

## An Analysis of India's Foreign Trade

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### **Abstract**

*During the period from 1947 to 1991, the Indian Economy was a mixed economy combining the features of both Capitalism and Socialism .As a result the economy became an inward looking and import substituting economy and failed to take advantage of the post war expansion of trade .Later in 1991, India adopted liberal and free market principles and liberalized its economy to international trade .Being a vehicle for economic development and growth ,international trade gained importance day by day .With the formulation of WTO and the advent of globalization ,the whole world became a single market .The global economic outlook is a major determinant of the export performance of any country.*

*The current study focuses on – the analysis of India's foreign trade for the past ten years.*

*The sub objectives of the study are :-*

- i) evaluation of export performance of top ten countries*
- ii) evaluation of import performance of top ten countries*
- iii) evaluation of top ten commodities exported and imported*

*The government is making conscious efforts to reduce trade barriers, bring down transaction costs and facilitate foreign trade. In the back drop of a fall in India's exports due to global slowdown, the Government also announced the Foreign Trade Policy FTP (2009-2014). The long term policy of the Government is to double India's share in global trade by 2020. Global economic outlook is a major determinant of the export performance of any country. The export growth cannot be looked up on in isolation from economic outlook in the world economy. Moreover it would be better if India's foreign trade is viewed in the context of current global uncertainties.*

***Keywords:*** *Indian Economy, Foreign trade, International trade, Export, Import, Economic development*

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Foreign Trade is a decisive factor for the economic development of a country. International trade attracted the attention of the economists for the formulation of a balance in trade between the rich and the poor countries in the world. The uneven distribution of fruits from trade is such that on the one hand we have countries enjoying maximum share and on the other we have countries with a minimum share of trade. Economists are finding out ways and means which will lead to better trade among the different countries of the world. No country can live in isolation. It has to depend on others. Moreover every country, big or small, is a part of the world economy. As such, it cannot escape from its role in the present system of inter-dependent trading nations. The inter dependence among various countries has increased in

the past few decades mainly due to the technological revolutions. Internationalisation also makes a country think about the implications of its policies beyond its boundaries. The economic integration of the different nations has increased further the scope of international trade. The field of international trade has become more debatable in recent years, with new views emerging on trade policy, exchange rate determination and the international co-ordination of macro-economic policies.

The current study focuses on the analysis of India's foreign trade for the past ten years (2003-04 to 2012 - 13). The sub objectives of the study are:-

1. Evaluate the trends in exports
2. Examine the major export destinations and the principal commodities exported
3. Evaluate the trends in imports
4. Examine the major import sources and the principal commodities imported
5. Examine the direction of India's foreign trade

### Export

**Table 1: Export Performance: Growth in Quantum & Unit Value (Annual % Change)**

Year	Rupee Terms	Quantum	Unit Value
2003-04	15.0	7.3	7.5
2004-05	27.9	11.2	14.9
2005-06	21.6	15.1	6.1
2006-07	25.3	10.2	13.7
2007-08	14.7	7.9	5.1
2008-09	28.2	9.0	16.9
2009-10	0.6	-1.1	1.0
2010-11	35.2	15.2	13.8
2011-12	28.3	8.9	20.2
2012-13	9.1	-	-

Source: - Directorate General of Commercial Intelligence and Statistics [DGCI & S]

On analyzing the above, a very high growth rate in rupee terms is seen in 2010-11. This is due to the high increase in both the volume and unit value indices compared to the very low base of the previous year. The commodities which contributed to a high increase in the unit value are crude materials, inedible except fuels and manufactured goods, machinery and transport equipments, mineral fuels, lubricants and related materials, manufactured goods and food articles are the commodities which contributed to an increase in the quantum.

28.3 % of export growth in rupee terms in 2011-2012 was due to the high growth in the unit value index of 20.2 % apart from 8.9 % growth in volume index. Growth in chemicals and related products (41.2 %), inedible crude materials other than fuels (41 %) and mineral fuels and related materials (36 %) contributed to the high growth in the unit value index. On the other hand, the growth index in the quantum index of exports is mainly due to the growth in food and food articles (35.9 %) machinery and transport equipment (28.0 %) and miscellaneous

manufactured articles (16.8 %).

