

# India's Foreign Trade : The Changing Scenario Of Size, Composition And Direction

M.P. Singh \*

## INTRODUCTION

India is a vast, multi-faceted country. Since 1950/51 it has been pursuing a course of economic development aimed at universalizing material affluence among its population. Its economic performance can be assessed in terms of its agricultural, industrial, or trade and service sectoral development. Here, an attempt has been made to draw the performance profile of India with respect to its achievements in the field of international trade.

International trade contributes to the growth and development of a developing country in many key respects. Firstly, it boosts output and income by enabling greater employment of domestic resources, both natural and human. Secondly, it permits a developing country to streamline its production portfolio by specialising in the production of goods for which it enjoys a natural, comparative advantage over other producing nations. Trade based on comparative cost advantage increases the general availability of capital/consumer goods and services that would otherwise be either costlier or impossible to produce domestically. Thus, each country, in theory, is able to obtain more goods than it can actually produce by itself.

India's foreign trade has undergone significant changes in terms of volume, composition and direction and there is empirical evidence that it has contributed in some measure to the country's development effort by making available to it indispensable raw materials and capital goods key to infrastructural and technological improvement. Hand in hand with the import of high-tech capital goods the country has also managed to import and assimilate advanced technical know-how helpful in upgrading production for the domestic market as well. Lastly, the relatively open access to foreign-made goods has necessitated some degree of efficient utilization of resources due to competition from abroad.

Robertson considers foreign trade to be an engine of growth. The validity of this assertion with respect to India can be tested by scrutinising India's performance and experience in the field of international trade (Shoney 1972).

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\* Dr. Singh is Associated with the Department of Economics, Banaras Hindu University, Varanasi, India.

## INDIA'S FOREIGN TRADE 1947 - 50

Before 1947 India was under British dominion and the structure of her foreign trade was that of the classic colony, i.e., Britain was India's largest trading partner. After independence, with the focus on rapid economic development, India sought to import capital goods instead of finished consumer goods as she had been forced to do under British rule. However, in the initial three year, pre-planning period 1947 - 50, foodgrain imports accounted for a substantial part of the import bill. This was an anti-inflationary exercise to counter the situation created by the influx of refugees and the loss of a large amount of food-producing area due to partition. Other anti-inflationary imports also had to be made to prevent scarcity of consumer goods for which the country as yet did not have the necessary production base.

The partition in 1947 significantly affected the foreign trade of India. Domestic and export availability of three key pre-1947 export commodities - foodgrains, jute and cotton - reduced sharply, and these became import rather than export items for India. The share of cotton in India's exports was 10 percent and it came down to 3 percent in 1951, partly also due to increased domestic demand. Jute export, which accounted for 7 percent of total exports before partition, came to a complete halt, after it, many other industrial exports were also affected adversely.

Imports rose from IRs. 520.1 crores in 1947/48 to IRs. 766.3 crores in 1948/49 leading to a B.O.P. deficit of IRs. 252.1 crores (RBI 1948/49-1955/56). This deficit forced the Indian Government to devalue the rupee by 30.5 percent against the U.S. dollar in September 1949. Hence, the import-export gap narrowed to some extent. The Korean war helped to boost Indian exports considerably. The overall result of these changes was that our balance of trade deficit, which amounted to IRs. 132 crores in 1949-50 came down sharply to a mere IRs. 2 crores in 1950 - 51. (GOI 1993/94). The B.O.P. situation meanwhile took a complete turn and a B.O.P. deficit of IRs. 169.3 crores in 1949 became a B.O.P. surplus of IRs. 57.5 crores in 1950 (RBI 1951/52). However, devaluation alone was not the cause for this upturn. The trade gap reduced mainly due to successful import substitution and depletion of Sterling balances during this period.

Thus, on the eve of planning Indian foreign trade was characterised by a predominance of imports over exports and a negative balance of trade. The main cause of heavy imports in this period was the pent-up demand of the war period, relaxation of import restriction, acute shortage of foodgrains, cotton and jute due to partition and maintenance and developmental imports for the industrial sector.

## COMMODITY COMPOSITION 1947 - 50

India primarily exported perfumed rice, wheat, gram, pulses, manganese ore, mica, iron and steel, copper, brass, kerosene and other oils

and oil products, sugar, tea, yarns, jute, cotton textiles etc. between 1947 to 1950. Of these jute, cotton textiles and tea accounted for 60 percent of total exports, reflecting a rudimentary stage of economic development. During the same period food items, such as, rice, floor, gram and pulses, ghee, hides and skins, timber, tobacco and oils vegetable, mineral and animal, and machinery, vehicles (excluding locomotives), chemical, drugs, yarns and textiles, paper and allied products and metals other than iron and steel were imported, 70 percent of the imports consisted of the above items in 1947/48 (MOC 1971).

#### **DIRECTION OF TRADE 1947 - 50**

The direction of trade was mostly to and from Britain, due to the colonial heritage, rather than due to any comparative cost advantage. Till 1950 India did not explore in full the possibilities of forcing trade links with countries other than U.K. and U.S.A. and these had accounted for 42 percent of India's exports in 1950-51 and 39 percent of her imports (GOI 1982). With other countries India's trade links either did not exist or were nominal.

#### **INDIA'S FOREIGN TRADE IN THE PLANS**

India's foreign trade increased substantially only after the third Five Year Plan. Till then it increased only slowly. The plan-wise growth can be seen from Table 1.

India has covered a lot of ground in the 1950 - 2000 period, The country's foreign trade, which stood at IRs. 6703 crores in the First Plan rose to IRs. 282025.0 crores in the Eighth Plan, showing a nearly 4107.44 percent increase. The watershed in foreing trade occurred in the Fourth Plan. In this plan period 89. 78 percent increase witnessed to superfluous imports.

