INDIA’S FOREIGN TRADE

Introduction:

India from Agricultural Economy has shifted to a Service Economy, Foreign Trade has been the source of multiple growth for India since long time, this has just not pushed the Indian Economy towards greater per capita income but has also pushed towards manufacturing excellence, Indian Economy apart from the challenges from rising Imports has controlled over several other issues such as Engineering and Technology upgradation.

After witnessing an impressive growth during the year 2002-03, export growth continued to maintain momentum during the year 2003 04. According to provisional data available for April-March 2003-04, exports stood at Rs.283605 crores (US $ 61845 million) as against Rs. 255137 crores(US $ 52742 million) in the corresponding period of last year, recording a growth of 11.16% in Rupee terms and 17.26 % in Dollar terms. Imports also witnessed a robust growth of 19.01%, having increased to Rs. 346474 crores (US $ 75209 million) from Rs. 291133 crores (US $ 60189 million) during April to March, 2003-04. The trade deficit during April-March 2003-04 is estimated to have widened to Rs.62870 crores (US$ 13364 million) from Rs. 35996 crores ($ 7447million) during the corresponding period of the previous year.

(Source of Date/figure: Reserve Bank of India Bulletin and Web data from RBI)

Exports:

India’s merchandise exports reached a level of US $ 185.3 billion during 2008-09 registering a growth of 13.6 percent as compared to a growth of 29.1 percent during the previous year. Notwithstanding the deceleration of the growth in 2008-09, India’s export sector has exhibited remarkable resilience and dynamism in the recent years. Our merchandise exports recorded an Average Annual Growth Rate (AAGR) of 23.9 per cent during the five year period from 2004-05 to 2008-09, as compared to the preceding five years when the exports increased by a lower AAGR of 14.3 per cent. According to latest WTO data (2009), India’s share in the world merchandise exports increased from 0.8 per cent in 2004 to 1.1 per cent in 2008. India also improved its ranking in the leading exporters in world merchandise trade from 30th in 2004 to 27th in 2008.

Imports:

Exports recorded high growth during the first half of 2008-09 although a deceleration was witnessed during the subsequent months due to global economic slowdown. During 2008-09 (Apr-Sept) exports grew by 48.1 per cent with almost all the major commodity groups, except marine products, handicrafts recording significant growth. In the second half of the year 2008-09 (Oct-Mar), exports declined by (-) 14.7 per cent with almost all the major commodity groups, except Gems &Jewellery, RMG, Electronics goods, recording significant negative growth. Commodities like Engineering Goods, Other basic Chemicals, Man-made Yarn, Leather & Leather Manufactures, and Spices which recorded overall positive growth during the year, as a whole, also recorded negative growth during the second half. However,
despite the significant decline in the second half of the 2008-09, exports registered an overall growth of 13.6 per cent for the year.

**Definition of Foreign Trade:**

Foreign Trade cannot stay limited with Export and Import, Foreign Trade consist of numerous such outflows and inflows that are in semi commercial form or in non commercial form, Foreign Trade means the exchange of goods, services, commodities, expertise sharing, outsourcing (in any form, example: KPO, BPO etc.). We may define Foreign Trade as:

“All commercial and semi commercial exchange of one country with rest of the world that are giving an opportunity to pay or receive the financial values acceptable in the country with which rest of the world is trading is known as Foreign Trade”.

In simple words we may define Foreign Trade as a system with which one country is exploring the world’s markets for Trade and Commercial activities over and above the buying and selling visible products and commodities, and for such programme a country and its trading partner follows the regulation led by the independent trading countries and by the International forums for mutual developments such as WTO, SAARC etc.

**Challenges in India’s Foreign Trade Promotion:**

- Less percentage of world trade.
- More Oceanic trade.
- Dependence on the few ports.
- Increase in Volume and Value of trade.
- Change in the composition of Exports.
- Change in the Composition of Imports.
- Direction of Foreign trade.
- Mounting Deficit in Balance of Trade.
- Trends towards Globalisation.
- Changing Role of Public Sector.

**DIRECTION OF INDIA'S FOREIGN TRADE:**

The value of India's exports to and import from major regions/countries are given in Appendix V and Appendix VI respectively. During the first 9 months of the current fiscal, Asia and Oceania region comprising South Asian, East Asian, and Mid-eastern and Gulf countries accounted for nearly 45.72% of India's total exports. Share of West Europe and America in our exports stood at 23.7% and 21.9% respectively. In fact the share of Asia and
Oceania in India's exports during April-Dec 2003-04 has increased compared to the share last year, as also the shares of regions like Africa, EU and East Europe. On the contrary shares of North America, South America and Caribbean countries in India's total export showed a decline during this period.