On making a dissection of country-wise exports, statistics reveals that, in 2011-12, export to Japan was 26.8 % followed by Belgium 26 %, Bangladesh 20.9 % and the U.K 17 %.

### Export Performance of India

As regards the world merchandise export is concerned, India's share started rising fast from 2004. It reached 1.5 % in 2010 and 1.7 % in 2011. In 2012 there was a marginal decrease to 1.6 % due to the relatively negative export growth of -5.1 % compared to the world export growth of -0.2 %. As a contrast to this, China's share increased to 11.2 % in 2012 with a positive export growth of 7.9 %.

### Import

Table 2: Import Performance: Growth in Quantum and Unit Value (Annual % Change)

Year	Rupee Terms	Quantum	Unit Value
2003-04	20.8	17.4	3.1
2004-05	39.5	17.2	18.9
2005-06	31.8	16.0	14.0
2006-07	27.3	9.8	15.1
2007-08	20.4	14.1	1.9
2008-09	35.8	20.2	13.8
2009-10	-0.8	9.9	-10.0
2010-11	23.4	8.0	13.0
2011-12	39.3	-20.9	74.9
2012-13	14.5	-	-

Source :- (DGCI & S)

The high import growth in 2011-12 was not on account of an increase in the quantum of imports but due to high unit value increase of 74.9 %. The growth in the quantum of imports registered a negative figure in 2011-12 (-20.9 %). The unit value index of imports showed an unusually high growth rate of 74.9 % in 2011-12 due to the growth in the unit values of two high weighted items machinery and transport equipment and mineral fuels, lubricants and related materials on account of a rise in the price of crude petroleum products. The negative quantum growth of imports was due to a fall in the quantum of machinery and equipment which had become costlier and manufactured goods.

### Import Performance of India

After recovering in 2010-11, India's merchandise imports increased with a growth of 32.3 % in 2011-12, from the previous years fall. This was due to the increase in the growth of petroleum, oil and lubricants, POL imports by 46.2 % and non-POL imports by 26.7 %. The POL imports registered a high growth rate mainly due to increase in the import price of Indian crude oil.

### Balance of Trade

**Table 3: India's Exports, Imports and Balance of Trade**

Year	Value in Rs '00 Crores			Percentage growth		
	Exports	Imports	Balance of trade	Exports	Imports	Balance of trade
2003-04	2933.67	3591.08	-657.41	14.98	20.83	56.27
2004-05	3753.40	5010.65	-1257.25	27.94	39.53	91.24
2005-06	4564.18	6604.09	-2039.91	21.60	31.80	62.25
2006-07	5717.79	8405.06	-2687.27	25.28	27.27	31.73
2007-08	6558.64	10123.12	-3564.48	14.71	20.44	22.64
2008-09	8407.55	13744.36	-5336.81	28.19	35.77	49.72
2009-10	8455.34	13637.36	-5182.02	0.57	-0.78	-2.90
2010-11	11429.22	16834.67	-5405.45	35.17	23.45	4.31
2011-12	14659.59	22670.54	-8010.95	28.26	34.67	48.2
2012-13	16352.61	26727.70	-10375.09	11.55	17.90	29.5

Source: (DGCI & S)

Almost all the countries including India had the impact of the global slowdown. On analyzing the above table it is evident that there was an abrupt increase in the trade deficit from Rs.3564.48 in 2007-08 to Rs.5336.81 crores in 2008-09. The increase is almost by about 50 %. In 2009-10, it was less by 2.9 % and increased again by 4.3 % in 2010-11. During 2009-10, the trade deficit stood at Rs.5182.02 crores and the exports and import stood at Rs.8455.34 crores and Rs.13637.36 crores. In 2010-11, the deficit was Rs.5405.45 crores with the value of imports at Rs.16834.67 and exports Rs.11429.22 crores respectively. Compared to the imports in 2009-10, in 2010-11 there was a positive growth in imports (23.45 %), although it was a negative growth in (-0.78 %) 2009-10. Exports also grew significantly (35.17 %) during 2010-11 along with the positive growth in imports compared to the insignificant growth of 0.57 % in 2009-10. In 2011-12, the percentage in growth in exports decreased to 28.26% and further decreased to 11.55 % in 2012-13. The growth in imports in 2011-12 increased to 34.67 % and decreased to 17.90 % in 2012-13.

