

# Changing Equations of India

Virendra Singh\*, Abhishek Gautam\*\*, Monika Goel\*\*\*

## Abstract

There can be no second thoughts pertaining to the importance of international trade for any given country of the world. Thus, India as a developing country can be no exception to this universal truth. It is not possible to bring out the facts regarding first time when India engaged in trade with some nation, but it traded with different nations in the times when some of the countries were still groping in darkness to find means of livelihood for their folks. India traded with almost every nation and dealt in the products of rare quality and rarest origin. In modern times, India also has trade relations with many nations and deals in a number of commodities. This paper is an attempt to focus on different items of trade that India exports and imports and the nations with which it undertakes that trade.

**Keywords:** India, Trade, Composition etc.

## Introduction

India has a rich history of trading with different nations of the world. It has been trading with far-off and nearby nations since long and trade has benefitted it in more than one manner. When India gained independence, it primarily traded with Britain and a couple of other nations only; but slowly, it gained knowledge about the market and started trade relations with other nations as well. The items which India exports to other nations, vis-à-vis the items which it imports, too have changed. Previously, it used to trade in raw materials but now it has started to trade in different finished goods also. It has started to trade with nations which had no trade relations with her. Nations like the USA, the UK, Germany, Belgium, China, Russia, Switzerland, Japan, etc., have become its important trading partners. Trade with these nations along

with some other nations comprise of 96.6 per cent of trade done by India, both in terms of exports and imports.

## Need of the Study

Trade has become an activity of prime importance for each and every nation. All the nations of the world indulge in the activity of trade with one nation or the other or basically with many nations at the same time, because it is not possible for any one nation to fulfill all the demands of any nation on overall bases. Each nation has something special to offer. Also based on the theory of comparative cost advantage, countries trade on the basis of their specific needs and the surplus of commodities existing in the nations they trade with. It is with this endeavor that this paper has been prepared. The present paper brings out the detailed analysis of the export and import commodities and items of India and their respective quantities. Along with this, the paper also discusses the major nations with which India has trade relations.

## Literature Review

Literature review can be called upon as the history of previous research. It is the foundation stone of the research that a person tends to undertake. In a concise form, the literature review presents the gist of the researches that have been done previously in the same fields of study. Some of the important researches done in the field of trade relations of India are as under:

Alan, Adam (2013) in his paper has discussed the various items of trade that India undertakes and the nations it trades with. According to him, many nation which did not trade with India have started trading with India. India has started exporting the items which were previously imported by it.

\* Professor, IIMT University, Meerut, Uttar Pradesh, India. Email: [drvirendaraghuvanshi@gmail.com](mailto:drvirendaraghuvanshi@gmail.com)

\*\* Scholar, Jaipuria Institute of Management Studies, Ghaziabad, Uttar Pradesh, India.  
Email: [Abhishek.gautam1987@yahoo.in](mailto:Abhishek.gautam1987@yahoo.in)

\*\*\* Scholar, Dewan V. S. Group of Institutions, Ghaziabad, Uttar Pradesh, India. Email: [Monikagoel217@gmail.com](mailto:Monikagoel217@gmail.com)

Carols, Zulis (2014) explains in her paper that Indian trade with many nations is of recent origin. It did not trade with many nations it traded previously with. Even the items it has started exporting in recent years were largely imported by her. It has started excelling in trade of many items and made a recent foray into the fields it was not visible in.

Joseph, Anna (2015) in her paper has dealt with the trade of India in the pre-reforms and the post-reforms periods. According to the paper, India has made a significant stride in the field of international trade and commerce. It has moved from the policy of inward-oriented trade to the outward-oriented trade and made significant strides in the field of international trade.

## Value of Exports and Imports in the Planning Period

After India gained independence, it started its journey of planning. Since then, it has adopted many plans, which has led to the progress of Indian economy in one form or the other. All the different plans of India dealt with various long-term and short-term objectives and thus improvement in trade has been one of the major goals of planning in India. Table 1 gives the details of value of exports and imports in the planning period.

We can witness from Table 1 that although long time of planning has elapsed, the trade balance of India fails to be positive. It has been negative for almost all the years barring two years of planning.

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

| Year    | Exports | Imports | Trade Balance |
|---------|---------|---------|---------------|
| 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.

