

INDIAN FOREIGN TRADE PERFORMANCE: ISSUES AND CHALLENGES

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ABSTRACT

Foreign Trade is an engine for development of an economy. As the country need to import and export diverse products, foreign trade is extremely important to country. India exports vast number of products and also imports an equal amount of other products. During the period 1950 -1990, India's foreign trade suffered from strict administrative controls. Before 1991, the government had adopted conservative macro-economic policies. The major task of the government of India was to put restriction on imports in order to reduce the trade deficit and to give protection to domestic industries from foreign competitions. In July 1991, the Government of India introduced a series of economic reforms stated as New Economic Policy-1991. India opened the doors of its markets to the world wide. During post reform period new dynamism of India's exports performance has been created with various policies like Industrial policy, EXIM policy. These policies emphasize international competitiveness, efficiency, technological up gradation, inflow of foreign capital and liberal import policy ensuring more and easier access of imported inputs. In addition to the entire policy regime in India regard to liberalization of external sector has witnessed positive change in the post -reform periods. In recent years, the government's stand on trade and investment policy has shown a marked shift from protecting 'producers' to benefiting 'consumers'. India is now aggressively pushing for a more liberal global trade regime, mainly in service sectors. The study focuses on changing trends of export import in the recent years and to analyze the changes in the direction from and to India and also to examine the BOP situation of India.

Keywords: Trade, Export, Import

INTRODUCTION

Global integration is the key characteristic of world economy. Foreign trade is an engine of economic growth and substantial contribution to the nation's development by earning foreign exchange. International Trade is important for every economy in the world for meeting domestic needs and rest of the world. India contributes significantly in the world's affairs and trade. Foreign Trade is determinant of economic development of a country. Trade can be an effective instrument of economic growth, employment generation and poverty alleviation in an economy. The foreign trade of a country consists of inward and outward movement of goods and services, in turn result into outflow and inflow of foreign exchange from one country to another country. Before independence British rulers followed typical colonial trade that is export of raw materials to British country and imported the manufactured goods, due to this practice the local-made handicrafts were adversely affected. India opted for the mixed economy system with major objectives of rapid economic growth, self-reliance and social justice after independence. India depends on imports to develop and maintain the productivity in the country. Higher imports led to negative impact on the Balance of Payment (BoP) and economy.

There has been significant improvement in macroeconomic stability which is result of economic reforms introduced in 1990s in the context of globalization. India has also managed foreign trade and balance of payment due to introduction of external sector reforms in 1990s. However, foreign trade was committed to fast economic development as it makes an increasingly significant contribution to economic growth and substantially to the economic welfare of the people of the country. The process of globalization has lead to expansion of the volume of

international trade. In 1991, the government introduced some changes in Policy on trade, foreign investment, tariffs and taxes under the name of "New Economic Reforms". The main focus of these reforms has been on liberalization, openness and export promotion activity. India's foreign Trade has export significantly changed in the post - reforms period. The idea behind the new economic model known as liberalization, privatization, and globalization in India (LPG), was to make the Indian economy one of the fastest-growing economies in the world. India's export significantly changed in the post – reforms period.

The main purpose of this paper is to review the nature of trade transformation in recent years ; to analyse the changes in the export import; to understand the changes in the direction of trade from and to India and also to analyse the Balance of Payment of India . The paper is descriptive and analytical and the analysis is based on secondary data. The time series data analysis on the data 1960-1961 to 2020-2021 was carried out to understand the trend.

OBJECTIVES

The main aim of this paper is to review the changes in the Indian international trade. The specific objectives are;

1. To review the changing trends of export import in the recent years.
2. To analyse the changes in the direction from and to India.
3. To examine the BOP situation of India.

RESEARCH METHODOLOGY

The paper is descriptive and analytical and the analysis is based on secondary data. The paper focuses on the changes in the export import trend in the recent years and also to understand the changes in direction of India's foreign trade. The time series data analysis on the data 1960-1961 to 2020-2021 was carried out to understand the trend.

REVIEW OF LITERATURE

Various research works on Indian trade trends have been reviewed. Many of the recent research studies focus impact of covid-19 on Indian foreign trade, and the historical studies on Indian trade focuses on policy changes and their impact on trade.