### Major Export Destinations

**Table 4: India's Export to Top Ten Countries**

Countries	Value in Rs Crores				
	2006-07	2007-08	2008-09	2009-10	2010-11
UAE	54445	62915	110229	113348	153866
USA	85368	83388	96458	92417	115212
China	37530	43597	42661	54714	70414
Hong Kong	21179	25385	30391	37301	47038
Singapore	27462	29662	37757	35948	44732
Netherland	12082	21038	28890	30301	34967

Countries	Value in Rs Crores				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>UK</b>	25421	26967	30345	29476	33296
<b>Germany</b>	18007	20599	29195	25633	30733
<b>Belgium</b>	15722	16943	20309	17757	26347
<b>Indonesia</b>	9177	8693	11578	14605	25925

Source: (DGCI & S)

**Table 5: India's Export to Top Ten Countries (% Share to Total Exports)**

Countries	2006-07	2007-08	2008-09	2009-10	2010-11
<b>UAE</b>	9.52	9.59	13.11	13.41	13.46
<b>USA</b>	14.93	12.71	11.47	10.93	10.08
<b>China</b>	6.56	6.65	5.07	6.47	6.16
<b>Hong Kong</b>	3.7	3.87	3.61	4.41	4.12
<b>Singapore</b>	4.8	4.52	4.49	4.25	3.91
<b>Netherland</b>	2.11	3.21	3.44	3.58	3.06
<b>UK</b>	4.45	4.11	3.61	3.49	2.91
<b>Germany</b>	3.15	3.14	3.47	3.03	2.69
<b>Belgium</b>	2.75	2.58	2.42	2.1	2.31
<b>Indonesia</b>	1.6	1.33	1.38	1.73	2.27

Source: (DGCI & S)

During 2010-11 UAE was the most important destination of India's exports. It has been the top most export destination with more than 13 % share from 2008-09 to 2010-11. India's exports to UAE exceeded Rs.1 lakh crores during these three years with Rs.153866 crores in 2010-11. Following UAE was USA. The exports to USA stood at Rs.115212 crores in 2010-11 with a % share of more than 10 % from 2006-07 to 2010-11. Prior to UAE, USA was the top most export destination. The shares of export values to the total exports for both these countries were more than 23 % in 2010-11. The next highest share was that of Republic of China with 6.47 %. The percentage share of exports in the total exports to the top two countries – UAE and USA from 2006-07 to 2010-11 is contrasting. While the share of exports to UAE were increasing over this period, the share of USA was decreasing during these years. In 2006-07 and 2007-08, USA was the top destination country for exports and UAE was in the second position. But in 2008-09, 2009-10 and 2010-11, their positions changed and UAE replaced USA at the top. The third positioned destination country is the Republic of China. China was consistent in terms of share of exports in the total exports from 2006-07 to 2010-11. The next two top destination after UAE, USA and China RP are Hong Kong and Singapore. The share of exports to Hong Kong from 2006-07 to 2010-11 were around 4 %. The exports to Singapore were decreasing consistently during the period from 2006-07 to 2010-11. Following Singapore was Netherland, UK, Germany, Belgium and Indonesia.

