

## 9. COMMERCIAL RELATIONS & TRADE AGREEMENTS

### INTRODUCTION

The Department supports 65 Commercial Offices (COs) working as units within various Indian Missions/Posts abroad with a view to strengthening and promoting India's commercial interests abroad. This also includes the office of the Ambassador of India to the World Trade Organization (WTO) at Geneva. Besides the Department provides budget support for 27 other Indian Missions to employ/engage local Marketing Assistants for undertaking commercial and trade promotional activities. The primary task of these Offices is to provide regular feed back on the prevailing global market trends, trade activities etc, as an input into the formulation of government trade & economic policies.

In keeping with the requirement of quick and reliable dissemination of information, data and bilateral/multilateral exchanges, a computer database reporting system has been introduced in the Department for monitoring the activities of the Commercial Offices abroad. The Commercial Representatives posted abroad are kept informed of the important developments in the Indian Economy. A Quarterly Newsletters is issued to the Commercial Offices. Most of the Commercial Offices are now equipped with modern Information Technology facilities. Business Centres with infrastructural facilities have been set up in the Commercial Offices of 23 selected Missions abroad. Further, in line with the growing trade related needs and also for enhancing the effectiveness of these office resource allocation is increased from time to time.

In tandem with the fast changing international trade scenario and ongoing changes in the Indian economy the Department is evolving a proposal for restructuring and streamlining of the Commercial Offices in Indian Missions abroad. This proposal seeks to equip the COs to discharge their functions efficiently and effectively with focus on market orientation and optimising the use of available human resources. Region-wise/Territory-wise reorganization process has been initiated resulting in some relocation of posts in the deficient Missions.

Taking into account the recommendations of the Expenditure Reforms Commission, certain India-based posts in the Missions have been earmarked for conversion into local posts.

In order to ensure effective interaction with the Commercial Representatives (CRs) in identifying constraints in the way of trade promotion and working on promotional measures for strengthening bilateral trade, annual meetings of CRs are held in India with participation of local Trade Associations and the exporting community at large. Similarly, the local Marketing Assistants are also being invited to India to have first-hand knowledge of the government set up.

### COMMONWEALTH OF INDEPENDENT STATES (CIS)

Foreign Trade (CIS) Division deals with India's bilateral trade relations with the Russian Federation, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, (the last 5 countries jointly referred to as the Central Asian Republics).

Bilateral trade with these countries has been as under:

(Rs.crore.)

Year	Export	Import	Total	% Change
1996-97	3200	2727	5927	
1997-98	3977	3334	7311	(+) 23.3
1998-99	3421	2939	6360	(-) 13.0
1999-00	4601	3470	8071	(+) 26.9
2000-01	4727	3106	7833	(-) 2.94
2001-02	4615	3518	8133	(+) 3.82
2002-03	4461	4086	8547	(-) 5.09
2003-04	4711	5795	10506	(+) 22.9

(Source: DGCI &S)

The CIS region countries registered a share of 1.62% Indian exports and 1.64% imports during 2003-04.

The principal commodities of exports to the region include tea, coffee, tobacco, leather, footwear of leather, drugs and pharmaceuticals, fine chemicals, spices, rice (other than basmati), processed minerals, cosmetics and toiletries, cotton yarn fabric, RMG cotton including accessories, etc.

The important items of our import from this region are pulp and waste paper, raw and waste cotton, metaliferous ores and metal scrap, organic chemicals, fertilizers, newsprint, iron and steel, non-ferrous metals, machinery except electrical and electronics, transport equipment and project goods.

Bilateral framework agreements on trade and economic cooperation have already been concluded with all the countries except with Azerbaijan. Negotiations are already on with Azerbaijan for signing the agreement. For trade with these countries, the Most Favoured Nation (MFN) treatment has been accorded mutually.

## **RUSSIA**

The Russian Federation, constituting a major portion of the former USSR, continues to be India's single most important trading partner in the region. The bilateral framework Agreement on Trade and Economic Cooperation with the Russian Federation signed on 22nd May, 1992, provides that all transactions between the two countries would be undertaken in hard currency unless otherwise specified by inter governmental agreements. Under the 1993 Agreement, signed through exchange of letters during the visit of Russian President Boris Yeltsin in January, 1993, India has to repay to Russia an annual debt repayment of Rs.3000 crores (US 1billion) in the form of export of goods and services for 12 years (1993-2004) starting from 1.4.1993 and significantly smaller amounts for the subsequent 33 years.

During the year 2004 – 05 the following meetings were held to discuss various matters concerning bilateral cooperation:

- (a) The 10th Session of the Indo – Russian Working Group on Trade and Economic Cooperation (WGTEC), was held in New Delhi in November 2004; and
- (b) Under the aegis of the Indo – Russian WGTEC the 10th Meeting of the Sub-Group

on Banking and Financial Matters was held in Vladimir City, Russia in October 2004.

## **CENTRAL ASIAN REPUBLICS**

Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan constitute the five Central Asian Republics in the CIS region.

Inter-Governmental Commissions (IGC) have been set-up with all the Central Asian Republics except Turkmenistan. For IGC with Kyrgyzstan, Tajikistan and Uzbekistan Department of Commerce is the nodal Department.

To facilitate bilateral trade with countries of this region a Trilateral Transit Agreement between India, Iran and Turkmenistan was signed on transit of goods. This Agreement would reduce the time taken in shipment to these countries. Uzbekistan and Kyrgyzstan have also acceded to this agreement.

## **OTHER CIS COUNTRIES**

Other six CIS Countries are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Ukraine is India's second largest trading partner in CIS region. Bilateral framework agreements on trade and economic cooperation have already been concluded with all the countries except with Azerbaijan. Negotiations are already on with Azerbaijan for signing the agreement.

## **BILATERAL VISITS**

- a) The President of the Russian Federation, Shri Vladimir Putin visited India in 3-5 December 2004.
- b) Foreign Minister of the Republic of Uzbekistan, Dr. Sadik S. Safayev visited India in 29-30 October 2004.
- c) Foreign Minister of the Russian Federation, Mr. Sergei V. Lavrov visited India in 8-10 October 2004.
- d) Kazakh Minister for Industry and Commerce, Mr. Adilbek R. Zhakaybekov, visited India in 15-17 September 2004.

## **TRADE PROMOTION ACTIVITIES**

- a) An International Transit Agreement "North-South Transport Corridor" has been signed between India, Iran and the Russian

Federation for movement of goods via Iran, Caspian Sea and Astrakhan to Russia. The advantages of this Agreement are that it facilitates a shorter route for trade with Iran, Russian Federation and beyond. The transit movement is expected to be better and faster and also cheaper and 20 percent less time consuming.

- b) "Focus: CIS Programme" launched on 31st March 2003 continues in the current year. This Programme aims to focus on the countries of the CIS region with special emphasis on Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, & Ukraine. With a view to enhance India's trade with countries of the CIS region, the scope of the Focus: CIS Programme has been extended to the remaining countries of the region, viz., Armenia, Belarus, Georgia, Moldova, and the Russia Federation. Therefore, w.e.f. April 2004 the programme covers all the 12 CIS countries.

The programme seeks to increase interaction between the business entities of the two regions by identifying areas of bilateral trade and investment. The focus is on major product groups/ services for raising India's exports to this region.. The exports to the Region are to be enhanced through combined efforts of various institutions of the Government of India, and various Trade Promotion Organisations. The main objective is to increase mutual direct interaction among businessmen.

- c) There is a regular exchange of delegations with countries through participation in trade fairs of mutual interest and exchange of trade related information.
- d) Bilateral trade and economic cooperation between India and these countries is regularly reviewed through the meetings of Joint Commissions / Working Groups and Joint Business Councils.
- e) There is a regular interaction between the governments for enhancing bilateral trade and economic cooperation.

- f) Government has allowed exports of Indian goods on consignment basis under the debt repayment route to the Russian federation.
- g) For ensuring greater presence of Indian banks in Russia, State Bank of India along with the Canara Bank has opened a joint venture Bank in Moscow.
- h) The EXIM Bank of India has signed agreements to provide two Lines of Credit worth US\$ 10 mn and US\$ 35 mn to the Russian banks for boosting Indian Exports to the Russia. The EXIM Bank has also extended the first Line of Credit of US\$ 10 mn to TuranAlem Bank in Kazakhstan.

