

# India

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## *Change in 2006 from 2005:*

**U.S. trade deficit: Increased by \$904 million (8 percent) to \$12.6 billion**

**U.S. exports: Increased by \$2.1 billion (30 percent) to \$9.0 billion**

**U.S. imports: Increased by \$3.0 billion (16 percent) to \$21.7 billion**

U.S. bilateral trade with India increased by \$5 billion (20 percent) in 2006, exceeding \$30 billion for the first time. U.S. trade with India has grown at an annual rate of approximately 15 percent during the 2002–06 period (table INDIA-1). In 2006, the U.S.-India Trade Policy Forum announced its goal of doubling bilateral trade by 2008.<sup>1</sup>

India is in the midst of a major and rapid economic expansion, with growth rates exceeding 8 percent in each of the last three years, a population greater than 1 billion, and a middle class that is estimated to be nearly the size of the total U.S. population.<sup>2</sup>

The United States is India's largest individual trading partner, accounting for approximately 10 percent of India's world trade. The U.S. trade deficit with India has grown steadily during the period 2002–06, increasing 8 percent in 2006 to reach a high of \$12.6 billion.

## ***U.S. Exports***

U.S. exports to India in 2006 continued to benefit from India's strong economic growth, increasing by \$2.1 billion (30 percent) to \$9 billion. Exports grew at an annual rate of approximately 25 percent during the period 2002–06. In 2006, the largest absolute increases in exports were registered in transportation equipment, natural and synthetic gemstones, and fertilizers (table INDIA-2).

U.S. exports of transportation equipment, including aircraft and related equipment, increased by \$915 million (154 percent) to \$1.5 billion in 2006, while exports of aircraft engines and gas turbines increased \$97 million (76 percent) to \$225 million. Increased aircraft exports were fueled by the Boeing Co.'s delivery of 11 new aircraft to India in 2006, valued at \$66–\$75 million each.<sup>3</sup>

U.S. exports of natural and synthetic gemstones, particularly diamonds that have been worked, increased by \$178 million (280 percent) to \$241 million in 2006. In recent years, India has become a major global producer of precious jewelry and gemstones and is a world leader in diamond cutting and polishing.<sup>4</sup> U.S. gemstone exports supply this growing industry.

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<sup>1</sup> USTR, "U.S. and India Issue Joint Statement on Trade."

<sup>2</sup> IMF, *World Economic Outlook Database*; and Greene, *U.S.-China Competition in the Indian Market*, 1.

<sup>3</sup> The Boeing Co., "Deliveries January 2006 through December 2006"; and The Boeing Co., "Jet Prices."

<sup>4</sup> Lal Pai, "India's Metamorphosis to a Global Hub for Gems and Jewelry."

**TABLE INDIA-1** India: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2002–06<sup>a</sup>

Item	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
<i>Million dollars</i>							
U.S. exports of domestic merchandise:							
Agricultural products	277	307	251	296	363	67	22.5
Forest products	139	166	179	225	239	15	6.5
Chemicals and related products	761	1,122	1,094	1,470	1,849	379	25.8
Energy-related products	64	147	316	381	414	34	8.8
Textiles and apparel	44	54	68	78	101	24	30.4
Footwear	2	2	4	8	7	-1	-11.2
Minerals and metals	206	235	388	719	902	183	25.4
Machinery	305	348	547	722	790	68	9.4
Transportation equipment	545	600	666	1,021	2,118	1,097	107.5
Electronic products	1,206	1,219	1,576	1,709	1,859	150	8.8
Miscellaneous manufactures	45	69	90	167	182	15	9.2
Special provisions	85	99	118	171	200	30	17.5
Total	3,680	4,367	5,295	6,965	9,025	2,060	29.6
U.S. imports of merchandise for consumption:							
Agricultural products	1,011	1,077	1,217	1,226	1,261	35	2.9
Forest products	73	79	84	94	109	15	16.1
Chemicals and related products	953	1,273	1,334	1,732	2,230	497	28.7
Energy-related products	211	230	248	579	287	-292	-50.4
Textiles and apparel	3,382	3,668	4,106	5,194	5,568	373	7.2
Footwear	96	110	125	139	155	16	11.4
Minerals and metals	3,799	3,730	4,748	5,091	5,816	725	14.2
Machinery	334	427	567	882	1,282	400	45.3
Transportation equipment	232	271	384	564	719	155	27.4
Electronic products	295	395	529	674	896	222	32.9
Miscellaneous manufactures	1,283	1,618	1,958	2,311	3,024	713	30.9
Special provisions	122	156	203	223	327	105	46.9
Total	11,790	13,034	15,503	18,710	21,674	2,964	15.8
U.S. merchandise trade balance:							
Agricultural products	-734	-771	-966	-930	-898	32	3.4
Forest products	66	86	95	131	131	( <sup>b</sup> )	-0.3
Chemicals and related products	-192	-151	-240	-263	-381	-118	-44.9
Energy-related products	-147	-84	69	-199	127	326	( <sup>c</sup> )
Textiles and apparel	-3,337	-3,614	-4,039	-5,117	-5,467	-350	-6.8
Footwear	-94	-107	-122	-131	-148	-17	-12.8
Minerals and metals	-3,592	-3,494	-4,360	-4,372	-4,915	-543	-12.4
Machinery	-29	-79	-20	-160	-492	-332	-208.0
Transportation equipment	314	329	282	457	1,399	942	206.3
Electronic products	911	824	1,047	1,035	963	-71	-6.9
Miscellaneous manufactures	-1,238	-1,549	-1,868	-2,144	-2,842	-698	-32.5
Special provisions	-37	-57	-85	-52	-127	-75	-142.6
Total	-8,111	-8,666	-10,208	-11,745	-12,649	-904	-7.7

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

<sup>a</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

<sup>b</sup>Less than \$500,000.

