TRENDS AND PATTERN OF INTERNATIONAL TRADE OF INDIA

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Abstract : Foreign Trade is the important factor in economic development in any nation. Foreign trade in India comprises of all imports and exports to and from India. The Ministry of Commerce and Industry at the level of Central Government has responsibility to manage such operations. The domestic production reveals on exports and imports of the country. The production consecutively depends on endowment of factor availability. This leads to relative advantage of the financial system. Currently, International trade is a crucial part of development strategy and it can be an effective mechanism of financial growth, job opportunities and poverty reduction in an economy. The implementation of the Liberalization, Privatization and Globalization polices if India made a great impact on the growth of the Indian international trade. Therefore, the present study analyzes the trends and pattern of international trade of India during the post globalization and pre globalization period..

***Index Terms* - International Trade, Imports and exports.**

I. INTRODUCTION

Foreign Trade is a vital sector of a country's national economy, and contributes substantially to the economic welfare of the people and the development of resources. Economies of scale and international specialization as also the fruits of scientific and technological progress in the world become more easily accessible through the foreign trade. In the context of planned economic development of developing nations, an appropriate trade policy has become very necessary and significant. Today no country in the world is self-sufficient in the sense that it does not possess facilities for economical production of all the goods and services that are consumed by its people. Probably no country can produce all the goods that it needs. Therefore, there is need to trade with others. Developing countries need more goods to feed a rapidly growing population. Exports can be a leading sector in growth. This means that increased earnings from higher marketability of a country's commodities in the international market would stimulate the indigenous industrial activity in the country. This in turn brings many distinct benefits, viz., greater utilization of resources, larger employment opportunities, more foreign exchange, etc. Scholars stated that trade would make the country as a whole better off. Foreign trade would make an impressive contribution to a country's development. It is considered to be not simply a device for achieving productive efficiency; but it is also an engine of growth. When trade is introduced into a primitive economy, it acts as a dynamic force widening the extent of the market and the scope for "division of labor”. Foreign trade also facilitates the dissemination of technical knowledge, transmission of ideas, and import of know-how/skills, managerial talents, and entrepreneurship. In addition, foreign trade encourages movement of foreign capital. In totality, foreign trade can have a profound impact on the growth of an economy in terms of production, employment, technology, resource utilization, and so on. It is generally agreed that a country's economic position depends in some measure upon the character of its economic dealings with other countries. India cannot remain in isolation in today's world, even in the matter of development of its own economy, as the latter is inextricably inter-linked with direct and indirect consequences of what happens in, and in relation to, the rest of the world.

An economy which has decided to embark on a programme of development is required to extend its productive capacity at a fast rate. For this, it is essential to import machinery and equipment which cannot be initially produced in the country. Such imports either help to create new capacity in some lines of production or enlarge capacity in the other lines of production. They are called developmental imports. These imports are vital for a developing economy as many of the industrial projects are also held up for lack of maintenance imports. Such imports are anti-inflationary because they reduce the scarcity of consumer goods. There are a number of instances which necessitate import of raw materials, parts and components, semi-finished goods, and finished products needed for developmental purposes in industry and service sectors. Import of capital, technology and skilled manpower is also necessary at various stages of development. It is, therefore, inevitable that during the early years of development, imports have to be increased. It is natural that the balance of trade in such a situation will turn heavily against the developing countries, and become adverse. This necessitates the enlargement of exports. External assistance can help to share the burden of growth in the short-run, but in the long period, the developing country itself has to bear the burden of development. To meet the growing foreign debt in view of inelastic imports, a developing country must necessarily increase its exports. Imports and exports are, thus, complementary, and need to be pursued vigorously by all countries at various stages of development.

International Trade

International trade is exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history (Silk Road, Amber Road), it's economic, social, and political importance has been on the rise in recent centuries.

Importance of International Trade

- Without international trade, nations would be limited to the goods and services produced within their own borders.
- International trade is the backbone of our modern, commercial world, as producers in various nations try to profit from an expand market, rather than be limited to selling within their own borders. There are many reasons that trade across national borders occurs, including lower production costs in one region versus another, specialized industries, lack or surplus of natural resources and consumer tastes.
- Generates employment opportunities.
- Attracts new technology.
- Effective utilization of resources.
- Increases the scope of market.
- Economic development.

