

INDIA-TAIPEI ASSOCIATION

Monthly Economic and Commercial Report January-December 2008

March 13, 2009

EXECUTIVE SUMMARY

India's trade with Taiwan in the calendar year 2008 registered a total of US\$ 5.34 billion, an increase of 9.5% as compared to 2007. While the two-way trade had crossed the US\$ 3 billion mark by the middle of the year, the severe head-winds of the global financial crisis and the dis-balanced structure of the Indian export basket combined to prevent the reaching of an anticipated trade target of US\$ 6 billion in 2008. As it were, after climbing for most of the year, Indian exports to Taiwan have registered a small decline of 7.8% on an annual basis, mainly on the back of a weaker than expected export performance in the last quarter. In comparison, Taiwanese exports to India climbed 28.41%, which is sharp contrast to its exports to the rest of the world which have contracted heavily in the last three months. As such, Indian trade surplus of 2007 has turned to a trade deficit of US\$ 669 million in 2008.

The sharp deceleration in the two-way trade between India and Taiwan is strictly in context of the rapid decline witnessed in Taiwan's overall trade in 2008. In the month of December 2008, Taiwan's exports and imports plunged by a record 41.9% and 44.6% respectively as compared to the same month in 2007. Notably, Taiwan's exports to its main market of China and Hong Kong have dropped by a record margin of 54%. For the whole year of 2008, while Taiwan's overall exports and imports managed to post small gains of 3.6% and 9.8% respectively, the trade surplus shrank nearly by half to a mere US\$ 14.83 billion, as compared to the US\$ 27.3 billion in 2007.

Indian exports recorded their lowest level in December 2008 mainly due to a dramatic decline in exports of mineral fuel oil from India, which is still

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the mainstay of Indian exports, accounting for a 47% share. This imbalanced state of the Indian export basket remains a matter of concern. A welcome feature is that even as rate of growth of mineral fuel oil has plummeted, the rate of growth of the rest of Indian exports remains strong. In 2008, some new items have been added to the Indian exports including cereals, cotton and food residues. In comparison, Taiwanese exports to India are much more balanced, with almost all categories exhibiting strong and stable rates of growth.

Mainland China & Hong Kong remained the top export destination for Taiwanese exports, accounting for a 39% share, followed by US, Japan and Singapore. Top import sources for Taiwan during this period were Japan, China and US, in that order.

The report below presents an analysis of India's trade with Taiwan based on the updated trade figures for 2008.

INDIA-TAIWAN TRADE STATISTICS

Table 1: Overall Bilateral Trade in Jan-Dec 2008
(US\$ million)

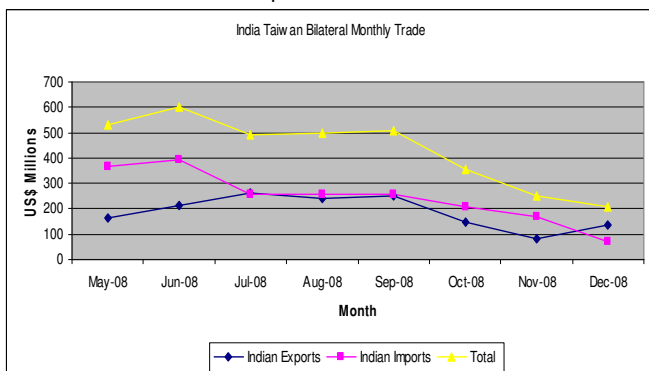
Month/Year	Indian Exports	Indian Imports	Total	Trade Balance for India
Jan-Dec 2008	2338.4	3007.5	5345.9	-669.1
Jan-Dec 2007	2537.3	2342.0	4879.3	+195.3
% Growth	-7.8%	+28.41%	+9.56%	

Highlights:

As per statistics from the Taiwan's Bureau of Foreign Trade, India-Taiwan **bilateral trade** in the year 2008 totaled **US\$ 5.34 billion**, which is an increase of **9.56%** year-on-year.