As far as individual countries are concerned, USA, with a share of 18.75% of our exports, remained the most important export destination during April-Dec 2003-04, followed by United Arab Emirates (7.46%), Hong Kong (5.43%), UK (4.81%) and Germany (3.92%).

In the case of import also, share of Asia and Oceania in India's total import was highest at 33.65% during April-Dec 2003-04, followed by West Europe (23.82%) and America (9.03%). Coming to individual countries, the share of USA in our imports stood at 6.57% followed by Belgium (4.23%), UK (4.03%) and Germany (3.83%).

During April 2003 to December 2004, Asia Oceania recorded the highest growth in India’s export at 16.4% over the equivalent period of the preceding year pursued by West Europe (10.7%), Africa (8.8%), and East Europe (7.2%). The whole American area indexed pessimistic expansion of 4.5%.

During the first 9 months of 2003-2004, India's imports from Asia till Oceania region was valued Rs.86158 crores which was 37.68% higher over the imports in the same phase previous year. Significant imports were as well accounted for by regions like West Europe (Rs. 60978 crores), America (Rs.23112 crores) and Africa (Rs.11627 crores).

(Source of Date/figure: Reserve Bank of India Bulletin and Web data from RBI)

**INDIA’S EXPORTS OF PRINCIPAL COMMODITIES**

- Marine products
- Ores and Minerals
- Leather and Leather Manufactures
- Gems and Jewellery
- Chemicals and Allied Products
- Engineering Goods
- Electronic goods
- Textiles and handicrafts

**Marine products:**

The exports of Marine Products stood at Rs. 4785 crores during April to December, 2003-2004, recording a decline of 11.7% over Rs. 4785 crores during April-December, 2002-2003. The USA, EU and Japan continued to be the major destination of marine exports from India.

- Ores and Minerals:
Traditional export items like Iron Ore, Manganese Ore, Chrome Ore, Aluminium, Mica and Coal are integrated in this product cluster. Exports of Ores and Minerals were estimated at Rs.6644 crores during this period recording a decline of 7.2% over the same period of last year. While exports of Mica, Other Ores & Minerals and Coal recorded a growth of 77.4%, 6.7% and 9.6% respectively, Iron Ore and Processed Minerals dipped by 16.8% and 7.5% respectively.

- **Leather and Leather Manufactures:**

Exports of Leather and Leather Manufactures registered a fall of 2.2% from Rs.6808 crores during April to December, 2002-2003 to Rs. 6661 crores during April to December, 2003-2004. Exports of Leather Footwear increased by 0.7% during April to December, 2003-2004 as compared to the corresponding period of the previous year. Export of Leather and Leather goods also declined by 3.4% during the same period.

- **Gems and Jewellery:**

The export of Gems and Jewellery during April to December, 2003-2004 stood at Rs. 35975 crores as compared to Rs.31745 crores during the corresponding period of last year, showing a modest growth of 13.3%.

- **Chemicals and Allied Products:**

Exports of Chemicals and Allied Products registered a growth of 12.6% during April to December, 2003-2004 over the same period of the previous year in Rupee terms. Three among four sub-category under this classification viz. vital Chemicals, Pharmaceuticals & Cosmetics, Plastics & Linoleum, Rubber, Glass & Other Products have registered positive growth during April to December, 2003-2004 as compared to the corresponding period of previous year. However, Residual Chemicals and Allied Products showed a negative export growth of 8.0%.

- **Engineering Goods:**

Export of objects with in this cluster consist manufactures of Metals, Machinery and Instruments, Primary and Semi-finished Iron & Steel and Transport Equipment, showed a commendable growth as compared to most of the sectors. Exports of Engineering Goods amounted to Rs. 32980 crores during April to December, 2003-2004 as against Rs. 26356 crores during April to December, 2002-2003 showing an impressive growth of 25.1%.

- **Electronic goods:**

Exports of Electronic Goods during the first 9 months of the current year were estimated at Rs. 5641 crores as compared to Rs.4455 crores during April to December, 2002-2003, thus recording a growth of 26.6%.