**Table 1**  
**Planwise Trade Growth**

(In IRs. Crores)

Plan	Import	Export (Including re-export)	Total trade	percent variation over plan	Balance of Trade
First Plan (1951/52 - 1955/56)	3676.0	3027.0	6703.0	-	-649.0
Annual Average (1956/57 - 1960 / 61)	735.2	605.4	1340.6	-	-129.8
Second Plan (1956/57 - 1960/61)	4865.0	3029.0	7894.0	17.77	-1836.0
Annual Average	973.0	605.8	1578.8	-	-367.2
Third Plan (1961/62 - 1965 - 66)	6202.0	3764.0	9966.0	26.25	-2438.0
Annual Average	1240.4	752.8	1993.2	-	-487.6
Annual Plans (1966/67 - 1968/69)	5995.0	3714.0	9709.0	-2.58	-2281.0
Annual Average	1998.3	1238.0	3236.3	-	-760.3
Fourth Plan (1969/70-1973/74)	9863.0	9050.0	18913.0	89.78 (over 3rd plan)	-813.0
Annual Average	1972.6	1810.0	3782.6	-	-162.6
Fifth Plan (1974/75 - 1977/78)	20878.0	17915.0	38793.0	105.11	-2963.0
Annual Average	5219.5	4478.75	9698.25	-	-740.75
Annual Plans (1978/79 - 1979/80)	15954.0	12144.0	28098.0	-	3810.0
Annual Average	7977.0	6072.0	14049.0	-	-1905.0
Sixth Plan (1980/81 -1984/85)	73415.0	44835.0	118250.0	204.82	-28580.0
Annual Average	14683.0	8967.0	23650.0	-	-5716.0
Seventh Plan (1985/86 - 1989/90)	125561.0	86911.0	212472.0	79.68	-38650.0
Annual Average	25112.2	17382.2	42494.4	-	-7730.0
Annual Plans (1990/91 - 1991/92)	91049.0	76594.0	167643.0	-	-14455.0
Annual Average	45524.5	38297.0	83821.5	-	-7227.5
Eighth Plan (1992/93 - 1996/97)	149653.0	132372.0	282025.0	32.74 (over seventh plan)	-17281.0
Annual Average	29930.6	26474.4	56405.0	-	-3456.2
Ninth Plan					
1997-98	41484.0	35006.0	76490.0	-	-6478
1998-99	42389.0	33218.0	75607.0	-	-9171
1999-2000 (p)	47212.0	37599.0	84811.0	-	-9613
2000-01 (p) (April - Nov.)	34787.0	28610.0	63397.0	-	-6177

Note : (i) percentage change in 8th plan's total trade over 1st Plan 4107.44 percent.

- (ii) Percentage increase in total trade in 1998-99 over 1951/52 2162.33 percent.
- (iii) P = Provisional.
- (iv) For the years 1956/57, 1957/58, 1958/59 and 1959/60, the data are as per the Fourteenth Report of the Estimates Committee (1971 - 72) of the erstwhile Ministry of Foreign Trade. Aforesaid years' data are taken for the Second Plan figures of the table.

Source : Economic Survey, 1996/97, p-580 and 2000-2001, 582, GOI, Delhi.

All the empirical evidences suggests that the major chunk of the import bill - the maintenance imports (raw materials and intermediate products for industry) - was unavoidable because in the absence of such imports the loss in the country's GNP would have been many times the cost of these imports (Reddaway 1962) According to Ahmed (1975) the high propensity to import displayed by the Indian economy is a reflection of the national economy's structural inability to transform domestic resources into capital goods necessary for technological upgradation of the economy. This said, however, the primary reasons for the increased value of imports in recent years have been international inflation, increase in the choice of importables and access to them and the new economic policy with its lenient attitude towards imports and globalisation.

In reality, the money value of foreign trade masks rather than underscores the extent of exports and imports. The quantum index is a better indicator of this extent, despite its limitations. Increase in the price of exports/imports often results in an increase in the money value of the foreign trade without a corresponding increase in its quantum. However, if the money value increases in tandem with an increase in the value-addition to export items this can be called a healthy sign even in the absence of increase in quantum. The same in reverse is true for imports. In India, the quantum increase in foreign trade has lagged for behind the value increase. However, even the quantum indices over the third plan was recorded. After fourth plan, the lowest increase was recorded in the eighth plan, which registered a lamenting figure of 32.74 percent increase over the seventh plan. This is no doubt the result of trade policy reforms initiated in July 1991. All in all, foreign trade registered an increase of 2162.33 percent in 1998/99 over 1951/52. However, this increase was also accompanied by persistent balance of trade deficits, though meagre trade surpluses were recorded in 1972/73 (IRs. 103.4 crores) and 1976/77 (IRs. 68.9 crores). The disintegration of the former U.S.S.R. caused a setback to India's exports, resulting in a negative impact on the B.O.P.

The money value increase outlined above was the result of several factors. The main ones are :

- Devaluation of rupee in June 1966 by 36.5 percent and in July 1991 by 20 percent. This boosted exports temporarily.
- Creation of exportable surplus in the agricultural and industrial sectors. The result was an increased export capacity.
- Availability of new export markets in addition to traditional ones as well as new export possibilities in the latter.
- Finalising of bilateral and multilateral trade agreements with both the capitalist as well as the socialist blocs.
- Creation of export-promoting bodies, e.g., Export Promotion Councils - Boards of Trade, State Trading Corporation. etc., alongwith streamlining of export infrastructures and regulation. Additional measures included sending of trade delegation abroad and setting up trade fairs at home.
- Provision of attractive export incentives to exporters, e.g., tax concessions, duty draw backs, export-linked import incentives, easy access to replenishment licences, concessional export credit, etc. The latest in this line of rationalisation is the full to partial convertibility of the rupee and other trade liberalisations announced in the new export policy of 1991.
- Initiation and rigorous enforcement of a general climate of quality control by the Government to make Indian exports competitive abroad.