1.2 STATEMENT OF THE PROBLEM

Trade and commerce have been the backbone of the Indian economy right from ancient times. Textiles and spices were the first products to be exported by India. The Indian trade scenario evolved gradually after the country's independence in 1947. From the 1950s to the late 1980s, the country followed socialist policies, resulting in protectionism and heavy regulations on foreign companies conducting trade with India. In the present situation the international trade of India in a growth rate. The purpose of this study is to understand the trends and pattern of international trade of India.

1.3 OBJECTIVES OF THE STUDY

1. To understand the overall performance of India in international trade
2. To analyze the trends in international trade of India
3. To understand the patterns followed by India in international trade

1.4 RESEARCH METHODOLOGY

The required details have been collected from the annual reports of Ministry of Commerce and Industry's official website (www.commerce.nic.in). Further details have been collected from various journals, books, magazines etc. Analysis of the study is made by using normal mathematical techniques (percentages and averages).

1.5 PERIOD OF STUDY

1980-2017

1.6 LIMITATIONS OF THE STUDY

The study is purely based on the secondary data.

2.0 REVIEW OF LITERATURE

Many theoretical and empirical Studies have been under-taken to assess the role of foreign trade and patterns of trade in India's or any other country's economic development. Prominent among them are: Ahluwalia, M.S (2002), "Economic reforms in India since 1991.Alcala, F., and ciccone,(2004), " Trade and productivity",Arora.A,Gambardella,(2004)" The globalization of the software industry: perspectives and opportunities for developed and developing country", Dollar, D. and A Kraay. (2002), "Institutions Trade and growth". De long, B. (2004) "India since independence, Kohli, A. (2006 a), "politics of economic growth in India" 1980-2005 part 1: economic and political weekly. Kalpana Kochhar, Utsav Kumar, Raghuram Rajan, Arvind Subramanian, and Ioannis (2006).

All these studies analyze the relationship between foreign trade and growth in general and the Patterns of trade and the Performance of exports and Imports. These studies show endogenous growth has argued that the long- term growth potential of an economy can be Positively related to its specialization in technologically advanced Sectors and explain the composition of India's export and export performance and result is based on industrialization and rapid growth in developed economies. All studies focused only on India's external Sector Performance especially export performance during post Reform period.

Balance of Trade

Balance of trade is the difference between the value of goods and services exported out of a country and the value of goods and services imported into the country.

A 'trade deficit' occurs when imports are large relative to exports. A 'trade surplus' occurs when exports are large relative to imports

India's Foreign Trade Trends

The impact of trade reforms is evident from the changing structure of India's Foreign Trade in terms of diversity of market and products, and also in the form of higher degree of trade openness (resulting from higher export growth and the associated increase in the capacity to import). As already said, implementation of LPG policy has made great platform to achieve in good growth in international trade. So it is relevant to study the trends of international trade in pre LPG period and post LPG period.

3.0 EXPORTS AND IMPORTS TRENDS OF INDIA

The following are the tables showing the exports and imports trends of India in Pre LPG-period and Post LPG period. And also showing the balance of trade in those years.

3.1 Pre LPG Period **(R.S in cores)**

YEAR	EXPORTS	% OF INCREASE	IMPORTS	% OF INCREASE	BALANCE OF TRADE
1980-1981	6,711	0	12,549	0	-5838
1981-1982	7,806	16.31	13,608	8.438	-5802
1982-1983	8800	12.73	14,293	5.03	-5490
1983-1984	9771	11.03	15,831	10.76	-6060
1984-1985	11,744	20.01	17,134	8.23	-5390
1985-1986	10,895	-7.22	19,658	14.73	-8763
1986-1987	12,452	14.29	20,096	2.28	-7644
1987-1988	15,674	25.87	22,244	10.68	-6570
1988-1989	20,232	29.08	28,235	26.93	-8003
1989-1990	27,681	36.81	35,416	25.43	-7670

ANALYSIS

In the pre-LPG period, both exports and imports showing generally an increasing trend except in the year 1985-86. this is because of The Indian rupee steadily appreciated by almost 20 percent between 1979 and 1986. However, the situation reversed in 1987 with a gradual decline in the value of the rupee, though it remained overvalued till l991.

The major reforms during the late 1970's and in 1980's (pre-LPG period) are;

1. The OGL (Open general License) list was steadily expanded. Having disappeared earlier, this list was re-introduced in 1976 with 79 items on it.
2. The decline in the share of canalized imports. Canalization refers to monopoly rights of the government for the imports of certain items. Between 1980-81 and 1986-87, the share of these imports in total imports declined from 67 to 27 percent.
3. The several export incentives were introduced or expanded, especially after 1985, which helped expand imports directly when imports were tied to exports and indirectly by relaxing the foreign exchange constraint.