<sup>c</sup>Not meaningful for purposes of comparison.

TABLE INDIA-2 Leading changes in U.S. exports to and U.S. imports from India, 2002–06<sup>a</sup>

Sector/commodity	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
<i>Million dollars</i>							
<b>U.S. EXPORTS:</b>							
<b>Increases:</b>							
Transportation equipment:							
Aircraft, spacecraft, and related equipment (ET013) . . . . .	282	270	286	595	1,510	915	153.8
Aircraft engines and gas turbines (ET001) . . . . .	80	121	158	128	225	97	75.6
Natural and synthetic gemstones (MM019) . . . . .	23	16	37	63	241	178	279.9
Fertilizers (CH016) . . . . .	33	105	114	415	587	172	41.6
<b>Decreases:</b>							
Minerals and metals:							
Iron and steel waste and scrap (MM023) . . . . .	20	21	91	221	168	-52	-23.7
Plates, sheets, and strips of carbon and alloy steels (MM025B) . . . . .	21	22	31	109	68	-40	-37.0
Precious metals and non-numismatic coins (MM020) . . . . .	11	11	14	47	10	-37	-79.6
<b>All other</b> . . . . .	3,209	3,800	4,564	5,388	6,216	827	15.4
<b>TOTAL</b> . . . . .	3,680	4,367	5,295	6,965	9,025	2,060	29.6
<b>U.S. IMPORTS:</b>							
<b>Increases:</b>							
Precious jewelry and related articles (MM051) . . . . .	882	1,199	1,500	1,769	2,421	652	36.9
Steel mill products (MM025) . . . . .	350	232	713	608	909	301	49.6
Medicinal chemicals (CH025) . . . . .	355	528	456	575	814	239	41.5
Electric motors, generators, and related equipment (MM091) . . . . .	36	80	80	115	351	236	205.8
<b>Decreases:</b>							
Petroleum products (CH005) . . . . .	193	230	231	559	277	-282	-50.4
Women's and girls' suits, skirts, and coats (CH049G) . . . . .	190	241	281	533	443	-90	-16.8
Pipes and tubes of carbon and alloy steels (MM025L) . . . . .	50	56	91	198	117	-81	-40.9
<b>All other</b> . . . . .	9,735	10,469	12,151	14,354	16,341	1,987	13.8
<b>TOTAL</b> . . . . .	11,790	13,034	15,503	18,710	21,674	2,964	15.8

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

<sup>a</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

U.S. exports of fertilizer to India increased \$172 million (42 percent) to \$587 million in 2006, growing at an annual rate of approximately 78 percent during the period 2002–06. India is reported to be the third-largest consumer of fertilizer in the world, relying particularly heavily on imports of phosphate fertilizers.<sup>5</sup> The United States is an important source of diammonium phosphate (DAP) and monoammonium phosphate (MAP).

### ***U.S. Imports***

U.S. imports from India increased by \$3 billion (16 percent) to \$21.7 billion in 2006. Imports grew at an annual rate of approximately 13 percent during the period 2002–06. In 2006, the largest absolute increases in imports were registered in precious jewelry and related articles, steel mill products, and medicinal chemicals.

Reflecting India’s growing role as a manufacturer of gems and jewelry, U.S. imports of precious jewelry and related articles increased by \$652 million (37 percent) to \$2.4 billion in 2006. Special Economic Zones (SEZ) created to foster the flourishing gem and jewelry industry in India have spurred exports to the United States and other markets.<sup>6</sup>

U.S. imports of steel mill products increased by \$301 million (50 percent) to \$909 million in 2006. The increase is attributable to higher prices and high capacity utilization in the United States.<sup>7</sup>

U.S. imports of medicinal chemicals rose by \$239 million (42 percent) to \$814 million in 2006, with strong annual growth of 18 percent during the 2002–06 period.<sup>8</sup> The growth is attributable in large part to greater U.S. demand for inexpensive generics made in India, and to India’s large concentration of U.S. Food and Drug Administration approved manufacturing plants, more than any other foreign country.<sup>9</sup>

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<sup>5</sup> Lal Pai, “Fertilizer Industry Stocks in Limelight in India.”

<sup>6</sup> *Journal of Gem Industry*, “Ancient Gems Centre Jaipur Well On Its Way.”

<sup>7</sup> See “Steel Mill Products” in the Minerals and Metals chapter for more details.

<sup>8</sup> This industry/commodity group includes pharmaceutical active ingredients and formulated products containing pharmaceutical active ingredients.

<sup>9</sup> Grace, “The Effect of Changing Intellectual Property on Pharmaceutical Industry Prospects in India and China,” 20.

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