Rajesh Pillania, (2008) has analyzed a progress of Indian foreign trade over the last sixty years since independence. The study revealed that during pre liberalization the trade has stagnated and there was negative impact on India's market share. The study also described that there was improvement in export in terms of goods and services in post liberalization era.

Pragyan Parimita Nayak, Rashmita Khatei and Lipuna Khatei, (2019) has observed the Trends of India's foreign Trade in Pre and Post Reform Era. The study reveals that though the export and import has increased in post reform period compared to pre reform period but it is opined that the growth rate of imports is higher in comparison to the growth rate of exports. It is also found that in order to reduce trade deficit the volume of imports should be reduced by effective imports substitution policy, sustained competitiveness of exports oriented industries, and free flow of exports from India to developed countries. The study also describes the importance by can help to boost export in future.

Dr. M. A. Lokhande, (2004) has analyzed the opportunities and challenges in globalized trade regime. The study viewed that agriculture and industrial sectors have shown improvement in their performance and may help India to achieve the target of one per cent share in global trade in future years.

Jayant (2015) have studied the foreign trade of India during two decades from the period 1991 to 2010. The study observed that foreign trade has shown remarkable growth. In the last decade of study period i.e. 2001-2010, Indian foreign trade was very high in absolute terms as compared to the performance of previous decade. The study shows that foreign trade of India has increased after LPG reforms. It also found that policymaker has to introduce effective policies and take initiatives to turn positive direction of balance of trade.

TRENDS IN INDIA'S FOREIGN TRADE

India was exporting more agricultural products; even in that major share was of Spices. After globalisation composition of its export and imports and even the direction of trade changed over the years. The changing trend of Indian export is exhibited in table-1.

Table- 1: Table representing trend and growth rate of exports (Rs. in crore)

Years	Value	Growth (%)
1960-1961	642	0.3
1970-1971	153525	8.6
1980-1981	671071	4.6
1990-1991	3255763	17.7
2000-2001	203571	27.6
2010-2011	1142922	35.1
2020-2021	2154339	37.00

Source: Economic survey, 2011-2012

Note:

1. In the year 2020-2021, the data is based on Preliminary Data December 2021, Ministry of Commerce and Industry Department of Commerce

During the year 1960-1961, India's export amounted to Rs. 642 crore with the growth rate of 0.3 percent. In the year 1970-1971 export amounted to Rs.153525 crore showing an increase of 8.6 percent over the previous year export level. The declaration in export growth witnessed in 1990-1991 is 17.7 percent with Rs. 3255763 crore when compared to 1980-1981 is 4.6 percent with Rs.671071 crore. The improvement in export growth of 27.6 percent in 2000-2001 was mainly due to a large improvement in rupee term is Rs.203571 crore. The increase in growth of export in rupee term in 2010-2011 is Rs.1142922 crore with increase in growth rate of 35.1 percent. Total export for the year 2020-2021 stood at an overall level of Rs. 2154339 crore. This represents an increase of 37.0 percent over the previous year.

Even the composition of import to India has changed since the New Economic Policy-1991. Changing trend and growth rate of Import to India is given in table- 2.

Table- 2: Table representing trend and growth rate of import (Rs. in crore)

Years	Value	Growth (%)
1960-1961	1122	16.8
1970-1971	163420	3.3
1980-1981	1254915	37.3
1990-1991	4319286	22.3
2000-2001	230837	7.3
2010-2011	1683467	23.4
2020-2021	2909937	38.06

Source: Economic Survey, 2011-2012 & Various Years

Note:

1. In the year 2020-2021, the data based on Preliminary Data December 2021, Ministry of Commerce and Industry Department of Commerce

During the year 1960-1961, India's export amounted to Rs.1122 crore with the growth rate of 16.8 percent. In the year 1970-1971 export amounted to Rs.163420 crore showing an increase of 3.3 percent over the previous year export level. The declaration in export growth witnessed in 1990-1991 is 22.3 percent with Rs.4319286 crore when compared to 1980-1981 is 37.3 percent with Rs.1254915 crore. The improvement in export growth of 7.3 percent in 2000-2001 was mainly due to a large improvement in rupee term is Rs.230837crore. The increase in growth of export in rupee term in 2010-2011 is Rs.1683467 crore with increase in growth rate of 23.4 percent. Total export for the year 2020-2021 stood at an overall level of Rs. 2909937 crore. This represents an increase of 38.06 percent over the previous year.