The increased import during the plan period was the inevitable result of the industrialization drive. All developing countries require heavy infusions of capital and infrastructural imports in the initial stage of development and India is no exception. However, the import scenario has also been coloured by the need to make occasional, heavy imports of staples such as foodgrains and edible oils to keep inflationary pressures at home in check. Fortunately, this has had to be resorted to less and less as each plan went by. A third, and more serious, cause for the heavy import bill is the persistent cost and time overruns in the implementation of plan projects and faulty planning leading at times reflect a considerable hike in foreign trade during the plan periods. During fourth plan the quantum index was 309.9 and 376.6 for exports and imports respectively (1979 = 100). This rose to 1569.2 and 2046.0 in the 8th plan. The 8th plan has also registered a greater increase in exports (124.30 percent) than imports (94.60 percent) over the 7th plans mainly due to trade policy reforms and substantial imbalances in the relative position of exports and imports during the 7th plan. The quantum indices also show the trade imbalance persistant in India with imports constantly exceeding exports, thus hinting at an uncomfortable degree of import penetration even after 45 years of planned development. India's trade position vis-a-vis the world can be seen by looking at her share in world exports. Here, the situation is dismal indeed. From a fairly modest 2.2 percent share in global exports in 1951,



India shed to an abysmal 0.4 percent in 1980. The situation has slowly improved since then, but we still accounted for only 0.6 percent of global exports in 1998, showing that we have a long way to go before we can even regain our starts in 1951, far less better it. India's share in world exports reflects the failure and half-hearted attitude of Indian planning in terms of keeping up with global economic progress. A policy climate unfavourable to export acceleration prior to 3rd plan can be pointed to as a possible cause.

**Table 2**  
**Quantum Index Of India's Foreign Trade**  
(Base : 1978-79 = 100)

(In IRs. Crores)

Period	Exports	Quantum Index percent variation over previous plan	Imports	Percent variation over previous plan
Fourth Plan (1969/70-1973/74)	309.9	-	376.6	-
Annual Average	61.98	-	75.32	-
Fifth Plan (1974/75 - 1977/78)	345.5	(11.45)	329.3	(-12.56)
Annual Average	69.08	-	65.86	-
Annual Plans (1978/79 - 1979/80)	206.2	-	216.4	-
Annual Average	103.2	-	108.2	-
Sixth Plan (1980/81 -1984/85)	568.7	(64.65)	784.6	(138.26)
Annual Average	113.74	-	156.92	-
Seventh Plan (1985/86 - 1989/90)	699.6	(23.02)	1051.4	(34.00)
Annual Average	139.92	-	210.28	-
Annual Plans (1990/91 - 1991/92)	402.7	-	465.7	-
Annual Average	201.35	-	232.85	-
Eighth Plan (1992/93 - 1996/97)	1569.2	(124.30)	2046.0	(94.60)
Annual Average	313.84	-	409.2	-
Ninth Plan (1997/98 - 2001-2002)				
1997-98	386.0	-	562.1	
1998-99	399.2		644.2	

**Note :** (1) Data for the years from 1969/70 to 1997/98 are converted from the original base with the help of linking factors.

**Source :** The table is calculated on the basis of data collected from Economic Survey, 1996/97, 2000 - 2001, p. S-97, GOI.

**Table 3**  
**India's Share In World Exports**

Period	India's Share in Percentage
1951	2.2
1955	1.5
1960	1.2
1965	1.0
1970	0.6
1975	0.5
1980	0.4
1985	0.5
1990	0.5
1993	0.6
1994	0.8
1995	0.6
1995	0.6
1997	0.6
1998	0.6

Source : International Trade Statistics Year Book; United Nations, 1990, 1994, 1999 and Economic Survey 1996/97, p. S-93 and 2000/2001, pp. S - 95 - S - 96, GOI.

### COMMODITY COMPOSITION IN FOREIGN TRADE DURING THE PLAN PERIOD

The commodity composition of Indian foreign trade has undergone significant, and largely positive, changes in the plan period. During the 45 years of planning so far the country has managed to reduce its initial dependence on foreign suppliers for such basic necessities as food and raw materials for export earnings. This is the classic development pattern for any underdeveloped economy and India's conformity to it shows that she is on the right path. Today nearly 77 percent of her exports are manufactured products.

#### Import Commodity Composition

The composition of Indian imports since 1960 - 61 is shown in Table 4. It shows that intermediate goods and raw materials constitute the bulk (71.05 percent in 1985/86) of Indian imports whereas they accounted for about 47 percent in 1960/61. This shows that India has become a resource-using economy, indirectly indicating progress in the country's human resource quality. Raw and intermediate goods alongwith capital goods



(23.06 percent in 1995/96) constitute about 94 percent of Indian imports. Import of food and live animals comes a poor third with only about 4 percent of imports falling in this category. Similar was the import commodity composition in 1960-61, too, reflecting India's semi-industrial status even back then.

