

Private Sector *Trade Note*



CARICOM-India Trade¹



► INDIA TRADE OVERVIEW

CARICOM and India have an interesting history. India remains a leading developing country trading partner for the region. India is a considerable market with various opportunities of interest being exploited with varying degrees of success by CARICOM firms. In 2009, Indian importers spent US\$266bn on global merchandise imports. India also represents a dynamic global market with import spending expanding by approximately 23% annually between 2001 and 2009. This country therefore represents a higher growth market compared to global merchandise import spending trends, as between 2001 and 2009, global import spending expanded by 9.2% annually.

The top merchandise imports in 2009 included crude petroleum oils (US\$65bn); Gold in unwrought forms (US\$23bn); non industrial diamonds (US\$9.2bn); and Coal (US\$7.5bn). Between 2001 and 2009, some of the most dynamic merchandise imports into India included liquefied natural gas; unwrought platinum; hot

rolled iron or steel; black/green beans dried and shelled; white portland cement; mens/boys jackets and blazers of cotton not knitted; beeswax whether or not refined; potassium phosphates; silver nitrates; bitumen mixtures based on natural asphalt; unwrought rhodium; and cashew nuts. Some of these products represent trade opportunities for CARICOM exporters.

¹ All data from the International Trade Centre (ITC) tradeMAP database. www.TradeMAP.com Retrieved May 6, 2011

² However, some competing importing opportunities include T-shirts, singlets and other vests of cotton, knitted; aviation spirit; rice; bovine cuts boneless, frozen; frozen shrimps and prawns; unmanufactured tobacco; cashew nuts; and leather footwear.

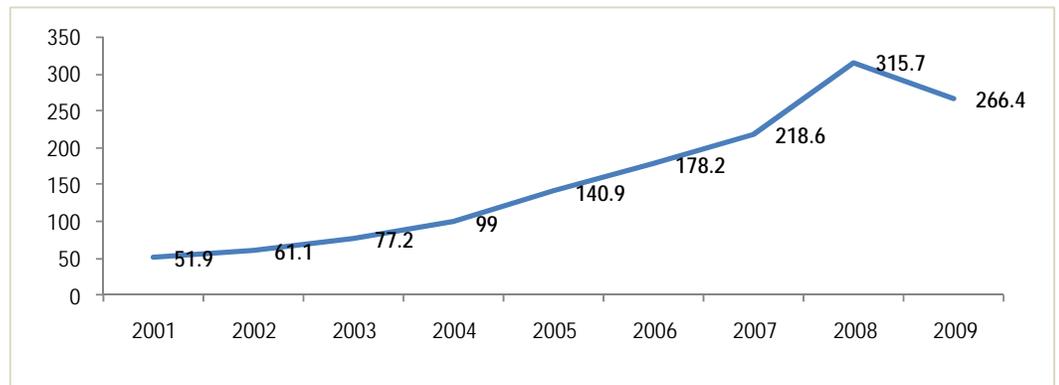
India also represents a dynamic exporting market capable of supplying some of the import needs of the region, including various non-competing imports. In 2009, Indian exporters generated US\$177bn in merchandise export sales. Some of the top merchandise exports from India in 2009 included diamonds; articles of jewellery; aviation spirit; and light petroleum distillates¹.

In 2009, the top markets from which Indian importers purchased goods included China (US\$30.6bn); The United Arab Emirates (US\$19.7bn); The United States of America (US\$16bn); Saudi Arabia (US\$14.5bn); Australia (US\$12bn); and Germany (US\$11bn). The top markets in which Indian exporters generated export sales in 2009 included The United Arab Emirates (US\$25.4bn); The USA (US\$19.2bn); China (US\$10.4bn); Hong Kong China (US\$7.2bn); Singapore (US\$6.8bn) and The United Kingdom (US\$6.5bn).

► **CARICOM-INDIA TRADE**

The Indian market has tremendous opportunity based on the level of, and dynamism in, import expenditure observed since 2001 where India's growth in import spending more than doubled the

Figure 1: India Import Spending (US\$bn).