- **Textiles and handicrafts:**

The total value of Indian textiles exports during April to December, 2003-2004 went down to Rs. 36752 crores from Rs.39097 crores during the corresponding period of previous year showing a decline of 6%. Jute Manufactures (17.2%), Natural Silk
Textiles (6.3%), Man-made Textiles, Made ups, etc., (16.5%) and Wool and Woollen Manufactures (6.0%) recorded a positive growth. Other sub-groups viz. Readymade Garments (7.3%), Cotton Yarn, Fabrics, Made ups, etc., (15.4%), and Coir & Coir Manufactures (8.9%) showed negative trends.

The main items of exports of Handicrafts are various types of works of art, such as Metal Art ware, Textiles (hand printed), Wood wares and Zari goods. Exports of Handicrafts decreased to Rs. 1367 crores within April to December, 2003-2004 from Rs.2504 crores during the corresponding period of the last year registering a fall of 51.3%. Export of Carpets decreased during April to December, 2003-2004 to Rs. 1870 crores which was Rs. 1933 crores from April to December, 2002-2003 registering a decline of 3.3%.

(Source of Date/figure: Reserve Bank of India Bulletin and Web data from RBI)

Import of sensitive items

Import of sensitive items for the period April-December 2003 has been Rs 13,541 crore as compared to Rs 10,329 crore from the corresponding duration of last year thus presenting a growth of 31%. The gross import of all commodities during same period of current year was Rs 2,55,397 crore as compared to Rs 2,14,262 crore during the same period of last year. Thus import of 300 sensitive items constitutes only 4.8% and 5.3% of the gross imports during last year and current year correspondingly. The prime item that has contributed considerably to the growth is Crude Palm Oil and its fractions.

Import of Spices and Tea & Coffee have shown a decline at broad group level during the period. Import of Edible Oil, Cotton & Silk, Automobiles, Fruits & Vegetables, Rubber, Milk & Milk Products, Alcoholic Beverages, SSI and other products have recorded increase within the period in reference.

In the Edible Oil sector, the import has increased from Rs 6,459 crores last year to Rs 8,954 crores for the corresponding period of this year. However, significant feature of Edible Oil import is that although import of Crude Oil have gone up by 30%, that of Refined Palm Oil & Palmolein have increased by 89% but percentage share of crude to the total edible oil remains as high as 80% indicating a better utilization of the processing capacity in the country. Imports of Soya Bean Crude Oil, Kernail / Babasu Crude Oil and Sunflower Crude Oil have also gone up marginally.

Imports of sensitive items from Indonesia, Malaysia, Argentina, USA, Egypt, Thailand, Mali, Greece, Guinea Bisu, Cote D'Ivoire, Benin & Korea RP etc. have gone up while those from Czech Republic, Sri Lanka, Switzerland & Australia etc. have shown some decrease.

(Source of Date/figure: Reserve Bank of India Bulletin and Web data from RBI)

INDIA'S IMPORTS OF PRINCIPAL COMMODITIES

- Petroleum Crude & Products
- Pearls, Precious and Semi-Precious Stones
• Capital Goods
• Chemicals and Chemical Materials

• Petroleum Crude & Products:
The import of Petroleum Crude & Products was valued at Rs. 67920 crores during April-December 2003-2004 as against Rs. 62059 crores from April to December, 2002-2003 recording a growth of 9.44%.

• Pearls, Precious and Semi-Precious Stones:
Import of Pearls and Precious and Semi-precious Stones increased by 5.55% to Rs. 23109 crores during April to December, 2003-2004 as compared to Rs. 21893 crores during the matching period of the preceding year.

• Capital Goods:
Import of Capital Goods, largely represented by machinery, including Transport Equipment as well as Project Goods recorded a notable increase during April to December, 2003-2004 over the same period of last year. Machine Tools segment saw a significant rise of 64.03% in imports. Import of Project Goods, however, decreased from Rs. 1807 crores in April to December, 2002-2003 to Rs. 1221 crores in April to December, 2003-2004 registering a fall of 32.43%. Other items that showed positive import growth were Transport Equipments (62.06%) Non-Electrical Machinery (24.17%) , Electric Machinery (19.34%), and Professional Instruments (1.56%).

• Chemicals and Chemical Materials:
Organic and Inorganic Chemical Materials and Medicinal and Pharmaceuticals Products constituted the major components of imports under this category. The imports of organic and inorganic chemicals increased to Rs. 13149 crores during April to December , 2003-2004 from Rs. 10794 crores during April to December, 2002-2003, registering a growth of 21.82%. Import of medicinal and pharmaceutical products marginally declined to Rs. 2073 crores during April to December, 2003-2004 from Rs.2087 crores during the matching period of previous year recording a fall of 0.67%.