CHANGES IN INDIA'S DIRECTION OF FOREIGN TRADE

The geographical pattern of India's foreign trade remained broadly changing during the years. By and large, the industrial market economies served both as markets for India's exports as well as sources of imports. India's trading partners are classified into five broad categories:(a) Organization for Economic Co-operation and Development (OECD); (b) Organization of Petroleum Exporting Countries (OPEC); (c) Eastern Europe; and (d) Developing Countries(E) Others/unspecified.

Table- 3: Changes in direction of Indian trade – Export (Rs in crore)

Group / country	1980-81		1990-91		2000-01		2010-11	
	Value	Percent share	Value	Percent share	Value	Percent share	Value	Percent share
I. O E C D countries	28.72	42.80	18389.30	56.48	107237.82	52.68	3797.67	33.23
A. EU	13.76	20.50	8950.75	27.49	47560.94	23.36	2097.08	18.35
B. North America	8.06	12.01	5077.06	15.60	45508.93	22.36	1213.52	10.62
C. Asia and Oceania	6.90	10.28	3400.51	10.44	10341.25	5.08	318.54	2.79
D. Other O E C D countries			960.98	2.95	3826.70	1.88	168.53	1.47
II. O P E C	5.90	8.79	1830.91	5.62	22156.90	10.88	2437.69	21.33
III. Eastern Europe			5819.22	17.87	6020.42	2.96	128.19	1.12
IV. Developing countries			5559.99	17.08	59447.13	20.20	4375.82	38.29
A. Asia			4683.06	14.39	45857.64	22.53	3192.54	27.93
a) S A A R C			957.07	2.94	8810.44	4.33	530.19	4.64
b) Other Asian developing countries	1.92	2.86	3725.99	11.44	37047.20	18.20	2662.35	23.30
B. Africa			706.17	2.17	8937.83	4.40	723.55	6.33
C. Latin American countries			170.76	0.52	4651.66	2.29	459.73	4.02
V. Others / Unspecified	12.26	18.27	958.21	2.94	8708.74	4.28	689.84	6.04
Total Export	67.11		32557.63		203571.01		11429.22	

Source: Reserve Bank of India, Report on Currency and Finance, 1982-83 and Reserve bank of India, Handbook of Statistics on the Indian Economy, 2001-2002

Note:

1. In the year 1980-81, USSR countries are included in others/ unspecified
2. Exports of Petroleum Products are taken into account in total exports, but are not included in country-wise details.

During the year 1980-1981, the OECD countries continued to be the India's largest trading partner accounting for 48.82 percent of total export followed by other or unspecified countries for 18.27 percent, OPEC countries 8.79 percent. Among OECD countries USA rank first followed by Japan, UK, Germany, Netherlands, Italy, France, Belgium, Switzerland, Australia and Canada. Among OPEC countries Saudi Arabia contributes highest with 2.46 percent of total trade. The direction of India's export across the major country groups almost changed from 1980-1981 to 1990-1991. However, the percent share of OECD 56.48 percent, the OPEC 5.62 percent, eastern European countries 17.87 percent, developing countries 17.08 percent, while that of the others and unspecified countries as a group declined to 2.94 percent. The trade with the Asia and Oceania Countries rose sharply by Rs. 3400.51 crore in 1990-91, similarly, the trade with Japan also increased to Rs.3038.98 crore during the same period. OPEC group of countries share of India's foreign Trade is 5.62 percent. The trade with the Developing countries of Asia (including SAARC) increased despite a rise in trade surplus with SAARC countries by Rs.957.07 crore during the year.

Direction of exports in 2000-01 show significant increases in India's exports to destinations like OECD, OPEC and developing countries in Asia, Africa and Latin America. Exports in value is 52.68 percent to OECD, 10.88 percent to OPEC, East European countries in India's total exports decreased marginally to and 20.20 percent to developing countries in 2000-01. Exports to Latin America & Caribbean region 2.29 percent, to African region by 4.40 percent and to Asian region by 22.53 percent. Exports to Eastern Europe, however, recorded a decline to 2.96 percent (due mainly to a downturn in exports to Russia) in 2000-01 of total trade. In terms of region-wise share in total exports while the shares of OECD and Eastern Europe declined in 2000-01, those of OPEC and other developing countries increased during this period. In the year 2010-2011 The directional pattern of India's export declined from 2000-2001 to 2010-2011. Among the trading partners OECD countries percentage share of total trade is 33.23 percent followed by Developing countries by 38.29 percent, OPEC 21.33 percent and Eastern Europe 1.12 percent. US rank first among OECD countries by 10.08 percent of total trade. During 2010-11 exports to Asia (including ASEAN) increased by 27.93 percent and to Europe by 1.12 percent. India's merchandise exports to South Asian countries increased by 4.64 percent.