3.2 Post LPG Period **(RS in cores)**

YEAR	EXPORTS	% OF INCREASE	IMPORTS	% OF INCREASE	BALANCE OF TRADE
1990-1991	32,553	17.60	43,193	21.95	-10645
1991-1992	44,042	35.29	47,851	10.78	-3810
1992-1993	53,688	21.9	63,375	32.44	-9687
1993-1994	69,751	29.91	73,101	15.34	-3350
1994-1995	82,674	18.52	89,971	23.07	-7297
1995-1996	1,06,353	28.64	1,22,678	36.35	-16325
1996-1997	1,18,817	11.71	1,38,920	13.23	-20103
1997-1998	1,30,101	9.49	1,54,176	10.98	-24076
1998-1999	1,39,752	0.5	1,78,332	15.66	-38580
1999-2000	1,59,561	14.17	2,15,236	20.69	-55675

Analysis

From the above table it is clear that exports and imports are in the post LPG period showing generally an increasing trend. But in the period 1997-1999 showing an increasing trend in a diminishing rate is because of South East Asian crisis and worldwide recession. The recession in the year 1991 much well not affected India because of the government policies.

And the major reforms during these periods was, the re-introduction of OGL list with1339 items in 1990-1993 enabled the growth.

3.3 Current Period

(R.S in cores)

YEAR	EXPORTS	% OF INCREASE	IMPORTS	% OF INCREASE	BALANCE OF TRADE
2007-2008	6,55,864	0	10,12,312	0	-3,56,448
2008-2009	8,40,755	28.2	13,74,436	35.8	-5,33,681
2009-2010	8,45,534	0.6	13,63,736	-0.8	-5,18,202
2010-2011	11,42,922	35.2	16,83,467	23.4	-5,40,545
2011-2012	14,59,281	27.7	23,44,772	39.3	-8,85,491
2012-2013	15,46,878	6.0	26,12,151	11.4	-10,65,273
2013-2014	19,69,591	27.3	27,26,941	4.4	-7,57,350
2014-2015	19,37,263	-1.6	28,02,502	2.8	-8,65,239
2015-2016	16,95,299	-12.5	25,05,586	-10.6	-8,10,287
2016-2017	17,48,768	3.2	23,96,194	-4.4	-6,47,426
2017-2018	19,26,161	10.1	28,91,080	20.7	-9,64,919

Analysis

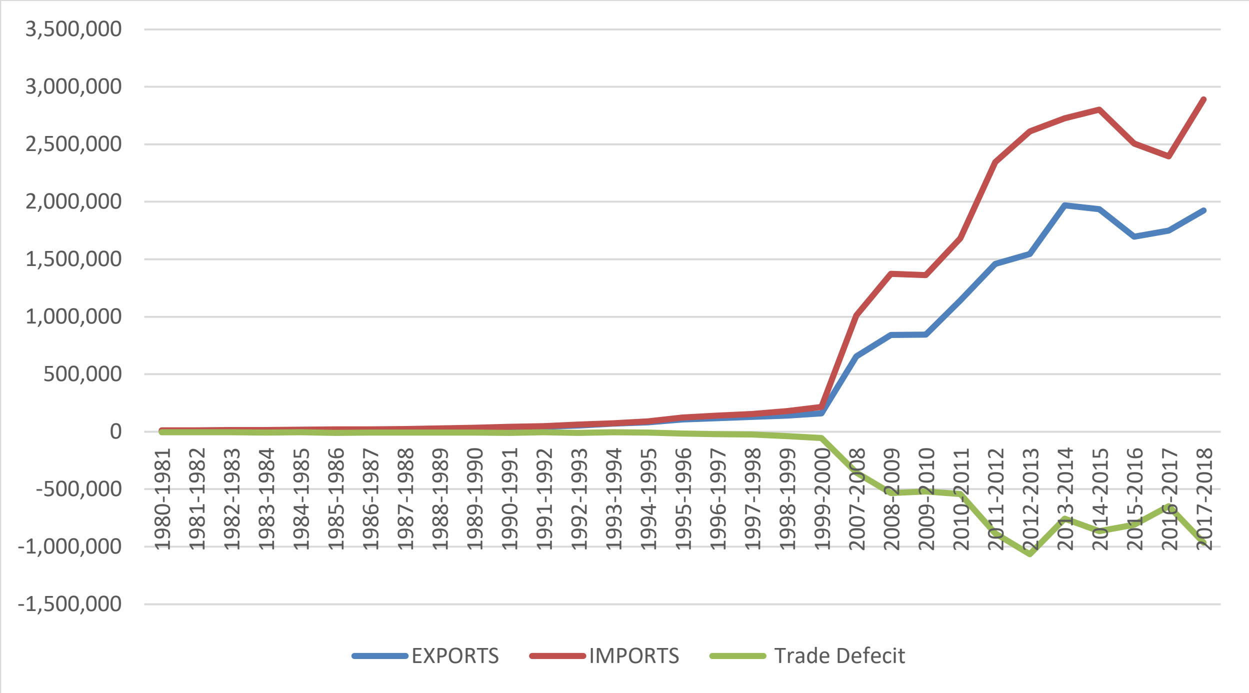
In the current period also the trend of exports and imports of India are in an increasing trend. But the world recession affected both the exports and imports of India. Falling rupee, which has depreciated by 4.5% in 2015, has helped exporters in some sectors earn more dollars. Low commodity prices and a global slowdown, driven by faltering Chinese economy, is all set to take exports to their lowest in five years in 2015-16. This in turn could derail the recovery process.

