

Measuring trade:

On the Need for Consistent Export, Import Data

The Hindu

Paper - II
(Indian Economy)

❖ India's export, import data should be consistent and its timing predictable.

The Government has quietly dropped the practice of releasing preliminary monthly merchandise trade estimates at the beginning of the month, and updating them two weeks later with 'quick' estimates. The foreign trade numbers for October 2022 and beyond will be released by the middle of the next month, as was the practice till two years ago.

Why Did This Happen?

Perhaps the idea of issuing early estimates for export and import shipments in late 2020 was driven by the need to have some more high frequency indicators for assessing the direction of the economy as it found its feet again after the battering from COVID-19 lockdowns.

While one cannot really say the pandemic is over yet, it is a sensible decision to now revert to the older system when 'quick' estimates were released on the fifteenth day of each subsequent month, or earlier if that date happened to fall on a weekend. The early estimates have emitted conflicting signals about the economy in recent months, thanks to sharp variations between the preliminary and 'quick' estimates in the volume of trade and even the direction of exports growth.

According to Data

For instance, the first data set for August suggested a 1.15% contraction in exports — the first such contraction since February 2021— while September's numbers showed a 3.5% dip year-on-year. Even as industry and economists read this as an omen of the global turmoil and slowdown coming home to hurt the Indian recovery engine, the 'quick' estimates for both these months showed a 1.6% and 4.8% uptick, respectively, in outbound goods trade.

EXIM Bank

- ↳ Exim Bank of India (Exim Bank) was established under an Act of Parliament in the year 1982 as the apex financial institution for financing, facilitating and promoting India's international trade.
- ↳ This bank mainly provides loans for exports from India.
- ↳ It also includes providing necessary assistance to foreign buyers and Indian suppliers for export of India's developmental and infrastructure projects, equipment, goods and services.
- ↳ It is regulated by the Reserve Bank of India (RBI).

Why the Differences in Figures?

The difference in the two sets of numbers largely arises from the lack of electronic data interchange facilities at some ports, thus making it difficult to factor in such shipments into the first data set. But with variations so wide, it is smarter to wait till all the data is compiled and released at one go — even as attempts must be redoubled to ensure all ports onboard the electronic data system.

Now what next?

The Government should now stick to a clear time table for releasing the trade data — recent months were also marred by suspense over when the initial estimates would be released and the last set came about 90 minutes before midnight on October 3. It should also refrain from being selective about data points.

For March, it initially only released export numbers, and September's preliminary data omitted the growth rates for India's top 10 export, import items. A consistent, comprehensive and transparent approach to releasing economic data will also bolster the country's credibility as a reliable alternative to China.

Import, Export and Trade Deficit Interrelationship

- The export and import of any country is to the development of the economy of that country. If imports increase, exports decrease. That is, the country has to spend most of the money to buy foreign goods from outside. This is the reason that every country wants its exports to be equal to or more than its imports. At least the goods had to be bought from outside countries. When exports are less and imports are more, it is called trade deficit.

Indian foreign policy

- Foreign Trade Policy (FTP) also known as EXIM (Export-Import) Policy is regulated by the Foreign Trade Development and Regulation Act, 1992. The main governing body in matters relating to EXIM policy is the DGFT (Directorate General of Foreign Trade). The main objective of this act is to develop and regulate foreign trade in India by facilitating imports and increasing exports.

Importance of Foreign Trade Policy:

- The Foreign Trade Policy is a legal document issued by the Government of India, enforceable under the Foreign Trade (Development and Regulation) Act 1992. Since the economic reforms of 1991, the five-yearly revised and notified Foreign Trade Policy has been a guide for all stakeholders. The main objective of foreign trade policy is to facilitate trade by reducing transaction and transit cost, time.

Expected Question

Que. Consider the following statements -

1. EXIM Bank of India was established in the year 1982 under an Act of Parliament.
2. EXIM Bank is regulated by the Reserve Bank of India (RBI).
3. EXIM Bank provides credit mainly for exports from India.

Which of the above statement(s) is/are true?

- (a) only 1 (b) only 2
(c) only 3 (d) All of the Above

Answer : D

Mains Expected Question & Format

Que.: The development of a country's economy depends on its import-export. Find out the future possibilities of Indian foreign trade and throw light on the problems existing in it?.

Answer Format :

❖ **Introduction (30-40 words)**

Explain why import-export for a country is important.

❖ **Main Body (140-160 words)**

Explain the future possibilities of India's foreign trade and throw the light on it's problems.

❖ **Conclusion (30-50 words)**

Give your opinion on what the future holds for Indian foreign trade.

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC mains examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.