

# India Moving Towards a Better Composition of Trade @ 2019

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## Abstract

Foreign trade plays a pivotal role in the overall development of the economy. In the modern world of today, none of the nations in the world can survive without the indulgence of international trade. All the nations of the world are interdependent in terms of satisfying their mutual demands. India heralded in the area of international trade with different nations when it gained independence from the shackles of the British rule. When it gained independence, India was not aware of the possibilities that existed in the area of international trade, because for nearly 200 years it was under the trade norms of the British government, which exploited India both in terms of economic resources and labour resources. In the backdrop of the importance of foreign trade, present paper aims to provide a study of the composition of foreign trade of India and changes which has taken place in recent times.

**Keywords:** Foreign Trade, India, Composition

## Introduction

It would not be an exaggeration if one says that trade is the lifeline of the nations. It helps the nations to fulfil the need of their people pertaining to imports and exports, whereby it earns valuable foreign exchange for the nation and increases the overall wellbeing of all the countries of the world. Almost all the third world nations of the world were either looted or exploited in the form of colonial rule. These third world nations could neither save their people nor their natural resources. They witnessed plunderer's atrocities on their people and destruction of their industries in one form or the other. All these nations embarked on their journey of industrialization after independence. They were quite late in doing so, and thus naturally had to follow a policy of inward-oriented trade, which meant that they had to opt for large-scale

import substitution; regarding exports, there was a great deal of pessimistic tendencies in the economy. However, these nations gradually led their economies on the path of development and developed their economies to make a mark at the world level. After attaining independence, India also developed its economy on the same track and gradually created its name in international economy.

## Need of the Study

Like other developing nations of the world, India too remained under foreign rule for centuries and started very late on the journey of economic development. It followed various protectionist and restrictive measures to protect its newly developed industries from the highly developed and sophisticated industries of industrially advanced nations of the world. Initially, it found it hard to compare with commodities of these nations; but gradually, when it also acquired better technology, it started to produce goods of international standard. Indian trade has witnessed a period of many ups and downs. During the entire planning period from 1949-50 to 2016-17, there were only two years, i.e., the years of 1972-73 and 1976-77, when the trade balance was in surplus of \$134 million and \$77 million, respectively. For the rest of the years, it remained negative or there was a deficit in trade. Thus, it is important to study the track record of international trade of India to grasp the nature and performance of international trade of India. It is with this motive that the present paper has been prepared. It discusses value of exports and imports of India, composition of imports and composition of exports of India during different years.

## Value of Exports and Imports in the Planning Period

Table 1 presents the details pertaining to trade performance of India for different years from 1950-51 to 2016-

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17. As mentioned in the foregoing paragraphs, barring 2 years the trade balance of India remained negative, we can witness the same trend from this table. But, we can-

not conclude from this that it never improved or remained pathetically low. There were many ups and downs in international trade of India during all these years.

**Table 1: Value of Exports and Imports in the Planning Period**

<i>Year</i>	<i>Exports</i>	<i>Imports</i>	<i>Trade Balance</i>
1	2	3	4
1950–51	1269	1273	–4
1960–61	1346	2353	–1007
1970–71	2031	2162	–131
1979–80	7947	11321	–3374
1980–81	8486	15869	–7383
1985–86	8904	16067	–7163
1989–90	16612	21219	–4607
1990–91	18143	24075	–5932
1991–92	17865	19411	–1546
1992–93	18537	21882	–3345
1994–95	26330	28654	–2324
1995–96	31797	36678	–4881
2000–01	44076	49975	–5899
2004–05	83536	111517	–27981
2005–06	103091	149166	–46075
2006–07	126414	185735	–59321
2007–08	163132	251654	–88522
2008–09	185295	303696	–118401
2009–10	178751	288373	–109621
2010–11	251136	369769	–118633
2011–12	305964	489319	–183356
2012–13	300401	490737	–190336
2013–14	314405	450200	–135794
2014–15	310338	448033	–137695
2015–16	262290	381007	–118717
2016–17	275852	384356	–108504

Source: Government of India, Economic Survey 2017–18 (Delhi, 2018), Volume II Statistical Appendix, Table 7.1 (B), pp. A100-A101.

## Composition of Foreign Trade

Composition of foreign trade of any country expresses items of its imports and exports. This composition can easily tell status of any country's industrial development. Table 2 pertaining to composition of exports and imports present in the items of import and exports of India.