Table-4: Changes of direction of Indian trade – Import (Rs. in crore)

Group / country	1980-81		1990-91		2000-01		2010-11	
	Value	Percent share	Value	Percent share	Value	Percent share	Value	Percent share
I. O E C D countries	53.49	42.63	24712.59	57.21	92090.29	39.89	5155.73	30.63
A. EU countries	24.58	19.59	12680.41	29.36	48015.40	20.80	2027.79	12.04
B. North America	18.51	14.75	5803.93	13.44	15587.87	6.75	1006.02	59.44
C. Asia and Oceania	9.19	7.32	4825.71	11.17	13633.51	5.90	913.51	5.43
D. Other O E C D countries			1402.54	3.25	14853.51	6.43	1208.42	7.18
II. O P E C	33.20	26.46	7040.73	16.30	12283.62	5.32	5652.85	33.58
III. Eastern Europe	-	-	3377.15	7.82	3884.22	1.68	260.46	1.55
IV. Developing countries			8057.12	18.65	50966.35	22.08	5564.36	33.05
A. Asia			6050.15	14.00	38646.67	16.74	4561.03	27.09
a) S A A R C			235.81	0.55	2127.95	0.92	98.88	0.59
b) Other Asian developing countries			5814.35	13.46	36518.72	15.82	4462.15	26.51
B. Africa			1027.62	2.38	9118.99	3.95	601.79	3.58
C. Latin American countries			979.35	2.27	3200.69	1.39	401.54	2.39
V. Others/ Unspecified	10.14	8.08	5.26	0.01	71648.28	31.03	201.27	1.20
Total Imports	125.49		43192.86		230872.76		16834.67	

Source: Reserve Bank of India, Report on Currency and Finance, 1982-83 and Reserve bank of India, Handbook of Statistics on the Indian Economy, 2001-2002

Note:

1. In the year 1980-81, USSR countries are included in others/ unspecified

During the year 1980-1981, the OECD countries continued to be the India's largest trading partner accounting for 42.63 percent of total Import followed by OEPC countries for 26.46 percent, Others or Unspecified countries 8.79

percent. Among OECD countries percent share of USA is 12.10 percent followed by Japan 5.97 percent, UK 5.83 percent, Germany 5.53 percent, Canada 2.65 percent, Belgium 2.36 percent, France 2.23 percent, Italy 1.93 percent, Australia 1.35 percent, Switzerland 0.96 percent and Netherland 0.01 percent. Among OPEC countries Iran contributes highest with 10.67 percent of total trade. The direction of India's Import across the major country groups almost changed from 1980-1981 to 1990-1991. However, the percent share of OECD 57.21 percent, the OPEC 16.30 percent, Eastern European countries 7.82 percent, developing countries 18.65 percent, while that of the others and unspecified countries as a group declined to 0.01 percent. The trade with the Asia and Oceania Countries raised sharply by Rs. 4825.71 crore in 1990-91, similarly, the trade with Japan also increased to Rs.3244.55 crore during the same period. OPEC group of countries share of India's foreign Trade is 16.30 percent. The trade with the developing countries of Asia (including SAARC) increased despite a rise in trade surplus with SAARC countries by Rs.6050.15 crore during the year.

Direction of Imports in 2000-01 show significant increases in the destinations like OECD, OPEC and developing countries in Asia, Africa and Latin America. Imports in value is 39.89 percent to OECD, 5.32 percent to OPEC, East European countries in India's total imports decreased marginally to 1.68 percent and 22.08 percent to developing countries in 2000-01. Imports to Latin American countries are 1.39 percent, African region by 3.95 percent and to Asian region by 16.74 percent. Imports to Eastern Europe, however, recorded a decline to 1.68 percent in 2000-01 of total trade. In the year 2010-2011 the directional pattern in terms of region-wise share of total imports of OECD and Eastern Europe declined in 2000-01, those of OPEC and other developing countries increased during this period. Among the trading partners OECD countries percentage share of total trade is 30.63 percent followed by developing countries by 33.05 percent, OPEC countries 21.33 percent and Eastern Europe 1.55 percent Switzerland rank first among OECD countries by 6.70 percent of total trade. During 2010-11 imports to Asia (including ASEAN) increased by 27.09 percent and to EU by 12.04 percent. India's merchandise imports to South Asian countries increased by 0.59 percent.