**Table 4**  
**Composition Of Imports**

(In IRs. Crores)

Items	1960-61	1970-71	1980-81	1985-86	1990-91	1992-93	1996-97	1999-2000
1. Food and live animals Chiefly for food (excl cashes raw)	214.0 (19.07)	242.0 (14.81)	380.00 (3.03)	854.0 (4.34)	N.A. (-)	N.A. (-)	N.A. (-)	N.A. (-)
i) Cereals and cereals preparations	181.0 (16.13)	213.0 (13.03)	100.0 (0.80)	110.0 (0.56)	182.0 (0.42)	966.0 (1.52)	488.0 (0.35)	579.00 (0.28)
2. Raw materials and intermediate manufactures	527.0 (46.97)	889.0 (54.41)	9760.0 (77.77)	13966.0 (71.05)	N.A. (-)	N.A. (-)	N.A. (-)	N.A. (-)
i) Petroleum, oil and lubricants.	69.0 (6.15)	136.0 (.32)	5264.0 (41.95)	4989.0 (25.38)	10816.0 (25.04)	17142.00 (27.05)	35629.00 (25.65)	45421.00 (22.20)
ii) Fertilizers and chemical products, of which : Fertilizers and fertilizer material	88.0 (7.84)	217.0 (13.28)	1490.0 (11.87)	3256.0 (16.56)	N.A. (-)	N.A. (-)	N.A. (-)	N.A. (-)
iii) Pearls, precious and semi-precious stones, unworked or worked	1.0 (0.09)	25.0 (1.53)	417.0 (3.32)	1100.0 (5.60)	3738.0 (8.65)	7072 (11.16)	10384.00 (7.48)	23296.00 (11.39)
iv) Iron and steel	123.0 (10.96)	147.0 (9.0)	852.0 (6.79)	1395.0 (7.10)	2113.0 (4.89)	2254.0 (3.56)	6866.0 (4.94)	4371.00 (2.14)
v) Non-ferrous metals	47.0 (4.19)	119.0 (7.28)	777.0 (3.80)	542.0 (2.76)	1102.0 (2.55)	1144.0 (1.81)	3925.0 (2.83)	2357.00 (1.15)
3. Capital Goods	356.0 (31.73)	404.0 (24.72)	1910.0 (15.22)	4285.0 (21.80)	10466.0 (24.23)	10839.0 (17.10)	29868.00 (21.50)	23399.00 (11.44)
i) Non-electrical machinery apparatus and appliances including machine tools	203.0 (18.09)	258.0 (15.79)	1089.0 (8.68)	2593.0 (13.19)	4240.0 (9.41)	4788.00 (7.56)	14801.00 (10.65)	13087.00 (6.40)
ii) Electrical machinery apparatus and appliances	57.0 (5.08)	70.0 (4.28)	260.0 (0.07)	923.0 (4.69)	1702.0 (.94)	588.0 (0.93)	1155.00 (0.83)	1719.00 (0.84)
iii) Transport equipment	72.0 (6.42)	67.0 (4.10)	472.0 (3.76)	569.0 (2.89)	1670.0 (3.86)	1338.0 (2.11)	5269.00 (3.79)	2932.00 (1.43)
4. Others (Unclassified)	25.0 (2.23)	99.0 (6.06)	499.0 (3.98)	553.0 (2.81)	N.A. (-)	N.A. (-)	N.A. (-)	N.A. (-)
Total Imports	1122.0 (100.0)	1634.0 (100.0)	12549.0 (100.0)	19658.0 (100.0)	43198.00 (100.00)	63375.00 (100.00)	138919.0 (100.0)	204583.00 (100.00)

— Percentage change in 1990 - 91 over 1980-81 = 244. 23 percent

— Percentage change in 1996 - 97 over 1990-91 = 221.59 percent

— Percentage change in 1996 - 97 over 1980 - 81 = 1007.01 percent

— Percentage change in 1996 - 97 over 1992 - 93 = 119.20 percent

- Percentage change in 1999 - 2000 over 1995 - 97 = 47.27 percent
- Percentage change in 1990 - 2000 over 1980 - 81 = 1530.27 percent

**Note :** 1- Figures in brackets indicate percentage share to total imports.  
 2- From the year 1990/91 onwards, capital Goods include Project goods  
 3- From the year 1992/93 onwards items 3 (i) & (ii) exclude electronic goods.

**Source :** Economic Survey 1996/97, 1997/98 pp S - 82 - S - 85 and 2000 /2001, pp S-83 - S-85.

In 1960/61 too raw and intermediate goods import exceeded capital goods import which, in turn, exceeded food and live animals import. The only difference was in their relative ratios. Over the years the country has developed a sophisticated base for capital goods and food production domestically, hence it now needs less of these items and more of raw and semi-finished goods to keep this production base operative. Thus, food imports have fallen from about 20 percent in 1960/61 to just under 5 percent in 1985/86. Cereals and cereal preparations have constituted the major food imports all along and have declined from around 16 percent of total imports to less than 1 percent in 1999/2000. Among raw and intermediate goods petroleum, oil and lubricants are the chief imports (22.20 percent in 1999/2000), followed by capital goods (11.44 percent in 1999/2000). Third in line are pearls, precious and semi-precious stones, unworked or worked with 11.39 percent in 1999/2000. Fertilizers and chemical products also had significant place in our imports bill (16.56 percent of total imports in 1985/86). Thus, we see that import of raw materials, such as, petroleum and chemicals is more crucial to the economy now than fertilizers which can be produced at home relatively easily. This indicates increasing sophistication of the domestic production base.

Among capital goods, non-electrical machinery, apparatus and appliances constitute the bulk of such imports (18.09 percent in 1960/61 and 6.40 percent in 1999/2000), followed by transports equipment (6.42 percent in 1960 - 61 and 1.43 percent in 1999/2000). Both, however, show a healthy, declining trend, indicating increased domestic availability of key machinery.

In sum, the imports of food and capital goods - a sure sign of under-development - are declining in favour of raw materials and semi-finished goods during 1960 - 2000 showing that India has left her colonial status far behind.

### Export Commodity Composition

This (Table-5) again reveals the technological development of the country over the years. Export of manufactured goods has been increasing at the expense of ores and minerals, which is a healthy sign.

