

Emerging Trends in India's International Trade since 1991

Dr. Kuldeep Walia

Asst. Professor
Dept. of Economics
SGGSW University, Fatehgarh Sahib

Jaspreet Kaur

Asst. Professor
Dept. of Economics
SGGSW University, Fatehgarh Sahib

Abstract

As world's sixth largest economy, India has a potential to sustainable and exclusive growth in long term. Commodities produced in India has been exported to far off destination across the world. The country currently has a share of 2.7 percent in World's total trade. Since liberalization the value of India's trade(both export as well as import) has risen. Major trading partners are China, the US, the UAE, EU, UK and Japan. India is a founder member of World Trade Organization (WTO) and has continuously rising its voice for the major concerns of developing countries, such as labor and environment issues and non-tariff policies of WTO. Relatively restrictive import, shortage of electricity and inadequate infrastructure are the major constrain on trade in India.

Key Words: India, Trade, Export, Import, composition, structure

Introduction

With 6-7 percent average GDP growth rate since 1991, India emerged as world's sixth largest economy. It ranked third as per purchasing power parity (WB, 2017). Because of its young human resources, the country has a positive long-term growth potential. India is a rising economic superpower. It would leave behind France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035, making it the third largest economy of the world, behind the US and China (Wilson & Purushothaman, 2003). During 2015-16, the country topped the World Bank growth outlook for the first time with 7.6 percent GDP growth rate. However, Central Statistical Office (CSO) in its recent estimate (February 2018) estimated 6.5 percent GDP growth rate in 2017-18 which is somewhat lower than the 7.1 percent recorded in 2016-17. Foreign trade accounted for 48.8 percent of India's total GDP. Earlier, before 1991, India adopted the policy of self-reliance to protect its economy. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions. There was lack of any appropriate trade policy. Thus, exports were stagnant. However, imports in the same period, due to industrialization, concentrated largely on machinery, raw materials and consumer goods. Since 1991, the volume of country's international trade has raised sharply. Its total trade in goods and services has reached a share of 47.7 percent of GDP in 2009-10, up from 16 percent in 1990-91 (RBI, 2010).

As per International Trade Statistics (2017), India is currently the 9th largest trader of the world. In 2016, the country accounted for 1.7 percent of the global trade in goods and merchandise. Also it ranked eighth in the exports of commercial services in the world with 3 percent of global trade in services. India recorded a 5.7 percent growth in services trade in 2016

17. India has trade relation with almost all rest of world. The country exports approximately 7500 commodities to about 190 countries. Also, it imports around 6000 commodities from 140 countries. Table 1 depicts India's trade trends to World during 1999-2016. Table reveals that the total merchandise export of India has been continuously increasing over the period from US\$ 36.3 billion in 1999 to US\$ 262.3 billion in 2016. The exports has a compound growth rate of 12.34 percent during the study period. Similar trends has occurred in case of country's global imports (except 2001 and 2009) which has increased from US\$ 50.2 billion in 1999 to US\$ 381 billion in 2016 with a compound growth rate of 12.66 percent for same period. The value of Indian imports has been continuously rising due to periodic hike in crude oil prices (Ruddar Datt & Sundharam 2017). But exports of country were not moved up in same ratio. On the whole, deficit in trade has increased from 13.9 billion in 1999 to 118.7 billion in 2016.

Table 1: India's Trade with World (US\$ billion)

Year	Export	Import	Trade Deficit
1999	36.3	50.2	-13.9
2000	43.1	60.8	-17.7
2001	42.5	54.5	-12.0
2002	44.5	53.8	-9.3
2003	48.3	61.6	-13.3
2004	57.24	74.15	-16.91
2005	69.18	89.33	-20.15
2006	76.23	113.1	-36.87
2007	112.0	187.9	-75.9
2008	176.4	305.5	-129.1
2009	168.2	274.3	-106.1
2010	201.1	327.0	-125.9
2011	299.4	461.4	-162.0
2012	298.4	500.4	-202.0
2013	313.2	467.5	-154.3
2014	318.2	462.9	-144.7
2015	310.3	447.9	-137.6
2016	262.3	381	-118.7
Compound Growth Rate (in %)	12.34	12.66	--

Source: UN Comtrade, 2017

The export performance is affected by certain factors like: Growth rate of Indian economy; Growth rate of importing countries; Growth rate of world trade; Rate of change in the domestic and world price level. The most favorable condition for the growth of exports is a combination of the high growth rate with price stability. The high rate of growth of Indian economy is the major cause of rise in volume of imports.

