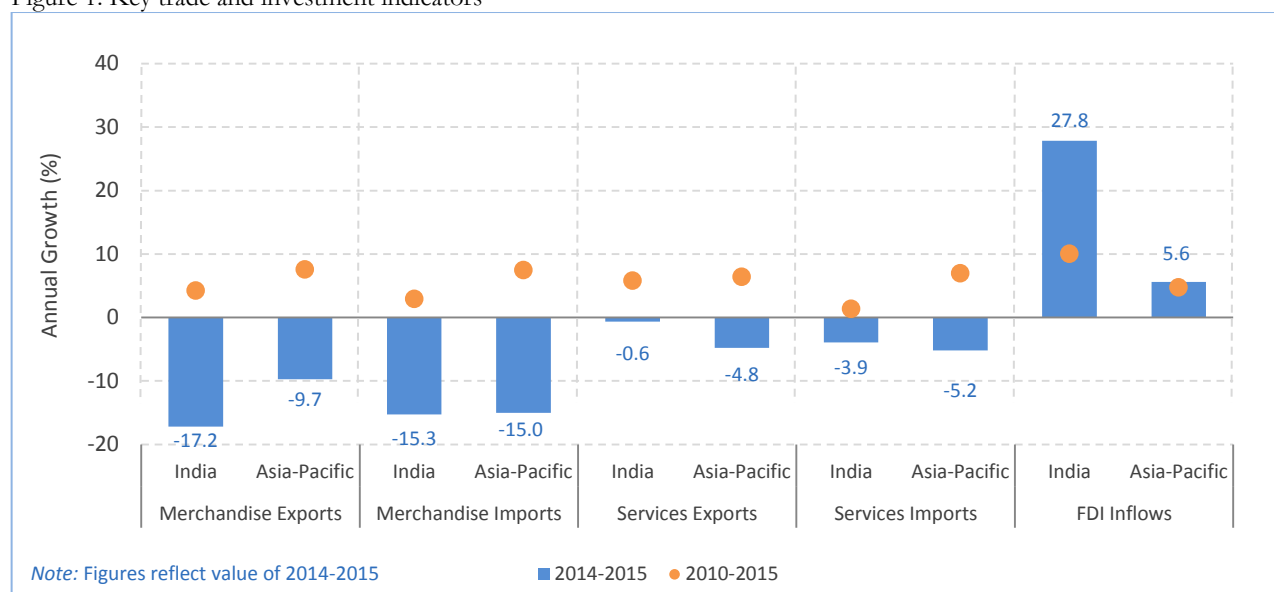


Figure 2. Top merchandise markets

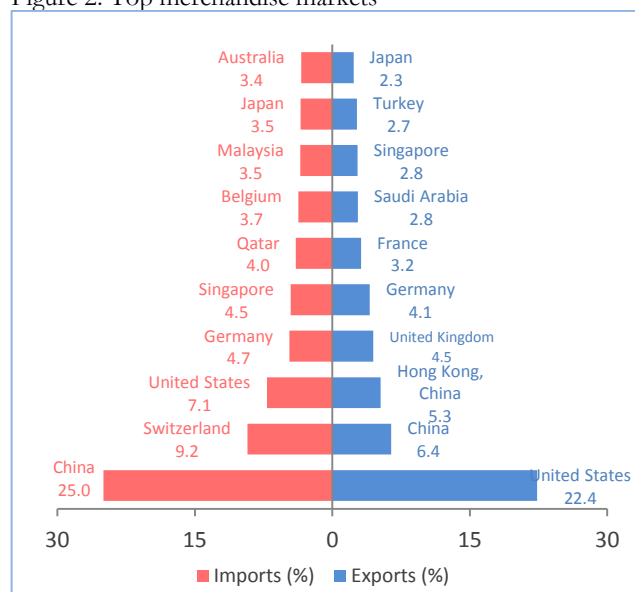


Figure 3. Top merchandise products

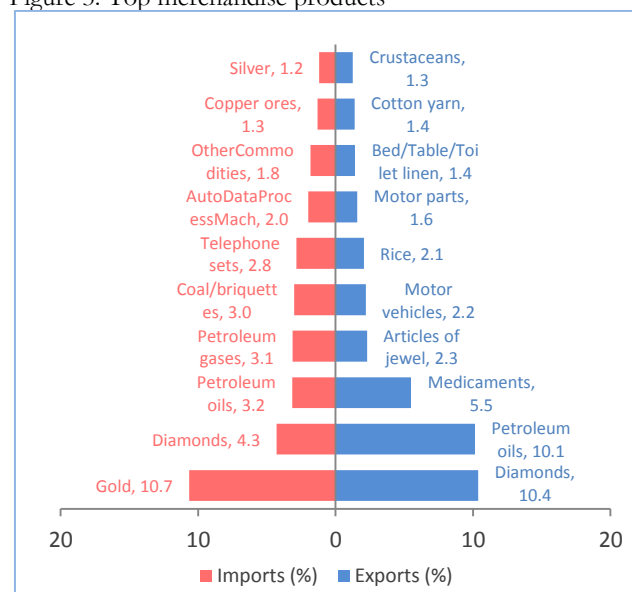


Figure 4. Trade within region and rest of the world

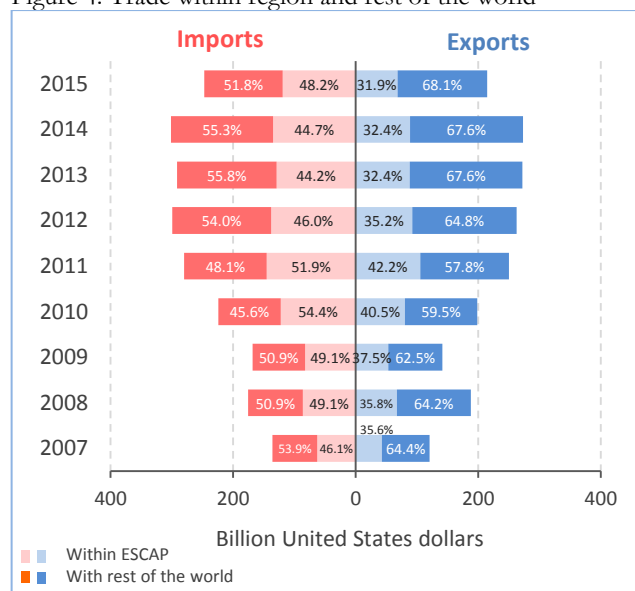