**Table 5**  
**Composition Of Exports**

(In IRs. Crores)

Items	1960-61	1970-71	1980-81	1985-86	1990-91	1992-93	1996-97	1999-2000
1. Agricultural & Allied products	284.00 (44.23)	487.00 (31.73)	2057.0 (30.65)	3018.0 (27.70)	6317.0 (19.41)	9457.0 (17.61)	2423.0 (21.07)	24576.0 (15.08)
2. Gres and minerals (excl. coal)	52.00 (8.10)	164.00 (10.68)	414.0 (6.16)	785.0 (7.21)	1497.0 (4.6)	1814.0 (3.38)	3185.0 (2.68)	2975.0 (1.83)
3. Manufactured goods	291.0 (45.33)	772.0 (50.29)	3747.00 (55.83)	6374.0 (58.50)	23736.0 (72.91)	40435.0 (75.31)	88528.0 (74.51)	126329.0 (77.54)
3.1. Textiles fabrics and manufactures (excl. carpets hand mede)	73.0 (11.37)	145.0 (9.45)	933.0 (13.90)	1975.0 (16.47)	6832.0 (20.99)	12498.0 (23.28)	27793.0 (23.39)	40521.0 (24.87)
3.1.1. Cotton yarn, fabrics mede ups etc.	65.0 (10.12)	142.0 (9.25)	408.0 (6.08)	574.0 (5.27)	2100.0 (6.45)	3911.0 (7.28)	11082.0 (9.33)	13602.0 (8.35)
3.1.2. Readymade garments of all textile materials	1.0 (0.16)	29.0 (1.89)	550.0 (8.1)	1067.0 (9.79)	4012.0 (12.32)	6931.0 (12.91)	13324.0 (11.21)	20809.0 (12.77)
3.2. Jute manufactures incl. twist and yarn	135.0 (21.03)	190.0 (12.38)	330.0 (4.92)	262.0 (2.40)	298.0 (0.92)	355.0 (0.66)	552.0 (0.46)	514.0 (0.32)
3.3. Leather and leather manufactures incl. leather footwear, leather travel goods and leather garments.	28.0 (4.36)	80.0 (5.21)	390.0 (5.81)	770.0 (7.07)	2600.0 (7.99)	3700.0 (6.89)	5609.0 (4.72)	6510.0 (4.00)
3.4. Handicrafts (incl. Carpets hand made)	11.0 (1.71)	73.0 (4.76)	952.0 (14.19)	1881.00 (17.26)	6167.00 (18.94)	10957.0 (20.41)	20110.0 (16.93)	5532.0 (3.40)
3.4.1 Gems And Jewellery	1.0 (0.16)	45.0 (2.93)	618.0 (9.21)	1503.0 (13.80)	5247.0 (16.12)	8896.0 (16.57)	16872.0 (14.20)	33089.0 (20.31)
3.5. Chemicals & allied products	7.0 (1.09)	29.0 (1.89)	225.0 (3.35)	498.0 (4.57)	2111.0 (6.48)	3991.0 (7.43)	11463.0 (9.65)	16509.0 (10.13)
3.6. Machinery, Transport and metal manufactures, incl. iron & steel, electronic goods and computer software	22.0 (3.43)	198.0 (12.90)	827.0 (12.32)	954.0 (8.76)	3672.0 (11.89)	7118.0 (13.26)	17431.0 (14.67)	21435.0 (13.16)
4. Mineral fuels and lubricants (incl. coal) #	7.00 (1.09)	13.00 (0.84)	28.0 (0.42)	655.0 (6.01)	948.0 (2.91)	1520.0 (2.83)	1832.0 (1.54)	467.0 (0.29)
5. Others.	8.00 (1.25)	100.0 (6.51)	466.0 (6.94)	63.0 (0.58)	55.0 (0.17)	62.0 (0.12)	232.0 (0.20)	8578.0 (5.26)
<b>Total Exports</b>	<b>642.0</b> <b>(100)</b>	<b>1535.0</b> <b>(100)</b>	<b>6711.0</b> <b>(100)</b>	<b>10895.0</b> <b>(100-)</b>	<b>32553.0</b> <b>(100)</b>	<b>53688.0</b> <b>(100)</b>	<b>118817.00</b> <b>100.00</b>	<b>162925.0</b> <b>(100.00)</b>

— percentage change in 1990/91 over 1980/81 = 385.07 percent  
 — " " " 1996/97 over 1990/91 = 265.00 percent  
 — " " " 1996/97 over 1980/81 = 1670.48 percent

—	"	"	"	1996/97 over 1992/93 = 121.31 percent
—	"	"	"	1999/2000 over 1996/97 = 37.12 percent
—	"	"	"	1999/2000 over 1980/81 = 2327.72 percent

Note : (i) Figures in brackets indicate percentage share to total exports.

(ii) # indicates crude oil exports amounting to Rs. during 1990-91 onwards.

Source : Economic survey, 1996/97, pp. S-85-S-87, 1997/98, p.S-88 and 2000/2001 pp. S-87-S-89.

Even in 1960/61 manufactured goods constituted nearly 45 percent of Indian exports and headed the list, showing the semi-industrial status of the country even then. Nearly 77 percent of Indian exports were manufactured goods in 1999/2000 and the percentage is likely to rise with development. Among manufactured items gems and jewellery have recorded the highest increase during 1960 - 2000. with handicrafts as a whole registering a more than eleven times increase in 1992/93, but drastically declined in subsequent years. Gems and jewellery exports increased from less than 1 percent to nearly 20.31 percent of total exports in 1999/2000. Chemicals and allied products have also registered an impressive nine-fold increase from 1.09 percent in 1960/61 to 10.13 percent in 1999/2000. Machinery, transport equipment and metal manufactures (including iron and steel) exports, however, have stagnated since 1970/71 with even a decline in 1985/86. Exports of ready made garments and textiles increased substantially only after 1970/71. It was only 0.16 percent of total exports in 1960 /61 and rose to only 1.89 percent in 1970 /71 but to 8.1 percent in 1980/81 and 12.77 percent in 1999/2000. Export of mineral fuels and lubricants has fluctuated between 1 percent to 3 percent of total exports all along and so have leather and leather goods export at around 4-5 percent with some exceptions, revealing deep malaise in Indian industry. Increased percentage of manufactured exports is a healthy sign. Export of jute manufactures the highest export item in 1960/61 (21 percent to total exports) fell victim to technological substitution of jute abroad and so did exports of minerals like mica.