Direction of Trade:

According to the Ministry of Commerce and Industry, the fifteen largest trading partners has a share of 59.37 percent of total trade by India in the financial year 2014-15. These figures include only merchandise trade, but do not include services. Table 2 examines the direction of Indian trade during 2014. European Union (EU), China, United States of America (USA) and United Arab Emirates (UAE) are major trading partners of India. During 2014, EU and UAE together comprised near to one third of India's total exports. However, the major importers of Indian goods are EU, China, UAE, Switzerland and Saudi Arabia. Region-wise, India's major trade is with Asia (30.8 percent of total exports and 26.71 percent of total imports). The top 10 exporter countries together, accounted for approximately 67.2 percent of Indian exports while the share of top ten importers in India's total imports was 63.4 percent during 2014.

Table 2: India's Major Trading Partners (2014) (Percent)

Top Ten Exporter Countries			Top Ten Importer Countries		
Rank	Country	Share*	Rank	Country	Share*
1	EU27	18.8	1	EU27	12.2
2	United Arab Emirates	13.4	2	China	11.9
3	USA	10.7	3	United Arab Emirates	8.9
4	China	7.9	4	Switzerland	6.4
5	Hong Kong	4.3	5	Saudi Arabia	5.9
6	Singapore	4.1	6	USA	5.5
7	Japan	2.2	7	Australia	3.5
8	Indonesia	2.1	8	Iran	3.2
9	Saudi Arabia	2.0	9	Nigeria	3.0
10	South Africa	1.7	10	South Korea	2.9
	Total Share	67.2		Total Share	63.4

Note: Percentage Share in total Exports/Imports of India.

Source: European Commission's DG Trade Statistics, 2016

Composition of Trade:

The structure of Indian exports has been changing continuously since reform period. The share of traditional exports i.e. agriculture and mineral wealth has declined and the share of manufactures has gone up. This may be due to industrialization of economy and increasing domestic demand of food grains due to population explosion. On the other hand, Indian imports have been showing a steadily rising trend; which is the result of both internal as well as external factors.

factors. Table 3 and Table 4 depicts the changing trends in composition of India's export and import respectively during 1995-2015. As shown in Table 3, since 1995 the country has been a net exporter of pearls, mineral fuel and knitted clothes. During 1995, it accounted for 16.66 percent of total global exports. After 2005, country's exports of same has started decline. Other major commodities for exports included Minerals, fuels, oils, waxes & bituminous, iron & steel, inorganic chemicals etc. India's imports are dominated by mineral fuels and Pearls & Gems. These two goods are constituting 53 percent of total imports, 34 percent of total exports and nearly 100 percent of total trade deficit (136 billion US\$) of India in the financial year 2013-14. The services trade (exports and imports) are not part of capital goods for oil sector development. Nuclear reactors, boilers, machinery & mechanical appliances, computers are other major imports.

