

An Analysis of Direction of Foreign Trade of India

- **With Special Reference to Exports**

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Abstract

Foreign trade plays very important role in the economic development of any country. Pakistan also exports a lot of agricultural product to other countries and imports the capital goods from other countries. Therefore, it is not wrong to say that economic development of a country depends of foreign trade.India is one of the most important players in the global economic landscape.Direction of trade means a study of the countries to whom the exports are made and from whom the imports are made.

Keywords : Foreign Trade, Economic Development, Export.

Introduction

International trade refers to the trade or exchange of goods and services between two or more countries.No country can be completely self sufficient, and trade between countries is therefore essential to ensure a supply of a country's needs. Moreover, it enables the people to enjoy those goods and services which they cannot produce themselves or which they can produce at a relatively high cost.India was the eighth largest exporter of commercial services in the world in 2016, accounting for 3.4% of global trade in services. India recorded a 5.7% growth in services trade in 2016–17.India exports approximately 7500 commodities to about 190 countries, and imports around 6000 commodities from 140 countries. India exported US\$318.2 billion and imported \$462.9 billion worth of commodities in 2014.

The Government of India's Economic Survey 2017–18 noted that five states Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana accounted for 70% of India's total exports. It was the first time that the survey included international export data for states. The survey found a high correlation between a state's Gross State Domestic Product (GSDP) per capita and its share of total exports. With a high GSDP per capita but low export share, Kerala was the only major outlier because the state's GSDP per capita was heavily influenced by remittances.

The survey also found that the largest firms in India contributed to a smaller percentage of exports when compared to countries like Brazil, Germany, Mexico, and the United States. The top 1% of India's companies accounted for 38% of total exports. The provisional data for March exports, released by the Ministry of Commerce at the end of April, reveals a grim situation. As per the data, India's exports during March 2020 accounted for a little over \$21.4 billion, despite a promising performance in just the previous month. This fall of approximately 35% year-on-year, as compared to March 2019 (\$32.72 billion), is touching a multi-year low, and the figures are bound to fall further. A key thing to note is that exports have fallen across almost all of the commodity groups. Some commodities have registered a decline by over 30-40%, particularly engineering goods, textiles, meat, cereals, plastics and chemicals, which have been the major growth drivers of exports in recent years. As an immediate aftermath of the spread of the COVID-19 pandemic to multiple countries, global demand has fallen significantly and many orders have been cancelled. Further, the disruption of supply chains due to the ongoing lockdown has aggravated the poor performance of Indian exports -- and the situation is likely to worsen in the coming months, before recovery starts. India's electrical machinery and equipment has 40 per cent dependence on imports from China. However this number has reduced from 59.5 per cent in FY18 to 40 per cent in FY19. Although India has increased production of low-end electronic components. Import dependency on China is its major limitation. The automobile sector, which accounts for 7.5 per cent of India's GDP and a massive 49 per cent of the manufacturing GDP, is already facing slowdown. The coronavirus lockdown has made the situation worse for the auto sector as 10 to 30 per cent of automotive components are supplied from China. If factories do not resume activity in China, it could adversely affect the sector. Petroleum products, Mineral fuels

including oil, Gems, precious metals, Machinery including computers, Organic, Electrical machinery, equipment, chemicals, iron, steel, and Pharmaceuticals products.

Objectives

1. To know the role of foreign trade in economics development.
2. To analyse the recent export direction in the foreign trade of India.

Methodology of Study

The paper has developed by secondary information. The information collected through research journal, newspapers, reference books and internet sources. The study is descriptive in nature.

The Role of Foreign Trade in Economic Development

International trade promote economic development. Foreign trade plays very important role in the economic development by enhancing market and people's choice. It helps to earn the Foreign Exchange. Foreign trade provides earnings to Government to maintain external trade and economic stability. The demand factor plays very important role in increasing the production of any country. The foreign trade expands the market and encourages the producers. Foreign trade encourages the investor to increase the investment to produce more goods. So the rate of investment increases.

Foreign trade increases the scale of production and national income of the country. With the rise in the demand of goods domestic resources are fully utilized and it increases the rate of development in the country and reduces the unemployment in the world. Foreign trade helps to bring stability in price level. All those goods which are short and prices are increasing can be imported and those goods which are surplus can be exported. India is also facing the food shortage problem. To remove the food shortage India has imported the wheat many times. So due to foreign trade we are solving this problem for many years. The inflow of capital goods and technology in the less developed countries has increased the rate of economic development, and this is due to foreign trade.

An analysis

During the planning era, several important changes have taken place in the destination of exports of India. At present, we deal with about 180 countries including many developed countries. Our major exports are directed towards the following countries:

OECD countries (Belgium, France Germany, U.K. North America, Canada, USA, Australia and Japan). Our exports which constituted percent of the total exports in 1990-91 increased to 55.7 percent in 1999-2000. OPEC countries (Iran, Iraq, Kuwait, Saudi Arabia etc.). Our exports which constituted 5.6 percent of the total exports in 1990-91 increased to 10.0 percent in 1999-2000. Eastern Europe (GDR, Romania, Russia etc.). Our exports which constituted 17.9 percent in 1990-91 decreased to 3.1 percent in 1999-2000. Other LDC's (Africa, Asia, Latin America). Our exports constitute 16.8 per cent in 1990-91, increased to 28.2 percent in 1999-2000. To sum up, during the last five decades, significant changes have been observed in the volume, composition and direction of India's trade. Most of these changes have been in consonance with the development needs of the economy.

Export Trading Partners of India

The value of India export was around US\$ 356.96 billion in April-November 2019. The largest destination for India's export was the USA. It accounts for 15.88% of Indian export.

Largest Export Partners of India

Country	Import value (2018-19) US\$ Billion	Percentage Share(2018-19)
USA	52.43	15.88
United Arab Emirates	30.13	9.13
China PRP	16.75	5.07
Hong Kong	13.00	3.94
Singapore	11.57	3.51

United Kingdom	9.33	2.83
Bangladesh PR	9.21	2.79
Germany	8.90	2.70
Netherland	8.81	2.67
Nepal	7.76	2.3

The above table depicts that the USA is the biggest destination for Indian export followed by the United Arab Emirates. Now let us have a look at the top 10 biggest import sources of India in 2018-19.

The bilateral trade between India and the USA was USD 87.95 billion in 2018-19. India has a trade surplus of USD 16.85 billion with America in the same period. This trade surplus has come down to \$15.17 billion in January 2020. The United States was the largest export destination for Indian exports in fiscal year 2020, accounting for nearly 17 percent. United Arab Emirates followed at over nine percent of India's exports that same year. On the other hand, a large portion of India's exports came from China in this time period.

Conclusion

Foreign trade has worked as an 'engine of growth' in the past. Recently the 'outward-oriented growth strategy' and 'Make in India' adopted by the Newly Industrializing Economies of Asia, has enabled many countries to overcome the constraints of small resource-poor under-developed economies. Make in India is a major national programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector.

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