**Major Commodities Exported****Table 6: India's Export of Major Items**

Items	Value in Rs Crores				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Tea</b>	(.34) 1970	(.31) 2033	(.32) 2689	(.35) 2944	(.29) 3354
<b>Coffee</b>	(.34) 1969	(.29) 1872	(.27) 2256	(.24) 2032	(.26) 3010
<b>Rice</b>	(1.23) 7036	(1.79) 11755	(1.33) 11164	(1.33) 11255	(1.01) 11586
<b>Tobacco</b>	(0.29) 1685	(0.29) 1932	(.41) 3461	(.51) 4344	(.35) 3985
<b>Spices</b>	(0.55) 3158	(0.80) 5259	(.75) 6338	(.73) 6157	(.70) 8043
<b>Cashew</b>	(0.44) 2491	(0.34) 2210	(.35) 2901	(.33) 2802	(.25) 2819
<b>Oil Meals</b>	(0.96) 5504	(1.22) 7981	(1.22) 10269	(0.93) 7832	(0.97) 11070
<b>Fruits &amp; Vegetables</b>	(0.63) 3611	(0.54) 3515	(0.61) 5111	(0.71) 5963	(0.48) 5484
<b>Marine Products</b>	(1.40) 8001	(1.06) 6927	(0.84) 7066	(1.17) 9900	(1.04) 11917
<b>Iron ore</b>	(3.09) 17656	(3.57) 23400	(2.58) 21725	(3.35) 28366	(1.87) 21416
<b>Mica, Coal Processed Minerals</b>	(2.45) 14030	(2.03) 13284	(1.68) 14152	(1.51) 12732	(1.57) 17937
<b>Leather</b>	(2.32) 13278	(2.08) 13674	(1.89) 15931	(1.84) 15551	(1.52) 17417
<b>Gems &amp; Jewellery</b>	(12.64) 72295	(12.16) 79744	(15.29) 128575	(16.27) 137568	(16.14) 184420
<b>Drugs &amp; Pharma</b>	(4.70) 26895	(4.55) 29833	(4.81) 40422	(5.02) 42456	(4.27) 48810
<b>Other Basic Chemicals</b>	(3.97) 22693	(3.88) 25447	(3.74) 31458	(3.83) 32351	(3.43) 39148
<b>Engineering Goods</b>	(20.97) 119874	(20.70) 135741	(21.88) 1839998	(18.25) 154320	(19.84) 226803
<b>Electronic Goods</b>	(2.26) 12916	(2.06) 13508	(3.72) 31301	(3.06) 25895	(3.27) 37378
<b>Computer Software</b>	(0.07) 378	(0.09) 592	(0.19) 1557	(0.10) 859	(0.03) 320
<b>Cotton yarn &amp; Handloom products</b>	(3.34) 19089	(2.83) 18534	(2.25) 18930	(2.22) 18732	(2.44) 27936

Items	Value in Rs Crores				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Man made Yarn</b>	(1.74) 9975	(1.78) 11663	(1.66) 13919	(2.02) 17092	(1.71) 19490
<b>RMG of all textiles</b>	(7.04) 40237	(5.95) 38999	(5.98) 50293	(6.01) 50791	(4.63) 52861
<b>Jute Manufactures</b>	(0.21) 1178	(0.20) 1325	(0.16) 1376	(0.12) 1033	(0.18) 2092
<b>Carpet</b>	(0.73) 4199	(0.60) 3929	(0.42) 3565	(0.41) 3482	(0.41) 4718
<b>Handicrafts</b>	(0.35) 1982	(0.31) 2046	(0.16) 1384	(0.13) 1067	(0.10) 1171
<b>Petroleum Products</b>	(14.78) 84520	(17.41) 114192	(14.68) 123398	(15.72) 132899	(16.52) 188779
<b>Plastics &amp; Linoleum</b>	(2.57) 14718	(2.02) 13227	(1.64) 13817	(1.88) 15913	(1.86) 21297

Figures in brackets indicates the percentage share in the total exports

Source: (DGCI & S)

The above table gives the export values of major items during 2006-07 to 2010-11. The most important items exported by India in 2010-11 was Engineering Goods with value of exports by more than 2.27 lakh crores. This accounts for about 19.84% of India's total exports. The major market for these items are the developed countries and the emerging countries like China. There has been a substantial increase in the export of these sophisticated manufactured items to major economies in recent years which points out to the newly gained maturity of India's manufacturing base.

The recent surge in the export of petroleum products is an obvious development in the field of exports. Share of this group in India's export basket went up from 14.78% in 2006-07 to 17.41% in 2007-08, thereby making it the second most important export item group. There was a decrease in terms of its share in total exports to 14.68% in 2008-09, but recorded an increase of 15.72% in 2009-10 and in 2010-11 it was 16.52%. The major export destinations for this commodity are countries like Singapore, Netherlands, Brazil, Sri Lanka and some oil producing countries like Iran, UAE and Indonesia.

The next important item in India export basket is Gems and Jewellery. Its share in the total exports was 12.64% in 2006-07. There was a decrease to 12.16% in 2007-08, But in the year 2008-09 and 2009-10 there was an increase of 15.29% and 16.27% respectively. In 2010-11, however there was decline to 16.14%. Gems and jewellery are exported to rich countries like USA, UK, Japan, Belgium, Switzerland, trading nations like Hong Kong and Singapore and newly industrialised countries like Thailand. UAE is also an important market as far as the export of gems and jewellery is concerned.