Sum-up: The goods produced in India has been exported to far off destination across the world. According to WTO database (2017), India currently has a share of 2.7 percent in World's total trade. The country has achieved substantial diversification in exports both product wise and country wise. Major trading partners are China, the US, the UAE, EU, UK and Japan. The country has continuously raising its voice for the major concerns of developing countries, such as labor and environment issues and non-tariff policies of WTO. Relatively restrictive import of integrated approach, poor quality image, uncertainties, procedural complexities, shortage of electricity and inadequate infrastructure are the major constrain on trade in India. However, its restrictiveness secured it from Global Financial Crisis of 2008

Table 3: India's Top Ten Exports to World

1995	2005	2015
Pearls, stones, precious metals, imitation jewelry, coins(16.64)	Pearls, stones, precious metals, imitation jewelry, coins(16.09)	Minerals, fuels, oils, waxes & bituminous (19.2)
Articles of apparels & clothing accessories- not knitted or crocheted (8.50)	Minerals, fuels, oils, waxes & bituminous (10.46)	Pearls, stones, precious metals, imitation jewelry, coins(13)
Cotton, inc. yarn & woven fabrics (6.27)	Articles of apparels & clothing accessories- not knitted or crocheted (5.06)	Vehicles other than railways (4.6)
Cereals(4.66)	Ores slag & ash (4.83)	Electrical machinery & equipments & parts, telecommunication equip., sound recorders (3.8)
Fish & crustaceans(3.15)	Organic chemicals (4.42)	Organic chemicals (3.90)
Articles of apparels & clothing accessories- knitted or crocheted (3.06)	Iron & steel (4.32)	Pharmaceuticals (3.70)
Vehicles other than railways (2.85)	Nuclear reactors, boilers, machinery & mechanical appliances, computers (4.05)	Cereals (3.2)
Coffee, tea, mate & spices (2.81)	Vehicles other than railways (3.19)	Iron & steel (2.9)
Nuclear Reactors, Boilers, Machinery & Mechanical Appliances, Computers (2.70)	Articles of apparels & clothing accessories- knitted or crocheted (3.11)	Articles of apparels & clothing accessories - knitted or crocheted (2.9)
Articles of leather, saddler & harness, travel goods, hand bags, articles of gut (2.66)	Articles of iron & steel (2.74)	Cotton, inc. yarn & woven fabrics (2.8)

Note: Figures in parentheses show percentage share of India's exports to World.
Source: UN Comtrade, 2017.

Table 4: India's Top Ten Imports from World

1995	2005	2015
Mineral Fuels, oil, waxes & bituminous sub (23.67)	Mineral Fuels, oil, waxes & bituminous sub (32.88)	Mineral Fuels, oil, waxes & bituminous sub (38.3)
Nuclear reactors, boilers, machinery & mechanical appliances, computers (11.52)	Pearls, stones, precious metals, imitation jewellery, coins (16.56)	Pearls, stones, precious metals, imitation jewellery, coins (13)
Pearls, stones, precious metals, imitation jewellery, coins (8.24)	Nuclear reactors, boilers, machinery & mechanical appliances, computers (9.14)	Nuclear reactors, boilers, machinery & mechanical appliances, computers (6.9)
Electrical machinery & equipments & parts, telecommunication equip., sound recorders (5.69)	Electrical machinery & equipments & parts, telecommunication equip., sound recorders (7.86)	Electrical machinery & equipments & parts, telecommunication equip., sound recorders (6.7)
Organic chemicals (5.43)	Iron and steel (3.77)	Organic chemicals (4)
Iron and steel (4.45)	Organic chemicals (3.62)	Iron and steel (2.6)
Fertilizers (3.77)	optical, photographic, cinematographic, medical or surgical instruments etc. (1.82)	Plastics & Articles thereof (2.5)
optical, photographic, cinematographic, medical or surgical instruments etc. (2.59)	Animal or vegetable fats, oils & waxes (1.82)	Animal or vegetable fats, OILS & waxes (2.3)
Inorganic chem., org/inorg compounds of precious metals, isotopes (2.37)	Plastics & articles thereof (1.72)	Ores slag & ash (1.6)
Animal or vegetable fats, Oils & Waxes (2.08)	Inorganic chem., org/inorg compounds of precious metals, isotopes (1.67)	optical, photographic, cinematographic, medical or surgical instruments etc. (1.5)

Note: Figures in parentheses show percentage share of India's imports from World.

Source: UN Comtrade, 2017.

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