### NORTH EAST ASIA (NEA)

Foreign Trade (North East Asia) Division oversees trade with China, Japan, Republic of Korea, Hong-Kong, Taiwan, Democratic People Republic of Korea, Macao and Mongolia. India's trade with these countries amounted to Rs. 95,533.31 crore during 2003-2004, registering a growth of 25.99% over 2002-2003. The imports from North East Asia were of the order of Rs.52,429.87 crore during 2003-2004, registering a growth of about 38.83% over 2002-2003. The exports to North East Asia region registered a growth of 13.26% during 2003-2004 over 2002-2003 and amounted to Rs.43,103.44 crore. China, Hong-Kong, Japan and Republic of Korea are the major trading partners of India in this region.

The pattern of trade with North East Asia countries over the last few years is as under:

(Rs. crore)

Year	Exports	Imports	Total Volume of Trade	Balance of Trade
1992-93	7882.74	6891.73	1477.48	(+) 991.01
1993-94	1195.25	8783.02	20742.28	(+) 3176.23
1994-95	13878.07	12661.24	26539.32	(+) 1216.83
1995-96	17085.98	16434.85	33520.83	(+) 651.12
1996-97	19093.97	16266.13	35360.10	(+)2827.84
1997-98	20297.93	18999.57	39297.50	(+) 1298.36
1998-99	19339.97	24670.92	44010.89	(-) 5330.96



Signing ceremony of the Protocol between India and Thailand to implement Early Harvest Scheme on 30 August, 2004 in New Delhi.

1999-2000	24155.41	27502.01	51657.42	(-) 3346.61
2000-01	28541.95	25480.23	54022.18	(+)3061.72
2001-02	27768.40	31558.40	59326.80	(-)3790.00
2002-03	38056.30	37765.83	75822.13	(+) 290.48
2003-04	43103.44	52429.87	95533.31	(-) 9326.43

As against balance of trade of Rs. 290.48 crore during 2002-03, the year 2003-04 registered a negative balance of Rs. 9326.43 crore.

The data for April-July, 2004-05 shows that the trade with NEA countries was of the order of Rs.34,751.44 crore implying a growth of about 31.86 percent as compared to the corresponding period in 2003-04. However, the trade deficit has increased from Rs. 3260.12 crore during 2003-04 to Rs. 5153.02 crore.

Gems and jewellery, iron ore, plastic and linoleum products, cotton yarn, fabric made ups, finished leather and oil meals continued to be major items of export while major imports were electronic goods, machinery, organic chemicals, pearls precious and precious stones, iron & steel, transport equipment, professional instruments, electrical machinery and coal, coke, briquettes.

China replaced Japan as the largest trading partner in this region. Indian exports to China registered an increase of 42.23% during 2003-04 over 2002-03, while imports from China also registered an increase of 37.67%. Major items of Indian exports to China are iron ore, primary and semi-finished iron and steel, plastic and linoleum products, minerals and ores, processed minerals and drugs, pharmaceutical and fine chemicals. Major imports from China include electronic goods, organic chemicals, coal, coke, briquettes and medicinal and pharmaceuticals products. During the period April-July 2003-04, Indian exports to China registered a substantial growth of 65.80% as against 61.56% growth in imports from China. The trade with China is expected to cross US\$ 10 billion during 2004-05.

Following Prime Minister's visit to Beijing in June 2003 a Joint Study Group with China was constituted as per the declaration. The Joint Study Group (JSG) composed of officials and economists are required to examine the potential complementarities between the two countries in expanded trade and economic

co-operation and draw up a programme for the development of India-China trade and economic co-operation for the next five years, aimed at encouraging greater co-operation between the business communities of both sides. The first meeting of the JSG was held in Beijing March 22-23 2004 while the second meeting was held in New Delhi on July 26-28, 2004.

Indian exports to Japan registered a decline of 12.67 percent while imports from Japan increased to 36.62% during 2003-04 over 2002-03. Major export items to Japan were gems and jewellery, marine products, iron ore, cotton yarn fabrics, made ups and petroleum products while import items were machinery, electronic goods, transport equipment, professional instruments, iron and steel and organic chemicals. During April-July 2003-04, Indian exports to Japan registered a growth of 2.24%. However, imports from Japan grew by 12.06%. The slow growth in Indian exports to Japan is possibly associated with the prevailing economic situation in Japan.

Indian exports to Hong Kong during 2003-04 amounted to Rs. 14935.63 crore registering a growth of 18.09% imports from Hong Kong amounted to Rs. 6858.54 crore, an increase of 45.71%. It may be mentioned that in the NEA region highest exports from India are taking place to Hong Kong. Exports to Hong Kong account for about 5.12% of India's overall exports. During April-July 2004-05, Indian exports to Hong Kong registered a growth of 23.37%. However, Indian imports from Hong Kong registered a growth of 1.36% only. The major items of exports to Hong Kong are gems and jewellery, finished leather, petroleum products, cotton yarn fabrics made ups, electronic goods, plastic & linoleum products, paper/wool products, etc. The share of gems and jewellery in India's exports to Hong Kong is about 70%. The major items of imports from Hong Kong are pearls, precious, semi-precious stones, electronic goods, gold and silver.

Indian exports to the Republic of Korea during 2003-04 amounted to Rs. 3502.22 crore registering an increase of 12.22%. Imports from Korea during 2003-04 amounted to Rs. 11274.48 crore registering a growth of 53.06%. Major items of exports to Korea are cotton yarn, fabrics, made ups, primary and semi-finished iron & steel, oil meals, minerals and ores, petroleum products, dyes inter-mediate & coal tar

chemicals, drugs, pharmaceuticals and fine chemicals. Major items of imports from Korea are electronic goods, machinery, transport equipment and iron and steel. During April-July 2004-05, Indian exports to Republic of Korea were of the order of Rs.1429.31 crore registering a growth of 73.41%. Imports from Korea during April-July 2004-05 were of the order of Rs.4203.59 crore registering a growth of 39.29%. Imports of electronic goods from Korea account for about 39% of total imports from Korea.

## SOUTH EAST ASIA

India's trade with South East Asia region comprising the ASEAN countries (viz. Indonesia, Malaysia, Singapore, Thailand, Philippines, Brunei, Vietnam, Myanmar, Laos and Cambodia), Australia, New Zealand and countries of Oceania, during the year 2003-04, at US \$ 16552.81 million registered a growth of 40.33% over the previous year. Traditionally, India has an adverse balance of trade in the region. Major destinations for India's exports in the region are Singapore, Indonesia, Malaysia, Thailand, Australia and Vietnam Socialist Republic while the major sources of imports are Australia, Indonesia, Malaysia, Singapore, Thailand and Myanmar.

Our exports to this region, during the year 2003-04, grew by 24.34% over the pervious year, imports witnessed a growth of 53.03%:

(US\$ mn.)

Year	Exports	Imports	Total Trade	Balance of Trade
1993-94	1981.71	1950.00	3931.71	(+) 31.71
1994-95	2326.27	3059.50	5385.76	(-)733.23
1995-96	3177.77	3881.88	7059.65	(-)704.11
1996-97	3353.46	4492.58	7846.04	(-)1139.12
1997-98	2987.21	5177.91	8165.12	(-) 2190.70
1998-99	2090.35	5865.13	7955.48	(-)3774.78
1999-2000	2721.05	6281.73	9002.78	(-)3560.68
2000-01	3362.20	5210.49	8572.69	(-) 1848.31
2001-02	3945.86	5767.12	9712.98	(-) 1821.26
2002-03	5219.16	6565.61	11784.77	(-) 1346.45

2003-04	6494.35	10058.46	16552.81	(-) 3564.11
2002-03 (Apr-Aug)	2004.65	3435.65	5440.30	(-) 1431.00
2004-05 (Apr-Aug)	3232.98	4603.25	7836.23	(-) 1370.27

(Source: DGCI&S)

## MAJOR COMMODITIES OF EXPORT & IMPORT

The principal commodities of export include oil meals, gem & jewellery, electronic goods, cotton/fabrics, made-ups, aluminum other than products, machinery and instruments, primary and semi-finished iron & steel, marine products, drugs and pharmaceuticals, meat / meat products, inorganic / organic/ agro chemicals, etc.

