

## India's Foreign Trade: A Review

*Partibha Devi*

*Research Scholar , Department of Economics*

*Singhania University, Rajasthan*

*Email: Partibhadalpro@gmail.com*

### ABSTRACT

The present paper is an attempt to evaluate over view of India's foreign trade. Foreign trade is nothing but trade between the different countries in the world. Foreign trade play's crucial role in every nation's economic growth. India accepted globalization and liberalization in the year 1991, since then India's foreign trade has undergone substantial changes. In the pre-independence period, due to colonial pattern of India, a major part of India's trade was either directly with Britain or its colonies or allies. This pattern continued for some years after independence as well since India had not till then explored the possibilities of developing trade relations with other countries of the world. As far as India's composition of foreign trade is concerned it also has undergone major changes after independence especially after 1991. Over the last six decades, India's foreign trade has undergone a complete transformation in terms of composition of commodities. The exports cover a wide range of traditional and non-traditional products while imports mainly consist of capital goods, petroleum products, raw materials, intermediates and chemicals to meet the ever-increasing industrial demands. Thus, we can say that India now exports the same items which we once use to import. So, in the present paper the attempt has been made to throw light upon India's foreign trade.

**Keywords:** composition of trade, pre- reform, post- reform period.

## **Introduction**

Trade is the transfer of ownership of goods and services from one person to another. Foreign trade is one of the significant macro fundamental variables of an economy. Foreign trade is nothing but trade between the different countries in the world. It is also called as international trade, external trade and inter-regional trade. The role of foreign trade in economic development is considerable and both are intimately connected. Trade can stimulate growth in exports are tending to increase faster than imports or be a brake on growth in imports are tending to increase faster than exports. Most of the third world countries have a colonial past marked by extensive and intensive exploitation of their economics by the colonial powers. One of the important instruments of the exploitation has been the instrument of foreign trade. India has also colonial past.

## **Changing pattern of India's foreign trade**

Before 1947, when India was a colony of England, the pattern of the foreign trade was typically like other countries. India was also exporter of primary goods and importer of manufactured goods. With the dawn of independence, the colonial pattern of trade had to be changed. An economy which decides to embark on a programme of development is required to extend its productive capacity at a fast rate.

However, things have not radically changed. Many developing countries adopted programmes of import liberalization and export promotion in sixties and achieved remarkable successes. The success of these countries prompted many economics and international agencies to advocate import liberalization and export promotion policies. Govt. of India has opted for policy trade liberalization in recent years. Massive trade policy reforms were announced in 1991 to open up the economy to foreign trade and to 'integrate' the Indian economy into the global economy. The pattern of India's foreign trade changed during the last six decades, mainly after 1990-91.

The present paper is based on secondary data, which is mainly published by the government of India. The time series which are constituted from economic survey, government of India, CMIE and statistical hand book (RBI) and DGCI&s, Kolkata.

## Objective of the Study

- To analyze India's foreign trade.

## Composition of India's Foreign Trade

Composition of foreign trade means goods that we are exporting and goods that we are importing. Therefore, composition of trade consists of composition of exports as well as composition of imports. Prior to independence, India's foreign trade was typical of a colonial and agricultural economy. Exports consisted mainly of raw materials and plantation crops, while imports composed of light consumer goods and other manufactures. The structure of India's foreign trade reflected the systematic exploitation of the country by the foreign rulers. The raw materials were exported from India and finished products imported from the U.K. The production of final products was discouraged.

But, over the last six decades, India's foreign trade has undergone a complete transformation in terms of composition of commodities. The exports cover a wide range of traditional and non-traditional products while imports mainly consist of capital goods, petroleum products, raw materials, intermediates and chemicals to meet the ever increasing industrial demands. The export structure is expected to change with the level of development from one dominated by primary products to products with greater value-added.

## Composition of Import

Composition of imports means goods that we are buying from other countries. The composition of India's imports can be summarized as follows:

The table shows that pattern of India's imports has changed over the time. India's foreign trade has grown remarkably, both in terms of value and quantity, since the beginning of economic planning.

**TABLE: 1****Volume and Composition of Imports (Rs. Crores)**

Commodity Group	1960-61	1970-71	1980-81	1990-91	2000-01	2008-09
1 Cereals and cereals preparations	181 (16.13)	213 (13.0)	100 (0.8)	182 (0.4)	90 (Neg)	216 (0.01)
2 Petroleum, oil and lubricants	69 (6.1)	136 (8.3)	5264 (41.9)	10816 (24.8)	71497 (31.4)	419946 (30.5)
3 Fertilizers and chemical product	88 (7.8)	217 (13.3)	1490 (11.9)	N.A.	N.A	N.A.
4 Iron and steel	123 (10.9)	147 (8.9)	852 (6.8)	2113 (4.8)	3569 (1.6)	43531 (3.1)
5 Capital goods	356 (31.7)	404 (24.7)	1910 (15.2)	10466 (24.0)	25281 (11.1)	216511 (15.7)

**Source:**Economic Survey, Govt. of India, Ministry of Finance, New Delhi

Cereal and cereal preparations, the table shows that, the share of this group decreased continuously. The share of this group was 16.13 percent in the year 1960-61. Its share has negligible in 2008-09. India's import expenditure on POL imports has substantially increased over the years. The table shows that Iron and Steel, accounts for 6.1of total imports in 1960-61to3.1 percent in 2008-09. The share of fertilizers and chemical product and Iron and steel also declined during the study period. The share of fertilizers and chemical product was 13.3 percent which declined to N.A. in 2008-09.The share of capital goods also declined.