Hypothesis Testing:

H0= There is no significant association between the balance of trade of Pre LPG-period and Post- LPG period.

Test Statistics		
	Balance of trade of Pre LPG-period	Balance of Trade Post LPG
Chi-Square	.000[a]	.000[a]
Degree of freedom	9	9
Asymp. Sig.	1.000	1.000

Since the significant value is less than 0.05, we reject null hypothesis. i.e. there is significant association between balance of trade of Pre- LPG and Post-LPG periods.



Graph showing export and import value of India During 1980 to 2012

4.0 PATTERN OF INTERNATIONAL TRADE OF INDIA

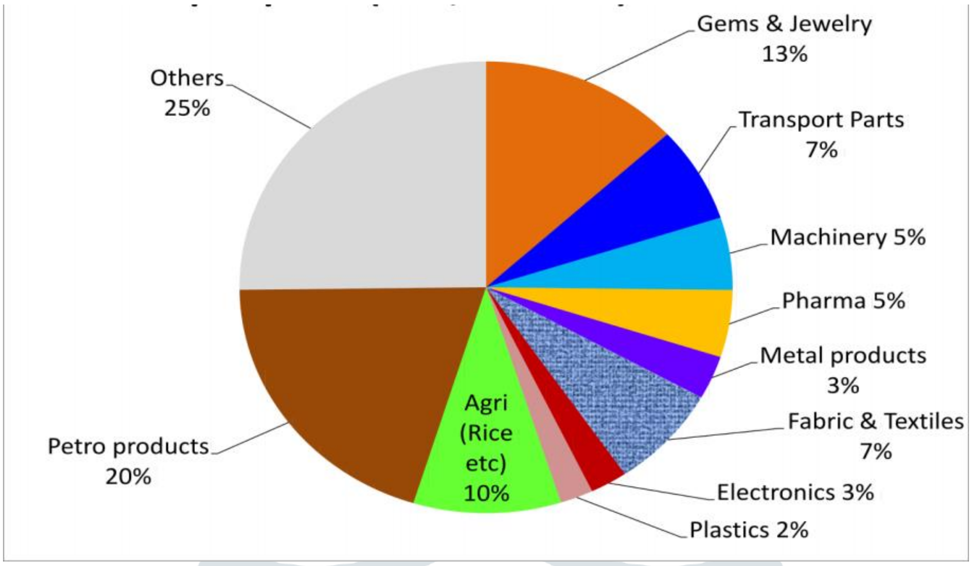
The composition of foreign trade implies the composition of exports and imports of a country. It indicates through imports what types of goods a country lacks and how much of them it is an able to get. Exports bring out the fact about the goods that a country has and how much of these it can and is willing to sell. Seen over a period of time changes in the composition of trade mirror the developments taking place in the domestic structure of the production.