The major commodities imported from this region are coal/coke/briquettes, vegetable oils, electronic goods, artificial resins and plastic metal, organic chemicals, machinery except electrical machinery, wood and wood products, non-ferrous metals, metalifers, ores and metal scrap, raw wool, pulses, etc.

## TRADE PROMOTION ACTIVITIES

India has Joint Trade Committees with New Zealand, Myanmar and Thailand besides, Joint Working Groups on Trade with the Philippines. A Joint Working Group on Energy and Minerals and also Joint Business Group on Textiles & Natural Fibers with Australia. In addition, there is Joint Commission with Australia in which trade matters are taken up.

India has established Joint Business Councils with Singapore, New Zealand, Australia, Malaysia, Indonesia, Thailand, Vietnam and Philippines. The meetings of the Council take place at frequent intervals in respective country wherein a wide range of issues of mutual interest are discussed to expand trade. Such meetings also provide good fora for businessmen to explore the potential for growth in bilateral trade and investment.

## INDIA'S TRADE WITH COUNTRIES IN THE WEST ASIA & NORTH AFRICA (WANA) REGION

West Asia and North Africa (WANA) region comprising 19 countries, viz, ( Algeria Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon,

Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates & Yemen ) accounted for 16% of India's global exports in 2004-05.

The major exports comprise gems & jewellery, textiles and readymade garments, machinery & instruments, manufactures of metals, basmati rice, plastics and linoleum products, drugs, pharmaceuticals & chemicals, primary and semi-finished Iron & steel, while the major imports consist of petroleum (crude and products), inorganic chemicals, pearls and precious/semi-precious stones, gold, metalliferous ores and metal scrap, fertilizers and non-ferrous metals.

### Trade with countries in the WANA region during April- November 2004

The following table indicates the status of India's trade with countries in the WANA region during April-November 2004:

(Rs. crore)

	Export	Non-oil Import	Trade Balance
April- November '03	27,485.38 (US\$ 5941.43 m)	12,746.55 (US\$ 2755.39 m)	14,738.82 (US\$ 3186.05 m)
April- November'0 4	37, 887.39 (US\$ 8325.20 m)	23, 828.75 (US \$ 5236.02 m)	14, 058.63 (US\$ 3089.18 m)
% growth in Rs.	37.9	86.9	- 4.6
% growth in US \$	40.1	90.0	- 3.0

Source: DGCI&S

During April-November'04, exports to WANA countries registered a growth of 37.9 % in Rupee terms ( 40.1 % in dollar terms), reaching a figure of Rs. 27,485.38 crore (US \$ 5941.43 million). Non-oil imports registered a growth of 86.9% in Rupee terms (90% in Dollar terms) and amounted to Rs. 12,746.55 crore (US \$ 2755.39 million).

### Recent developments/initiatives in trade and economic cooperation with countries in the WANA region

- i) **Signing of a Framework Agreement on Economic Cooperation with the Gulf Cooperation Council (GCC) on 25th August, 2004.**

The Agreement was signed by the Minister of Commerce and Industry, the Foreign Minister of Kuwait, in his capacity of President of GCC and Secretary-General of GCC. Following up on this Agreement, research institutions have been entrusted with conducting studies on various aspects of the Framework Agreement on Economic Cooperation (FAC). Discussions were held with a GCC delegation in New Delhi on the 19th November, 2004, in which both sides *inter alia* agreed to continue the process of dialogue in the context of the provisions of the Agreement.

- ii) **Announcement of a Joint Study Group with Israel**

A Joint Study Group to examine the potential/ modalities to sign an Economic Partnership Agreement between India and Israel has been announced following discussions between Indian Commerce and Industry Minister and the Israeli Vice Prime Minister and Minister of Industry, Trade, Labour and Communications in New Delhi. on the 8th December 2004. Commerce Secretary would co-chair the Study Group from the India side.

- iii) **Meeting of India-Morocco Joint Business Council**

A meeting of the India-Morocco Joint Business Council was held in New Delhi on the 7th December 2004. Both sides decided to strengthen economic and industrial cooperation for mutual advantage.

- iv) **Meeting of India-Egypt Joint Business Group**

A meeting of the India-Egypt Joint Business Group was held on the 8th December 2004 in New Delhi. During the meeting, priority areas for bilateral cooperation were identified. It was decided to set up a Joint Task Force for cooperation to facilitate increased trade, investments, joint projects and third country projects.



The Framework Agreement on Economic Cooperation between India and Gulf Cooperation Council (GCC) is being signed by the Union Minister for Commerce & Industry Shri Kamal Nath and by the Foreign Minister of Kuwait, Sheikh (Dr.) Mohammed Al-Salem Al-Sabah, on behalf of GCC, in New Delhi on August 25, 2004.

## TRADE WITH WANA Countries

(US\$ mn)

S. No.	Country	EXPORT 2002-03	EXPORT 2003-04	% Growth	IMPORT 2002-03	IMPORT 2003-04	% Growth
1.	UAE	3,327.48	5,079.98	52.67	956.99	2,059.70	115.23
2.	SAUDI ARABIA	940.74	1,119.96	19.05	504.72	737.21	46.06
3.	IRAN	654.73	917.59	40.15	258.30	272.97	5.68
4.	ISRAEL	634.54	722.74	13.90	602.68	669.76	11.13
5.	EGYPT	298.24	365.44	22.53	226.57	98.21	-56.66
6.	KUWAIT	250.56	317.61	26.76	179.50	142.48	-20.62
7.	IRAQ	198.61	259.35	30.59	0.03	0.14	421.48
8.	OMAN	163.75	216.50	32.22	13.84	50.88	267.72
9.	YEMEN	121.23	200.46	65.36	42.24	29.72	-29.64
10.	MOROCCO	101.81	150.43	47.76	199.65	255.61	28.03
11.	SYRIA	96.10	128.39	33.59	8.84	4.65	-47.40
12.	SUDAN	66.78	121.19	81.48	24.49	31.22	27.45
13.	JORDAN	99.54	114.50	15.03	224.45	230.27	2.60
14.	BAHARAIN	105.18	105.83	0.62	121.13	74.50	-38.50
15.	QATAR	127.11	87.14	-31.45	113.07	187.05	65.43
16.	ALGERIA	214.88	74.94	-65.13	1.11	4.46	303.66
17.	TUNISIA	58.94	67.96	15.30	93.50	64.71	-30.79
18.	LEBANON	50.89	58.87	15.68	13.04	7.68	-41.14
19.	LIBYA	17.64	18.73	6.18	2.94	10.38	253.03
	<b>Total</b>	<b>7,528.76</b>	<b>10,127.61</b>	<b>34.52</b>	<b>3,587.09</b>	<b>4,931.58</b>	<b>37.48</b>

Source : DGCI&S

(Rs. crore)

### TRADE BETWEEN INDIA AND SUB-SAHARAN AFRICAN COUNTRIES

India's trade with Sub-Saharan Africa (SSA) has been increasing on the strength of various initiatives taken by the Government and the private sector.

India's Trade with SSA during the last three years is as follows:

Year	Exports	Imports	Total Trade	Balance of Trade
2000-2001	8229.88	7325.71	15555.59	904.17
2001-2002	10306.38	10075.31	20381.69	231.08
2002-2003	11894.74	13982.88	25877.62	-2088.14
2003-2004	13960.68	12555.38	26516.06	1405.31
2003-04 (Apr-Aug)	5126.10	6188.24	11314.34	-1062.14
2004-05 (Apr-Aug)	6122.05	5038.06	11160.11	1083.993

(Source: DGCI & S)

During 2004-05 (Apr-Aug.) exports were Rs 6122.05 crore as against Rs 5126.10 crore in the corresponding period of 2003-04 thereby registering a growth of 19.43%.

India's imports from the region have decreased by 10.21 % from Rs 13982.88 crore in 2002-03 to Rs 12555.38 crore in 2003-04. During 2004-05 (Apr-Aug) imports stood at Rs 5038.06 crore as against Rs 6188.24 crore in the corresponding period of 2003-04 thereby registering a decline of 18.59 %.