#### DIRECTION OF TRADE

India's foreign trade remains (Table 6) largely committed to OECD countries because of her need for hard currency to pay for imports of sophisticated technology and raw materials. However, a diversification in the customer list is also evident over the years. At the eve of planning (1950/51) U.K. was the chief trading partner, accounting for 20.8 percent of Indian imports and 23.3 percent of her exports. These shares have now (1999/2000) come down to 5.8 percent and 6.0 percent respectively. U.S.A. was the second

largest trading partner (18.31 percent of Indian imports and 19.3 percent of total exports) in 1950/51, it is today India's largest trading partner but its share has become 7.7 percent and 22.7 percent, respectively, in 1999/2000. Indian exports to U.S.A. have always exceeded her imports from it. India's trade links with OPEC countries, however, has been just the opposite : imports far exceeding exports. Evidently Indian exporters could not cash in on the oil boom in the early 70's which made OPEC countries lucrative export for the rest of the world. Indian exports to Africa have, however, enjoyed modest trade surpluses. However, Asia (excluding OPEC) is India's chief trading partner outside OECD, with 20.4 percent of Indian exports going to Asia and 17.5 percent of her imports coming from this region in 1999/2000. Japan over the years has emerged as an important trading partner. The socialist bloc, including Russia, has only modest trade links with India in terms of total volume of trade even in the hey day of the former Soviet Union. with the disintegration of the U.S.S.R., this trade has been further hampered. Thus we can see from Table 6 that Asia has emerged as the only other important trade partner besides OECD, in 1960/2000.

Table 6  
Direction of Trade  
(In Rs. Crores)

Country/Region	1950/51 *		1960/61		1970/71		1980/81		1990/91		1995/96		1999/2000	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
I. OECD	-	-	875.0 (78.)	425.0 (66.1)	1042.0 (63.8)	769.0 (50.1)	5740.0 (46.6)	3126.0 (46.6)	23310.0 (54.0)	17428.0 (53.5)	64254.0 (52.4)	59223.0 (55.7)	91665.0 (44.8)	93788.0 (57.6)
(a) E U	-	-	417.0 (37.1)	232.0 (36.2)	320.0 (19.6)	282.0 (18.4)	2639.0 (21.0)	1447.0 (21.6)	12680.0 (29.4)	8951.0 (27.5)	32691.0 (26.6)	28157.0 (26.5)	44736.0 (21.9)	40863.0 (25.1)
(i) France	11.0 (1.69)	9.0 (1.50)	21.0 (1.9)	9.0 (1.4)	21.9 (1.3)	18.0 (1.2)	280.0 (2.2)	147.0 (2.2)	1304.0 (3.0)	766.0 (2.4)	2812.0 (2.3)	2499.0 (2.3)	3194.0 (1.6)	3987.0 (2.4)
(ii) Germany	-	-	126.0 <sup>⊕</sup> (11.2)	23.0 <sup>⊕</sup> (3.60)	127.0 <sup>⊕</sup> (7.80)	57.0 <sup>⊕</sup> (3.70)	324.0 <sup>⊕</sup> (2.60)	434.0 <sup>⊕</sup> (6.5)	3473.0 <sup>⊕</sup> (8.0)	2549.0 <sup>⊕</sup> (7.8)	10520.0 <sup>⊕</sup> (8.6)	6614.0 <sup>⊕</sup> (6.22)	8089.0 <sup>⊕</sup> (4.0)	7809.0 <sup>⊕</sup> (4.8)
(iii) U.K.	135.0 (20.8)	140.0 (23.3)	217.0 (19.4)	173.0 (26.9)	127.0 (7.8)	170.0 (11.1)	731.0 (5.8)	395.0 (5.9)	2984.0 (6.7)	2128.0 (6.5)	6415.0 (5.2)	6726.0 (6.3)	11821.0 (5.8)	9735 (6.0)
(b) North America	-	-	347.0 (31.0)	120.0 (18.7)	570.0 (34.9)	235.0 (15.3)	1851.0 (14.7)	806.0 (12.0)	5804.0 (13.4)	5077.0 (15.6)	14191.0 (11.6)	19487.0 (18.3)	17333.0 (8.5)	39558 (24.3)
(i) Canada	-	-	20.0 (1.8)	18.0 (2.7)	117.0 (7.2)	28.0 (1.8)	332.0 (2.6)	62.0 (0.9)	559.0 (1.3)	281.0 (0.9)	1275.0 (1.0)	1022.0 (1.0)	1605.0 (0.8)	2578 (1.6)
(ii) U.S.A.	119.0 (18.31)	116.0 (19.30)	328.0 (29.2)	103.0 (16.0)	453.0 (27.7)	207.0 (13.5)	1619.0 (12.9)	743.0 (11.1)	5245.0 (12.1)	4797.0 (14.7)	12916.0 (10.5)	18466.0 (17.4)	15728.0 (7.7)	36980.0 (22.7)
(c) Other OECD	-	-	80.0 (7.1)	65.0 (10.1)	122.0 (7.4)	234.0 (15.2)	932.0 (7.4)	708.0 (10.6)	4826.0 (11.2)	3401.0 (10.4)	11881.0 (9.7)	8870.0 (8.3)	15302.0 (7.5)	9405 (5.8)
(i) Australia	34.0 (5.23)	-	18.0 (1.6)	32.0 (3.5)	37.0 (2.2)	25.0 (1.6)	170.0 (1.4)	92.0 (1.4)	1464.0 (3.4)	321.0 (1.0)	3418.0 (2.8)	1257.0 (1.2)	4677.0 (2.3)	1749.0 (1.1)
(ii) Japan	10.0 (1.54)	10.0 (1.66)	61.0 (5.4)	35.0 (5.5)	83.0 (5.1)	204.0 (13.3)	749.0 (6.0)	598.0 (8.9)	3245.0 (7.5)	3039.0 (9.3)	8254.0 (6.7)	7411.0 <sup>⊕</sup> (7.0)	10206.0 (5.0)	7379 (4.5)
II. OPEC	-	-	52.0 (4.6)	26.0 (4.1)	126.0 (7.7)	99.0 (6.4)	3488.0 (27.8)	745.0 (11.1)	7041.0 (16.3)	1831.0 (5.6)	25586.0 (20.9)	10300.0 (9.7)	48659.0 (23.8)	17342.0 (20.6)
(i) Iran	37.0 (5.69)	-	30.0 (2.6)	5.0 (0.8)	92.0 (5.6)	27.0 (1.7)	1339.0 (10.7)	123.0 (1.8)	1018.0 (2.4)	141.0 (0.4)	2001.0 (1.6)	514.0 (0.5)	4341.0 (2.1)	715 (0.4)