Another area where India is consistently doing well as far as exports are concerned is Basic Chemicals. They have replaced readymade garments from the fourth most important source

of foreign exchange easier. Basic chemicals includes drugs, pharmaceuticals, five chemicals and other basic chemicals combined. In 2006-07, they accounted for about 8.67% of India's total value of exports. There was a decrease to 8.43% in 2007-08, but, it remained at 8.55%, a slight increase in 2008-09 and 2009-10 respectively. It slowed marginal decrease to 7.70% in 2010-2011.

Traditionally, India has a comparative advantage in textiles. But, the share of this, item in India's total exports is decreasing over the years, But, it still continues to be the fourth largest foreign exchange earner for the country when basic chemicals is separated from other basic chemicals. The share of this commodity in India's total volume of export came down from 7.04% in 2006-07 to 5.95% in 2007-08. There was a marginal increase to 5.98% and 6.01% in 2008-09 and 2009-10 respectively. However in 2010-11 it declined to 4.63%. India's major markets for this item are the developed western countries like USA, UK, Germany, France, Italy and UAE.

Electronic goods which are the seventh in the all commodity groups showed a substantial jump in the exports share from 2.26% in 2006-07 to 3.27% in 2010-11. The export share as regards computer software is maintained steadily over the years.

India's Iron ore exports increased by leaps and bounds over the last few years. Over the years, there are simultaneous positive and negative growth which is assumed to be the slow down in the demand from China. India's main markets for Iron ores are USA, China, Belgium, Italy and Spain. The percentage share of cotton yarn fabrics, handloom products decreased steadily over the years. The share of exports of leather and leather manufactures has been continuously declining over the years. Coffee and tea export shows stagnation.

### Major Import Sources

Table 7: India's Import from 10 Major Countries

Countries	Value in Rs. Crores				
	2006-07	2007-08	2008-09	2009-10	2010-11
China PRP	79009	109116	147606	146049	198079
UAE	39175	54233	105926	91799	149123
Switzerland	41283	39571	52703	69232	112740
Saudi Arabia	60562	78110	89747	80664	92855
USA	53105	84625	84818	80584	91359
Germany	34147	39736	54922	48886	54136
Iran	34515	43946	55822	54636	49725
Australia	31711	31552	50497	58662	49188
Nigeria	31797	30663	39995	34377	49005
Korea RP	21747	24308	39658	40551	477712

Source: (DGCI & S)



**Table 8: India's Import from 10 Major Countries (% Share to Total Import )**

<i>Countries</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
<b>China PRP</b>	9.4	10.78	10.74	10.71	11.77
<b>UAE</b>	4.66	5.36	7.71	6.73	8.86
<b>Switzerland</b>	4.91	3.91	3.83	5.08	6.7
<b>Saudi Arabia</b>	7.21	7.72	6.53	5.91	5.52
<b>USA</b>	6.32	8.36	6.17	5.91	5.43
<b>Germany</b>	4.06	3.93	4	3.58	3.22
<b>Iran</b>	4.11	4.34	4.06	4.01	2.95
<b>Australia</b>	3.77	3.12	3.67	4.3	2.92
<b>Nigeria</b>	3.78	3.03	2.91	2.52	2.91
<b>Korea RP</b>	2.59	2.4	2.89	2.97	2.83

Source: (DGCI &amp; S)

An analysis of the above tables (7 & 8), points to the fact that from 2006-07 to 2010-11 India's imports from the Peoples Republic of China remained consistently on the top. The percentage share of imports in 2010-11 is about 12%. In 2006-07, the share of import value from China was marginally less than 10 % but it consistently increased to more than 10% from 2007-08 to 2009-10 and in 2010-11, it is 11.77 %. The share of imports from the next four major countries during 2010-11 are much less : - UAE has a share of 8.86 %, followed by Switzerland 6.70 % Saudi Arabia 5.52% and USA 5.43%. This further is an indication of the importance of Chinese goods in the Indian markets. The second major source of imports for 2008-09 and 2009-10 is UAE. From 2008-09 to 2009-10, China, UAE, Switzerland, Saudi Arabia and USA remained as the top five countries. Switzerland was in the fifth position in 2009-10, but occupied the third position in 2010-11 pushing Saudi Arabia and USA in to the fourth and fifth positions respectively. It is significant and important to note that the top twenty countries remained the same in 2009-10 and 2010-11 although their relative positions differ. Hong Kong which was in the 19<sup>th</sup> position in 2009-10 moved to the 13<sup>th</sup> position in 2010-11.