## Composition of Imports

Table 2 presents the important items of import in the economy of India and the extent of expenditure done on them. The following points can be put forward in relation to composition of import items of India:

**Table 2: Composition of Imports**

	1970–71	1990–91	2016–17
	\$ million	\$ million	\$ million
<b>Commodities</b>			
<b>1. Food and Live Animals Chiefly for Food</b>	321	N.A.	N.A.
Cereals and cereals preparations	282	102	1429
<b>2. Raw Materials and Intermediate Manufactures of Which</b>	1176	N.A.	N.A.
a) Edible oils	31	182	10893
b) Petroleum oils and lubricants	180	6028	86896
c) Fertilizers	113	984	5024
d) Iron and steel	194	1178	8239
e) Chemical elements and Compounds	90	1276	21974
f) Pearls and precious stones	33	2083	23809
g) Non-ferrous metals	158	614	39226
<b>3. Capital Goods of Which</b>	534	58.33	97268
a) Machinery, electrical and non electrical	434	3312	27497
b) Electronic goods	N.A.	N.A.	41941
c) Transport equipment	88	931	22688
<b>4. Others (Unclassified)</b>	131	N.A.	N.A.
Total	2162	24075	384356

N.A.: Data Not Available

\*Since 1999-2000 data on imports of gold and silver are available (because imports of gold and silver are now channelized through the official routes). Therefore, the data on 'non-ferrous metals' for the years 2016–17 include the data on gold and silver also.

Source: i) Reserve Bank of India, Handbook of Statistics on Indian Economy 2016–17 (Mumbai, 2017), Table 130, p. 201; and (ii) Government of India, Economic Survey 2017–18 (Delhi, 2018), Vol. II, Statistical Appendix, Table 7.2(A), pp. A103-A104, Table 7.2(B), p. A105.

- There has been a great amount of expenditure on import of items like petroleum, oil and lubricants.
- From the year 1999-2000, import of silver and gold is being done through official routes, thus data regarding them are also included.
- There has been an increase in electronic items.
- The exports of gems and jewellery have caught pace which has in turn led to the increase in import of precious and semi-precious stones.
- Import of electrical and non-electrical machinery also recorded a considerable rise.
- Import of edible oils also caught the pace.
- Iron production at domestic level could not keep pace with the demand for iron and import of iron also witnessed a considerable increase.
- Import of fertilisers also witnessed a considerable increase.
- Domestic production of food grains could not fulfil the demand for food grains and they too added substantially to the imports of India.
- A massive quantity of coal was also imported to meet domestic demand.

## Composition of Exports

Composition of exports stands for types of items and their quantity that is being exported from any given nation. India has shifted from export of agricultural items to export of manufactured items. Different items of exports from India and their respective quantities can be seen in Table 3. Important features that can be seen with regard to composition of exports from India are as follows:

- Jute comprised an important item of trade.
- Tea exports accounted for the second most important item of exports.

3. After a considerable improvement in industrial production, industrial goods have come to find an important item of exports in the Indian trade.
4. Chemicals and allied products have also taken a front seat in export items.
5. In recent years, exports of gems and jewellery have also recorded an increase.
6. Exports of petroleum products have also increased considerably.
7. There has been an increase in the export earnings from garments as well.
8. Cotton yarn, fabric and made-ups from them have also registered an increase in the exports.
9. Similarly, exports of leather and leather products, fish and fish products and rice have also increased.

**Table 3: Composition of Exports**

	1970–71	1990–91	2016–17
	\$ million	\$ million	\$ million
Commodities			
<b>1. Agriculture and Allied Products of Which</b>	644	3521	33816
a) Tea and Mate	196	596	731
b) Cashew Kernels	76	249	793
c) Rice	7	257	5734
d) Fish and fish preparations	40	535	5903
<b>2. Ores and Minerals (Excluding Coal) of Which</b>	217	834	5379
Iron Ore	155	585	1534
<b>3. Manufactured Goods of Which</b>	1021	13229	202964
a) Cotton Yarns, Fabrics, Made-Ups etc.	188	1170	8550
b) Readymade Garments	39	2236	17368
c) Jute Manufactures	252	166	321
d) Leather and Leather Manufactures	106	1449	5308
e) Gems and Jewellery	59	2924	38470
f) Chemicals and Allied Products	39	1176	46001
g) Engineering Goods	261	2158	65267
<b>4. Petroleum Products*</b>	17	528	32416
<b>5. Others</b>	132	3.6	1277
<b>Total</b>	<b>2031</b>	<b>18143</b>	<b>275852</b>

\*For 1960–61, 1970–71 and 1980–81, the data are for ‘minerals fuels and lubricants’.

Source: Reserve Bank of India, Handbook of Statistics on Indian Economy 2016–17 (Mumbai, 2017), Table 128, p. 199 and Government of India, Economic Survey 2017–18 (Delhi, 2018), Vol. II Statistical Appendix, Table 7.3(A), pp. A106-A108 and, p. A108.

## Conclusion

As a conclusion, we may infer from the above analysis that India started late on its industrial journey like many other developing nations of the world. Though it cannot compete with advanced nations of the world on equal terms, it is gradually progressing and building a strong industrial base. Imperial rule devastated its natural resources and industries, but with the passage of time, it has acquired a tremendous amount of technical know how and made a foray in all fields which were once out

of its reach. Composition of imports and exports is not so favourable at present; but, India is slowly taking up one step at a time and paying attention to its export sector as well. And, we can hope that in the near future India will be the nation that will hold a very important place in international trade.

## References

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