Continued



(In IRs. Crores)

Table 6

Country/Region	1950/51		1960/61		1970/71		1980/81		1990/91		1995/96		1999/2000	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
(ii) Iraq	-	-	2.0	3.0	10.0	52.0	753.0	496.0	44.0	0.0	2.0	868.0	227.0	(0.1)
(iii) Kuwait	-	-	(0.2)	(0.5)	(0.6)	(0.8)	(6.0)	(1.1)	(0.1)	(0.0)	(0.0)	(0.4)	(0.1)	(0.1)
(iv) Saudi Arabia	-	-	0.0	3.0	16.0	338.0	97.0	363.0	74.0	6590.0	453.0	6752.0	680.0	(0.4)
	-	-	(0.0)	(0.5)	(1.0)	(1.4)	(2.7)	(0.8)	(0.2)	(5.4)	(0.4)	(3.3)	(0.4)	(0.4)
	-	-	14.0	3.0	15.0	165.0	540.0	2899.0	419.0	6773.0	1613.0	9849.0	3228.0	(2.0)
	-	-	(1.3)	(0.5)	(0.9)	(2.5)	(4.3)	(6.7)	(1.3)	(5.5)	(1.5)	(4.8)	(2.0)	(2.0)
III. Eastern Europe	-	-	38.0	45.0	220.0	1486.0	1296.0	3377.0	5819.0	4217.0	4092.0	3400.0	494.0	(3.0)
	-	-	(3.4)	(7.0)	(13.5)	(22.1)	(10.8)	(7.8)	(17.9)	(3.4)	(3.8)	(1.7)	(3.0)	(3.0)
(i) Russia @@	-	-	11.0	29.0	106.0	1226.0	1014.0	737.0	5255.0	2864.0	3495.0	2676.0	4123.0	(2.5)
	-	-	(1.83)	(4.5)	(6.5)	(18.1)	(8.1)	(5.9)	(16.1)	(2.3)	(3.3)	(1.3)	(2.5)	(2.5)
IV. Other LDCS	-	-	132.0	95.0	239.0	1286.0	1966.0	7965.0	5465.0	22509.0	27324.0	46174.0	40947.0	(2.5)
	-	-	(11.8)	(14.8)	(14.6)	(19.2)	(15.7)	(18.4)	(16.8)	(18.3)	(25.7)	(22.6)	(25.1)	(2.5)
(i) Africa	-	-	63.0	40.0	169.0	350.0	205.0	959.0	668.0	2763.0	3584.0	6461.0	4951.0	(2.5)
	-	-	(5.6)	(6.3)	(10.4)	(5.2)	(1.6)	(2.2)	(2.1)	(2.3)	(3.4)	(3.2)	(3.0)	(2.5)
(ii) Asia	-	-	64.0	45.0	54.0	900.0	1431.0	6083.0	4665.0	17723.0	22613.0	35881.0	33180.0	(2.5)
	-	-	(5.7)	(6.9)	(3.3)	(13.4)	(11.4)	(14.0)	(14.3)	(14.4)	(21.3)	(17.5)	(20.4)	(2.5)
(iii) Latin America & Caribbean	-	-	5.0	10.0	16.0	36.0	313.0	974.0	132.0	2022.0	1127.0	3831.0	2816.0	(2.5)
	-	-	(0.4)	(1.6)	(1.0)	(0.5)	(2.5)	(2.3)	(0.4)	(1.6)	(1.1)	(1.9)	(1.7)	(2.5)
V. Others	304.0	315.0	25.0	51.0	8.0	68.0	60.0	1505.0	2010.0	6112.0	5414.0	14686.0	5927.0	(2.5)
	(46.77)	(52.41)	(2.2)	(8.0)	(0.5)	(1.0)	(0.5)	(3.5)	(6.2)	(5.1)	(5.1)	(7.2)	(3.6)	(2.5)
Total	650.0	601.0	1122.0	642.2	1634.0	6711.0	12549.0	19658.0	32553.0	122678	106353.0	204583.0	162925.0	(100.0)
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note : (i) Figures in brackets indicate percentage share to total imports and exports.

(ii) \* Refers to value at pre-devaluation rates, (iii) @ indicates figures for unified carmany.

(iv) @@ refers to former U.S.S.R. before 1992/93, (v) .. excluding member of POEC.

Source : (i) For column (2), Govt. of India, India- A Reference Annual 1982, Table - 20.5, p. 349

(ii) For column (3), onwards DGCI & S, Calcutta & Economic Survey- 2000/2001, pp. S-91-S-92 GOI.