4.1 COMPOSITION OF EXPORTS

Composition of exports means goods that we are selling to other countries. At the time of Independence; our exports consisted mainly of agricultural products like Tea, Spices, tobacco and other raw materials etc. We were also exporting cotton textiles and jute products in large quantities. With the industrialization of the economy, composition of exports have under gone a change, Thereby the proportion of raw materials in our exports has declined while that of manufactured goods has increased. we are now exporting large quantities of items such as machinery and transport equipment, chemicals allied products, marine products, handicrafts, fish however export of items such as cotton fabric tea Jute manufactures, spices etc also continues.

As per the latest classification of RBI, the joining the main category of export;

1. **Agriculture and allied Products**
   This commodity group includes Tea, coffee, spices, tobacco, oil meal fruits and Vegetables, Marine products and raw material.
2. **Ores and Minerals**
   This commodity group includes Iron ore, processed mineral and other ores and Minerals like mica, Jute textile fiber and waste
3. **Manufactured goods.**
   This group includes leather and leather products, gems, Jewelers, machinery and Transport equipment, electronic goods, drugs, pharmaceuticals, cotton year and fabrics readymade garments and handicrafts etc.
4. **Crude and petroleum products**
   This commodity group was at one time an important part of India's exports. However With setting up of our own oil refineries, their export is very insignificant
5. **Other unclassified items.**



4.2 INDIA'S TOP EXPORTS

4.21 Composition of Imports

Composition of Imports means goods that we are buying from other countries. At the time of independence, our country was primarily an agricultural economy. Industry was not so much developed. For economic development required setting up of new industries and also Modernization of agriculture and Industry. After Modernization capital goods like machinery, transport equipment, and raw materials, chemicals and fertilizers, petroleum products etc. are imported.

The items included in the composition of Import are;

1. **Food and allied products**

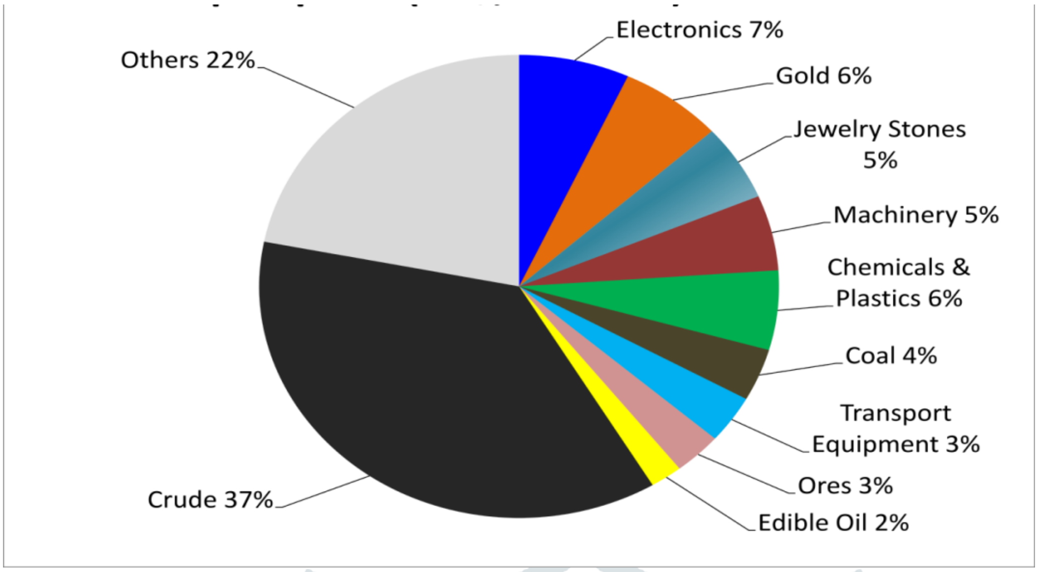
   This commodity includes cereals pulses, cashew nuts, edible oils etc
2. **Fuel**