### Import of Principal Commodity

**Table 9: India's Import of Principal Commodities**

<i>Commodities</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
<b>Raw &amp; Cotton waste</b>	(0.23) 1136	(0.11) 704	(0.08) 663	(0.09) 912	(0.12) 1690	(0.09) 1241	(0.04) 624
<b>Vegetable Oil</b>	(2.21) 11077	1.36) (3961	(1.14) 9540	(1.02) 10301	(1.15) 15819	(1.94) 26483	(1.77) 29860
<b>Pulses</b>	-	-	-	-	-	-	(0.42) 7150
<b>Pulp and waste paper</b>	(0.44) 2199	(0.38) 2537	(0.34) 2893	(0.34) 3132	(0.27) 3681	(0.31) 4178	(0.31) 5208
<b>Textile yarn , Fabric</b>	(1.38) 6910	(1.34) 8827	(1.12) 9400	(0.94) 9510	(0.81) 11156	(0.39) 5366	(0.82) 113759

<i>Commodities</i>	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Fertilisers, crude &amp; manufactures</b>	(1.12) 5612	(1.33) 8815	(1.63) 13732	(2.01) 20307	(4.33) 59569	(2.33) 31755	(1.87) 31533
<b>Sulphur &amp; un roasted iron pyrts</b>	(0.11) 576	(0.09) 602	(0.06) 495	(0.14) 1457	(0.21) 2875	(0.05) 682	(0.07) 1099
<b>Metali ferrous ores &amp; metal scrap</b>	(2.21) 11091	(2.60) 17128	(4.49) 37764	(3.15) 31854	(2.64) 36331	(2.67) 36450	(2.63) 44217
<b>Coal Coke</b>	(2.87) 14371	(2.59) 17128	(2.46) 20710	(2.55) 25862	(3.34) 45948	(3.12) 42511	(2.65) 44670
<b>Petroleum Crude &amp; products</b>	(26.76) 134094	(29.47) 194640	(30.76) 258572	(31.68) 320655	(30.55) 419946	(30.19) 411649	(28.65) 482282
<b>Wood &amp; Wood products</b>	(0.80) 3995	(0.62) 4103	(0.56) 4684	(0.54) 5456	(0.44) 6035	(0.55) 7461	(0.44) 7396
<b>Organic &amp; inorganic chemicals</b>	(5.11) 25610	(4.68) 30921	(4.22) 35433	(3.94) 39883	(4.08) 56016	(4.14) 56473	(4.12) 69350
<b>Dyeing, tanning colouring materials</b>	(0.37) 1853	(0.34) 2226	(0.32) 2695	(0.30) 3000	(0.28) 3782	(0.31) 4284	(0.32) 5368
<b>Artificial resins plastic materials</b>	(1.31) 6546	(1.52) 10040	(1.39) 11696	(1.47) 14839	(1.32) 18109	(1.74) 23675	(1.86) 31304
<b>Chemical materials &amp; products</b>	(0.73) 3681	(0.71) 4660	(0.71) 5980	(0.65) 6544	(0.70) 9614	(0.80) 19874	(0.79) 13278
<b>Newsprint</b>	(0.35) 1766	(0.29) 1933	(0.29) 2407	(0.22) 2227	(0.27) 3720	(0.16) 2245	(0.22) 3741
<b>Pearls, precious &amp; semi-precious stones</b>	(8.45) 42338	(6.12) 40441	(4.03) 33881	(3.17) 32114	(5.54) 76130	(5.62) 76678	(9.36) 157596
<b>Iron &amp; street</b>	(2.39) 11995	(3.07) 20243	(3.46) 29071	(3.46) 34987	(3.17) 43531	(2.87) 39098	(2.81) 47275
<b>Non-ferrous metals</b>	(1.17) 5887	(1.24) 8166	(1.40) 11787	(1.39) 14116	(1.91) 26203	(1.05) 14264	(1.10) 18590
<b>Machine tools</b>	(0.56) 2788	(0.72) 4765	(0.80) 6703	(0.88) 8890	(0.75) 10369	(0.58) 7855	(0.61) 10276
<b>Machinery, electrical &amp; non electrical</b>	(7.19) 36003	(7.72) 50977	(8.51) 71540	(9.09) 92007	(8.42) 115770	(7.93) 108154	(7.49) 126162
<b>Transport equipments</b>	(3.88) 19444	(5.93) 39131	(5.08) 42709	(8.00) 80981	(4.42) 60803	(4.07) 55472	(3.10) 52112
<b>Project goods</b>	(0.53) 2679	(0.59) 3908	(0.97) 8126	(0.51) 5208	(1.07) 14668	(1.63) 22217	(1.66) 27996
<b>Professional instrument optical goods</b>	(1.37) 6876	(1.32) 8734	(1.26) 10593	(1.22) 12349	(1.47) 20211	(1.26) 17157	(1.14) 19200
<b>Electronic goods</b>	(8.96) 44901	(8.88) 58626	(8.60) 72275	(8.21) 83138	(7.79) 107128	(7.29) 99419	(7.19) 121017