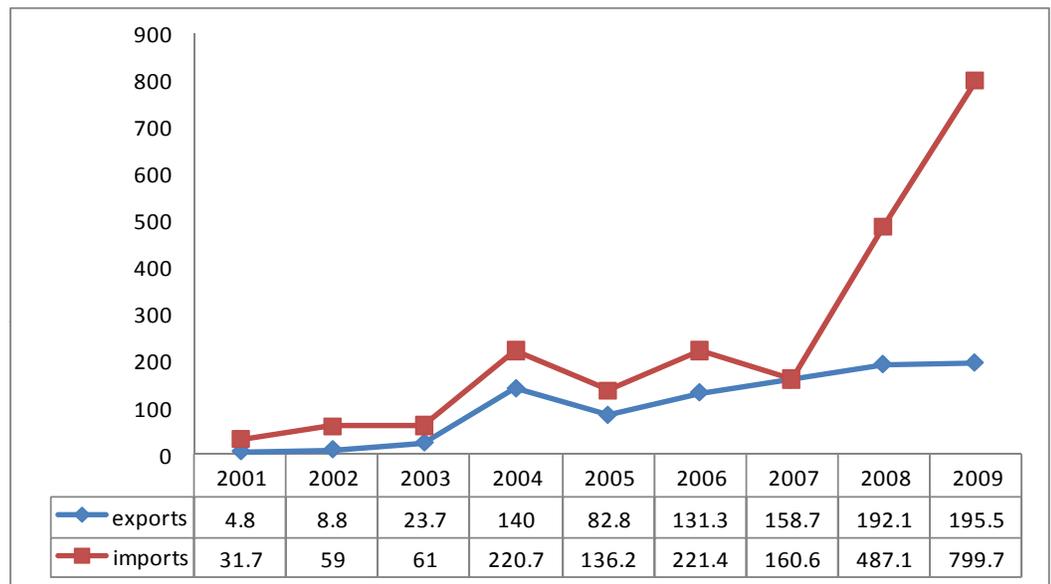


Source: TradeMAP. http://www.trademap.org/Country_SelProductCountry_TS.aspx Retrieved May 25, 2011.

global import growth rate for tangible products. India is a considerable export market for CARICOM firms, as in 2009; CARICOM exporters generated US\$195.5mn in international sales from India. However, CARICOM economies spent almost US\$800mn to import goods from India. CARICOM member state's export sales generated from India expanded faster than the growth in CARICOM's import expenditure on Indian goods between 2001 and 2009.

Between 2001 and 2009, CARICOM exporters expanded their export sales generated in India by an average of 59%, making this one of the region's most dynamic export markets since 2001. Simultaneously, Indian exporters to CARICOM expanded their export sales by over 49% per year. The region lost international competitiveness with India which was reflected in a significant expansion of the merchandise trade deficit from US\$27mn in 2001 to US\$604mn in 2009.

Figure 2: CARICOM-India Trade (US\$bn).



Source: www.TradeMAP.com Retrieved April 28, 2011.



Trinidad & Tobago was the top exporting member state in 2009, generating 76% of the region's total export sales (i.e. domestic exports and re-exports) from India. Other top exporters to India in 2009 included St. Lucia (US\$26.2mn), St. Vincent & The Grenadines (US\$7.3mn), Guyana (US\$6.1mn), Haiti (US\$1.8mn), Suriname (US\$1.4mn) and Jamaica (US\$1mn). St. Lucia was the most dynamic CARICOM goods exporter to India between 2001 and 2009 with export sales growing by over

256% per year¹. Trinidad & Tobago¹, Suriname and Dominica also exhibited some export dynamism.

As is the case for most other markets, between 2001 and 2009, CARICOM's top exports to India are resource based and concentrated in the energy sector. In 2009 CARICOM mainly exported liquefied natural gas (LNG) which accounted for 72% of CARICOM's total merchandise exports to India. Other dominant exports in 2009 are detailed in table 1 below and included crude petroleum oils; cargo vessels; tropical logs; and various scrap metal products.

Based on the observed trade pattern since 2001, CARICOM exporters are sending new shipments (i.e. exports in 2009 which were not observed in 2001) to India in a number

Table 2: CARICOM's Exports to India

		Value in 2001	Value in 2009(US\$000)	AGR
TOTAL	All products	4,782	195,532	59.0%
'271111	Natural gas, liquefied	0	140,917	n/a
'270900	Petroleum oils and oils obtained from bituminous minerals, crude	0	25,736	n/a
'281410	Anhydrous ammonia	0	7,353	n/a
'890190	Cargo vessels nes&oth vessels for the transport of both persons&goods	0	7,307	n/a
'440349	Logs, tropical hardwoods nes	59	5,141	74.8%
'720449	Ferrous waste and scrap, iron or steel, nes	91	4,499	62.8%
'851770	Parts of telephone sets, telephones for cellular networks or for other	0	648	n/a
'440399	Logs, non-coniferous nes	1,825	587	-13.2%
'151110	Palm oil, crude	0	472	n/a
'720429	Waste and scrap, of alloy steel, other than stainless	12	390	54.5%
'760200	Waste and scrap, aluminium	22	309	39.1%
'293090	Organo-sulphur compounds, nes	0	258	n/a
'220840	Rum and tafia	0	225	n/a
'090420	Fruits of the genus Capsicum or Pimenta, dried, crushed or ground	0	200	n/a
'853120	Indicator panels incorporatg liquid crystal device/light emittg diode	0	137	n/a
'720410	Waste and scrap, cast iron	0	105	n/a
'710310	Prec/semi-prec stones (o/t diamonds) unworkd/simplely sawn/rough shapd	0	102	n/a
'999999	Commodities not elsewhere specified	0	89	n/a
'392051	Film and sheet etc, non-cellular etc, of polymethyl methacrylate	0	72	n/a
'850680	Primary cells & primary batteries nes	0	68	n/a
'848210	Bearings, ball	0	65	n/a
'720421	Waste and scrap, stainless steel	0	48	n/a
'401699	Articles of vulcanised rubber nes, other than hard rubber	0	43	n/a
'844313	Offset printing machinery (excl. sheet fed offset printing machinery,	0	43	n/a
'300450	Vitamins and their derivatives,in dosage	0	40	n/a

Source: www.TradeMAP.com retrieved June 7, 2011.