### India-South Africa Commercial Alliance (ISACA) Meeting

The 4th Board Meeting of India-South Africa Commercial Alliance (ISACA) to review the progress of bilateral trade was held in Pretoria on 25th Oct. 2004 under the co-chairmanship of Commerce Secretary and Director General, Department of Trade & Industry, South Africa.

### Conference of Commercial Representatives/ Heads of Missions

In order to review the progress of the bilateral trade and identify bottlenecks in the sub-Saharan Africa region and also to ascertain measures to improve the same, Commerce Secretary chaired a Conference of Heads of Missions/ Commercial Representatives for Southern Region in Durban, South Africa on 26th October, 2004.

### Preferential Trade Agreement (PTA)/Free Trade Agreement (FTA)

A Preferential Trading Arrangement (PTA) between India and Southern Africa Customs Union (SACU) of which South Africa is a member, is under negotiation. A Joint Working Group (JWG) consisting of representatives from both the sides has been formed to work out the modalities of the agreement. A Framework Agreement is planned for signature which will be similar to the one signed with MERCOSUR (Brazil, Argentina, Uruguay, Paraguay) in June 2003. A round of negotiations to finalise the text of the Framework Agreement was held in Namibia from 5-7 September 2004.

A proposal for Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with Mauritius is also under consideration. A Joint Study Group has been constituted to study the

modalities of the CECPA. The fourth meeting to discuss the draft report of the India-Mauritius Joint Study Group (JSG) was held in Mauritius from 6-7, September 2004. followed by fifth meeting held in New Delhi on 5-6 Nov. 2004.

### Focus Africa Programme

The "Focus: Africa" Programme, initially started with seven countries is now continuing into third year, for increasing bilateral trade and investment is now focusing on entire continent of Africa. A number of export promotion activities were conducted by various Export Promotion Councils and Apex Chambers at a total cost of about Rs 1.3 crore. An MDA grant of Rs 4.24 crore has been approved during 2004-05 for export promotion activities to be undertaken through various Export Promotion Councils and Apex Chambers.

### INDIA-EUROPE TRADE

European countries account for a quarter of India's total trade. Bilateral trade between India and Europe during the last five years and during the first five months of 2004-05 has been as under:

(US\$ mn)

Year	Exports from India	Imports by India	Total Trade	Balance of Trade
1999-2000	10196.89	13892.24	24089.13	(-) 3695.35
2000-01	11406.83	13762.98	25169.81	(-) 2356.15
2001-02	10842.16	13635.26	24477.42	(-) 2793.10
2002-03	12739.42	15340.50	28079.92	(-) 2601.08
2003-04	15563.53	18529.08	34092.61	(-) 2965.55
2004-05	7227.66	8578.54	15806.20	(-) 1350.88
(Apr.-Aug.)	5639.12 *	7211.22 *	12850.34*	(-)1572.10 *

\* are the figures for the corresponding period of 2003-04

During 2003-04, bilateral trade showed an increase of 21%. While India's exports showed a growth of 22%, its imports showed a growth of 21%. The top five items of India's export to Europe are cotton, ready made garments including accessories, gems & jewellery, cotton yarn/fabrics/made-ups, machinery & instruments and drugs/pharmaceuticals/fine chemicals while the the top five items of India's import from Europe are pearls/ precious/semi-precious stones, gold, machinery, electronic goods and organic chemicals.

## INDIA'S TRADE RELATIONS WITH EUROPEAN UNION COUNTRIES

The European Union (EU) presently consists of 25 countries. Fifteen countries, viz. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and UK were members of EU prior to 1st May 2004. Ten more countries viz. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia have joined the EU w.e.f. 1st May 2004.

The group of erstwhile "Rupee Payment Area (RPA) countries, viz., Poland, Czech Republic, Slovenia, Bulgaria, Hungary, Romania, Slovak Republic, Croatia, Macedonia, Albania, Bosnia & Herzegovina and Serbia & Montenegro (formerly Federal Republic of Yugoslavia) and the Baltic States of Lithuania, Latvia and Estonia has undergone major changes with eight countries joining the European Union on 1st May 2004. By 2007, the Union is set to further enlarge with the joining of some more countries, viz. Bulgaria, Romania and Croatia.

With nearly 450 million citizens with high purchasing power and a common currency (Euro) in most of the earlier EU countries, it is the largest potential market for India. With more than 14 percent exports from India the European Union is India's largest trading partner accounting for about 21% of our global trade. However, India's share in EU's global imports is around 1% and India ranks 20th as EU's trading partner.

India and the EU countries have enjoyed healthy economic relations both individually and collectively. These relations are built on the foundations of (i) India-EU Cooperation Agreement on Partnership and Development which came in to effect in August, 1994; (ii) India-EC Joint Commission. India also has bilateral framework Agreement with some individual EU countries in areas such as trade, investment, taxation, textiles, civil aviation, tourism, science and technology, agriculture, etc. India has agreements for investment promotion/protection with 22 countries of Europe, including 16 countries of EU. Similarly, agreements for avoidance of double taxation exist with 24 countries of Europe, including 19 countries in EU. After the enlargement of European Union on 1st May 2004, steps have been initiated to renegotiate

economic cooperation agreements with the newly acceded countries. There are other cooperation programmes such as Indo-German Export Promotion Programme, Indo-British Partnership Initiative, India-EU Economic Cross-Cultural Programme and India-EU Trade & Investment Development Programme. These agreements/fora provide a permanent platform for constant review of bilateral economic and commercial relations.

A business round table of CEOs from India and Europe was held in the 5th India-EU Summit held in the Hague (Netherlands) on 8th November 2004. The Prime Minister of India addressed the Round Table.

The focus of bilateral relations with EU has shifted to a higher plane. In addition to the traditional sectors of textiles, leather, gems & jewellery, etc., the current focus includes sunrise sectors of pharmaceuticals, processed food, information technology and services sector. Sectoral cooperation in science & technology, biotechnology, space, information technology & communication, etc., also finds a firm place in bilateral economic partnership.

The apex forum for bilateral India-EU economic interaction is the India-EC Joint Commission, which had its last meeting in Brussels in September 2004. This Joint Commission has three Sub-Commissions on trade & commercial cooperation, economic cooperation and development cooperation. Besides there are Joint Working Groups on agriculture/marine products, textiles, information technology & communications, consular matters, environment and steel.

In addition to the India-EU aforesaid institutional framework, bilateral arrangements in the form of Joint Commissions/Committees are in place with many countries of Europe for undertaking periodical review of bilateral trade and economic relations at regular intervals.

Pursuant to the India-UK Joint Declaration made at London by the Prime Ministers of India and UK on 20th September 2004, a bilateral India-UK Joint Economic & Trade Committee (JETCO) is being set up under the Co-chairmanship of Indian Minister of Commerce & Industry and his British counterpart. The Committee is expected to further develop a strategic economic relationship and to develop

business-led vehicles to enhance bilateral trade and investment. Agreement for the JETCO would be formally signed by the Ministers during the first meeting of JETCO to be held in New Delhi on 13th January 2005.

Notwithstanding the cooperation framework existing with the countries of European Union, health/sanitary & phyto sanitary standards, complex system of quota/tariff, packaging & labelling requirements, preferential trading arrangements, use of anti-dumping/anti-subsidy investigations against Indian products/goods, etc., have a bearing upon India's trade with EU. The Indian products affected are textiles, marine products, meat, milk/egg, gherkin, floriculture, mushroom, sugar, rice, whisky, etc. These issues are constantly taken up with the EU and its member States. The Indian trade and industry also needs to meet the quality and standard requirements of the European trading community.

India maintain a continuous dialogue with the EU and member countries at Government and industry level to address different aspects of economic relations. Market Access issues are regularly monitored and taken up with the European Union and EU member countries in order to ensure that such standards do not become market access barriers for India's exports to EU countries.