Figure 5. Foreign direct investment

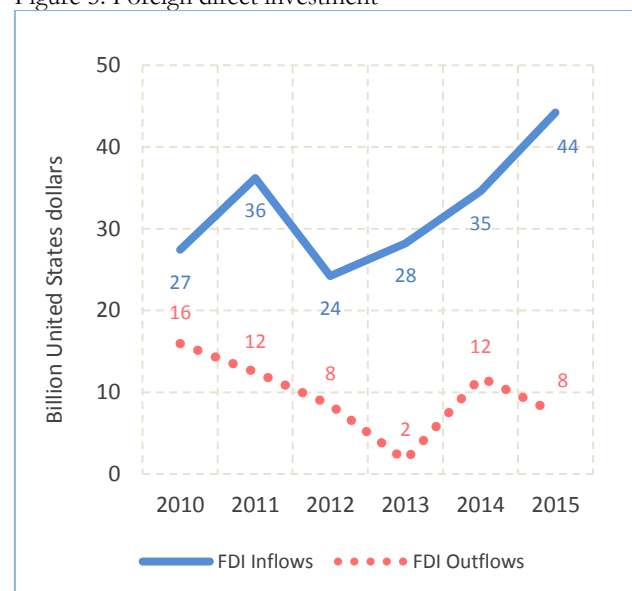


Figure 6. Tariffs (as of 2014)

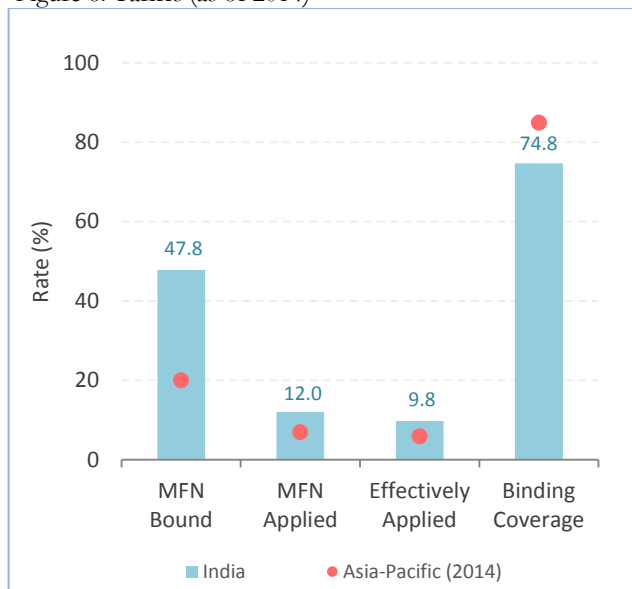
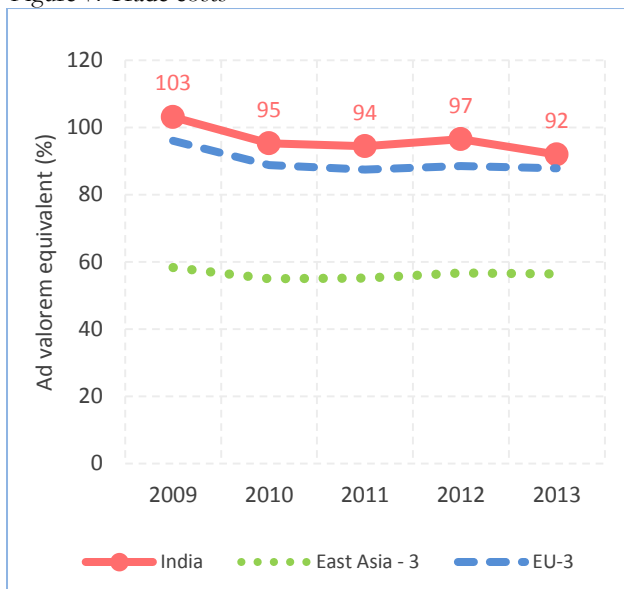


Figure 7. Trade costs



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