Commodities	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Medical &amp; pharmaceutical products</b>	(0.63) 3169	(0.69) 4551	(0.70) 5866	(0.67) 6734	(0.63) 8649	(0.73) 9959	(0.66) 11114
<b>Gold &amp; Silver</b>	(10.00) 50098	(7.59) 50108	(7.88) 66272	(7.11) 71934	(7.31) 100467	(10.30) 140440	(11.50) 193562

Figures in brackets indicates the percentage share in total imports

Source: (DGCI & S)

The above table ( table 9) shows India's imports of principal commodities and their percentage share in the total imports. The five most important item group imported by India in (2010-11) is petroleum, crude & products 28.65% followed by gold and silver (11.50%) pearls, precious and semi precious stones (9.36%) machinery, electrical and non-electrical (7.49%), and electronic goods (7.19%) followed by others. The import of petroleum products and the global increases in the price of petroleum products changed the import scenario and has put countries like UAE and Saudi Arabia into the top five countries and other countries like Iran, Indonesia, Iraq and Kuwait into the top 20 countries from 2006-07 to 2010-11. Though the petroleum imports have been more than 30% since 2006-07, it came down slightly during 2010-11 with a share of 28.65%. Though the growth of import of petroleum products was negative during 2009-10, it increased during 2010-11. The second most important item group after petroleum, crude & products was gold and silver. It has a share of 11.50 % of the total imports in 2010-11. In 2003-04, the total value of gold and silver import was Rs.31506 crores. But, there was a substantial increase in value to Rs.50,098 in 2004-05. However, it had a steady percentage share of about 7% - 8% from 2005-06, 2006-07 and 2007-08. The item group pearls, precious and semi-precious stones which was sharing 5.62% of the total imports in 2009-10 was the fifth in the commodity group. It attained a share of 9.36% in 2010-11. There was a steady decline in the percentage share of this item group from 8.45% in 2004-05 to 2006-07. From 2008-09 onwards there was an increase in the percentage share and in 2010-11 it was 9.36%. Machinery, electrical and non-electrical machinery comes fourth in terms of share and value of imports. In 2010-11, it contributed 7.49 % in the total merchandise imports with a value of Rs.126162 crores. From 2005-06 to 2009-10, there is a steady decrease in the import of this item. The fifth in the item group is electronic goods. Its share in the total imports is declining over the years, but is steady between 7-8 % over the years.

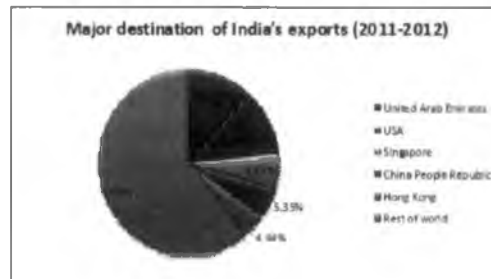
Apart from the above five major commodity groups, with large share of imports, other commodities which have shown significant growth in import in 2010-11 are textiles, newsprint, sulphur and unroasted pyrrts, machine tools & non-ferrous metals, commodity groups like artificial resins and plastic materials have recorded high positive growth in 2009-10 and in 2010-11.