### INDO-LATIN AMERICAN TRADE

The Latin American and Caribbean (LAC) region comprising 43 countries, accounts for about 5% of world trade. India is not a significant trading partner for countries of this region. Though there is much scope for enhancing two way trade between India and the LAC region, the volume of our trade is low. The share of our exports to the region is minuscule. However, there is a trend and potential for growth. In recent years, our exports have been showing a continuously rising trend as reflected by the following data:

(US\$ million)

YEAR	EXPORT VALUES	EXPORT GROWTH (%)	IMPORT VALUES	IMPORT GROWTH (%)	TOTAL TRADE	BALANCE TRADE
1994-95	358.43	48.40	780.17	144.45	1138.60	-421.74
1995-96	368.07	30.59	592.37	-24.07	960.44	-224.30
1996-97	478.74	30.06	593.71	0.23	1072.45	-114.97
1997-98	699.83	46.18	580.42	-2.24	1280.25	119.41
1998-99	611.31	-12.64	730.69	25.89	1342.00	-119.38
99-2000	652.46	6.73	936.74	28.19	1589.20	-284.28
2000-01	978.42	50.47	707.71	-22.71	1705.80	257.78
2001-02	1455.71	48.78	988.73	39.70	2455.44	465.98
2002-03	1636.36	12.40	1044.92	5.68	2681.28	591.44
2003-04	1777.13	8.60	1194.13	14.28	2971.26	583.00

The total Indian trade with the Latin American and Caribbean region rose from US\$ 1138.60 million in 1994-95 to US\$ 2971.26 million in 2003-04, registering an increase of more than 160% in a decade. India's exports to the region have gone up from US\$ 358.43 million in 1994-95 to US\$ 1777.13 million in 2003-04, registering an increase of 395.8%.

### FOCUS: LAC PROGRAMME

Considering the potential that the region offers, an integrated programme "Focus:LAC" was launched in November, 1997 by the Department of Commerce. This programme is aimed at sensitizing the organisations viz. Export Promotion Councils,

Chambers of Commerce & Industry, CII, Exim Bank, ECGC, etc. involved in trade promotion efforts. Various incentives and export promotion measures have been designed and incorporated in this programme, viz. double weight for the purpose of recognition as Export / Trade Houses and enhanced support under the Market Development Assistance (MDA) scheme for participation in fairs/exhibitions, buyer – seller meets, etc. by way of reimbursement of travel expenses & stall charges etc. to the exporters. A scheme for giving awards to the best performers in exports to the LAC region has also been drawn up. The programme has been extended upto March 2005 in order to consolidate the gains of the previous years and significantly enhance India's trade with the Latin American region. The main objective of the programme is to increase interaction between the two regions by identifying potential areas of bilateral trade and investments.

### MAJOR TRADING PARTNERS

Mexico, Brazil, Argentina, Chile, Peru, Venezuela, Colombia, Trinidad & Tobago and Panama are India's major trading partners, constituting 88% of the total trade with the LAC region. The FOCUS: LAC programme aims at focussing on the Latin American region, with added emphasis on the 9 major trading partners of the region.

### MAJOR ITEMS OF EXPORTS & IMPORTS

The important items of export to this region are textiles and ready made garments, engineering goods such as bicycles and components thereof, mopeds, diesel engines, automotive components, hand tools, etc., chemical and allied items like fine chemicals, dyes and dye intermediates, tyres and tubes, rubber gloves, etc. Besides, India also exports handicrafts items, sports goods, electronic items, jute, shellac, tea and spices to the LAC region.

India's major imports from the region are iron and steel and their products, non-ferrous metals, crude minerals, chemicals, PVC, pulp & paper waste, raw wool, etc.

### EXTREME FOCUS PRODUCT GROUPS

Three products groups viz. textiles, engineering products and chemical products constitute nearly 80% of India's exports to the region. In the textiles sector, readymade garments, made-ups, fabrics, yarn, carpets, handicrafts, etc. are fast moving

export items. In the engineering sector, automobiles, auto components, electrical appliances, machinery, computer software, etc. have good scope for exports, Bulk drugs, pharmaceuticals, dyes and intermediates, agrochemicals, plastic products, naphtha, resins, essentials oils, molasses and tyres for automobiles and bicycles are important items in the chemical products sector.

The FOCUS: LAC programme aims to focus on the following major product groups for enhancing India's exports to the Latin American region:

- (i) Textiles including ready-made garments, carpets & handicrafts;
- (ii) Engineering products including computer software;
- (iii) Chemical products including drugs and pharmaceuticals.

### TRADE ANALYSIS

The National Centre for Trade Information (NCTI) has updated a study on 11 Latin American Countries (Argentina, Brazil, Chile, Bolivia, Colombia, Mexico, Peru, Uruguay, Paraguay, Venezuela, Trinidad & Tobago) and analyzed the trade data of 17 more Latin American Countries. NCTI has posted this information on its website for information of exporters, Councils and trade bodies for planning export strategies for Latin American countries. NCTI has also carried out a trade study on a PTA with MERCOSUR countries (Argentina, Brazil, Uruguay & Paraguay), Chile, Colombia and Venezuela.

### INSTITUTIONAL MECHANISM

The following institutional arrangements already exist in relation to the countries of the Latin American region:

- (i) Indo-Argentine Joint Commission
- (ii) Indo-Argentine Joint Trade Committee
- (iii) Indo-Mexican Joint Commission
- (iv) Indo-Brazilian Commercial Council
- (v) Indo-Cuban Joint Commission
- (vi) Indo-Cuban Trade revival Committee
- (vii) Indo-Suriname Joint Commission
- (viii) Indo-Guyana Joint Commission

In order to have increased frequency of interaction with important trading partners in the LAC region, efforts are made to hold the meetings of the Joint Commissions on a regular basis.

### COMMERCIAL STAFF IN THE INDIAN MISSIONS

To provide an impetus to our exports in the LAC region, the Department of Commerce has provided posts of Marketing Assistants in 9 Latin American countries viz. Argentina, Brazil, Chile, Colombia, Peru, Panama, Trinidad & Tobago, Uruguay and Venezuela.

### ECGC COVER

Most of the Latin American countries are placed in the lower category for the grant of ECGC cover. Because of the lower grading, exporters have to pay a higher premium for getting commercial cover. The grading is to be reviewed periodically so that the economic situation of the countries gets reflected in the grading of ECGC.

### LINES OF CREDIT

Lines of Credit enable the Indian exporters, including small and medium enterprises (SMEs), to export a variety of products (industrial manufactures, consumer durables and capital and engineering goods) to importers in these countries without any repayment risk. While 10 % of the contract value is paid as advance by the importers, the balance 90 % of the contract value is disbursed by the Exim Bank to the Indian exporters on behalf of the overseas importers on shipment of goods. The recovery of credit extended to the overseas buyer is taken care of by the Exim Bank without recourse to the Indian exporter. Exim Bank has extended six lines of credit of US \$ 10 million each to the following banks in the LAC region:

- i) Banco Bradesco SA, Brazil

- ii) Corporacion Andean de Fomento (CAF- Andean Development Coporation) for Bolivia, Colombia, Ecuador, Peru and Venezuela
- iii) Banco Industrial de Venezuela (BIV)
- iv) Banco Nacional De Comercio Exterior, S.N.C. (Bancomext), Mexico
- v) Bancoldex, Colombia
- vi) Central American Bank for Economic Integration (CABEI) for Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The Exim Bank is to continue to explore the possibilities of extending further lines of credit to selected commercial banks in Latin American countries.

### SPONSORING OF TRADE DELEGATOIONS

Separate delegations are being mounted by CII, FICCI, and the Export Promotion Councils (EPCs) to countries in Latin America for promotion of trade in the region.

### ORGANISING SEMINARS/CONFERENCES

Seminars/Conferences are being organised by CII/FICCI to sensitise the trade about the opportunities available in the LAC region. Sector / Product Specific seminars would also be organised by the EPCs in different cities for the benefit of the local exporters.

### PARTICIPATION IN TRADE FAIRS/ EXHIBITIONS

Vigorous efforts are being made to ensure participation by EPCs, etc. in trade fairs to be held in Latin American countries since trade fairs act as an important tool for trade promotion.