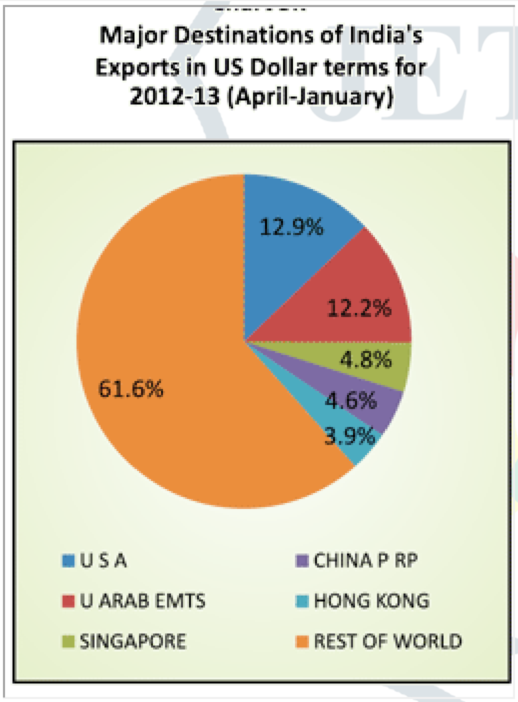
   Coal and POL (Petroleum, Oil and Lubricant) are the important sources of energy.
   After independence with the growth of industry and trade, the requirement of POL has
   Increased very fast. Our domestic production is not sufficient. Now India's imports
   Petroleum goods in such large quantities that their share accounts for over one-fifth of our total imports.
3. **Fertilizers**

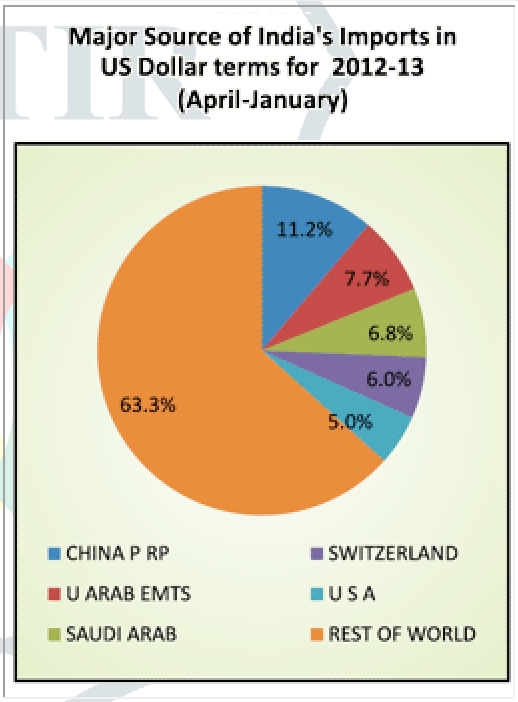
   Fertilizers are very important input of agriculture. Our domestic production of Fertilizers fall short of our requirements
4. **Paper boards manufactures and News prints**

   This commodity group accounted for 1.3% in our total imports
5. **Capital goods**

   Capital goods include machinery transport equipment, electronic goods etc. with the Growing requirement of India's rapidly developing economy, import of capital goods
   Continue to have a very high share of our total imports
6. **Other Bulk items**- include item like chemicals, Pearls, precious stone iron, steel and nonporous metals etc.
7. **Unclassified items**







5.0 FINDINGS

- Both in the pre and post LPG periods the exports and imports made by India showing generally at an increasing trend.
- The exports rate in the year 1985-86 shown a decline of 7.22% because of the value of rupees appreciated by almost 20 percent between 1979 and 1986.
- Exports in the period of 1996-1999 are in an increasing rate in diminishing rate due to South East Asian crisis and worldwide recession.
- Imports are greater than exports in pre and post LPG periods.
- As the studies conducted by the eminent persons revealed that the decrease in the imports rate in 2015-2016 is because of world recession and currency devaluation.

5.1 CONCLUSION

India's share in world's exports has shown a rising trend. Its share was only 0.5% in 1991. During the period from 1991 to 1997 its share was continuously rose from 0.50% to 0.62% and period of 2009- 2010 it is rise 1.25 %. This rise in India's exports share in world's exports implies the gain in competitiveness.

In the case of imports of India tables show an increasing trend year by year. India's Import rate is greater than the export rate. The effective measures taken by the government of India and Reserve Bank of India in period of world recession 2008 enhanced competitiveness of Indian enterprises for facing competition in the global markets, and also within the country is a pre-requisite for the success of enterprises. It is important that the Government of India in close consultation with industry associations periodically monitors global industrial environment and takes appropriate measures for safeguarding the Indian industry in the era of greater integration with the global economy. After the implementation of the foreign trade policy, the import and export among foreign countries have increased and have become more secured.

The implementation of LPG policy forced the growth of international trade of India. Expansion OGL list, export incentives by the government of India etc. enable in achieving growth. In the future also, the government of India should take necessary measures and policies that enables the growth in international trade and make India as a export Oriented country.

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