## Direction of India's Foreign Trade

### Trends in Exports

During 2011-12, the share of Asia and ASEAN region (South Asia, East Asia, and Mid-Eastern and Gulf countries) accounted for 50.69% of India's total exports. Share of Europe and America in India's exports stood at 19.73% and 16.68% respectively of which EU countries (27)

comprised 17.81% .The most important country of export destination is United Arab Emirates (11.82%) followed by USA 11.51% , Singapore (6.13%) China (5.35%) and Hong Kong (4.44%)



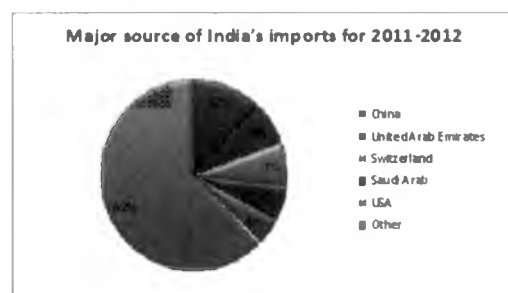
Trends show that exports are moving towards southern countries especially Asia and African region. Asia was a key destination of India's exports. In 2001-02, Asia's share was 40.2% but in 2011-12 there was a significant increase. However the share of Europe declined from 24.8% in 2001- 02 to 19% in 2011-12.

There has been significant market diversification in India's trade. India succeeded in diversifying its export markets from developed countries like USA and Europe to Asia and Africa which to a great extent helped in weathering the global crisis of 2008 and the global slowdown. In 2012-13 the share of India's exports to USA increased to 13.5%. With in Asia, while the share of North East Asia (consisting of china, Hong Kong, Japan) and ASEAN (Association of South East Asian Nations) fell from 14.8% and 1.20% in 2011-12 to 13.1 % and 10.3 % in 2012-13. There was a remarkable rise in the share of West Asia-Gulf Co-operation council countries from 14.09% in 2011-12 to 17.7% in 2012-13.

The latest data available from the Indian Government's Ministry of Commerce & Industry shows that US has slightly overtaken UAE. UK is the eighth biggest export market for India in 2012 and hold 2.9% of the share of the market. India's key exports in 2012 were petroleum products followed by gems & jewellery followed by pharma products, transport equipment, machinery and readymade garments.

### Trends in Imports

As regards India's total imports for 2011-12, Asia and ASEAN accounted for 61.36% of India's total imports followed by Europe 19.27%, America 8.92%. As far as individual countries are concerned the share of China stood highest at 12% followed by UAE 7.51%, Switzerland 7.21%, Saudi Arabia 6.06%, USA 4.78% ,Iraq 3.85%, Germany 3.25%, Nigeria 3.25% ,Indonesia 3.06% and Australia 2.96%



In 2012-13, the share of India's imports from Europe declined to 16.7% while that from Asia increased substantially to 61.6%. The share of America in India's imports also increased to 11.5%. India's biggest import is crude petroleum followed by gold & silver, electronic goods and pearls and precious stones.

The export import relations reflecting the bilateral trade balance shows that among the top 15 trading partners, India has bilateral trade surplus with four countries in 2011-12 : UAE, USA, Singapore and Hong Kong. In 2012-13, India's trade balance with UAE turned slightly negative while it has improved further with USA and Hong Kong. Another important trend is the growing trade deficit of India with China and Switzerland. The export-import ratio with china worsened further in 2012-13.

### Conclusion

The prospects for world trade and India's trade are still uncertain. With the import growth rates of the world and some of India's important trading partners like USA China and Hong Kong showing upward movement, there is a positive signal. India has many challenges in the trade front. Though, India has successfully diversified its export basket, much is to be done on produce diversification front. India should reposition itself in its traditional areas of strength like textiles and leather, and leather manufactures where it has lost considerably. At the same time, India should make forays into new areas. With multilateral trade negotiations, India has to follow a strategic regional trading policy focusing on potential technology-intensive items. India has to bargain more in its regional trade negotiations especially in cases where the livelihood concerns of the population are involved. There is also a need to address the inverted duty structure in sectors like electronics, textiles and chemicals. Recent global slowdown has also thrown up new challenges for India. Thus, there are many micro, port specific and sector specific issued which needs attention. These are related to infrastructure, tax and tariffs, trade facilitation and credit. Such issued are address by the Government and it is expected that if the Government address these issued as is currently being done, it can promote India's export growth substantially in the long run.

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