### **Composition of Export**

Composition of exports means goods that we are selling to other countries.Over the last six decades, the commodity composition of export baskets has altered in the face of structural changes in the Indian economy. Emphasis on heavy industrialization to a large extent was responsible for this change. In the 1950s,agricultural and allied commodities, including farm processed products dominatedthe export basket.The structural change in the commodity composition of India's exports couldbe analyzed from 1960 onwards due to availability of data .But now composition of exports has been changed mainly in post reform period.The table shows composition of India's export from last six decade.

**TABLE: 2****Volume and Composition of Exports (Rs. Crores)**

Commodity Group	1960-61	1970-71	1980-81	1990-91	2000-01	2008-09
I. Agriculture and allied products	284 (44.2)	487 (31.7)	2057 (30.7)	6317 (19.4)	28582 (14.0)	77783 (9.2)
2 Ores and minerals (excl coal)	52 (8.1)	164 (10.6)	414 (6.2)	1497 (4.6)	4139 (2.0)	35529 (4.2)
3 Manufacture goods	291 (45.3)	772 (50.3)	3747 (55.8)	23736 (72.91)	160723 (78.9)	566156 (67.33)
4 Mineral fuels and lubricants	7 (1.1)	13 (0.8)	28 (0.4)	948 (2.9)	8822 (4.3)	127324 (15.1)

**Source:**Economic Survey, Govt. of India, Ministry of Finance, New Delhi

The share of agriculture and allied commodity exports fell steeply during 1960-61 to 2008-09. This trend is consistent with shrinkage in the share of the sector in GDP of India. At the product level, share of tea, unmanufactured tobacco and spices declined in India's total exports and world exports. This category accounts for 44.2 percent of total exports in 1960-61 which declined to 9.2 percent in 2008-09. This implies that generally India is becoming less and less primary good exporting country. In terms of relative shares, the category, Ores and minerals, constitutes for 8.1 percent of total exports in 1960-61 which declined to 4.2 percent in 2008-09. The importance of manufactured goods in India's exports is increasing day-by-day. The share of manufactured goods has increased from 45.3 percent in 1960-61 to 78.9 and 67.33 percent in 1990-91 and 2008-09 respectively. The noticeable increase in textile fabrics and manufactures, gems and jewellery, machinery, transport and metal manufactures etc.

This reflects the changing production structure of Indian economy. It suggests that India is on the march towards becoming a more vibrant industrial economy.

Mineral fuels and lubricants are the most important exportable category. Exports of petroleum products increased sharply in 2004, with higher international prices of refined products. In 2011-12, they contributed 18.6 percent of total exports earnings.

Composition of India's exports from Britishers strongly believed that India was a country well suited to supply raw materials and other primary goods and a good market place for British manufactures. So at the time our independence agricultural commodities and light manufactured consumer goods dominated India's export basket. During the post-independence period India's composition of exports changed. In short, India's exports have considerably become diverse in recent years. Many new and non-traditional items have appeared on the scene. Today, India is exporting nearly 3,000 items as against just 50 items at the inception of planning era in 1951. Nonetheless, the star performers of Indian export scene have traditionally been fabrics, garments, gems and jewellery, leather goods, chemicals and engineering products.

## **Conclusion**

Before 1947, when India was a colony of England, the pattern of the foreign trade was typically like other countries. India was also exporter of primary goods and importer of manufactured goods. India was a supplier of foodstuff and raw materials to the industrialized nations particularly England and importer of manufactured goods. The study has revealed that after post reform the share of traditional exports, namely; agricultural and allied products has declined over time. Composition of India's exports has been changing during the study period. There has been a significant change in different commodity groups. As agricultural and allied products was important part of India's exports in past years. The study has revealed that the share of traditional exports, namely; agricultural and allied products has declined over time of post -reform. Now Manufactured goods are very important part of our export.

There was a great change in import also, cereal and cereal preparations, the share of this group decreased continuously. India's import expenditure on POL imports has substantially increased over the years. Import of capital goods has also declined during this period.

## **References**

- Datt, Ruddar and K.P.M. Sundharam, (1993), "Indian Economy", *S. Chand and Company Ltd.*, New Delhi.

- Mishra, S.K. and V.K. Puri, (2001), “Indian Economy – Its Development and Experience”, *Himalaya Publishing House*, Mumbai.
- RBI: Handbook of Statistics on Indian Economy, *Reserve Bank of India*, Mumbai, Various issues.
- Economic Survey, *Govt. of India, Ministry of Finance*, New Delhi.(various issues)
- [www.rbi.org.in/](http://www.rbi.org.in/)
- [www.indiabudget.nic.in](http://www.indiabudget.nic.in)
- [www.dgciskol.nic.in](http://www.dgciskol.nic.in)
- [www.google.com](http://www.google.com)