³ St. Lucia's main export to India was crude petroleum oils obtained from bituminous minerals (HS 270900). This product was exported duty free to India in 2009. St. Lucia also exported crude palm Oil to India, but paid a hefty 100% duty in 2009. Scrap metal was the third major export from St. Lucia to India in 2009, and incurred a 5% tariff. Trinidad's top export to India in 2009 was Liquefied Natural Gas (LNG) on which a 5% duty was levied. Suriname's and Dominica's top export was scrap metal, on which a 5% duty was levied.

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of areas including LNG; Crude petroleum oils; anhydrous ammonia; cargo vessels; telephone parts; crude palm oils; pimento; and rum and tafia. None of the top 25 items has a favorable tariff preference, but a large number of new export areas were still observed between 2001 and 2009.

For example, Indian importers paid 5% import duties to purchase LNG from Trinidad & Tobago in 2009. The same tariff was applied on imports of LNG from the top importing nation, Qatar. However, in 2009 Trinidad & Tobago still managed to generate US\$141mn in exports of LNG where no export of this product was observed in 2001. This is an interesting outcome based on the observation that LNG from Trinidad and Tobago was over 80% more expensive (based on unit values) than LNG from Qatar, and almost 60% more expensive than the average import price that Indian importers paid for LNG in 2009. Additionally, whilst Indian suppliers of LNG such as Nigeria, Algeria and the United Arab Emirates (UAE) faltered in India between 2008 and 2009, Trinidad and Tobago expanded sales of this product by 76% to become the second most dynamic exporter of LNG to India between 2008 and 2009. Australia's exports of LNG to India expanded by 97% between 2008 and 2009. One is tempted to conclude that export sales may not be very price sensitive. Additionally then, there may be little value added of negotiations towards tariff reductions in this instance.

Imports of crude petroleum oils were duty free for all exporters to India. Therefore, St. Lucia's exports of this product received no special trade preferences in India. Regardless of this fact, St. Lucia grew exports of crude petroleum to India from no exports in 2001 to US\$25.7mn in 2009. Interestingly, St. Lucia's exports of crude petroleum seemed price competitive in India as St. Lucia undercut the global import price for this product by 28% in 2009. St. Lucian crude petroleum was also over 30% cheaper than imports from India's top importer of crude petroleum in 2009, Saudi Arabia.

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DIRECT ALL COMMENTS OR QUERIES TO:

Mr. Lincoln Price
Private Sector Liaison
lincoln.price@crnm.org

Trinidad and Tobago's exports of anhydrous ammonia were subject to 5% duties in India. However this tariff did not disadvantage Trinidad and Tobago's exports versus exports from Saudi Arabia, the top exporter of this product in 2009, on which the same tariff was levied. However, exports to India are intermittent with 2005 the only other year where exports were observed. Additionally, India's imports of this product have been contracting since 2008. The Ukraine and Malaysia have been amongst the most consistent and dynamic exporters of anhydrous ammonia to India between 2001 and 2009.

Exports of cargo vessels from St. Vincent & The Grenadines also did not receive any special preferences into India as these exports were subject to the same 5% duty as the exports from Korea. Similarly, St. Lucia's exports of crude palm oil; The Bahamas' exports of rum and tafia; Jamaica's exports of pimento; and Haiti's exports of aluminium waste and scrap all paid the same duties as the major competitors.

Whilst most tariffs were low in 2009, exports of crude palm oil; rum and tafia; and pimento were subject to significant tariff peaks of 100%, 150% and 70% respectively. These products could be amongst any major beneficiaries of discussions towards some sort of trade preferences.

It is noteworthy that CARICOM's exports to India have not matched the most dynamic imports in the market. In other words, CARICOM is exporting to the slower growing market segments in India. Amongst the most dynamic trade opportunities with India not explored up to 2010 were ammonium sulphate (436% average growth in import spending between 2006 and 2010); frozen peas (428% average growth); raw Ground nuts (413% average growth); raw cane sugar (405% average growth); cane molasses (396% average growth); portland cement (377% average growth); fertilizers containing nitrogen and phosphorous (375% average growth); refined sugar (310% average growth); fresh or chilled edible mushrooms (254% average growth); cocoa beans (224% average growth); fresh citrus fruits (206% average growth); coffee substitutes (192% average growth); and footwear with outer soles of rubber.

Up to 2009, CARICOM's top merchandise imports from India included medicaments; fire fighting vehicles; pneumatic tyres; distilling and rectifying plants; dentrifices; matches; cashew nuts; sweet biscuits; pipes of iron or steel; hair preparations; and plastic furniture.

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