In 2008, **Indian exports** to Taiwan declined year-on-year at a rate of -7.8%, to touch **US\$ 2.33 billion** as compared to US\$ 2.53 billion in 2007.

Taiwanese exports to India in 2008 grew at a rate of 28.41% to reach **US\$ 3 billion**.



In 2008, India recorded a **trade deficit of US\$ 669 million** with Taiwan, as against a trade surplus of US\$ 159 million in year 2007.

According to Taiwanese statistics, in this period, India was the 15th largest destination for Taiwanese exports, and the 15th largest exporter to Taiwan.

During this period, India accounted for only 1.2% of total Taiwan exports to the world. Similarly, India's share in total Taiwanese imports from the world was also at 1%.

On a monthly basis, in the month of December 2008, Indian exports to Taiwan dipped to their lowest level this year (US\$ 70.2 million). Taiwanese exports to India stood at US\$ 136 million, which is also the lowest for this year although much higher than Indian exports. Total trade for the month was at US\$ 206.7 million.

The composition of Indian exports to Taiwan remains imbalanced with a disproportionate share of Waste Oil and Naptha, although this share is progressively going down. Rest of the Indian exports excluding this category have, however registered strong gains in 2008. (Details overleaf)

INDIAN EXPORTS

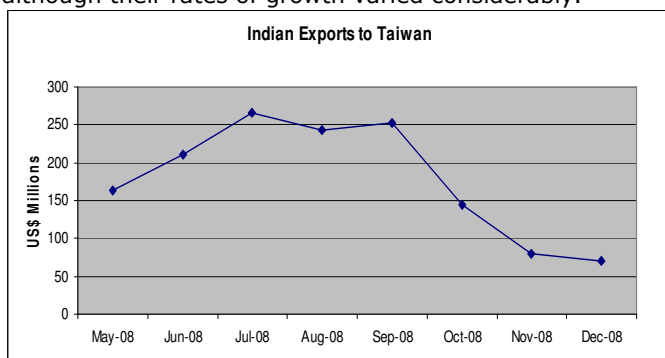
Table 2: India's Top 15 Exports (Jan-December 2008)
Value (US\$ Millions)

HS	Description	Imports		% Change 08/07
		Jan-Dec 2007	Jan-Dec 2008	
	India	2,537,255,190	2,338,079,942	-7.85
27	Mineral Fuel, Oil Etc	1,616,908,820	1,099,946,620	-32
10	Cereals	6,327,624	209,353,921	3,208.57
29	Organic chemicals	143,750,830	171,745,352	19.474
52	Cotton	91,996,794	101,485,549	10.314
72	Iron and steel	104,711,706	96,939,465	-7.423
74	Copper and its articles	182,776,207	85,229,032	-53.37
76	Aluminium and its articles	27,811,130	78,987,363	184.013
23	Food residues	35,927,160	64,691,399	80.063
25	Salt,sulphur, earth,stone	42,576,181	48,737,905	14.472
85	Electrical Machineries	32,102,766	44,699,139	39.238
71	Precious stones	39,818,047	43,535,675	9.337
84	Machineries	23,321,156	33,627,218	44.192

32	Tanning or dyeing extracts	20,810,839	31,413,849	50.949
38	Misc chemical products	22,114,181	29,518,065	33.48
12	Oil seeds and fruits	16,472,049	23,629,419	43.45

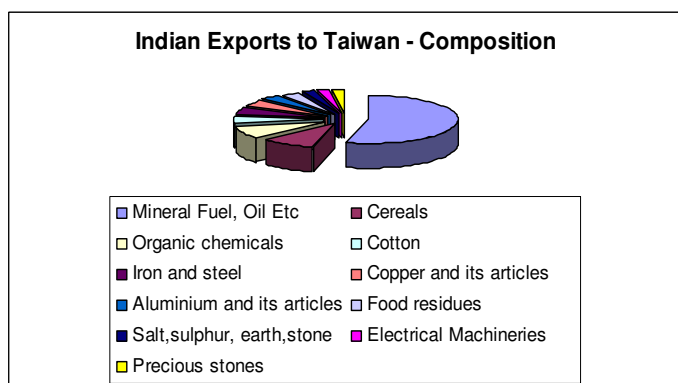
INDIAN EXPORTS TO TAIWAN - COMPOSITION

In the year 2008, the main Indian exports to Taiwan included Waste Oil and Naptha, Cereals, Cotton, Organic Chemicals, Copper, aluminum and Food Residues although their rates of growth varied considerably.