## Direction of Foreign Trade

Direction of trade for any given nation is determined by the principles provided by the comparative cost advantage. Whichever nation can produce the commodity with lesser cost and possesses the surplus of it, should export to the nations which cannot produce it at the cost equal to or lesser than that. India too trades on the basis of this principle. It trades with many nations of the world. But, it was not so when India was a colony to British rule. At that time, the trade was determined by the colonial relations of India with Britain. The share of exports with the USA and the UK with the Indian economy amounted to 42% in the year of 1950–51. Indian imports from these nations amounted to approximately 39.1% for the same year.

India hardly traded with any other nation like France, Germany, Italy and Japan. India could not trade with them as it was not aware of the opportunities existent in these nations. If we analyze the condition of trade after the post-reforms period then there is a significant difference in the recent situation and the one that existed before independence. The situation has changed very much since. Now after the initiation of new economic reforms, the trading relations exhibit marked changes. The direction of foreign trade in post-reforms period is analyzed in Table 2.

**Table 2: Direction of Trade in Post-Reforms Period**

| Commodities                 | Imports |         |         | 2016-17 | Exports |         |         | 2016-17 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                             | 1990-91 | 2000-01 | 2009-10 |         | 1990-91 | 2000-01 | 2009-10 |         |
| OCED of Which               | 54.00   | 39.90   | 32.40   | 28.1    | 53.50   | 52.60   | 36.90   | 37.9    |
| E.U.                        | 29.40   | 20.80   | 13.30   | 10.8    | 21.80   | 23.40   | 20.20   | 17.2    |
| Belgium                     | 6.30    | 5.70    | 2.10    | 1.7     | 3.90    | 3.30    | 2.10    | 2.0     |
| Germany                     | 8.00    | 3.50    | 3.60    | 3.0     | 7.80    | 4.30    | 3.00    | 2.6     |
| U.K.                        | 6.70    | 6.30    | 1.50    | 1.0     | 6.50    | 5.20    | 3.50    | 3.1     |
| U.S.A.                      | 12.10   | 6.00    | 5.90    | 5.8     | 14.70   | 20.90   | 10.90   | 15.3    |
| Switzerland                 | 1.10    | 6.20    | 5.80    | 4.5     | 1.20    | 1.00    | 0.30    | 0.3     |
| Japan                       | 7.50    | 3.60    | 2.30    | 2.5     | 9.30    | 4.00    | 2.00    | 1.4     |
| OPEC of Which               | 16.30   | 5.40    | 30.90   | 24.1    | 5.60    | 10.90   | 21.10   | 16.4    |
| UAE                         | 4.40    | 1.30    | 6.80    | 5.6     | 2.40    | 5.80    | 13.40   | 11.3    |
| Indonesia                   | 0.30    | 1.80    | 2.30    | --      | 0.60    | 0.90    | 1.70    | --      |
| Saudi Arabia                | 6.47    | 1.20    | 5.90    | 5.2     | 1.30    | 1.80    | 2.20    | 1.9     |
| Eastern Europe of Which     | 7.80    | 1.70    | 2.30    | 2.4     | 17.90   | 2.90    | 1.00    | 1.00    |
| Russia*                     | 5.90    | 1.00    | 1.20    | 1.4     | 16.14   | 2.00    | 0.50    | 0.7     |
| Developing Nations of Which | 18.60   | 22.00   | 32.60   | 43.2    | 17.10   | 29.20   | 39.90   | 43.5    |
| Asia                        | 14.00   | 16.70   | 25.70   | 34.8    | 14.40   | 22.50   | 29.90   | 32.0    |
| China                       | 0.10    | -       | 10.70   | 16.0    | 0.10    | -       | 6.50    | 3.7     |
| Hong Kong                   | 0.70    | 1.70    | 1.60    | 2.1     | 3.30    | 5.90    | 4.40    | 5.1     |
| South Korea                 | 1.50    | 1.80    | 3.00    | 3.3     | 1.00    | 1.00    | 1.90    | 1.5     |
| Singapore                   | 3.30    | 2.90    | 2.20    | 1.9     | 2.10    | 2.00    | 4.20    | 3.5     |
| Malaysia                    | 2.30    | -       | 1.80    | 2.3     | 0.80    | -       | 1.60    | 1.9     |
| Others                      | 0.00    | -       | 1.80    | 2.2     | 2.90    | 0.20    | 2.60    | 1.2     |
| Total                       | 100.00  | 100.00  | 100.00  | 100.0   | 100.00  | 100.00  | 100.00  | 100.0   |

\* Refer to former USSR before 1992-93.

Source : Computed from (i) Reserve Bank of India, Report on Currency and finance, Various issues, and (ii) Reserve Bank of India, Handbook of Statistic on the Indian Economy, 2009-10, (Mumbai, 2010), Handbook of Statistics on the Indian economy, 2016-17 (Mumbai, 2017), Table 134, p. 211.