### TRADE FIGURES OF EXPORTS & IMPORTS FOR 2004-05 (Apr-Aug)

( US\$ million)

YEAR	EXPORT VALUES	EXPORT GROWTH (%)	IMPORT VALUES	IMPORT GROWTH (%)	TOTAL TRADE	BALANCE TRADE
2003-04	425.55	-	548.42	-	973.97	(-) 122.87
2004-05	854.55	100.81	628.69	14.64	1483.24	225.86

## NORTH AMERICA FREE TRADE AGREEMENT (NAFTA)

The North America Free Trade Agreement (NAFTA) was signed in 1994. It is a free trade area among the United States of America, Canada and Mexico. This is the largest and most important trading bloc of the world. Imports into NAFTA are about 25% of the world's total imports while its exports constitute about 19% of the world's total exports. The intra-regional trade between the three partner countries is around US\$ 767 billion. This trade bloc has special significance for India. USA is not only the biggest trading partner of India but also plays a major role in the diversification and creation of trade within the NAFTA region.

### India-USA Bilateral Trade

The USA is India's largest trading partner and foremost export destination. At present it accounts for 18.06% of India's exports and around 6.31% of India's imports. India accounts for only about 1% of USA's total exports and imports. India's exports and imports to/from the USA have been as under:

(US\$ million)

Year	Exports	Growth (%)	Import	Growth (%)	Balance of Trade
1997-98	6735.40		3714.18		(+)3021.22
1998-99	7199.64	6.89	3640.25	(-) 1.99	(+)3559.34
1999-00	8395.61	16.61	3560.22	(-)2.20	(+)4835.39
2000-01	9305.12	10.83	3015.00	(-)15.31	(+)6290.12
2001-02	8513.34	(-) 8.50	3149.62	(+) 4.46	(+)5363.73
2002-03	10895.76	27.98	4443.58	(+)41.08	(+)6452.18
2003-04	11459.97	5.18	4862.62	(+)9.43	(+)6597.35
April-July 2003	3329.58	-	1428.17	-	1901.41
April-July 2004	4129.15	24.01	1720.52	20.47	2408.63

(Source: DGCI&S)

### Current Trend in India-US Bilateral Trade

#### EXPORTS

During the period April-July, 2004, India's exports to the USA at US \$ 4129.15 million, registered a positive growth

of 24.01% from the corresponding period of the previous year, when exports were US \$ 3329.58 million. The share of India's exports to the USA out of India's global exports has been recorded at 17.43% during this period, which was 18.83% during the corresponding period of the previous year. The major items of export to the USA during this period, are as below:

i) Gems & Jewellery	US \$ 1220.21 million	(29.55%)
ii) RMG cotton incl. accessories	US \$ 443.63 million	(10.74%)
iii) Prmry & Semi-Fnshd Iron & Stl	US \$ 220.78 million	(5.35%)
iv) Manufactures of Metals	US \$ 218.53 million	(5.29%)
v) Drugs, Pharmctes & Fine Chemls	US \$ 190.72 million	(4.62%)

#### IMPORTS

India's imports from the USA during the period April-July, 2004, has been recorded at US \$ 1720.52 million showing an increase of 20.47% over the import in the corresponding period of the previous year when it was recorded at US \$ 1428.17 million. During this period, the share of India's imports has been recorded as 5.56%, which was 6.25% during the corresponding period of the last year. The major items of imports from the USA during this period, are as below:

i) Electronic Goods	US \$ 381.56 million	(22.18%)
ii) Machry. except elec & electronic	US \$ 219.23 million	(12.74%)
iii) Other Commodities	US \$ 182.06 million	(10.58%)
iv) Organic Chemicals	US \$ 97.73 million	(5.68%)
v) Profsnl. Inst. Etc., except electronic	US \$ 92.49 million	(5.38%)

#### Balance of Trade

During the period April-July, 2004, the balance of trade has remained in favour of India at US \$ 1720.52 million. In the corresponding period of last year it was US \$ 1428.17 million.

#### Prospects in Trade for the Region

Considering the size of the USA's import market, there is immense scope for expanding our export base by concentrating on quality, price and meeting

delivery schedules. In light of China's performance in the US market, it is felt that it should be possible for India to raise its market share from 1% to 2% in the US market in the next five years or so with right medium term strategy.

### Special Commodity Thrust

The existing export basket contains a variety of items, which may be widened and consolidated. These include gems & jewellery, cotton yarn, fabrics, made-ups, readymade garments of cotton including accessories, handicrafts, manufactures of metals etc.

### India-Canada Bilateral Trade

Indo-Canadian bilateral trade has increased from US\$ 848.73 million in 1997-98 to US\$ 1350.47 million in 2003-2004, registering 59.11 % increase within a period of five years. Our exports have increased by 77% and the imports by about 40% during this period. The balance of trade has remained in favour of India for the last five years. As per DGCI&S, the pattern of trade during the last five years has been as follows:

(US\$ Million)

Year	Exports	Growth (%)	Import	Growth (%)	Balance of Trade
1997-1998	427.82		420.91		6.91
1998-1999	473.01	10.56	385.57	(-) 8.40	87.44
1999-00	578.27	22.25	380.51	(-) 1.31	197.77
2000-01	656.47	13.52	397.07	4.35	259.40
2001-02	584.42	(-) 10.97	529.43	33.28	55.38
2002-03	698.27	19.40	566.29	6.96	131.98
2003-04	759.74	8.80	590.73	4.32	169.01
Apr-Jul, 2003	228.34	-	177.82	-	50.52
Apr-Jul, 2004	256.38	12.28	160.51	(-) 9.73	95.87

(Source: DGCI&S, Kolkata)

### EXPORTS

During the period April-July, 2004, India's exports to Canada at US \$ 256.38 million registered a positive growth of 12.28% over the corresponding period of the previous year when exports were US \$ 228.34

million. The share of India's export to Canada out of India's global exports during this period has been recorded at 1.08%, which was 1.29% during the corresponding period of the previous year. The major commodities of exports to Canada during this period, were as below:

i) RMG Cotton incl accessories	US \$ 65.81 million	(25.67%)
ii) Drugs, phrmcutes & fine chemls	US \$ 29.00 million	(11.31%)
iv) Manufactures of metals	US \$ 18.83 million	(7.35%)
iii) Cotton yarn, fabrics, madeupsetc	US \$ 17.17 million	(6.71%)
v) Marine Products	US \$ 12.48 million	(4.87%)

### IMPORTS

During the period April-July, 2004, India's imports from Canada recorded at US \$ 160.51 million declined by 9.73% over the imports during the corresponding period of the previous year when it had been recorded at US \$ 177.82 million. The share of India's import from Canada out of India's global imports has been recorded as 0.52% during this period, which was 0.78% during the corresponding period of the previous year. The major commodities of imports from Canada during this period, are as below:

i) Newsprint	US \$ 28.30 million	(17.63%)
ii) Pulp and waste paper	US \$ 21.92 million	(13.66%)
iii) Machry Except Elec & Electronic	US \$ 20.14 million	(12.55%)
iv) Pulses	US \$ 15.25 million	(9.50%)
v) Fertilizers Manufactured	US \$ 12.59 million	(7.84%)

### Balance of Trade

During the period April-July, 2004, the balance of trade has been in favour of India at US \$ 95.87 million. In the corresponding period of the last year it was US\$ 50.52 million.

### India-Mexico Bilateral Trade

As in the case of other Latin American countries

growth in trade between Mexico and India has been inhibited by such factors as distance, difference of language, hold of multinationals in the neighbourhood, etc.