BALANCE OF PAYMENTS TREND

The Balance of Payments represents the transactions of an economy and plays important role in determining the position of an economy. Balance of Payment is a summary of a country's foreign exchange inflows and outflows that occurred during a year. It is a record of the business activities between countries and is prepared by its central bank. India's balance of payment worsened in the early 1990's but now the situation is under control. India has a good foreign exchange reserves mainly due to capital inflows from foreign financial institutions or the stock exchange. The changing trend of Indian Balance of payment is exhibited in table-5.

TABLE 5: Table representing trend of Balance of Payment (Rs in crore)

Years	Current account	Capital account	Balance of payment
1960-1961	-392	344	-48
1970-1971	-594	580	-14
1980-1981	-2804	1665	-1140
1990-1991	-9680	7188	-2492
2000-2001	-2666	8535	5868
2010-2011	-45945	58996	13050
2020-2021	182070	467611	649681

Source: Economic survey, 2021-2022 and Reserve bank of India, Handbook of Statistics on the Indian Economy, 2003-2004

In the year 1960-1961, balance of payment showed a deficit of Rs. 48 crore due to increase in deficit in current account. However, there was again deficit on balance of payments account in the year 1970-1971 and 1980-1981. But in 1990-1991 balance of payments deficit was maximum by 2492 crore and then showed surplus of Rs.5868 crore in 2000-2001. This decrease in deficit in balance of payments was mainly because of decrease in current account deficit and increase in capital account surplus. Surplus on balance of payments account increased from Rs.13050 crore in 2010-2011 to Rs.649681 crore in 2020-2021.

IMPACT OF COVID-19 ON INDIAN TRADE

COVID-19 Pandemic has brought a drastic change in the global economic scenario. The changes of the various policy measures like locking and unlocking of the economies, Deglobalization -forcing countries to shut down their borders, restrictions on the movements of goods and humans across borders, changing fiscal and monetary policies, and various other strategic decisions made by the government. India has been moving under recession since last February by the drastic contraction of GDP by 23.9 percent in the first quarter of 2020-21, contraction of the economy by 7.5 percent in the second quarter. There was fall in GST collection by imposing lock-down and a consequent fall in production and business activities. In the month of April, 2020 India's manufacturing and industrial production estimated low by 64.3 percent and 55.5 percent. Manufacturing Purchasing Managers' Index (PMI) reached peak of 55.30 points in the month of January 2020, but COVID-19 hit the country the manufacturing PMI started declining and record low of 27.40 points in the month of April, 2020 (Trading Economics, 2020). According to the IMF (2020), India will be the large economy worst hit by COVID-19 pandemic and projected that Indian GDP growth will shrink by 4.5 percent. World Bank (2020) warns drop of Indian GDP by 2.5 percent this year. This is due to reduction or shutdown of the production and sale of non-essential goods & services that led to disruption in supply chain and decline in demand which negative impact on foreign trade.

CONCLUSION

Foreign trade is plays a crucial role in India's economy. During the 1939 In India the control on India's exports and imports was observed. Thereafter the control on foreign trade was by introducing Import & Export (control) Act, 1947. In the year 1991 India introduces foreign trade policy reveals the purpose of policymakers to promote exports and to liberalize imports. So foreign trade of India has increased with remarkable growth after LPG, but policymakers of our nation must introduce effective policies and take initiatives so that balance of payment can turn into positive direction. This study revealed that country's foreign trade increased during the post-liberalization period than pre-liberalization period. The growth rate of imports was more than the growth rate of exports. An unexpected economic shock that is COVID-19 effected mainly at the domestic or international level affects the stability of India's exports growth easy. Annual export growth, shifting export basket from conventional to non conventional products and the most important diversifying from developed trading partners to developing trading partners can be considered noteworthy. Still there is a need to adopt strong policy measures and strategies.

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