## Changes in Direction of Imports and Exports

If we ponder over the details given in Table 2, we can easily witness the direction of imports and exports made by Indian economy. Table 2 clearly reveals that since the initiation of the planning period in India and economic reforms, India mainly traded with the nations belonging to OECD, the OPEC nations and the nations comprising

of Eastern Europe. It also trade with some developing nations. The trade with OPEC nations declined for some time but again gained momentum. In the same manner, the trade with other countries also met with several ups and downs.

## Main Trading Partners of India

Table 3 gives the percentage share of the partners in trade with India with whom India trades on major basis.

**Table 3: India's Major Trading Partners, 2000–01 to 2016–17 Percentage Share in Total (Exports + Imports)**

| Country         | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2006–07 | 2007–08 | 2008–09 | 2009–10 | 2016–17 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| USA             | 13.00   | 13.40   | 11.60   | 10.70   | 10.60   | 9.80    | 10.10   | 8.10    | 7.80    | 21.1    |
| UK              | 5.70    | 4.60    | 4.40    | 3.70    | 3.60    | 3.10    | 2.60    | 2.60    | 2.30    | 4.1     |
| Belgium         | 4.60    | 4.70    | 4.10    | 3.60    | 3.00    | 2.40    | 2.10    | 2.10    | 2.10    | 3.7     |
| Germany         | 3.90    | 4.00    | 3.80    | 3.50    | 3.80    | 3.70    | 3.60    | 3.80    | 3.40    | 5.6     |
| Japan           | 3.80    | 3.20    | 3.10    | 2.80    | 2.60    | 2.40    | 2.50    | 2.20    | 2.20    | 3.9     |
| Switzerland     | 3.80    | 2.40    | 2.60    | 3.30    | 2.80    | 3.10    | 2.50    | 2.60    | 3.30    | 4.8     |
| Hong Kong       | 3.70    | 3.10    | 3.30    | 2.80    | 2.70    | 2.30    | 2.20    | 2.70    | 2.70    | 7.2     |
| UAE             | 3.40    | 3.80    | 5.10    | 6.20    | 5.10    | 6.60    | 7.00    | 9.90    | 9.30    | 16.9    |
| China           | 2.50    | 4.20    | 4.90    | 6.50    | 7.00    | 8.30    | 9.20    | 8.60    | 9.10    | 19.7    |
| Singapore       | 2.50    | 2.50    | 3.00    | 3.40    | 3.50    | 3.70    | 3.70    | 3.30    | 3.00    | 5.4     |
| Malaysia        | 1.90    | 1.90    | 2.10    | 1.70    | 1.40    | 2.20    | 2.10    | 2.20    | 1.90-   | 4.2     |
| Total (1 to 11) | 48.80   | 47.80   | 48.00   | 48.20   | 46.10   | 47.60   | 47.60   | 48.10   | 47.10   | 96.6    |

Source: DGCI & S, Kolkata.

It can be clearly seen from Table 3 that 11 trading partners of India happen to contribute almost 97% of trade in terms of exports and imports. These 11 nations trade in the various items of trade with India and have the movement of goods and services in both the directions.

Among top 15 trading partners, India had trade surplus with five countries in 2010–11, namely the UAE, the USA, Singapore, the UK and Hong Kong (the export-import ratio being greater than one).

The foregoing analysis clearly shows that the foreign trade of India is not diversified and is concentrated with some countries of the world only. Thus, India needs to –

Find out new sources to import the commodities of its utility and the destinations to export its produce to raise its earnings from the trade.

It is required to adopt better marketing and servicing strategies to increase the sale of the commodities in the international markets.

## Conclusion

As a concluding remark, we may put forward that India has moved towards an industrialized economy and is into the export of manufactured commodities of all types. Moreover, its direction and composition of trade has altered. Many nations which did not trade with, when it became independent, have stated importing and exporting their commodities in huge quantities. Among top 15 trading partners, India had trade surplus with five countries

in 2010–11, namely the UAE, the USA, Singapore, the UK and Hong Kong. India has started trading with these nations and is making its bond stronger day by day. India stands to gain from all its trade relations but there are certain problems to be taken care of:

The regular deficits in country's balance of payments need to be addressed as these may eat away the very vitalities of the Indian economy.

Indian economy needs to increase its share in the world trade as well as the practice division of labor if it wishes to become a world leader.

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