In spite of constraints, India's trade has grown consistently at a good pace over the years. Indo-Mexican trade during the last five years has been as under:

(US\$ million)

Year	Export	Export Growth (%)	Import	Import Growth (%)	Balance of Trade
1997-1998	111.08		79.49		31.58
1998-1999	130.20	17.22	92.02	15.76	38.18
1999-2000	140.89	8.20	96.49	4.85	44.40
2000-2001	208.51	48.00	53.83	(-) 44.21	154.69
2001-2002	237.45	13.87	62.24	15.62	175.21
2002-2003	261.55	10.15	65.52	5.28	196.18
2003-2004	261.91	0.14	73.85	12.72	188.06
Apr-Jul, 2003	71.56	-	28.85	-	42.71
Apr-Jul, 2004	109.83	53.49	21.82	(-) 24.37	88.01

(Source: DGCI&S)

## EXPORTS

During the period April-July, 2004, India's exports to Mexico at US \$ 52.31 million registered a positive growth of 51.96% over the corresponding period of the previous year when the exports were US \$ 34.42 million. The share of India's exports to Mexico out of India's total exports during this period has been recorded at 0.45% which was 0.40% during the corresponding period of the previous year. The major commodities of exports to Mexico during this period, were as below:

i) Drugs, Phrmcutes & Fine Chemls	US \$ 26.30 million	(23.95%)
ii) Transport equipments	US \$ 24.66 million	(22.45%)
iii) RMG Cotton incl accessories	US \$ 10.36 million	(9.44%)
iv) Inorganic/organic/ agro chemls	US \$ 4.64 million	(4.23%)
v) Manufactures of metals	US \$ 4.63 million	(4.21%)

## IMPORTS

During the period April-July, 2004, India's imports from

Mexico were recorded at US \$ 21.82 million showing a negative growth of 24.37% over the imports in the corresponding period of the previous year when they had been recorded at US \$ 28.85 million. During this period, the share of India's imports from Mexico out of India's total imports has been recorded as 0.07% which was 0.13% during the corresponding period of last year. The major commodities of imports from Mexico during this period, were as below:

i) Medicinal & Pharmaceutical Product	US \$ 6.17 million	(28.30%)
ii) Electronic Goods	US \$ 5.21 million	(23.90%)
iii) Organic Chemicals	US \$ 2.30 million	(10.55%)
iv) Iron & Steel	US \$ 1.70 million	(7.77%)
v) Metalifers ores & Metal Scrap	US \$ 1.61 million	(7.39%)

## BALANCE OF TRADE

During April-July, 2004 the balance of trade has been in favour of India at US\$ 88.01 million. In the corresponding period of the last year it was US\$ 42.71 million.

## Measures undertaken for export promotion to NAFTA

Dissemination of trade related information with

respect to the NAFTA partners is coordinated with the apex chambers of commerce and EPCs. Emphasis is laid on the identified important sectors for expansion and consolidation of our trade. The analyzed trade data of NAFTA countries is regularly passed on to the apex chambers of commerce and EPCs for disseminating it among their member exporters. The member exporters are provided all assistance for promoting exports, participation in fairs/exhibitions, identification of export products and potential market areas for exports, details of reputed buyers etc. The difficulties faced by the exporters in NAFTA countries are regularly taken up with the concerned authorities in these countries and the issues are resolved through correspondence, Video Conferences and Meetings. The various legislation/ steps taken by these countries and the possible impact of these measures on Indian exports are analyzed. Remedial action is taken in consultation with other Ministries/Departments and our Missions abroad.

### **SOUTH ASIA & S.A.A.R.C.**

The South Asia region comprises India, Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka.

With the exception of Afghanistan, these countries including India have organized themselves as members of the South Asian Association for Regional Cooperation (SAARC).

During April-July in 2004-2005, our total trade with the SAARC member countries amounted to Rs. 6894.96 crore against Rs. 6281.70 crore in the same period during the previous year, i.e. increase of 9.76%. While Indian exports to these countries touched Rs. 5903.67 crore in April-July in 2004-2005 as compared to Rs.5485.26 crore in the same period last year, i.e. increase of 7.63%, our imports from these countries were to the tune of Rs. 991.29 crore in April-July in 2004-2005 as compared to Rs. 796.44 crore during the same period in the previous year, showing an increase of 24.47%.

### **AFGHANISTAN**

A Preferential Trade Agreement has been signed between India and Afghanistan on March 6, 2003 in New Delhi which provides for, among others, establishing a Preferential Trading Arrangement

between the two countries to promote harmonious development of the economic relations and free movement of goods through reduction of tariffs between the two countries.

Main items exported to Afghanistan include cotton yarn, fabrics, made-ups, miscellaneous processed items, electronic goods, dairy products, paints/enamels/varnishes, residual chemicals and allied products, readymade garments, cotton including accessories, etc. and imports from Afghanistan are spices, other texturised yarn, fabrics, made-up articles, etc.

Bilateral trade between India and Afghanistan during 2002-2003, 2003-2004 and April-September 2003 and April-September 2004 has been:

**( Rs. crore)**

	<b>2002-03</b>	<b>2003-04</b>	<b>2003-04 (April-Sept)</b>	<b>2004-05 (April-Sept)</b>
Exports	294.09	666.29	226.18	331.93
Imports	89.32	186.16	75.44	80.33

### **BANGLADESH**

A bilateral trade agreement was signed between India and Bangladesh on 4.10.80 for a period of three years with provision for extension of three years by mutual consent subject to such modifications as agreed upon. Its validity has been extended from time to time and at present it is valid. This Agreement provides for expansion of trade and economic cooperation, making mutually beneficial arrangement for the use of waterways, railways and roadways, passage of goods between two places in one country through the territory of the other, exchange of business and trade delegations and consultation to review the working of the Agreement at least once a year.

The bilateral trade is carried out within the framework provided by the India-Bangladesh Trade Agreement, with mutually Most Favoured Nation (MFN) Treatment accorded to each other. It provides for periodical review by the two Governments to monitor the implementation of the understandings agreed upon in the Agreement. The Second meeting of Joint Working Group was held in New Delhi on 23-24 March, 2004. During these discussions, para-tariff and Non-Tariff Barriers issues were discussed.

Commerce Minister of Bangladesh visited New Delhi

on 17th November, 2004 and discussed various issues for further strengthening economic and commercial cooperation between India and Bangladesh.

During April-Sept., 2004-05, exports to Bangladesh amounted to Rs. 3102.20 crore as compared to Rs. 3634.05 crore during April-Sept. 2003-04. Imports from Bangladesh amounted to Rs. 89.79 crore during April-Sept., 2004-2005 as compared to Rs. 198.49 crore in the same period in the previous year.

Major items of export to Bangladesh are rice (other than basmati), wheat, sugar, cotton yarn, fabrics, made ups, manufactures of metals, machinery and instruments, transport equipment, oil meals, primary and semi-finished iron and steel, fresh vegetables, coal, drugs, pharmaceuticals and fine chemicals, electronic goods, plastic and linoleum products, pulses, manmade yarn, fabrics and made-ups, petroleum products etc.. Major imports from Bangladesh are inorganic chemicals, raw jute, textile articles, readymade garments (woven and knitted) etc.

Bilateral trade between India and Bangladesh during 2002-03, 2003-04, April-September 2003 and April-September 2004 has been:

(Rs.crore)

	2002-03	2003-04	2003-04 (April-Sept)	2004-05 (April-Sept)
Exports	5691.29	7563.93	3634.05	3102.20
Imports	300.29	285.99	75.44	80.33

## PAKISTAN

After independence, India and Pakistan signed a standstill agreement under which goods from one country to another were exempted from customs duty. Between 1965 and 1975, there was no trade agreement between the two countries. In accordance with the Simla Agreement, a Protocol was signed on 30.11.1974 providing MFN to be the basis of trade.

A trade agreement between India and Pakistan which came into force on 23.1.1975 had expired on 22.1.1978. Trade with Pakistan has thereafter continued without any trade agreement.

India's trade with Pakistan is constrained by the discriminatory policy adopted by Pakistan

against imports from India. While we accord MFN treatment to imports from Pakistan, they allow their private sector to import only out of a list of 678 items from India modified by Govt. of Pakistan from time to time.

India and Pakistan have exchanged tariff concessions in four rounds of trade negotiations under the Agreement on SAARC Preferential Trading Arrangement (SAPTA). During the first three Rounds of these negotiations, India granted concessions on a total number of 477 tariff lines (6-Digit HS) to Pakistan with an average tariff concession of 20%, whereas Pakistan granted concessions on 262 tariff lines to India. During the bilateral negotiations between India and Pakistan under the 4th Round concluded on 2-3rd December, 2003 at SAARC Secretariat, Kathmandu, India agreed to grant concessions to Pakistan on a total number of 262 tariff lines ranging from 10-20% while Pakistan agreed to grant concessions on 223 tariff lines ranging from 10-20%. These concessions, in future, will be exchanged and negotiated keeping in mind the export interest of India and the principles of reciprocity.