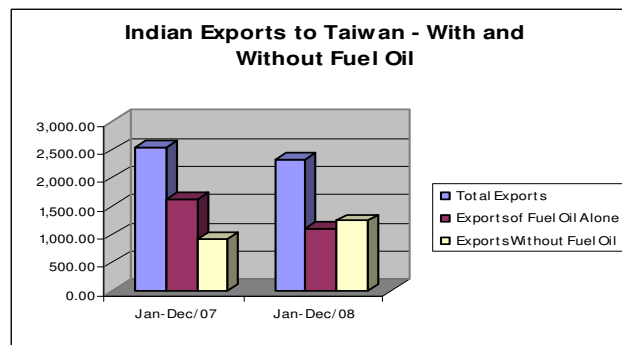
The rate of growth of Indian exports in year 2008 must be seen in the context of the rapid growth rate in 2007, when Indian exports doubled as compared to a year ago. In 2008, while some categories maintained a fast rate of growth and some new categories were added to the Indian export basket, the overall exports declined by a small margin of 7.8% mainly due to the impact of the global financial crisis as also due to the dis-balanced nature of the Indian export basket.

At the beginning of year 2008, one single category, namely waste oil and naptha accounted for over 60% of total Indian exports. This high dependency continued over 2008 as well, although year-on-year the rate of growth of this category (HS 27) kept coming down (due to the high base of the corresponding period in year 2007). For the year as a whole, Naptha (HS 2710) declined by as much as -32%, thus bringing the growth rate of overall Indian exports down.



The over-dependence on this single category in year 2008 decreased marginally. Out of total exports of US\$ 2.33 billion in year 2008, US\$ 1.09 billion or 47.04% were of Mineral Fuel Oils (HS 27). This is as compared to a 63% share of this category in total exports in year 2007. Within this category, almost all exports are of category HS 27101964, namely Naptha.

In addition, exports of Naptha and fuel oil recorded negative growth in 2008 (declining by 32). In comparison the rest of Indian exports to Taiwan (excluding HS 27) have in fact expanded by as much as 34.5%. This not only implies that the rates of growth of



other categories in addition to fuel oil have picked up in the last few months, but also reflects the effect of comparison with the same period last year, when fuel oil exhibited exceptionally strong rates of growth. While the positive rates of growth recorded for the rest of Indian exports is a welcome trend, yet the sudden decline in exports of mineral fuel oil has impact the overall rate of Indian exports and has also widened the trade deficit.

Notable additions in Indian export basket to Taiwan for 2008 have been that of Cereals (HS 10), Cotton (HS 52), Food Residues (HS 23) and Tanning and Dyeing Extracts (HS 32). Export of cereals from India to Taiwan has gone up manifold as compared to 2007 (US\$ 6 million) to reach US\$ 209 million, led by a single commodity of Maize (Corn) accounting for a majority of exports in this category.

Among other exports, cotton (HS 520100) occupies the fourth rank after Naptha, Maize and Organic Chemicals, notching up a total value of over US\$ 101 million, growing by 10.3%. Another category recording rapid rate of growth is that of Aluminum (HS 760110) touching US\$ 53 million as compared to just US\$ 15 million in 2007. Indian exports of sesamum seeds (HS 120740) have also seen rapid growth, growing more than 35% in value as compared to the same period last year.