## IMPORT/EXPORT RATIOS TO GDP/GNP/NNP

The import/export ratios to national income (Table 7) measure the former's contribution to the latter. The evidence at hand does not indicate a very key contribution by foreign trade to Indian economy. Thus, only about 9 percent of the domestic production of the country was exported in 1999-2000, up from a meagre 6 percent in 1950/51 and down from 9.91 percent in 1995/96. The total income (GNP) of the country also gained only by about 10 percent from export earnings in 1995/96 and 9.2 percent in 1990/2000. Import and export together accounted for about 21.61 percent of the country's GNP in 1995/96, and 20.75 percent in 1999/2000, significantly up from the 13 odd percent they added to it in 1950/51. The export-import ratio shows that while in 1950/51 we paid for 99.67 percent of our imports from our export earnings, this figure fell sharply to 53.5 percent in 1980/81 and has only recently climbed to 86.69 percent (in 1995/96) and with slight decline to 79.63 percent (1999/2000). This trend marks the presence of deep inflationary trends in our economy like the ones revealed in the B.O.P. crisis faced by Latin America in the 1980s. The relative weak contribution of exports and imports to NNP (both ranging largely between 7 to 14 percent during 1950-2000) is indicative of an indifferent national attitude with regard to foreign trade as well as the relatively low purchasing power of Indian consumers. It, however, reveals a prudent B.O.P. approach of the Indian government that imports are largely financed by exports.

Table 7  
Ratios Of Import And Export To GDP, GNP And NNP AND Import Export Ratio.

Year	GDP at Factor Cost in Rs. Crore	Export in Rs. Crore	Export DGP Ratio in %	Import in Rs. Crore	Import GDP Ratio in Percent	GNP at factor cost in Rs. Crore	Export GNP Ratio in Percent	Import GNP Ratio in Percent	NNP factor cost in Rs. Crore	Export NNP Ratio in percent	Import NNP Ratio in Percent	Export-Import Ratio in Percent
1950-51	8979.0	606.0	6.75	608.0	6.77	8938.0	6.78	6.80	8574.0	7.07	7.09	99.67
1960-61	15254.0	642.0	4.21	1122.0	7.36	15182.0	4.23	7.39	14242.0	4.51	7.88	57.22
1970-71	39708.0	1535.0	3.87	1634.0	4.12	39424.0	3.89	4.14	36503.0	4.21	4.48	93.94
1980-81	122427.0	6711.0	5.48	12549.0	10.25	122772.0	5.47	10.22	110685.0	6.06	11.34	53.48
1990-91	477814.0	32553.0	6.81	43198.0	9.04	470269.0	6.92	9.19	418074.0	7.79	10.33	75.36
1995-96	1073271.0	106353.0	9.91	122678.0	11.43	1059787.0	10.03	11.58	941861.0	11.29	13.03	86.69
1999-2000	1786459.0	162225 (p)	9.12	204583.0 (p)	11.45	1771028.0	9.20	11.55	1590301.0	10.24	12.86	79.63

Note : Ratios of Import & Export to GDP, GNP, NNP And Export-Import Ratio are calculated.

P = Preliminary

Q = Quick estimates

Source : Central Statistical Organisation GOI.

## CAUSES OF INDIA'S POOR PERFORMANCE

The relatively weak profile of India in world trade is due to structural, policy and institutional factors. Defective quality, high production cost and lack of quality consciousness in Indian products hampers their chances in a competitive world economy. Lack of export surpluses and supply bottlenecks often jeopardise delivery schedules and poor infrastructural facilities add to the problem. Moreover, the Government of India has often resorted to paradoxical incentives to boost exports by, for example, urging exporters to boost exports but by giving import licences to the non-deserving as well as deserving exporters. The labyrinth of export legislation has also deterred many a would be exporter. In addition, export promotion bodies set up by the Government, although playing a useful role, often overlap in their respective functions and suffer from poor co-ordination and bureaucratic apathy. A largely export discouraging policy climate in the country right upto the Third Five Year Plan was also responsible for setting India back in this important area. The existing export commodity composition also narrows India's prospects in world markets. The above mentioned demand and supply side constraints can only be removed by increased R and D and sophisticated marketing and market identification exercises by export promotion bodies and the introduction of an efficiency - conscious, competitive spirit in the economy like the one sought to be attained by the New Economic Policy of 1991.

## CONCLUSION

India's foreign trade has gone remarkable changes in composition, volume and direction. During 1947/50, India's foreign trade was determined by Britain, the colonial master. Britain was the main supplier and market. Jute, cotton and tea were the principal exports and food items like pulses, oils, etc. were the main imports. Before the beginning of planning, India's imports and exports reflected her colonial heritage. Since the inception of planning, her composition of trade went substantial changes. She has moved away from exports of raw and semi-finished goods to manufactured goods, raw materials like minerals and ores occupied the second place. Imports also went major changes. Food items which were the principal imports in early fifties, at present they constitute a small share (less than 5 percent) in total imports. The share of imports of capital goods has also been declining, revealing transformation of the economy. Foreign trade of the country has increased very much since 1950/51, especially after 197/71. An increase of 3260.18 percent took place in 1999 /2000 over 1950/51. The trade policy reforms initiated in 1991 helped both exports and imports. It has been followed by persistent balance of payments deficits, which is not a better sign. Traditional exports, such as, tea, jute, etc. have been falling and non-traditional exports like machinery, etc. have not increased to the desired level, owing to structured

and institutional bottlenecks. At present U.S.A. is the largest trading partner, followed by U.K. and Japan and OECD is the largest trading bloc followed by Asia excluding OPEC countries. Foreign trade of India contributes marginally to GDP, GNP and NNP ranging between 6 to 14 percent. To raise exports, the country necessitates an improvement in efficiency, productivity, products, competitiveness, marketing and research methods, etc.

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