As a part of the Composite Dialogue, a meeting at Commerce Secretaries' level of India and Pakistan on Economic and Commercial Cooperation was held on August 11-12 04 in Islamabad on trade related issues.

Commerce and Industry Minister participated in the 4th SAARC Commerce Ministers Meeting in Islamabad on November 22-23, 2004. This meeting reviewed the progress in economic cooperation since the 3rd Meeting of the SAARC Commerce Ministers. It noted with satisfaction the significant progress recorded in regional economic cooperation, in particular, the signing of the SAFTA Agreement. On this occasion, Commerce Ministers of India and Pakistan had a separate interaction to lay down a road map for promoting trade between the two countries. They agreed to set up a Joint Study Group (JSG) at Commerce Secretaries' level of both the countries for evolving a strategy for boosting trade between India and Pakistan. India has already conveyed the composition of our delegation as well as terms of reference for this JSG to MEA for Pakistan's response.

India's exports to Pakistan during April-Sept., 2004-



Shri Kamal Nath, Minister of Commerce and Industry calling on the President of Pakistan, Mr. Pervez Musharraf at Rawalpindi on 24 November, 2004.

05 have been of the order of Rs. 1121.40 crore as compared to Rs. 321.79 crore during April-Sept. 2003-04 showing a strong growth of 249% Pakistan's exports to India have also shown a growth of 21% increasing from Rs. 150.52 crore during April-Sept., 2003-04 to Rs. 181.68 crore during April-Sept., 04.

Major items of India's exports to Pakistan were dyes/intermediates and coal tar chemicals, raw cotton including waste, oil meals, drugs, pharmaceuticals and fine chemicals, inorganic/ organic/agro chemicals, rubber manufactured products except footwear, cotton yarn, fabrics, made-ups etc. Major items of imports from Pakistan were pulses, fruits and nuts excluding cashewnuts, spices, manmade filament/spun yarn, electronic goods, etc.

Bilateral trade between India and Pakistan during 2002-03, 2003-04, April-September 2003 and April-September 2004 has been:

(Rs. crore)

	2002-03	2003-04	2003-04 (April-Sept)	2004-05 (April-Sept)
Exports	997.73	1316.75	321.79	1121.40
Imports	217.05	265.32	150.52	181.68

## SRI LANKA

India and Sri Lanka have signed a Free Trade Agreement on 28th December, 1998, under which tariff on a large number of items would be phased out within an agreed time frame except in the Negative List. The Agreement is in operation since 1st March 2000 and India's tariff liberalisation programme is complete (tariff reduced to zero) since 18th March, 2003, Sri Lanka's tariff liberalisation programme will be complete in the year 2008. The two sides will maintain Negative Lists of items on which no duty concessions are given where protection to local industry is considered necessary. India and Sri Lanka have also agreed to enter into negotiations for a Comprehensive Economic Partnership Agreement based on the recommendations of the Joint Study Group.

Sri Lanka has traditionally been an important export market for India, and is the second largest importer of Indian goods in the region after Bangladesh.

For the period April-September, 2004, the exports have been of the order of Rs. 2722.1 crore compared to Rs. 2856.37 crore during the same period in the previous year. Imports, however, touched Rs. 572.21 crore during April-September, 2004 against Rs. 291.30 crore in April-September, 2003.

Bilateral trade between India and Sri Lanka during 2002-03, 2003-04 and April-September 2003 and April-September, 2004 has been:

(Rs. crore)

	2002-03	2003-04	2003-04 (April-Sept)	2004-05 (April-Sept)
Exports	4457.12	6067.35	1158.45	1805.04
Imports	439.55	893.54	291.30	572.21

## BHUTAN

The bilateral Trade Agreement between India and Bhutan provides for free trade and commerce, which was last renewed for a period of ten years with effect from 2nd March, 1995. The Agreement may be renewed by mutual consent subject to changes and modifications as may be agreed upon between the two countries. Commercial transactions are carried out in Indian Rupees and Bhutanese Ngultrums. India provides unhindered transit facilities to landlocked Bhutan to facilitate its trade with third countries. Bilateral trade and economic relations continued to run smoothly during the year.

## BILATERAL TRADE

(Rs. crore)

	2002-03	2003-04	2003-04 (Apr-Jul)	2004-05 (Apr-Jul)
Exports	188.96	399.08	155.96	146.33
Imports	155.61	240.66	77.92	80.88

## MALDIVES

India-Maldives trade is regulated in terms of the bilateral Trade Agreement signed in 1981. During April-July in 2004-05 exports from India to Maldives were to the tune of Rs. 53.98 and imports amounted to Rs.0.62.

## BILATERAL TRADE

(Rs. crore)

	2002-03	2003-04	2003-04 (Apr-Jul)	2004-05 (Apr-Jul)
Exports	152.86	194.35	41.72	53.98
Imports	1.61	1.72	0.30	0.62

### NEPAL

Indo-Nepal relations on trade and other related matters are governed by the bilateral Treaties of Trade and Transit, and Agreement for Cooperation to Control Unauthorized Trade.

Though under the international conventions, Nepal being a landlocked country, India is obliged to provide only one transit route to facilitate Nepal's trade with third countries, 15 transit routes have been provided through the Indian territory and more such routes can be added to the list with mutual agreement. In addition, facilities have also been provided for Nepalese trade with Bangladesh by road and rail route and with Bhutan by road route. Movement of Nepalese goods from one part of Nepal to another part of Nepal through the Indian territory is also permitted. On the request of Government of Nepal, an additional transit route was opened during 1997 through Phulbari-Banglaband to facilitate movement of Nepalese goods to and through Bangladesh over a shorter distance. The Rail Services Agreement between India and Nepal was signed on 21.05.04 for introduction of freight services to and from Birgunj (Nepal) and Raxaul (India). The Inland Container Depot, Birgunj became operational with effect from 16.07.04.

Under the Treaty of Trade goods of Nepalese origin subject to fulfilling the prescribed value addition requirement. When the Treaty was renewed for five years in 1996 the value addition requirement was removed, were allowed duty free entry into India as a special privilege given to that country. This led to large-scale duty free imports into India of items using substantial inputs of third country origin with minimal value addition in Nepal causing injury to Indian industry.

Accordingly, as provided in the Treaty, the process of negotiations was initiated for making modifications in the Treaty and its Protocols to address the problems faced by the Indian industry. The India-

Nepal Treaty of Trade was reviewed and modified on March 2, 2002 restoring the concept of value addition in imports from Nepal and making the value addition criteria more transparent. The Treaty of Trade is now valid for five years from March 6, 2002. The Agreement for Cooperation to Control Unauthorized Trade was also renewed for a period of five years with effect from 6th March, 2002. The India-Nepal Treaty of Transit would remain in force up to January 5, 2006 and shall be automatically extendable for further 7 years at a time unless either party gave a notice for its termination.

## BILATERAL TRADE

(Rs. crore)

	2002-03	2003-04	2003-04 (Apr-Jul)	2004-05 (Apr-Jul)
Exports	1695.56	2956.21	863.78	1109.28
Imports	1363.59	1249.87	280.23	447.73

### S.A.A.R.C.

In recognition of the fact that our geographical proximity, cultural and religious affinity and economic synergies can be used to our mutual benefit, the seven countries of South Asia, viz., India, Nepal, Pakistan, Bangladesh, Sri Lanka, Bhutan and Maldives have organized themselves into an association called the South Asian Association for Regional Cooperation (SAARC). The SAARC was established in December 1985.

The Committee on Economic Cooperation (CEC), led by Commerce Secretaries of the respective member States, is the forum under SAARC to deliberate upon the measures to be taken to promote intra-regional trade and economic cooperation. The meetings of CEC are generally held in the country holding Chairmanship of SAARC. The 6th, 7th and 8th meetings of the Committee were held in New Delhi in November 16-17, 1995, October 28-29, 1996 and April 21-22, 1997. The eleventh meeting of the Committee was held on October 26-27, 2002 at Kathmandu.

The twelfth meeting of the Committee on Economic Cooperation was held on 20-21 November, 2004 at Islamabad.