Also in top 10 in Indian exports to Taiwan are Diamonds which saw a rate of growth of 9% to record US\$ 43 million in 2008 as compared to US\$ 39 million in 2007. Indian exports of machinery (HS 84) and electronic machinery (HS 85) have both expanded at 44% and 39% respectively.

Among the three major categories in the top 15 Indian exports registering declines are Naptha and Fuel Oil, Iron and Steel, and Copper. All other categories have risen, some quite rapidly albeit some from a low base.

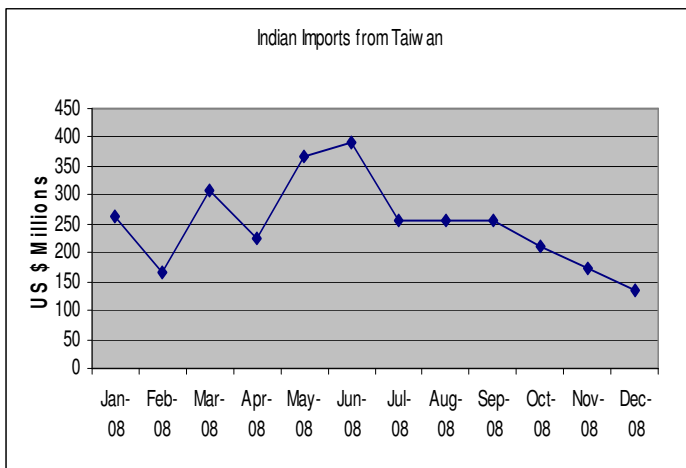
INDIAN IMPORTS

Table 3: India's Top 15 Imports (Jan-Dec 2008)
Value (US\$)

HS	Description	Imports		% Change
		Jan-Dec 2007	Jan-Dec 2008	08/07
	India	2,341,976,657	3,007,920,710	28.435
27	Mineral fuels, Oils etc.	324,914,186	600,286,063	84.752
85	Electrical Machinery	358,417,957	554,296,104	54.651
84	Machineries	420,624,525	468,800,977	11.454
39	Plastics and its articles	355,893,791	366,663,384	3.026
29	Organic Chemicals	270,612,728	288,338,772	6.55
72	Iron and Steel	152,965,310	165,461,560	8.169
54	Man-made Filaments	52,757,427	57,797,999	9.554
59	Impregnated Text Fabrics	52,073,355	54,398,506	4.465
73	Articles of Iron and Steel	32,544,683	47,987,200	47.45
32	Tanning or dyeing extracts	37,154,743	47,494,570	27.829
40	Rubber and its articles	32,356,031	35,717,913	10.39
90	Optic,Nt 8544;Med Instr	24,117,038	25,823,870	7.077
25	Salt, sulphur, earth, stone	63,564	24,272,129	38,085.34
71	Precious stones	8,062,776	23,119,060	186.738
87	Vehicles other than railway	19,909,216	21,289,971	6.935

INDIAN IMPORTS FROM TAIWAN - COMPOSITION

Bucking the trend in its trade with all other trading partners around the world, in the year 2008, Taiwanese exports to India grew 28.4% on a year-to-year basis to touch US\$ 3 billion. On a monthly basis, Taiwanese exports in December 2008 recorded US\$ 136.5 million as compared to US\$ 172 million in November 2008. On a monthly basis, as can be seen from the chart below, Taiwanese exports to India have now contracted for four straight months.



The Taiwanese export basket to India remained much more balanced in 2008. The main Taiwanese exports to India during 2008 include fuel oil (Diesel), machinery, electronic machinery, and plastic. Most of top Taiwanese exports have enjoyed healthy rates of growth. At the 6-digit level, after diesel oil, the main categories are Photo-

sensitive semiconductor devices (HS 854140), Polymers of Ethylene (HS 390130), Printed Circuits (HS 853400), and Polyvinyl Chloride (HS 390410). Taiwanese exports of Sulphur (HS 250300) have recorded a rapid rate of growth to reach US\$ 24 million this year.

TAIWAN'S TRADE WITH THE WORLD

With the severe effects of the global financial crisis manifesting fully in the last quarter of the year, the year 2008 did not turn out to be a good one for Taiwan. In 2008, Taiwanese exports stood at US\$ 255 billion, rising only 3.6% as compared to year 2007. Taiwanese imports grew faster than exports at 9.8% to reach US\$ 240.8 billion. As such, Taiwanese trade surplus reached only US\$ 14.2 billion, as compared to US\$ 27.4 billion reached in 2007.

Mainland China and Hong Kong remained the top export destination for Taiwan accounting for 39% of all exports. Taiwan had a US\$ 66 billion trade surplus with this region. Among its top trading partners, Taiwan's exports to Mainland China & Hong Kong, United States and Thailand registered y-o-y declines, while exports to Brazil and India expanded fastest. Taiwan's trade with ASEAN Countries grew 7.2% in 2008 to reach 64.6 billion. (Details on Next Page)

Table 4: Taiwan's Top Trading Partners for Jan-Dec 2008
(US\$ millions)

Taiwan's Exports					Taiwan's Imports				
Rank	Country	Value	%Share	% Change	Rank	Country	Value	%Share	% Change
			2008	08/07				2008	08/07
0	--World--	255655.50	100	3.6	0	--World--	240823	100	9.8
1	China & H.K.	99579.10	39	-0.8	1	Japan	46524.7	19.3	1.3
2	United States	30795.60	12	-4	2	China & H.K.	32909.7	13.7	10.3
3	Japan	17562.80	6.9	10.2	3	United States	26331.5	10.9	-0.7
4	Singapore	11678.00	4.6	11.2	4	Saudi Arabia	15244	6.3	46.4
5	South Korea	8705.80	3.4	11.7	5	South Korea	13183.7	5.5	-13
6	Vietnam	7947.20	3.1	15.8	6	Australia	8290	3.4	35.4
7	Germany	5730.50	2.2	10.7	7	Germany	7479.7	3.1	5.8
8	Malaysia	5516.70	2.2	2.3	8	Indonesia	7336.5	3	27
9	Thailand	4906.40	1.9	-5.6	9	Malaysia	6793.5	2.8	9.7
15	India	3007.50	1.2	28.4	15	India	2338.4	1	-7.8

Table 5: Taiwan's Top 10 Exports to the World (Jan-Dec 2008)
US\$ Millions

Rank	Description	Year		% Change
		2007	2008	08/07
	--World--	246673.44	255636.51	3.634
1	Electrical Products	89490.67	87067.49	-2.708
2	Machineries	28540.35	27184.64	-4.75
3	Optical, Photo & Measuring Equipment	19576.55	21464.41	9.644
4	Mineral Fuels, Oils etc.	13748.67	18627.75	35.488
5	Plastics and its articles	16696.01	17189.30	2.955
6	Iron and Steel	11072.85	11499.79	3.856
7	Organic Chemicals	8918.97	10583.81	18.666
8	Vehicles other than railways	6803.80	7418.72	9.038
9	Articles of Iron or Steel	6313.90	6746.96	6.859
10	Copper and its articles	4537.09	4016.46	-11.475

Table 6: Taiwan's Top 10 Imports from the World (Jan-Dec 2008)
US\$ Millions

Rank	Description	Year		% Change
		2007	2008	08/07
	--World--	219248.35	240775.51	9.819
1	Mineral Fuels, Oils etc.	43413.41	62194.22	43.26
2	Electrical Products	48929.84	47201.29	-3.533
3	Machineries	23597.90	23397.60	-0.849
4	Iron and Steel	11443.48	14967.09	30.791
5	Optical, Photo & Measuring Equipment	12598.41	10369.33	-17.693
6	Organic Chemicals	10236.19	10046.87	-1.849
7	Miscellaneous Chemical Products	6251.98	6877.21	10.001
8	Copper and its articles	6524.15	6405.68	-1.816
9	Plastics and its articles	5913.52	5962.17	0.823
10	Precious stones	3035.33	3408.26	12.286
